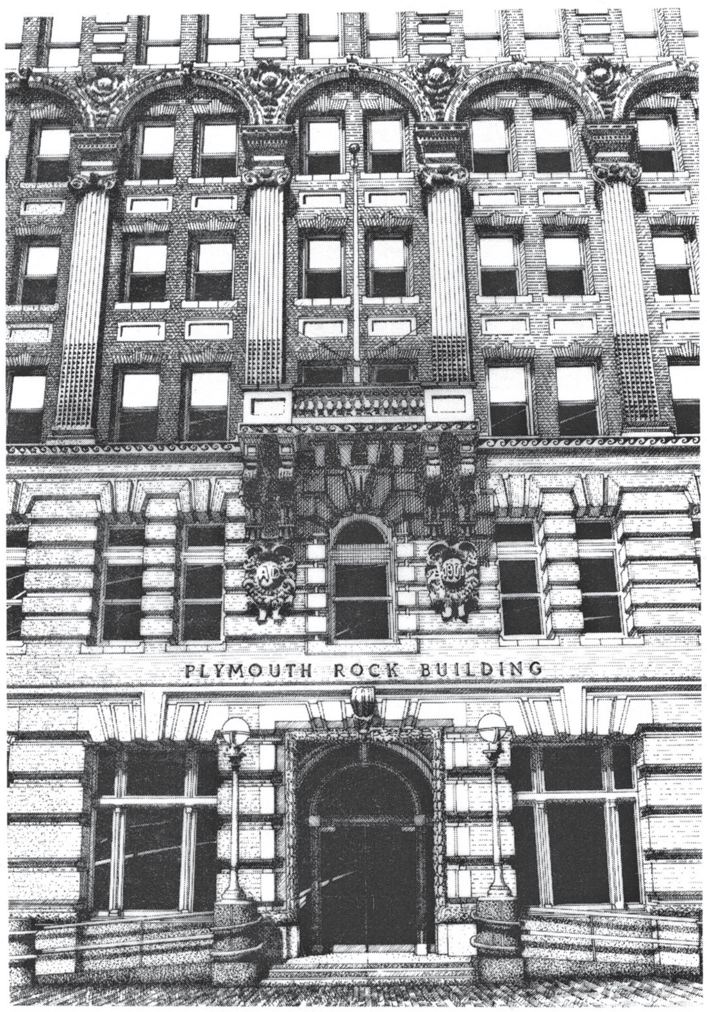
The Plymouth Rock Company



2023 Annual Report

The Plymouth Rock Company

695 Atlantic Avenue
Boston, Massachusetts 02111

Chairman's Letter

February 8, 2024

To Our Shareholders:

Imagine a hypothetical insurer. This fictional company has a $3 billion investment portfolio. Its mix of stocks and bonds can be expected to return something approaching 6%, so it should have pre-tax investment revenue of about $175 million in that year. Its gross premiums written are $2 billion, and net premiums earned are $1.7 billion. If that same company has a combined ratio of 110% and a fraction, spending a little more than $1.10 on claims and expenses for every premium dollar it collects, it will lose something like $175 million on underwriting. So the company needs to have a better combined ratio than that to make its first dollar of profit, and much better to be doing tolerably well. Our very real company's roughly $3 billion portfolio and $2 billion in gross premiums (with $1.7 billion of net premium) happen to look rather like those of the imaginary insurer. But this past year Plymouth Rock enjoyed an investment return more than twice the hypothetical 6%, and we made almost $400 million pre-tax on our investments. Our combined ratio in 2023 was 106%, so our loss on the underwriting side, which some might describe as a cost of the investment funds, was around $100 million. This simple exercise suggests that our bottom-line income before taxes should round to $300 million. And, in fact, although the financial statements present the results in a different order, our pre-tax income on a comprehensive basis was very close to that.

The market giveth and the market taketh away. In shining contrast to the dismal year prior, 2023 was a bountiful year for both stocks and bonds. The investment gains were especially welcome at present given that we are still shouldering burdens on the underwriting side of our business. Not only was underwriting performance in 2023 saddled with an externally adverse environment that hampered the entire insurance industry, but our operating results were simultaneously weighed down by two handicaps of our own making. Our shareholder-owned company lost about $30 million pre-tax on underwriting. After taxes, that loss combined with our investment gains to leave the stockholders almost $200 million in comprehensive income. Consolidated comprehensive income of $253 million, uniting these results with those of the reciprocal entities we manage, was among the best results in our history. While the total return is nothing to complain about, Andy and I would have strongly preferred to see underwriting earn a profit, setting our cost of investment funds below zero. Underwriting losses are common in our industry, but losses at this year's level are neither necessary nor acceptable to us. Our ideal would be dependable black ink on the underwriting side in about the same magnitude as we showed in losses this past year. Having said that, we cannot deny that we take comfort to be with a company where a $253 million profit marks a disappointing year.

The industrywide headwinds referred to above originate mainly from inflation. The inflationary vectors most relevant to us are in costs of car and home repairs. For a variety of reasons, the rate of inflation in those two cost elements remained high even as overall national inflation cooled a bit. Inflation always hits insurers hard because regulated rate increases tend to lag rising claims costs. We fully understand why governors and insurance commissioners are loath to worsen the financial burdens of worried voters, but it would be nice if the pain of inflationary periods didn't fall so disproportionately on us. The silver lining is that insurance prices cannot be suppressed indefinitely and will eventually catch up. There can even be a temporary lift if they catch up after the inflation subsides. I hope that doesn't prove to be just wishful thinking in this cycle.

The self-inflicted handicap we face consists of two separate holes we dug for ourselves and now need to climb out of. The deeper hole was created when we entered new states to build our home insurance business rapidly, setting prices that were too low and employing underwriting standards that were too lax. As a result, we are stuck now with a greater need for rate increases than other companies as well as a number of properties we don't want to cover. It is easier to attract unprofitable homes in our states, unfortunately, than to shed them. New York statutes, for example, limit non-renewal of homes to 4% of a company's policies in any one year, and, even within that constraint, policies can only be non-renewed on one of every three anniversaries of the initial policy inception. Some of the other states aren't much easier. On top of inflation's costs, pricing and non-renewal restrictions have turned our error into a nagging and persistent source of losses.

The other hole impedes our Direct Group's progress. I deserve a share of the responsibility for the thought error involved. I had argued for several years that business we took from aggregators and volume referred to us by other carriers could render us a profit that would help finance the growth of our direct-to-the-consumer book. That proved to be a Pollyannish prediction. The policies from these sources, which we call Partner business, have produced losses year after year. Andy and I are well aware that it will take climbing out of both the Home insurance hole and the Direct Group's Partner hole, as well as rate increases that catch up with inflation, to give us the healthy underwriting profits we aspire to see. At least we all know what needs to be done. We are counting on making healthy progress on all fronts in this coming year, but we must content ourselves right now with half a loaf.

Our consolidated comprehensive income was spread unevenly within our enterprise once again this past year. Both of the trenches to climb out of are more serious obstacles for our managed reciprocal, where Direct Auto and Home Insurance play dominant roles, than for our stock company, which writes mainly Independent Agent auto insurance. Consequently, equity for our shareholders rose by 22% while the reciprocal's equity gain was only 9%. Enterprise book value is now a healthy $1.6 billion. The 39-year compounded annual rate of return on shareholder book value, adjusted for dividends, is 18%. The scale of the entire Plymouth Rock enterprise, as measured by direct underwritten and managed premiums, grew nearly 15% in 2023, and just last month it passed $2 billion.

Mary Boyd's Independent Agency Group is our largest and most stable business segment. It anchors our enterprise. Her team took volume up 23% and topped the $1 billion mark this past year, a milestone we celebrated accordingly. While the group's combined ratio of 102% failed to bring us underwriting profits, the headwinds of inflation and regulatory reluctance hurt many of our peers a good deal worse. While Andy and I would ideally like to see a combined ratio for Mary's group in the mid-90's, that probably won't be in the cards for us until inflation is tamed. If the Independent Agency Group breaks 100% in the year just beginning, we will consider it a fine accomplishment. The growth rate in Mary's segment is the highest of our three groups and the combined ratio is the lowest. The Independent Agency Group is able to achieve this in part because it has assembled a truly talented and cohesive team of officers and directors that applies meticulous scrutiny to every detail of our business. It is a constant pleasure to observe how well they work together.

Looking at the independent agent business by state, we should look first to Massachusetts, our original state and still our largest. We have over $475 million worth of independent agent auto premium there, producing a combined ratio this last year of 101%. Inflation represents the sole impediment in the Bay State to the results we want. Neighboring New Hampshire, our smallest state by volume, is a stand-out, with a point of underwriting gain. Although New Jersey, our second largest state, has been more reluctant than other states to grant homeowners rate increases, we have done reasonably well in private passenger auto. We write $290 million worth of independent agent automobile volume in the Garden State, with a 2023 combined ratio of 100%. Connecticut, where we have just over $45 million in volume, produced a 104% combined ratio. Our most concerning jurisdictions by far are our newly entered states, New York and Pennsylvania. In the Keystone State, where we have only recently built effective communication with regulators, Mary's annual volume of $30 million there produced a combined ratio of 114%. New York, with more than three times that volume and an unsightly combined ratio of 119%, has provided us a worse case of heartburn. Fortunately, it appears that rate increases are finally in the pipeline. Repairing New York's numbers is Mary's top priority as the new year begins. The mending is especially important because we still see New York as the jurisdiction with the greatest growth potential for our company. Commercial automobile insurance enjoyed an especially strong year, as did Pilgrim, our reliable third-party administrator for residual market business.

You are quite familiar by now with the pricing and risk selection woes of our Home Group, so let me concentrate here on the path Bill Martin and his team are taking to climb out of the crevice. The depth of the hole is obvious from the group's 2023 combined ratio, which was a fraction over 116%. We don't come close to earning back that loss from investments. While it is true that two points of that ratio arose from an unwanted Christmas gift, when a December windstorm hit the northeast for the second year in succession, this is hardly a consolation. Storms are an intrinsic part of our business, and we take no comfort in knowing that we might otherwise have seen a 113% combined ratio. Ideally, home insurance, characterized by greater uncertainty and catastrophe risk than the auto insurance business, should have the better combined ratio of the two. Needless to say, we are far from the target.

To deal with the situation, Bill's cadre has divided our book of business into three buckets. First, there are those policies that simply don't meet our current risk appetite. The Home Group expects to shed as many of these policies over time as regulation permits. Then, there are policies that meet our standards, but are simply underpriced. We will endeavor to keep these policies, but we will seek to raise their rates as dictated by indicated needs. Finally there are the policies on which we are currently making money. These policyholders have to be protected from price increases they don't deserve to suffer. While state restrictions on non-renewal slow down the culling process and rate increase approvals in some states come more slowly than we might like, the most stubborn obstacle to success arises not from regulation but from natural market forces. The policyholders we might wish to cull are, as a rule, unwelcome at other companies and certainly not at our underpriced premium levels, so many policyholders understandably choose to stay with us. Their profitable counterparts at the other end of the spectrum, conversely, find ready embrace elsewhere and, if they shop, some will find even more favorable rates than ours. Left alone, these conditions would cause the results to worsen over time rather than improve, and the 2023 combined ratio of 116% is accordingly higher than in the prior year. It will require a steep and intense uphill climb to adjust that book.

Lest it sound as though all is lost, I should offer a reminder that these are fixable problems. The Home Group has initiated an ambitious program to shed policies in the riskier bucket, all within regulatory confines, by exercising our right to cancel or non-renew policyholders who fail to observe the law or where the property has undergone a material deterioration in condition. The Home team is also separating out by tier or legal entity, wherever possible, our best policyholders from the others and protecting them from increases. This allows the Home Group to raise rates for the middle-bucket policyholders more quickly than before the buckets were identified and separated. And we have built a constructive relationship with the insurance regulators, particularly in Pennsylvania where our initial mistakes were most costly. Similar priority is now being given to New York. Bill believes he can reduce his group's combined ratio by eight points in this new year. Although the climb would still remain arduous, that would represent real progress. The situation today is the result of an unfortunately perfect storm. The original pricing errors could have been corrected far more quickly absent reinsurance cost increases and the inflation that stressed or exhausted regulatory willingness to permit rate increases. When inflation abates, the future will look much brighter. We must not forget, moreover, that the Home Group's volume has grown from $75 million to more than $360 million in the last eight years, so the promise of rewards is substantial when we get out of the ditch. No one at 695 Atlantic doubts that we will build a large and profitable homeowners business.

The climb out of the hole that encumbers the Direct Group's performance is more straightforward to address. Jeff Briglia's domain has three parts. As a result of our Prudential purchase in 2003, Jeff maintains a well-seasoned Legacy book of about 71,000 New Jersey policies. Their number is never enhanced by new sales, so the policy and premium counts shrink every year by attrition. Eventually this business will all be gone as the ranks of the policyholders are thinned by age and relocation, but policyholder loyalty to us has remained strong and, as a result, Jeff's group still has $140 million in profitable Legacy volume. Jeff also has a growing direct-to-the-consumer business, which we refer to as our Core Direct book. An enterprise-wide team effort, skillfully executed, resulted in the purchase of the renewals from General Electric's in-house insurer, Electric Insurance. The increment will help boost the Core Direct segment of our business as it passes the $100 million mark in premiums. We have never underestimated the challenge involved in creating a profitable Core Direct business, but we think the ordeal worthwhile. A Core Direct business can be sustainably in the black only when the profits from renewed business are substantial enough to pay for marketing to new customers. We aren't there yet, but the metrics now point to eventual success. The troublesome element of Jeff's business is the business derived from aggregator and company intermediaries. We call that our Partner business.

The Legacy book requires little by way of strategic thinking. All we can do is keep the customers as happy as possible and hope that they all have long healthy lives. The Core Direct business is the opposite with respect to strategy. That business can be best understood by focusing on three controlling parameters: the average cost of acquiring a new customer, the loss ratio and general expense ratio, and the number of years that a customer remains with us. To oversimplify just a little, a customer who costs a quarter to acquire and produces a dime of profit every year will be a substantial blessing only if he or she remains with us for four years or more. If that customer costs us fifty cents to acquire, earning a profit over the life of the policy is probably unrealistic. If the customer produces only a couple of pennies of profit annually (or worse, produces a loss), it is impossible to make money from the sale. The Direct Group team has lowered the cost of acquisition impressively in recent years. Doing even better in this regard now depends on scale economies in advertising and branding. Incoming business quality has improved markedly, and it is looking more attractive through a combined ratio lens as well. We are increasingly looking to telematics, in-car and telephonic devices that monitor driver behavior, to keep the loss ratios working for us. Basing rates on individual driver responsibility should not only help the quality of the business, it should be popular with regulators. No other classification system can match it in fairness. New business policy life expectancy, the measure of duration, is up almost 50% in the last two years. If all three indices just continue on their current paths of improvement, we can expect Core Direct volume to become a signature contributor to Plymouth Rock's enterprise value.

The third of Jeff's domains, our Partner business, is not showing similar promise as we now handle it. Both aggregator referrals and insurer referrals have performed more like purchased Internet leads than like the pre-qualified customers we had hoped to acquire. We have lost serious money in this channel. Jeff reduced the volume of aggregator business severely in the last year and he has now turned his focus to the business we are taking by referral from other insurance companies. This volume too will have to be scrutinized with enhanced discipline. Since Legacy volume is always shrinking by attrition and Partner business was intentionally cut back during 2023, we experienced only 5.4% overall growth in the Direct Group as a whole. The Core Direct business will grow in 2024, but perhaps insufficiently to overcome the drag in growth of volume from the other two channels. Our hope is that, as recompense for any potential diminution of expansion, Jeff's overall combined ratio, which was 106% this past year, will close much of the gap we need to traverse for underwriting breakeven.

Investment results this past year were sensational. Plymouth Rock's equity portfolio rose in value by 20%. In 2022, the stock and bond market's nasty slides cost us about $345 million. We made all of that back and then a bit in 2023. Given that 2021 was an even richer year in percentage terms than 2023, if we look at the last three years taken together, we can observe with reasonable satisfaction that our equities were up by 34% over the period. It was a bumpy ride, but not a bad one. The temporarily disfavored stocks we hunt for are, by their nature, long-term picks, so we don't get overly concerned by lags in any single year's performance. This year's market, though, was so bullish that this was not even an issue. Most of our stocks appreciated nicely. Intel and General Electric nearly doubled in value, while Microsoft again provided our largest dollar gain. Ericsson recovered fully from a precipitous midyear dip. Our only serious loser this year was CVS, which declined by 13% but which we are still persuaded to hold. Our performance this year lagged the Standard & Poor's 500 Index by a couple of points, but that is hardly a cause for worry. We have continued, over our investment history, to outperform the index. Plymouth Rock's from-inception annual return is 13%; the S&P 500 equivalent number is 10%.

The investment headline event of the past year was an adjustment in Plymouth Rock's equity portfolio strategy. In the past, we have always limited our common stock holdings, other than strategic insurance investments, to about nine stocks. This contrasts with the multitudes of stocks most large insurance companies hold. Last year made us reassess that limit just a tad. Mindful of our underwriting losses in the Home Group and Direct Group, we decided to hew more closely to the market as a whole by doubling the number of individual stocks and thus trimming the risks inherent in purposeful non-diversification. It is still very much our goal to beat the market with a carefully selected and concentrated portfolio, but we are more conscious now of how unexpected down periods can impact our ratings. So we decided to reduce the likelihood of suffering a double-trouble year in which the market tanks and our own stock picks do even worse. Our revised portfolio is designed to maintain opportunities to outperform the market but with a closer sectoral match to the economy and the market as a whole. Put another way, our future outperformance will rely more on spotting individual winners and less on predicting the best sectors to overweight. You can expect to see our ongoing common stock performance track the S&P more closely than before.

We will remain on the lookout for stocks that the market is erroneously undervaluing. We are most inclined to buy when we can identify a source of potential in a stock that the market fails to appreciate, and we are disinclined to liquidate a position unless analysis calls for abandonment of our original investment hypothesis. Carrying out our strategy now has been made easier by the formal addition of Dan Rasmussen to our investment team. Dan, a hedge fund manager whose market newsletter we have long admired for its philosophical depth and who has advised us informally in the past, has recently been elected chair of our investment committee. Jim Bailey, Rick Childs and I are glad to have him as a part-time member of our circle.

We increased the fixed income share of our portfolio modestly this year in response to rising yields. With our weighting toward stocks still at 58% of the total, we are confident that our investments will still convey an advantage over industry peers with portfolios weighted toward bonds, but the gap won't be as great now as it was when interest rates were minimal. I can deemphasize this year my usual complaint about having to hold bonds at all. While stocks should always be superior in the long run, it makes a huge difference that our bonds now yield more than 5% annually rather than the 1% they offered just two years ago. Our $1.2 billion mix of BB-rated and BBB-rated bonds should pay us about $40 million more in 2024 than it would have just a few years ago. Relaxation of the Federal Reserve's suppression of interest rates in favor of market pricing was sensible monetary policy, and it is good for Plymouth Rock as well. Our longstanding practice of buying only short-duration bonds, meanwhile, has paid off nicely. We were able to turn over our portfolio more rapidly than competitors who have concentrated on longer-term bonds, and thus we are already enjoying the enhanced yields. Thanks in part to those short durations, Plymouth Rock's bond return in 2023 was a handsome 6.3%.

We were neither buyers nor sellers of real estate this past year, and the dependable cash flow from our three largely owner-occupied buildings isolated us from the consequences faced by some debt-laden, cash-strapped owners when forced to sell into a depressed market. I am fairly confident that the commercial real estate downturn in prosperous cities will prove to be temporary. Our carefully chosen locations, moreover, place our properties squarely within the market segment that will first recover tenant demand. In any case, our three buildings don't have a dollar of bank debt and we never intend to sell. At today's prices, I might even be a buyer … if we needed more space for our people. Our private equity investments in Lindsay Goldberg Funds IV and V are looking better each year. Other private equity firms, those who depend too much on auction purchases, excessive leverage, and quick turnover of their investments, may well see diminished returns as the decade continues, but Lindsay Goldberg is better positioned than most. Building on the strength of the returns from Funds IV and V, Lindsay Goldberg's incipient Fund VI has just had a first closing. We will participate once again.

When close friends greet me with the standard "How are you?" these days, I tend to give them a fuller answer than they perhaps sought. I'll say something like this: "Within the personal bubble - family, health, and business, I'm feeling fine about things… outside the bubble, not fine at all." In truth, I have never lived through a less encouraging period in U.S. politics or world affairs. This is not to imply that it's never been worse. Well before my time, when my father finished law school in 1932, the situation was far grimmer. Adolf Hitler led his Nazi Party to first place that year in the German election. Imperial Japan offered a preview of its full-scale war in China with the bombing of Shanghai in January, and its military effectively ended civilian rule in May with the assassination of Prime Minister Tsuyoshi. Mussolini, already entrenched in Rome, published "The Doctrine of Fascism" in 1932. And even the word "depression" may fail to convey the depths of the economic distress here in the United States. The stock market that summer was down 89% from its peak. Unemployment in the country climbed that year to 23%. Many Americans believed that our once-prosperous democracy had lost its way forever, and attraction to both the extreme right and the extreme left was on the rise. Pessimists envisioned a future gloomier still, and the night indeed grew even darker than the naysayers were imagining. Our democracy survived, but only after the world endured a devastating global war and witnessed the unforgettable nightmare of the Holocaust.

Although today's circumstances aren't nearly that bad, we experienced on January 6 of 2021 an unprecedented threat to our historically remarkable experiment in representative democracy. In the carefully chosen words of Senate Republican Leader Mitch McConnell: "This failed insurrection only underscores how crucial the task before us is to our republic." If my prognostications for 2024 hold true, a period of gridlock may be among the less worrisome outcomes we could face then in Washington. As I write these words, two brutal wars are raging beyond our borders. Though I pray I am wrong and that progress has been made before you read these words, I fear both will grow more brutal before calm can prevail. And heaven help us if the parties involved allow conflict over the Western Pacific to turn into a third confrontation. For our nation's part, we must accept that we no longer occupy the solitary global throne we inherited as the least devastated country after World War II. China now has an economy arguably equal to, or larger than, our own, and other countries cannot be denied a role in international affairs now either. In none of the three tense or warring zones can I envision a decisive win for the ally we are now supporting or any productive road to peace without an openness to concessions discomforting to some actors. Repeating last year's letter, all of this notwithstanding, there is shelter for Plymouth Rock at the firm level. The impressive strength of the U.S. economy is rather ironically protected from the morasses I fear, and our own business is insulated from both national politics and world affairs. I will continue to worry every day about the endangered state of U.S. political comity and about potentially existential threats to the world, but not for Plymouth Rock's sake. For now at least, our company is within the bubble.

Plymouth Rock, as a private company, has always aimed its sights on the future, and over a longer horizon than most public companies. Our investment decisions, based on ten-year forward estimates of fundamental value, are only one example. Our hiring is another. We hire carefully and expect our folks to stay longer than most insurers seem to count on. We have just constructed for our team a large, and already popular, state-of-the-art gym at 695 Atlantic to help secure long tenures. We are actively hiring for more long-term keepers, and our pool of potential hires has recently expanded due to layoffs at struggling InsurTechs and a number of our competitors. We lead most other carriers in technology, and we are working hard to expand that lead. We are ever-mindful of the durable benefits of our excellent service reputation. And, although this year's letter focused principally on underwriting challenges, we also tend to our expenses. In the long run, a favorable expense ratio is an indispensable element of the underwriting results we seek. This past year, all three of our operating groups achieved reductions in expense ratios. The Plymouth Rock enterprise as a whole is about three points more efficient than it was just two years ago. Expense ratio management is difficult, but it can convey a particularly durable advantage. If we can only now climb out of our two underwriting holes…

James M. Stone

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Report of Independent Auditors

To the Board of Directors of The Plymouth Rock Company

Opinion

We have audited the accompanying consolidated financial statements of The Plymouth Rock Company and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US 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 consolidated financial statements.

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In performing an audit in accordance with US GAAS, we:

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

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Chairman's Letter, but does not include the consolidated financial statements and our auditors' reports thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

PricewaterhouseCoopers LLP

New York, New York
March 12, 2024

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED BALANCE SHEETS

December 31, 2023 and 2022
(dollars in thousands)

Assets	2023	2022
The Plymouth Rock Company and Subsidiaries		
Cash and cash equivalents	$ 13,468	$ 22,585
Investment securities	1,510,288	1,262,873
Accrued investment income	4,769	3,708
Premiums receivable	251,225	197,091
Ceded unearned premium reserves	40,349	29,506
Deferred acquisition costs	72,006	58,885
Amounts receivable from reinsurers and pools	97,237	96,563
Amounts due from service clients	11,750	4,282
Prepaid expenses, agent loans, and deposits	13,888	15,632
Real estate	175,903	172,527
Fixed assets	53,840	53,539
Income tax recoverable	11,394	3,219
Goodwill and intangible assets	4,136	4,212
Other assets	6,255	4,504
Subtotal	2,266,508	1,929,126
Palisades Reciprocal Group		
Cash and cash equivalents	5,417	11,289
Investment securities	1,629,010	1,512,321
Accrued investment income	9,519	7,164
Premiums receivable	198,213	170,201
Ceded unearned premium reserves	5,781	5,217
Deferred acquisition costs	41,858	38,410
Amounts receivable from reinsurers and pools	29,485	26,945
Income tax recoverable	5,893	22,411
Goodwill and intangible assets	10,291	10,983
Other assets	5,996	5,216
Subtotal	1,941,463	1,810,157
Total assets	$4,207,971	$3,739,283

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED BALANCE SHEETS

December 31, 2023 and 2022
(dollars in thousands)

Liabilities	2023	2022
The Plymouth Rock Company and Subsidiaries		
Claim and claim adjustment expense reserves	$ 479,137	$ 469,335
Unearned premium reserves	497,833	400,616
Advance premiums	12,497	10,979
Commissions payable and accrued liabilities	163,237	143,171
Amounts payable to reinsurers	22,450	14,003
Unearned service fees	10,256	5,131
Deferred income taxes	68,747	32,032
Real estate liabilities	7,172	9,348
Other liabilities	2,968	2,522
Subtotal	1,264,297	1,087,137
Palisades Reciprocal Group		
Claim and claim adjustment expense reserves	807,334	782,814
Unearned premium reserves	435,292	393,515
Advance premiums	10,518	10,301
Commissions payable and accrued liabilities	62,973	61,650
Amounts payable to reinsurers	1,296	1,786
Deferred income taxes	43,288	37,811
Other liabilities	1,897	5,028
Subtotal	1,362,598	1,292,905
Total liabilities	2,626,895	2,380,042
Equity		
The Plymouth Rock Company and Subsidiaries		
Common stock and paid-in capital	680	12
Retained earnings	937,155	781,268
Net unrealized gain/(loss) on investments	(2,974)	(13,793)
The Plymouth Rock Company stockholders' equity	934,861	767,487
Palisades Reciprocal Group		
Retained earnings	653,361	622,010
Net unrealized gain/(loss) on investments	(7,146)	(30,256)
Palisades Reciprocal Group equity	646,215	591,754
Total liabilities and equity	$4,207,971	$3,739,283

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2023 and 2022
(dollars in thousands)

	2023		
Revenues	PRC and Subsidiaries	Palisades Reciprocal Group	Fully Consolidated
Premiums earned in underwriting activities	$ 770,227	$ 933,947	$1,704,174
Fees earned from service activities	245,505	2,406	247,911
Investment income and capital gains	27,802	157,620	185,422
Subtotal	1,043,534	1,093,973	2,137,507
Less: Intra-group transactions			237,030
Total revenues before unrealized gains on equity securities			1,900,477
Expenses			
Claims and claim adjustment expenses	592,095	759,360	1,351,455
Policy acquisition, underwriting, and general expenses	209,822	285,444	495,266
Service activity expenses	199,761	1,875	201,636
Subtotal	1,001,678	1,046,679	2,048,357
Less: Intra-group transactions			237,030
Total expenses			1,811,327
Income before taxes and unrealized gains on equity securities	41,856	47,294	89,150
Income taxes	5,638	8,919	14,557
Net income before unrealized gains on equity securities	36,218	38,375	74,593
Change in unrealized gain/(loss) on equity securities, net of tax	151,195	(7,024)	144,171
Net income	187,413	31,351	218,764
Other comprehensive income, net of tax:			
Unrealized gain on investments during year	10,819	23,110	33,929
Comprehensive income	$ 198,232	$ 54,461	$ 252,693

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2023 and 2022
(dollars in thousands, except per share data)

	2022		
Revenues	PRC and Subsidiaries	Palisades Reciprocal Group	Fully Consolidated
Premiums earned in underwriting activities	$ 667,555	$ 898,231	$1,565,786
Fees earned from service activities	237,622	2,207	239,829
Investment income and capital gains	53,466	13,193	66,659
Subtotal	958,643	913,631	1,872,274
Less: Intra-group transactions			227,471
Total revenues before unrealized gains on equity securities			1,644,803
Expenses			
Claims and claim adjustment expenses	492,368	725,938	1,218,306
Policy acquisition, underwriting, and general expenses	195,242	281,152	476,394
Service activity expenses	190,364	1,999	192,363
Subtotal	877,974	1,009,089	1,887,063
Less: Intra-group transactions			227,471
Total expenses			1,659,592
Income before taxes and unrealized gains on equity securities	80,669	(95,458)	(14,789)
Income taxes	18,126	(21,209)	(3,083)
Net income before unrealized gains on equity securities	62,543	(74,249)	(11,706)
Change in unrealized gains on equity securities, net of tax	(161,920)	(118,244)	(280,164)
Net income	(99,377)	(192,493)	(291,870)
Other comprehensive income, net of tax:			
Unrealized gain/(loss) on investments during year	(11,200)	(23,976)	(35,176)
Comprehensive income	$ (110,577)	$ (216,469)	$ (327,046)

The Plymouth Rock Company and Subsidiaries - Per share data

	2023	2022
Weighted average common shares outstanding	124,041	124,137
Net income before unrealized gains on equity securities per share	$ 291.99	$ 503.82
Net income per share	$1,510.90	$ (800.54)
Comprehensive income per share	$1,598.13	$ (890.76)
Common shares outstanding at end of year	124,041	124,041
Common stockholders' equity per share	$7,536.71	$6,187.38

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2023 and 2022
(dollars in thousands)

Cash flows from operating activities	2023	2022
The Plymouth Rock Company and Subsidiaries		
Gross premiums collected	$ 908,114	$ 765,734
Reinsurance premiums paid	(98,294)	(86,736)
Finance charges collected	6,731	6,327
Fees and commissions collected	250,302	235,786
Investment income and capital gains received	24,561	49,343
Gross claims and claim expenses paid	(633,874)	(504,012)
Reinsured claims and claim expenses collected	51,789	38,137
Policy acquisition, underwriting, and general expenses paid	(217,025)	(205,501)
Income taxes paid	(20,712)	(40,226)
Service activity expenses paid	(169,353)	(163,191)
Net cash provided by operating activities	102,239	95,661
Palisades Reciprocal Group		
Gross premiums collected	1,004,916	953,095
Reinsurance premiums paid	(56,597)	(47,261)
Finance charges collected	2,388	2,008
Fees and commissions collected	2,394	2,139
Investment income and capital gains received	163,299	20,454
Gross claims and claim expenses paid	(751,162)	(703,443)
Reinsured claims and claim expenses collected	14,231	13,203
Policy acquisition, underwriting, and general expenses paid	(297,498)	(289,148)
Income taxes recovered and paid	8,757	8,959
Service activity expenses paid	(1,875)	(1,999)
Net cash provided by operating activities	88,853	(41,993)
Total net cash provided by operating activities	$ 191,092	$ 53,668

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2023 and 2022
(dollars in thousands)

Cash flows from financing activities	2023	2022
The Plymouth Rock Company and Subsidiaries		
Intergroup secured loans	$ (1,601)	$ (1,529)
Repurchase of common stock	-0-	(3,004)
Tax impacts of stock based compensation	-0-	(2,645)
Dividends to stockholders	(31,526)	(40,770)
Net cash used in financing activities	(33,127)	(47,948)
Palisades Reciprocal Group		
Intergroup secured loans	1,601	1,529
Net cash used in financing activities	1,601	1,529
Net cash provided by:		
The Plymouth Rock Company and Subsidiaries	$ 69,112	$ 47,713
Palisades Reciprocal Group	$ 90,454	$ (40,464)
Total	$ 159,566	$ 7,249
Investment of net cash provided		
The Plymouth Rock Company and Subsidiaries		
Change in cash and cash equivalents	$ (9,117)	$ (1,812)
Net investment activity	41,752	19,752
Net real estate activity	10,267	6,223
Purchase of fixed assets	26,210	23,550
Net cash provided by investing activities	$ 69,112	$ 47,713
Palisades Reciprocal Group		
Change in cash and cash equivalents	$ (5,872)	$ 699
Net investment activity	96,326	(41,189)
Purchase of intangible assets	-0-	26
Net cash provided by investing activities	$ 90,454	$ (40,464)
Total net cash invested	$ 159,566	$ 7,249

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2023 and 2022
(dollars in thousands)

The Plymouth Rock Company and Subsidiaries	Common Stock and Paid-in Capital	Retained Earnings	Net Unrealized Gain/(Loss) on Investments	Total Stockholders' Equity
December 31, 2021	$ 3,817	$ 924,576	$ (2,593)	$ 925,800
Comprehensive income	-0-	(99,377)	(11,200)	(110,577)
Stock-based compensation	(3,805)	(157)	-0-	(3,962)
Dividends to stockholders	-0-	(40,770)	-0-	(40,770)
Repurchase of common stock	-0-	(3,004)	-0-	(3,004)
December 31, 2022	$ 12	$ 781,268	$ (13,793)	$ 767,487
Comprehensive income	-0-	187,413	10,819	198,232
Stock-based compensation	668	-0-	-0-	668
Dividends to stockholders	-0-	(31,526)	-0-	(31,526)
December 31, 2023	$ 680	$ 937,155	$ (2,974)	$ 934,861

Palisades Reciprocal Group	Common Stock and Paid-in Capital	Retained Earnings	Net Unrealized Gain/(Loss) on Investments	Total Equity
December 31, 2021	$ -0-	$ 814,503	$ (6,280)	$ 808,223
Comprehensive income	-0-	(192,493)	(23,976)	(216,469)
December 31, 2022	$ -0-	$ 622,010	$ (30,256)	$ 591,754
Comprehensive income	-0-	31,351	23,110	54,461
December 31, 2023	$ -0-	$ 653,361	$ (7,146)	$ 646,215

Fully Consolidated Equity	Common Stock and Paid-in Capital	Retained Earnings	Net Unrealized Gain/(Loss) on Investments	Total Equity
December 31, 2021	$ 3,817	$1,739,079	$ (8,873)	$1,734,023
December 31, 2022	12	1,403,278	(44,049)	1,359,241
December 31, 2023	680	1,590,516	(10,120)	1,581,076

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

THE PLYMOUTH ROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations

The Plymouth Rock Company is a privately held company that was founded in 1982 and has been headquartered in Boston, Massachusetts since its inception. Its primary business is the ownership and management of property and casualty insurance companies, specializing in coverage for personal automobiles and homes. The Plymouth Rock Company, through a number of subsidiaries, operates and manages insurance companies in Massachusetts, New York, New Hampshire, Connecticut, New Jersey and Pennsylvania, and provides various insurance and investment management services for insurance entities in those states and elsewhere in the United States. The Plymouth Rock Company and its wholly owned subsidiaries are generally referred to in these financial statements as "The Plymouth Rock Company and Subsidiaries."

Among The Plymouth Rock Company's largest businesses is the management of a reciprocal insurance group, which is conducted through a subsidiary. The members of that reciprocal group of companies, which are referred to in these financial statements as the "Palisades Reciprocal Group," are not owned by The Plymouth Rock Company. They are operated in accordance with New Jersey statutes and regulations applicable to reciprocal and stock insurers. The Palisades Reciprocal Group includes Palisades Safety and Insurance Association, a New Jersey reciprocal insurance exchange, and several subsidiaries, all of which are domiciled in New Jersey and which operate in New Jersey, New York, Pennsylvania and Connecticut. A management company, which is included in The Plymouth Rock Company and Subsidiaries in these financial statements, provides executive management, accounting, marketing, underwriting, and claim adjustment services in exchange for management fees to ten insurers listed below and to three smaller subsidiaries, all of which are included in the Palisades Reciprocal Group. This subsidiary of The Plymouth Rock Company, Plymouth Rock Management Company of New Jersey, provides services to Palisades Safety and Insurance Association, Palisades Insurance Company, Palisades Property and Casualty Insurance Company, High Point Preferred Insurance Company, High Point Safety and Insurance Company, High Point Property and Casualty Insurance Company, Twin Lights Insurance Company, Teachers Auto Insurance Company of New Jersey, AtHome Insurance Company and Rider Insurance Company. The Plymouth Rock Company also has subsidiaries that provide various insurance and investment management services to the Palisades Reciprocal Group in exchange for negotiated fees.

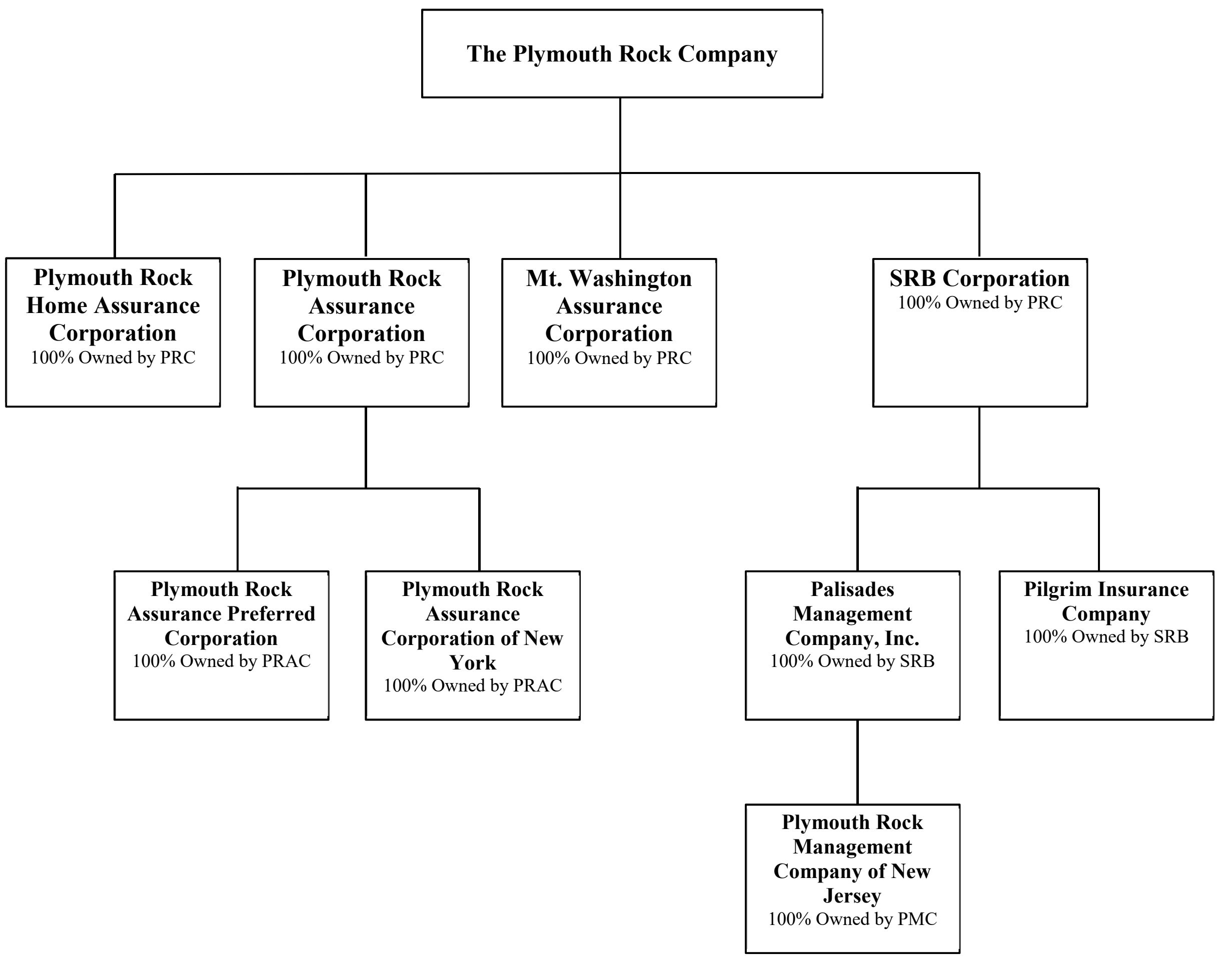
1. Nature of Operations, continued

The Plymouth Rock Company's financial statements consolidate the results of the members of the Palisades Reciprocal Group. Accounting Standards Update No. 2015-02 modified the framework for assessing whether a "variable interest entity" in a service relationship should be consolidated for financial reporting purposes by eliminating certain criteria in assessing whether a service arrangement is considered a variable interest and ultimately whether consolidation is required under Accounting Standards Codification Topic 810. The Plymouth Rock Company and Subsidiaries have provided capital to the Palisades Reciprocal Group in the form of surplus notes and preferred stock of $18.6 million at both December 31, 2023 and 2022. This accounts for 2.9 percent and 3.1 percent, of the equity of the Palisades Reciprocal Group at December 31, 2023 and 2022, respectively. As these surplus notes and preferred stock features are not typical of an ordinary service arrangement, it is appropriate for The Plymouth Rock Company and Subsidiaries to consolidate the results of the members of the Palisades Reciprocal Group. The Plymouth Rock Company and Subsidiaries do not bear direct risk or earn direct rewards on the basis of the performance of the Palisades Reciprocal Group. The results are presented in a consolidated manner despite fundamental legal and regulatory distinctions between The Plymouth Rock Company and Subsidiaries on the one hand and the Palisades Reciprocal Group on the other. For ease of reference, The Plymouth Rock Company and Subsidiaries and the Palisades Reciprocal Group are referred to in the Chairman's letter together as "Plymouth Rock."

The Independent Agency Group, the Direct Group, and the Home Insurance Group are not legal entities. These names are used for convenience internally, in the Chairman's letter, and in marketing and certain other communications to refer to groupings by line and distribution channel of the property and casualty insurance sold or serviced in multiple states through legally separate underwriting and managed insurance companies. The use of the word "group" does not imply any legal association, intercompany contract, guaranty or pooling arrangement. Each underwriting and managed insurance company is a separate legal entity that is financially responsible only for its own insurance products and actual coverage is subject to the language of the policies as issued by each separate company.

2. Organization of The Plymouth Rock Company and Subsidiaries

The corporate and ownership structure of The Plymouth Rock Company and principal subsidiaries is shown in the following chart:

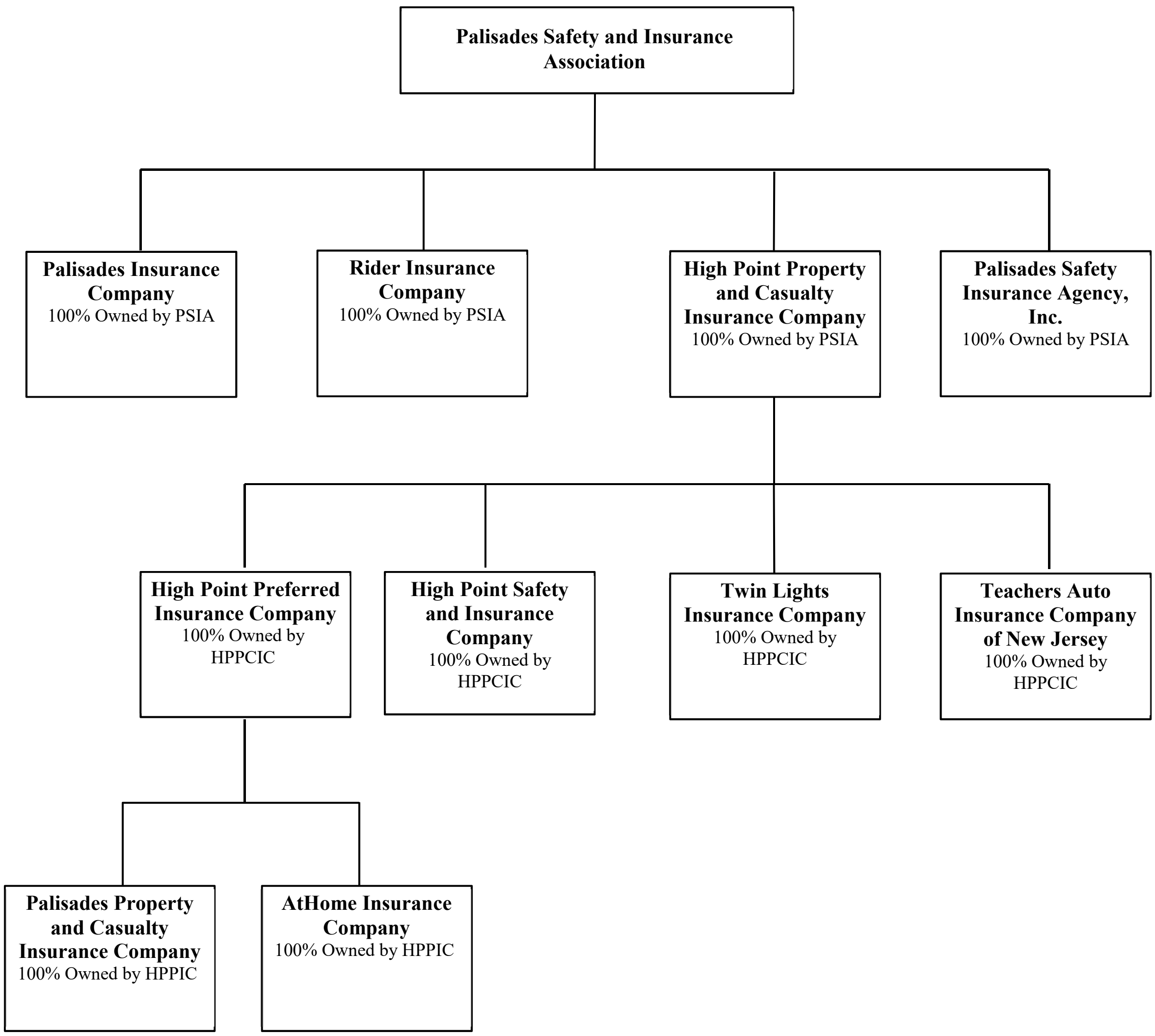


2. Organization of The Plymouth Rock Company and Subsidiaries, continued

Other subsidiaries include 711 Atlantic Avenue Company, LLC and 695 Atlantic Avenue Company, L.L.C., which own real estate; Bunker Hill Insurance Casualty Company, Bunker Hill Property Insurance Company, Bunker Hill Preferred Insurance Company, and Bunker Hill Insurance Company, which are wholly owned subsidiaries of Plymouth Rock Home Assurance Corporation; Shared Technology Services Group LLC, which is a wholly owned subsidiary of Plymouth Rock Assurance Corporation; Encharter Insurance, LLC (Massachusetts) and Encharter Insurance, LLC (Connecticut), which are wholly owned subsidiaries of SRB Corporation; High Point Brokerage Company, Inc. and 581 Main Street LLC, which owns real estate, both wholly owned subsidiaries of Palisades Management Company, Inc.; and Pilgrim Risk Management LLC, which is a wholly owned subsidiary of Pilgrim Insurance Company.

3. Organization of the Palisades Reciprocal Group

The corporate and ownership structure of the Palisades Reciprocal Group is shown in the following chart:



4. Summary of Significant Accounting Policies

A. Principles of Consolidation

The consolidated financial statements include the accounts of The Plymouth Rock Company and Subsidiaries as well as those of the Palisades Reciprocal Group. Significant accounts and transactions among companies within each of the two groups, as well as those between the groups, have been eliminated upon consolidation. The assets of The Plymouth Rock Company and Subsidiaries have been reduced by amounts due for services provided to the Palisades Reciprocal Group and by the value of certain surplus notes and preferred stock investments in the Palisades Reciprocal Group. The liabilities of The Plymouth Rock Company and Subsidiaries have been reduced by the amount of service fee revenue from the Palisades Reciprocal Group that has not yet been earned as of the balance sheet date. Each of the reductions to the balance sheets of The Plymouth Rock Company and Subsidiaries requires a corresponding reduction on the Palisades Reciprocal Group balance sheets. Therefore, while total assets equal the sum of total liabilities and equity, this equation will not hold within the separate groups presented in the balance sheets.

B. Stock-Based Compensation

Expenses for stock-based employee compensation plans are recorded at their fair value on the basis of an annual independent appraisal. The term "fair value" used here and throughout the notes to the consolidated financial statements means the value at which a transaction would be expected to occur between a willing buyer and seller.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These judgments affect the amounts of assets, liabilities, revenues and expenses reported in the consolidated financial statements and the disclosure of contingent assets and liabilities in the footnotes. Actual results could differ from those estimates.

4. Summary of Significant Accounting Policies, continued

D. Cash and Investments

Cash and cash equivalents include money market funds and short-term money market instruments with maturity dates no longer than 90 days from the date of acquisition. For both The Plymouth Rock Company and Subsidiaries and the Palisades Reciprocal Group, these securities are included in "Investment securities" in the balance sheets. The Plymouth Rock Company and Subsidiaries had a balance of outstanding checks within accrued liabilities of $27.4 million and $23.0 million at December 31, 2023 and 2022, respectively. Liabilities for outstanding checks for the Palisades Reciprocal Group were $30.3 million and $33.5 million at December 31, 2023 and 2022, respectively.

Marketable fixed income and equity securities are carried at their market values. The calculation of gain or loss on the sale of marketable securities is based on specific identification at the time of sale. Changes in the fair value of marketable equity securities available for sale, after deduction of applicable deferred income taxes, are credited or charged directly to net income and affect equity through retained earnings. Changes in the fair value of marketable fixed income securities are credited or charged directly to equity through net unrealized capital gain or loss.

Foreign equity securities are subject to fluctuations in foreign exchange rates. Changes in foreign exchange rates are recorded directly to stockholders' equity through net unrealized capital gain or loss. The Plymouth Rock Company and Subsidiaries recorded a cumulative loss, before applicable taxes, of $494,000 and $473,000 as of December 31, 2023 and 2022, respectively, from foreign exchange rate changes. Where a decline in the value of a marketable security is deemed other-than-temporary, the value of the security is written down to its fair value. Any portion of the decline in value of a marketable fixed income security attributable to credit quality is reported as a component of net realized capital gains, while any portion attributable to other factors, such as fluctuations in interest rates, and is reported as a component of other comprehensive income. Since unrealized losses are a component of stockholders' equity, the recognition of other-than-temporary impairment losses has no effect on total comprehensive income or stockholders' equity.

Alternative equity investments are valued using the equity method with all changes in value included in net income. The values of these holdings are generally determined by the managers of the investment vehicles on the basis of information reported to them as well as their assessments of the underlying investments.

4. Summary of Significant Accounting Policies, continued

E. Deferred Acquisition Costs

Commissions and premium taxes are deferred and amortized pro rata over the contract periods in which the related premiums are earned. All amounts deferred as of December 31 are charged to operations in the following year as the related premiums are earned. Deferred acquisition costs are presented net of an equivalent amount of deferred commission income on ceded reinsurance, with any deferred ceding commission income in excess of the deferred acquisition costs recorded as a liability. The amortization of deferred acquisition costs and deferred ceding commission income, including any excess portion, are presented on a net basis as policy acquisition expense on the statements of comprehensive income. Net amortization associated with these deferred costs for 2023 and 2022 for The Plymouth Rock Company and Subsidiaries was $122.3 million and $106.9 million, respectively, while the net amortization for the Palisades Reciprocal Group for 2023 and 2022 was $101.5 million and $98.2 million, respectively.

F. Recognition of Premium Revenues

Insurance premiums written are earned on a daily basis over the terms of the policies. Unearned premiums represent amounts that are applicable to the unexpired terms of policies in force.

Premiums receivable are net of reserves for doubtful collections. The reserves for doubtful collections for The Plymouth Rock Company and Subsidiaries were $2.1 million and $1.7 million at December 31, 2023 and 2022, respectively. The reserves for doubtful collections of the Palisades Reciprocal Group at December 31, 2023 and 2022 were $4.4 million and $7.2 million, respectively.

G. Recognition of Fees Earned from Service Activities

The Plymouth Rock Company and Subsidiaries earn management fees from the Palisades Reciprocal Group and other unaffiliated companies for providing sales, underwriting, policy issuance, claim adjusting, accounting, and other insurance-related services. Fees from service activities are earned over the applicable policy terms. In addition, The Plymouth Rock Company and Subsidiaries earn investment management fees from the Palisades Reciprocal Group. In 2023 and 2022, fees earned of $237.0 million and $227.5 million, respectively, from the Palisades Reciprocal Group were eliminated upon consolidation. The balance sheet item “other liabilities” includes balances owed to insurers for which Pilgrim Insurance Company provides services.

4. Summary of Significant Accounting Policies, continued

H. Amortization of Goodwill and Intangible Assets

The Plymouth Rock Company and Subsidiaries and the Palisades Reciprocal Group each carry goodwill arising from past acquisitions. This goodwill represents the excess of the purchase price over the estimated fair value of net assets acquired. Goodwill is not amortized, but instead is reviewed for impairment whenever an event occurs indicating that impairment is likely.

Past acquisitions have resulted in intangible assets for both The Plymouth Rock Company and Subsidiaries and the Palisades Reciprocal Group. Intangible assets are separated into two categories. Intangible assets with indefinite lives are not amortized and are subject to annual impairment testing. Intangible assets with finite lives are amortized using the straight-line method over the estimated useful lives of the assets.

No impairment of the goodwill or intangible assets with indefinite lives of either The Plymouth Rock Company and Subsidiaries or the Palisades Reciprocal Group was recorded in either 2023 or 2022.

I. Real Estate and Fixed Assets

Real estate and fixed assets are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are principally recognized on the straight-line method over the estimated useful lives or the applicable lease terms. Real estate holdings are evaluated for impairment annually using either independent appraisals or analysis of expected future cash flows.

5. Segment Reporting

Business is primarily managed in three operating groups: Independent Agency Group, Direct Group, and Home Insurance Group. As discussed in Note 1, the use of these group names is solely for internal convenience and has no legal significance. Premiums and key metrics by group for 2023 and 2022 were as follows:

(dollars in thousands)

Gross premiums written and managed:	2023	2022
Independent Agency Group	$1,094,110	$ 891,438
Direct Group	524,882	504,289
Home Insurance Group	358,966	332,286
Total	$1,977,958	$1,728,013
Premiums earned in underwriting activities:		
Independent Agency Group	$ 929,230	$ 805,816
Direct Group	502,266	495,465
Home Insurance Group	272,678	264,505
Total	$1,704,174	$1,565,786
Statistical metrics:		
Independent Agency Group:		
Policies in force	478,984	432,753
Net loss ratio	66.1%	62.8%
Net combined ratio	102.1%	99.9%
Direct Group:		
Policies in force	237,936	251,357
Net loss ratio	70.3%	71.9%
Net combined ratio	106.2%	111.0%
Home Insurance Group:		
Policies in force	275,246	289,225
Net loss ratio	64.6%	61.4%
Net combined ratio	116.5%	112.1%

6. Income Taxes

Income taxes on the statements of comprehensive income for 2023 and 2022 consist of:

(dollars in thousands)	2023	2022
The Plymouth Rock Company and Subsidiaries	$ 46,409	$ (28,510)
Palisades Reciprocal Group	7,052	(52,641)
Total	$ 53,461	$ (81,151)

The Plymouth Rock Company and Subsidiaries and the Palisades Reciprocal Group file separate consolidated federal income tax returns. The provisions for income taxes are based on income reported in the financial statements.

Deferred income taxes arise when there are differences between reported income and taxable income. The realization of deferred tax assets requires sufficient taxable income in either the allowable carryback or carryforward periods. On the basis of recent profitable results and projected future profitability, it is more likely than not that there will be sufficient future taxable income at both The Plymouth Rock Company and Subsidiaries and the Palisades Reciprocal Group to realize all deferred tax assets, with the exception of federal net operating loss carryforwards acquired with Rider Insurance Company and certain state net operating loss carryforwards belonging to The Plymouth Rock Company.

Rider Insurance Company, which is included in the Palisades Reciprocal Group, has federal net operating loss carryforwards that begin to expire at the end of 2031 and are limited under Internal Revenue Code Section 382. Palisades Reciprocal Group is expected to only be able to apply net operating loss carryforwards to $58,000 of income before taxes on an annual basis. Therefore, the Company has established a valuation allowance of $4.7 million at both December 31, 2023 and 2022, in light of this limitation. There were no other federal net operating loss carryforwards available as of December 31, 2023 or 2022.

The Plymouth Rock Company had state net operating loss carryforwards at each of December 31, 2023 and 2022. A portion of these were used in each of 2023 and 2022; however, it is unlikely that these carryforwards, which begin to expire at the end of 2028, will be fully utilized. Therefore, the Company has established a valuation allowance of $237,000 and $389,000 as of December 31, 2023 and 2022, respectively.

6. Income Taxes, continued

There are no tax positions of questionable merit that require a reserve for potential disallowance. As of December 31, 2023, neither The Plymouth Rock Company and Subsidiaries nor the Palisades Reciprocal Group was subject to federal examinations for tax years prior to 2020. Neither The Plymouth Rock Company and Subsidiaries nor the Palisades Reciprocal Group have examinations by state taxing authorities presently in progress.

The Plymouth Rock Company and Subsidiaries

Income taxes on the statements of comprehensive income for 2023 and 2022 consist of:

(dollars in thousands)	2023	2022
Current year federal income taxes	$ 10,356	$ 17,571
Current year state income taxes	1,575	3,655
Current year foreign income taxes	643	289
Change in deferred federal taxes	(5,816)	(4,099)
Change in deferred state taxes	(1,120)	710
Subtotal	5,638	18,126
Change in deferred federal taxes on equity securities	40,313	(43,343)
Change in deferred state taxes on equity securities	458	(3,293)
Total tax expense/(benefit)	$ 46,409	$(28,510)

The reported provisions for income taxes are less than those computed by applying the federal and state income tax rates for these years to income before income taxes. The reconciliation of income tax provision for 2023 and 2022 is as follows:

(dollars in thousands)	2023	2022
Federal income taxes at statutory rate	$ 49,103	$(26,856)
State income taxes, net of federal tax benefit	583	304
Dividend received deduction	(2,450)	(1,322)
Other	(827)	(636)
Total provision for income taxes	$ 46,409	$(28,510)

6. Income Taxes, continued

Deferred income taxes on the balance sheets as of December 31, 2023 and 2022 consist of the net effects of these temporary differences:

(dollars in thousands)	2023	2022
Net unrealized gain on investments	$(74,830)	$(31,180)
Depreciation	(15,779)	(16,524)
Unearned premiums	19,739	16,066
Compensation expense	16,718	14,814
Deferred acquisition expense	(15,020)	(12,451)
Discounting of claim reserves	3,873	3,743
Investment and partnership timing differences	(2,124)	(3,678)
Loss reserve transition adjustment	(373)	(585)
Net operating losses	237	389
Valuation allowance	(237)	(389)
Other	(951)	(2,237)
Total	$(68,747)	$(32,032)

Palisades Reciprocal Group

Income taxes on the statements of comprehensive income for 2023 and 2022 consist of:

(dollars in thousands)	2023	2022
Current year federal income taxes	$ 7,288	$(20,997)
Current year state income taxes	13	20
Current year foreign income taxes	341	216
Change in deferred federal taxes	1,277	(448)
Subtotal	8,919	(21,209)
Change in deferred federal taxes on equity securities	(1,867)	(31,432)
Total tax expense/(benefit)	$ 7,052	$(52,641)

The reported provisions for income taxes are less than those computed by applying the federal and state income tax rates for these years to income before income taxes. The reconciliation of income tax provision for 2023 and 2022 is as follows:

(dollars in thousands)	2023	2022
Federal income taxes at statutory rate	$ 8,065	$(51,478)
State income taxes, net of federal tax benefit	10	15
Dividend received deduction	(1,215)	(1,310)
Other	192	132
Total provision for income taxes	$ 7,052	$(52,641)

6. Income Taxes, continued

Deferred income taxes on the balance sheets as of December 31, 2023 and 2022 consist of the net effects of these temporary differences:

(dollars in thousands)	2023	2022
Net unrealized gain on investments	$(50,603)	$(46,326)
Deferred acquisition expense	(20,152)	(18,362)
Unearned premiums	18,481	16,741
Discounting of claim reserves	7,253	7,092
Net operating losses	4,886	4,910
Valuation allowance	(4,718)	(4,734)
Guaranty fund accrual	1,636	1,628
Investment and partnership timing differences	1,496	1,557
Reserves for doubtful collections	918	1,517
Loss reserve transition adjustment	(704)	(1,056)
Intangibles	13	(26)
Other	(1,794)	(752)
Total	$(43,288)	$(37,811)

7. Claims and Claim Adjustment Expense Reserves

Claim reserves represent the estimated liabilities for claims that have already been reported and for claims that have been incurred but not yet reported. Claim adjustment expense reserves represent the estimated expenses that will be required to settle these claims. Claim and claim adjustment expense reserves are presented on the balance sheets before estimated recoveries for reinsurance. There are a variety of actuarial methods used to estimate claim reserves and claim adjustment expense reserves, including paid and incurred development methods. When deciding among methods, the credibility of each method based on the maturity of the data available and the claims settlement practices for each line of insurance business or coverage within a line of insurance business is evaluated. The methods used are reviewed regularly, and any adjustments to these reserves are reflected in income currently.

7. Claims and Claim Adjustment Expense Reserves, continued

The Plymouth Rock Company and Subsidiaries

The following tables provide data regarding incurred and paid claims and claim adjustment expense development as of December 31, 2023, net of reinsurance, as well as the total of incurred-but-not-reported reserves and cumulative number of reported claims for recent accident years for the primary business segments. The incurred-but-not-reported reserves data shown below also include expected development on reported claims. The cumulative number of reported claims is identified at the coverage level and includes claims closed with payment, claims closed without payment, and all open claims. Five years of data are presented, as any claims and claim adjustment expense development beyond that point would be insignificant for the relatively short-tail automobile and home insurance coverages which The Plymouth Rock Company and Subsidiaries primarily write.

Automobile Insurance

(dollars in thousands)

Accident	Claims and Allocated Claim Adjustment Expenses Incurred, Net of Reinsurance, as of December 31,				
Year	2019	2020	2021	2022	2023
2019	$ 306,579	$ 296,322	$ 288,858	$ 278,135	$ 275,317
2020		277,766	262,261	252,378	244,872
2021			351,291	345.486	339,646
2022				386,172	391,257
2023					452,886
Total					$1,703,978

7. Claims and Claim Adjustment Expense Reserves, continued

Accident Year	Claims and Allocated Claim Adjustment Expenses Paid, Net of Reinsurance, as of December 31, 2019	2020	2021	2022	2023
2019	$ 176,745	$ 227,214	$ 243,418	$ 254,532	$ 263,712
2020		154,372	194,445	211,046	222,289
2021			212,122	268,555	292,968
2022				236,553	328,195
2023					284,422
Total					$1,391,586

Net unpaid for accident years 2019 through 2023	$ 312,392
Net unpaid for accident years prior to 2019	12,588
Net unpaid claims and allocated claim adjustment expenses	$ 324,980

Accident Year	Total Incurred-But-Not-Reported Reserves	Cumulative Number of Reported Claims
2019	$ 4,775	145,158
2020	12,419	120,460
2021	18,511	121,573
2022	18,481	117,336
2023	41,764	117,368

Average Annual Payout	
Year 1	59.4%
Year 2	18.0%
Year 3	6.5%
Year 4	4.3%
Year 5	3.3%
After	8.5%

<u>Home Insurance</u>

(dollars in thousands)

Accident Year	Claims and Allocated Claim Adjustment Expenses Incurred, Net of Reinsurance, as of December 31, 2019	2020	2021	2022	2023
2019	$ 36,861	$ 35,679	$ 34,983	$ 34,290	$ 34,292
2020		50,388	53,905	52,597	52,510
2021			68,574	69,465	70,811
2022				75,745	78,398
2023					72,326
Total					$ 308,337

7. Claims and Claim Adjustment Expense Reserves, continued

Accident Year	Claims and Allocated Claim Adjustment Expenses Paid, Net of Reinsurance, as of December 31,				
	2019	2020	2021	2022	2023
2019	$ 25,984	$ 31,376	$ 32,307	$ 32,055	$ 33,143
2020		36,889	49,245	50,350	51,537
2021			47,363	62,724	66,267
2022				42,813	67,144
2023					48,799
Total					$266,890

Net unpaid for accident years 2019 through 2023	$ 41,447
Net unpaid for accident years prior to 2019	1,115
Net unpaid claims and allocated claim adjustment expenses	$ 42,562

Accident Year	Total Incurred-But-Not-Reported Reserves	Cumulative Number of Reported Claims
2019	$ 192	3,299
2020	442	5,138
2021	1,966	5,944
2022	3,387	4,883
2023	10,783	5,209

Average Annual Payout	
Year 1	67.1%
Year 2	19.0%
Year 3	3.7%
Year 4	1.9%
Year 5	2.1%
After	6.1%

The table below provides a reconciliation of the reserves for claims and claim adjustment expenses at the beginning and at the end of the year:

7. Claims and Claim Adjustment Expense Reserves, continued

(dollars in thousands)	2023	2022
Claims and allocated claim adjustment expense reserves at beginning of year	$366,590	$337,710
Claims and allocated claim adjustment expenses incurred:		
Current year	525,212	461,917
Prior years	(11,188)	(34,877)
	514,024	427,040
Claims and allocated claim adjustment expenses paid:		
Current year	333,221	279,366
Prior years	179,851	118,794
	513,072	398,160
Claims and allocated claim adjustment expense reserves at end of year	367,542	366,590
Reinsurance recoverable on unpaid claims at end of year	82,136	77,516
Unallocated claim adjustment expense reserves at end of year	30,493	26,707
Intra-group transactions	(1,034)	(1,478)
Total claims and claim adjustment expense reserves at end of year	$479,137	$469,335

During the year ended December 31, 2023, reserves for claims and allocated claim adjustment expenses for prior years developed favorably by $11.2 million. This change resulted from favorable development of $14.4 million on automobile business and unfavorable development of $3.2 million on home business. During the year ended December 31, 2022, reserves for claims and allocated claim adjustment expenses for prior years developed favorably by $34.9 million. This change resulted from favorable development of $33.1 million on automobile business and $1.8 million on home business. Massachusetts private passenger automobile business was the largest contributor to the favorable development in both years.

The amounts shown in the preceding table include $71.0 million and $65.0 million of estimated claims and claim adjustment expense reserves related to Pilgrim Insurance Company's service business as of December 31, 2023 and December 31, 2022, respectively. Offsetting amounts are included in "amounts receivable from reinsurers and pools" as assets on the balance sheets. While these policies are issued by Pilgrim Insurance Company, most of the underwriting results have been ceded either to its clients, a reinsurer, or industry pools via quota share reinsurance arrangements such that Pilgrim Insurance Company retains only a relatively small amount of the underwriting risk.

7. Claims and Claim Adjustment Expense Reserves, continued

Palisades Reciprocal Group

The following tables provide data regarding incurred and paid claims and claim adjustment expense development as of December 31, 2023, net of reinsurance, as well as the total of incurred-but-not-reported reserves and cumulative number of reported claims for recent accident years for the primary business segments. The incurred-but-not-reported reserves data shown below also include expected development on reported claims. The cumulative number of reported claims is identified at the coverage level and includes claims closed with payment, claims closed without payment, and all open claims. Five years of data are presented, as any claims and claim adjustment expense development beyond that point would be insignificant for the relatively short-tail automobile and home coverages which the Palisades Reciprocal Group primarily writes.

Automobile Insurance

(dollars in thousands)

Accident Year	Claims and Allocated Claim Adjustment Expenses Incurred, net of reinsurance, as of December 31,				
	2019	2020	2021	2022	2023
2019	$ 453,980	$ 450,225	$ 447,277	$ 439,939	$ 433,134
2020		443,078	434,211	427,302	414,081
2021			521,930	526,658	519,420
2022				533,848	541,772
2023					566,834
Total					$2,475,241

(dollars in thousands)

Accident Year	Claims and Allocated Claim Adjustment Expenses Paid, net of reinsurance, as of December 31,				
	2019	2020	2021	2022	2023
2019	$ 206,831	$ 296,496	$ 350,579	$ 390,992	$ 416,118
2020		189,977	282,631	335,424	371,178
2021			252,821	365,446	428,874
2022				247,768	373,512
2023					260,486
Total					$1,850,168

Net unpaid for accident years 2019 to 2023	$ 625,073
Net unpaid for accident years prior to 2019	16,525
Net unpaid claims and allocated claim adjustment expenses	$ 641,598

7. Claims and Claim Adjustment Expense Reserves, continued

Accident Year	Total Incurred-But-Not-Reported Reserves	Cumulative Number of Reported Claims	Average Annual Payout	
2019	$ 4,069	155,215	Year 1	46.8%
2020	13,213	126,404	Year 2	22.0%
2021	27,109	149,403	Year 3	12.5%
2022	64,426	140,476	Year 4	9.0%
2023	159,084	125,321	Year 5	5.8%
			After	3.9%

The 2019 accident year claims and allocated claim adjustment expenses incurred include $3.1 million of Rider Insurance Company activity incurred prior to its purchase on October 17, 2019.

Home Insurance
(dollars in thousands)

Accident Year	Claims and Allocated Claim Adjustment Expenses Incurred, net of reinsurance, as of December 31,				
	2019	2020	2021	2022	2023
2019	$ 58,798	$ 56,721	$ 57,656	$ 58,254	$ 58,485
2020		87,577	89,539	89,999	90,823
2021			125,936	123,554	124,275
2022				126,261	126,138
2023					133,919
Total					$533,640

7. Claims and Claim Adjustment Expense Reserves, continued

Accident Year	Claims and Allocated Claim Adjustment Expenses Paid, net of reinsurance, as of December 31, 2019	2020	2021	2022	2023
2019	$ 38,756	$ 49,000	$ 52,657	$ 54,557	$ 56,569
2020		59,949	81,221	84,767	87,012
2021			82,451	110,323	116,330
2022				76,818	109,685
2023					87,355
Total					$ 456,951

Net unpaid for accident years 2019 to 2023	$ 76,689
Net unpaid for accident years prior to 2019	7,410
Net unpaid claims and allocated claim adjustment expenses	$ 84,099

Accident Year	Total Incurred-But-Not-Reported Reserves	Cumulative Number of Reported Claims
2019	$ 747	7,350
2020	1,157	13,351
2021	3,199	16,453
2022	5,466	11,809
2023	19,527	10,488

Average Annual Payout	
Year 1	65.0%
Year 2	22.3%
Year 3	5.0%
Year 4	2.9%
Year 5	3.4%
After	1.4%

The table below provides a reconciliation of the claims and claim adjustment expense reserves at the beginning and at the end of the year:

7. Claims and Claim Adjustment Expense Reserves, continued

(dollars in thousands)	2023	2022
Claims and allocated claim adjustment expense reserve at beginning of year	$707,365	$670,131
Claims and allocated claim adjustment expenses incurred:		
Current year	700,753	660,109
Prior years	(29,941)	(23,039)
	670,812	637,070
Claims and allocated claim adjustment expenses paid:		
Current year	347,841	324,586
Prior years	304,639	275,250
	652,480	599,836
Claims and claim allocated adjustment expense reserve at end of year	725,697	707,365
Reinsurance recoverable on unpaid claims at end of year	29,428	24,244
Unallocated claim adjustment expense reserve at end of year	52,435	51,421
Intra-group transactions	(226)	(216)
Total claims and claim adjustment expense reserves at end of year	$807,334	$782,814

During the year ended December 31, 2023, reserves for claims and allocated claim adjustment expenses for prior years developed favorably by $29.9 million. This change resulted from favorable development of $31.0 million on automobile business and unfavorable development of $1.1 million on home business. During the year ended December 31, 2022, reserves for claims and allocated claim adjustment expenses for prior years developed favorably by $23.0 million. This change resulted from favorable development of $21.3 million automobile business and $1.7 million on home business. Improvement in the estimated severity of bodily injury and personal injury protection coverage claims were the largest contributors to this auto development in both years.

8. Reinsurance

Treaty reinsurance is used to reduce exposure to large losses under catastrophe, quota share, and per-risk excess-of-loss contracts that are prospective in nature. The financial condition of reinsurers and concentration of credit risk are regularly evaluated to minimize significant exposure. The ceding company remains primarily liable as the direct insurer on all of its voluntary risks.

8. Reinsurance, continued

The Plymouth Rock Company and Subsidiaries

Amounts receivable from reinsurers represent amounts recoverable for reinsured claims and claim adjustment expenses. Premiums, claims, and claim adjustment expenses, net of reinsurance activity, were as follows:

	2023		2022	
(dollars in thousands)	Premiums Written	Claims and Claim Adjustment Expenses Incurred	Premiums Written	Claims and Claim Adjustment Expenses Incurred
Gross	$965,110	$646,924	$783,086	$538,492
Ceded	(108,510)	(54,829)	(85,140)	(46,124)
Net	$856,600	$592,095	$697,946	$492,368

Ceded premiums earned for 2023 and 2022 were $97.6 million and $87.4 million, respectively.

Concurrent with its acquisition effective April 1, 2018, Plymouth Rock Assurance Preferred Corporation entered into a 100% quota share reinsurance agreement with 21st Century North America Insurance Company under which Plymouth Rock Assurance Preferred Corporation ceded 100% of the underwriting results of all Plymouth Rock Assurance Preferred Corporation policies issued on 21st Century systems. Claims and claim adjustment expenses of $47,000 were ceded under this agreement during 2023, while ceded claims and claim adjustment expenses of $90,000 were recorded during 2022. These results were due to prior accident year loss development recorded during both 2023 and 2022. Also concurrent with its acquisition, Plymouth Rock Assurance Preferred Corporation entered into service agreements with 21st Century North America Insurance Company and 21st Century Advantage Insurance Company and a 100% quota share reinsurance agreement with 21st Century North America Insurance Company under which Plymouth Rock Assurance Preferred Corporation services and assumes the underwriting results for all New York private passenger automobile policies issued by Plymouth Rock Assurance Preferred Corporation on Plymouth Rock systems on behalf of 21st Century North America Insurance Company and 21st Century Advantage Insurance Company on and after April 1, 2018. Claims and claim adjustment expenses of negative $114,000 were assumed under this agreement during 2023, while premiums of $205,000 and claims and claim adjustment expenses of negative $832,000 were assumed under this agreement during 2022.

8. Reinsurance, continued

The Plymouth Rock Company and Subsidiaries also has treaties in place for catastrophe reinsurance for automobile and home lines of business, and per-risk excess-of-loss reinsurance for home, commercial automobile, and umbrella lines of business. During the years ended December 31, 2023 and 2022, the underwriting cost incurred for these treaties was $33.2 million and $24.0 million, respectively.

The Plymouth Rock Company and Subsidiaries also has in place 100% quota share reinsurance with the National Flood Insurance Program for flood coverage written on a direct basis. Premiums ceded under this program were $438,000 and $551,000 in 2023 and 2022, respectively, while ceded claims, claim adjustment expenses and ceding commissions totaled $52,000 and $32,000, respectively.

Two subsidiaries of The Plymouth Rock Company, Plymouth Rock Assurance Corporation and Pilgrim Insurance Company, are members of Commonwealth Automobile Reinsurers (CAR), which administers pools for the Massachusetts commercial automobile residual market. Plymouth Rock Assurance Corporation and Pilgrim Insurance Company record their estimated shares of this activity based on information provided by CAR.

Pilgrim Insurance Company provides automobile insurance services to unrelated insurance companies. The statements of comprehensive income for The Plymouth Rock Company and Subsidiaries are reported net of $57.4 million and $53.0 million of ceded premiums earned and $46.2 million and $37.4 million of claims and claim adjustment expenses incurred and ceded in 2023 and 2022, respectively, related to Pilgrim Insurance Company's third-party business. Pilgrim Insurance Company began to retain a small amount of underwriting risk relating to these third-party service arrangements during 2015 but continued to cede most of the underwriting risk either to its clients, a reinsurer, or industry pools via quota share reinsurance arrangements. The statements of comprehensive income for The Plymouth Rock Company and Subsidiaries include $5.7 million and $2.9 million of net premiums earned in underwriting activities in 2023 and 2022, respectively, and $5.6 million and $2.9 million of net claims and claim adjustment expenses incurred in 2023 and 2022, respectively, for Pilgrim Insurance Company's third-party business. These retained amounts reflect 9.0% and 5.1% of direct premiums earned and 10.8% and 7.2% of direct claims and claim adjustment expenses incurred of the total activity of the business during 2023 and 2022, respectively.

Palisades Reciprocal Group

Amounts receivable from reinsurers represent amounts recoverable for reinsured claims and claim adjustment expenses. Premiums, claims, and claim adjustment expenses, net of reinsurance activity, were as follows:

8. Reinsurance, continued

	2023		2022	
(dollars in thousands)	Premiums Written	Claims and Claim Adjustment Expenses Incurred	Premiums Written	Claims and Claim Adjustment Expenses Incurred
Gross	$1,034,563	$773,621	$958,841	$737,307
Ceded	(59,403)	(14,261)	(48,972)	(11,369)
Net	$ 975,160	$759,360	$909,869	$725,938

Ceded premiums earned for 2023 and 2022 were $58.8 million and $49.0 million, respectively.

Concurrent with its acquisition effective August 1, 2018, AtHome Insurance Company entered into a 100% quota share reinsurance agreement with 21st Century North America Insurance Company under which AtHome Insurance Company cedes 100% of the underwriting results of all policies issued by AtHome prior to its acquisition. Claims and claim adjustment expenses of negative $405,000 were ceded under this agreement during 2023, while claims and claim adjustment expenses of negative $680,000 were ceded in 2022. These results were due to prior accident year loss development recorded during both 2023 and 2022. As of the time of acquisition, AtHome Insurance Company was not transacting business in any state and had non-renewed its pre-acquisition private passenger automobile business in New York.

The Palisades Reciprocal Group has in place catastrophe reinsurance for the automobile and home lines of business, and per-risk excess-of-loss reinsurance treaties on the home, commercial automobile, and umbrella lines of business. During the years ended December 31, 2023 and 2022, the underwriting cost incurred for these treaties was $39.5 million and $32.4 million, respectively.

The Palisades Reciprocal Group also has in place 100% quota share reinsurance with the National Flood Insurance Program for flood coverage that it writes on a direct basis. Premiums ceded under this program were $2.1 million and $2.6 million in 2023 and 2022, respectively, while ceded claims, claim adjustment expenses and ceding commissions totaled $771,000 and $570,000, respectively.

9. Secured Loans

SRB Corporation established a $30.0 million line of credit with a bank in February 2021, which was reduced to $15.0 million in December 2022. This line of credit was further reduced to $2.0 million in February 2024. The Plymouth Rock Company had pledged to the bank, as collateral, securities which had a market value of $26.7 million as of December 31, 2023 and $23.9 million as of December 31, 2022. Interest expense and commitment fees of $18,000 and $49,000 were incurred on this line during 2023 and 2022, respectively.

10. Subsequent Events

Subsequent events have been evaluated from December 31, 2023 through March 12, 2024. In February 2024, the Plymouth Rock Company purchased and subsequently retired 4,600 outstanding shares of common stock at a cost of $77.2 million, which reduced both total assets and total equity by that amount. This transaction was funded through the liquidation of investment securities at The Plymouth Rock Company and Plymouth Rock Assurance Corporation.

11. Commitments and Contingencies

The Plymouth Rock Company and Subsidiaries' future lease liabilities are:

(dollars in thousands)

	Commitments
2024	$ 2,493
2025	1,740
2026	1,869
2027	462
2028	414
Thereafter	545
Total	$ 7,523

The Plymouth Rock Company and Subsidiaries incurred real estate rental expenses during both 2023 and 2022 of $3.5 million.

11. Commitments and Contingencies, continued

In addition, Plymouth Rock Management Company of New Jersey and Palisades Safety and Insurance Association entered into an agreement in September 2019 to purchase $15.0 million of New Jersey economic redevelopment tax credits at a cost of $14.0 million. The credits are being purchased in annual increments of $1.5 million at an annual cost of $1.4 million over a period of 10 years. The first two annual purchases did not close until after a February 25th performance deadline that resulted in the purchase price for both the 2022 and 2021 tax year credits being reduced to $1.2 million. The credits are expected to reduce the Palisades Reciprocal Group's premium tax liability by $1.5 million in each of the remaining seven years from 2024 through 2030.

12. Goodwill and Intangible Assets

In September 2023, certain subsidiaries of The Plymouth Rock Company and the Palisades Reciprocal Group entered into an agreement with Electric Insurance Company, an indirect subsidiary of General Electric Company, under which it acquired the rights to serve as the replacement carrier for Electric's private passenger automobile, homeowners and umbrella business in Connecticut, Massachusetts, New Hampshire, New Jersey, New York and Pennsylvania. The acquiring entities will pay a commission-based renewal rights fee based on the premium earned during the first 12 months after a policy is written by Plymouth Rock. No payment was made in 2023 and the final replacement carrier fee will not be determined until 2026 at the earliest, but it is expected to be in the $5 to $10 million range. These renewal rights are intangible assets that will be amortized over a period of 15 years, with amortization starting in 2024.

<u>The Plymouth Rock Company and Subsidiaries</u>

The Company purchased insurance agencies that resulted in goodwill of $3.4 million at both December 31, 2023 and 2022. These purchases also gave rise to intangible assets in the form of expirations, noncompetition agreements, and brand names. Total amortization associated with intangible assets for Encharter Insurance, LLC (Massachusetts) and Encharter Insurance, LLC (Connecticut), for 2023 and 2022 was $77,000 and $111,000, respectively. Amortization is expected to decline from $45,000 in 2024 to $0 in 2028.

12. Goodwill and Intangible Assets, continued

As part of the purchase of Plymouth Rock Assurance Preferred Corporation, Plymouth Rock Assurance Corporation acquired intangible assets in the form of state licenses and a rating plan, as well as an intangible liability for the value of the business acquired valued at $986,000. This liability, which was amortized over four years, was fully amortized as of December 31, 2022. As this transaction was accounted for as an asset purchase, the difference between the purchase price and the fair value of financial assets and liabilities, including the value of business acquired, was allocated to the state licenses and the rate plan. The state licenses, which are intangible assets with indefinite lives, had a carrying value of $263,000 at both December 31, 2023 and 2022.

As part of the purchase of Plymouth Rock Assurance Corporation of New York, Plymouth Rock Assurance Corporation also acquired intangible assets with indefinite lives in the form of state licenses with a carrying value of $310,000 at both December 31, 2023 and 2022.

<u>Palisades Reciprocal Group</u>

The Palisades Reciprocal Group's purchase of Teachers Auto Insurance Company of New Jersey in 2007 resulted in goodwill of $3.3 million, which was the carrying value at both December 31, 2023 and 2022. This purchase along with the purchase of renewals from National General Insurance Company in 2007 also resulted in the creation of intangible assets. These intangible assets are in the form of a trademark, a state license and renewal rights. At both December 31, 2023 and 2022, the carrying value of the trademark was $2.4 million and the carrying value of the state license was $150,000. These intangible assets are reviewed annually for impairment and no impairment was recorded in either 2023 or 2022. The remaining intangible assets for the renewal rights are being amortized over 20 years and had a carrying value of $1.2 million and $1.7 million at December 31, 2023 and 2022, respectively. Amortization associated with these intangible assets was $460,000 in 2023 and $513,000 in 2022. Amortization is expected to decline from $413,000 in 2024 to $0 in 2027.

The Palisades Reciprocal Group also acquired intangible assets in the form of state licenses as part of the purchase of AtHome Insurance Company. As this transaction was accounted for as an asset purchase, the difference between the purchase price and the fair value of financial assets and liabilities, including the value of business acquired, was allocated to the state licenses. The state licenses, which are intangible assets with indefinite lives, had a carrying value of $38,000 at both December 31, 2023 and 2022.

12. Goodwill and Intangible Assets, continued

Effective June 14, 2018, Palisades Safety and Insurance Association and Palisades Property and Casualty Insurance Company entered into an agreement with American Commerce Insurance Company and MAPFRE U.S.A. Corp. pursuant to which Palisades Safety and Insurance Association and Palisades Property and Casualty Insurance Company acquired the rights to serve as a replacement carrier for American Commerce Insurance Company's New Jersey private passenger automobile and home insurance business, respectively. Palisades Reciprocal Group paid $800,000 related to this acquisition in 2018, with a final payment of $1.9 million made in December 2020 based on the earned premium recorded during the first policy year. These replacement carrier rights are intangible assets that are being amortized over a period of 15 years. Amortization of $185,000 was recorded during both 2023 and 2022, leaving carrying values of $1.8 million and $2.0 million at December 31, 2023 and 2022, respectively. Amortization is expected to be $185,000 annually from 2024 through 2028.

Effective April 4, 2018, Palisades Property and Casualty Insurance Company also acquired the right to serve as the replacement carrier for Pennsylvania and New York home insurance business from several entities of the Farmers Insurance Group. The purchase price for this business was based on the volume of written premium recorded during the first two policy years, with the final settlement occurring in 2022. These replacement carrier rights are intangible assets that are being amortized over a period of 15 years. The carrying value of these rights was $717,000 and $757,000 at December 31, 2023 and 2022, respectively. Amortization of $40,000 and $69,000 was recorded during 2023 and 2022, respectively. Amortization is expected to decline from $88,000 in 2024 to $64,000 in 2028.

As part of the purchase of Rider Insurance Company effective October 17, 2019, Palisades Safety and Insurance Association acquired intangible assets in the form of state licenses valued at $655,000, the brand name valued at $25,000, and renewal obligations at $1.5 million. The state licenses and brand name, which are intangible assets with indefinite lives, had a carrying value of $680,000 at both December 31, 2023 and 2022. The renewal obligation liability was amortized over three years and was fully amortized as of December 31, 2022. Amortization of $395,000 was recorded during 2022.

13. Fixed Assets

The table below summarizes fixed assets at December 31, 2023 and 2022.

The Plymouth Rock Company and Subsidiaries

(dollars in thousands)	Useful Lives	2023	2022
Computers and software development	3-5 years	$138,509	$135,459
Leasehold improvements	10 years	21,284	25,505
Furniture and fixtures	5-10 years	8,298	11,541
Vehicles	3 years	139	480
Total cost		168,230	172,985
Less: accumulated depreciation		120,952	128,064
Sub-total		47,278	44,921
Right-of use of long-term leases		6,562	8,618
Net book value		$ 53,840	$ 53,539

Depreciation expenses incurred were $23.3 million and $26.3 million during 2023 and 2022, respectively.

Palisades Reciprocal Group

Palisades Reciprocal Group fixed assets are included in “other assets” in the balance sheets. As of December 31, 2023, and December 31, 2022, the net book value of fixed assets amounted to $42,000 and $78,000, respectively. Depreciation expenses incurred were $36,000 and $237,000 during 2023 and 2022, respectively.

14. Reconciliation of Net Income to Net Cash Provided by Operating Activities

The following items account for the differences between net income and net cash provided by operating activities:

The Plymouth Rock Company and Subsidiaries

(dollars in thousands)	2023	2022
Net income	$187,413	$ (99,377)
Depreciation and amortization	30,146	33,052
Deferred income taxes	(6,936)	(3,389)
Change in unrealized gains on equity securities, net of tax	(151,195)	161,920
Change in operating assets and liabilities:		
Accrued investment income	(1,061)	(799)
Premiums receivable	(57,835)	(17,614)
Ceded unearned premium reserves	(10,843)	2,287
Deferred acquisition costs	(13,121)	(5,222)
Amounts receivable from reinsurers and pools	(414)	(7,278)
Claim and claim adjustment expense reserves	9,358	34,480
Unearned premium reserves	97,217	28,104
Advance premiums	1,518	(235)
Commissions payable and accrued liabilities	20,066	1,941
Amounts payable to reinsurers	10,191	(1,709)
Unearned service fees	5,240	1,452
Prepaid expenses, agent loans, and deposits	1,744	(2,639)
Income tax recoverable and payable	(8,175)	(18,714)
Amounts due from service clients	(1,100)	(2,790)
Other assets and other liabilities	(9,974)	(7,809)
Net cash provided by operating activities	$102,239	$ 95,661

14. Reconciliation of Net Income to Net Cash Provided by Operating Activities, continued

Palisades Reciprocal Group

(dollars in thousands)	2023	2022
Net income	$ 31,351	$(192,493)
Depreciation and amortization	729	636
Deferred income taxes	1,277	(448)
Change in unrealized gains on equity securities, net of tax	7,024	118,244
Change in operating assets and liabilities:		
Accrued investment income	(2,355)	(1,003)
Premiums receivable	(29,864)	(4,973)
Ceded unearned premium reserves	(564)	(8)
Deferred acquisition costs	(8,688)	(2,773)
Amounts receivable from reinsurers and pools	(2,101)	1,834
Claim and claim adjustment expense reserves	24,531	33,863
Unearned premium reserves	41,777	11,629
Advance premiums	217	(773)
Commissions payable and accrued liabilities	3,933	2,343
Amounts payable to reinsurers	2,939	1,711
Income tax recoverable and payable	16,518	(11,800)
Other assets and other liabilities	2,128	2,018
Net cash provided by operating activities	$ 88,852	$ (41,993)

15. Consolidated Revenues

Revenues, net of reinsurance, by company or group for 2023 and 2022 were:

(dollars in thousands)	2023	2022
Underwriting company revenues:		
Plymouth Rock Assurance Group	$ 637,817	$ 575,998
Plymouth Rock Home Assurance Group	114,612	113,676
Palisades Reciprocal Group	1,093,973	913,633
Subtotal	1,846,402	1,603,307
Management company revenues:		
The Plymouth Rock Company	153,036	148,828
SRB Corporation	113,848	99,554
Encharter	4,344	5,397
Pilgrim Insurance Company	37,808	27,888
Plymouth Rock Management Company of New Jersey	236,525	227,929
Subtotal	545,561	509,596
Eliminations with subsidiaries of The Plymouth Rock Company:		
Technology costs	(55,467)	(53,885)
Dividends	(153,626)	(121,870)
Other	(45,363)	(64,874)
Subtotal	(254,456)	(240,629)
Elimination of intra-group transactions	(237,030)	(227,471)
Total revenues before unrealized gains on equity securities	$1,900,477	$1,644,803

The reference above to Plymouth Rock Assurance Group refers to the combined revenue of Plymouth Rock Assurance Corporation, Plymouth Rock Assurance Corporation of New York, Plymouth Rock Assurance Preferred Corporation and Mt. Washington Assurance Corporation. The reference above to Plymouth Rock Home Assurance Group refers to the combined revenue of Plymouth Rock Home Assurance Corporation, Bunker Hill Insurance Company, Bunker Hill Insurance Casualty Company, Bunker Hill Preferred Insurance Company and Bunker Hill Property Insurance Company.

16. Compensation Plans

The Plymouth Rock Company and Subsidiaries maintain a plan under Section 401(k) of the Internal Revenue Code. This plan is a defined contribution plan that covers all employees. Expenses of $12.2 million and $11.1 million were incurred related to this plan during 2023 and 2022, respectively. Deferred compensation plans have been established at The Plymouth Rock Company and several of its subsidiaries for officers, directors, and managers, other than the founding shareholders. In general, these plans provide for a rate of return on deferred compensation equal each year to the return on equity earned by The Plymouth Rock Company and Subsidiaries that year. Incurred expenses related to these plans were $3.7 million and $2.7 million during 2023 and 2022, respectively.

Effective June 1, 2019, 6,115 stock appreciation units were granted to nine key officers. These units vest in 2024 contingent upon certain financial performance and service requirements being met. During 2020, 81 shares were added. During 2021, 600 shares were forfeited and 550 shares were added. During 2022, one participating officer retired and 1,862 units were considered vested based on the fulfillment of 39 months of service during the 60-month vesting period while an additional 1,003 units were forfeited. These vested units were exercised in May 2022 for common stock of The Plymouth Rock Company at an appraised value of $14,230 for The Plymouth Rock's Class A common shares. Based on financial performance, expenses of $13.4 million and $6.5 million were recorded related to these units during 2023 and 2022, respectively.

For awards to be exercised for common shares of The Plymouth Rock Company, the cost to the Company is determined using the Black-Scholes valuation model.

17. Investment Securities and Investment Income

A. Marketable Securities

The Plymouth Rock Company and Subsidiaries

At December 31, 2023 and 2022, amortized cost, unrealized gains and losses before federal income taxes, and market value of marketable fixed income securities classified as available for sale and marketable common stocks were as follows:

At December 31, 2023: (dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. government securities	$ 40,295	$ 70	$ 261	$ 40,104
Corporate debt securities	360,256	3,090	5,999	357,347
Asset-backed securities	13	-0-	-0-	13
Common stocks	658,534	362,316	19,323	1,001,527
Total	$1,059,098	$ 365,476	$ 25,583	$1,398,991

At December 31, 2022: (dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. government securities	$ 9,068	$ 1	$ 250	$ 8,819
Corporate debt securities	348,200	551	17,118	331,633
Asset-backed securities	18	-0-	-0-	18
Common stocks	678,911	277,778	117,900	838,789
Total	$1,036,197	$ 278,330	$ 135,268	$1,179,259

17. Investment Securities and Investment Income, continued

A. Marketable Securities, continued

At December 31, 2023 and 2022, maturities of marketable securities by due date category were as follows:

	2023		2022	
(dollars in thousands)	Amortized Cost	Market Value	Amortized Cost	Market Value
90 days or less	$ 25,850	$ 25,796	$ 6,821	$ 6,803
After 90 days and in one year or less	41,043	40,731	22,771	22,536
After one year and in five years or less	328,456	325,652	327,676	311,113
After five years and in ten years or less	5,202	5,272	-0-	-0-
Asset-backed securities	13	13	18	18
Common stocks	658,534	1,001,527	678,911	838,789
Total	$1,059,098	$1,383,991	$1,036,197	$1,179,259

At December 31, 2023 and 2022, common stocks that had been in an unrealized loss position for longer than twelve months had a total market value of $115.0 million and $62.8 million, respectively. Gross unrealized losses related to these common stocks were $36.6 million and $26.2 million at December 31, 2023 and 2022, respectively. All marketable fixed income securities are classified as available for sale. At December 31, 2023, marketable fixed income securities classified as available for sale that had been in an unrealized loss position for longer than twelve months had a total market value of $120.3 million. Gross unrealized losses related to these securities were $6.0 million. At December 31, 2022, marketable fixed income securities classified as available for sale that had been in an unrealized loss position for longer than twelve months had a total market value of $138.9 million. Gross unrealized losses related to these other marketable securities were $13.4 million.

17. Investment Securities and Investment Income, continued

A. Marketable Securities, continued

Palisades Reciprocal Group

At December 31, 2023 and 2022, amortized cost, unrealized gains and losses before federal income taxes, and market value of marketable fixed income securities classified as available for sale and marketable common stocks were as follows:

At December 31, 2023: (dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. government securities	$ 17,702	$ 27	$ 333	$ 17,396
Corporate debt securities	871,858	9,829	18,569	863,118
Asset-backed securities	46	-0-	-0-	46
Preferred stocks	133	-0-	57	76
Common stocks	449,115	266,748	16,680	699,183
Total	$1,338,854	$ 276,604	$ 35,639	$1,579,819

At December 31, 2022: (dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. government securities	$ 18,095	$ -0-	$ 591	$ 17,504
Corporate debt securities	742,292	1,231	38,940	704,583
Asset-backed securities	83	1	1	83
Preferred stocks	133	-0-	20	113
Common stocks	483,341	323,805	64,883	742,263
Total	$1,243,944	$ 325,037	$ 104,435	$1,464,546

At December 31, 2023 and 2022, maturities of marketable securities by due date category were as follows:

	2023		2022	
(dollars in thousands)	Amortized Cost	Market Value	Amortized Cost	Market Value
90 days or less	$ 46,582	$ 46,383	$ 14,637	$ 14,594
After 90 days and in one year or less	74,602	73,927	73,940	72,761
After one year and in five years or less	756,568	748,163	671,631	634,573
After five years and in ten years or less	11,808	12,041	179	159
Asset-backed securities	46	46	83	83
Preferred Stocks	133	76	133	113
Common stocks	449,115	699,183	483,341	742,263
Total	$1,338,854	$1,579,819	$1,243,944	$1,464,546

17. Investment Securities and Investment Income, continued

A. Marketable Securities, continued

All marketable fixed income securities are classified as available for sale. At December 31, 2023, common stocks that have been in an unrealized loss position for longer than twelve months had a total market value of $142.0 million. Gross unrealized losses related to these common stocks were $31.0 million. At December 31, 2022, common stocks that had been in an unrealized loss position for longer than twelve months had a total market value of $33.1 million. Gross unrealized losses related to these common stocks were $13.3 million. At December 31, 2023 and 2022, marketable fixed income securities classified as available for sale that had been in an unrealized loss position for longer than twelve months had a total market value of $354.9 million and $370.4 million, respectively. Gross unrealized losses related to these securities were $18.5 million and $32.9 million at December 31, 2023 and 2022, respectively. These losses are viewed as resulting from market conditions and are believed to be temporary.

B. Non-Marketable Securities

The Plymouth Rock Company and Subsidiaries have one investment in privately held stock. This investment was carried at $8.9 million and $91,000 as of December 31, 2023 and 2022, respectively.

C. Alternative Equity Investments

Investments in marketable alternative equities include positions in entities that focus on a diverse range of investment strategies. Substantially all investments made by these entities are in publicly traded securities, and investors have contractual rights to withdraw funds from these entities each year. At December 31, 2023 and 2022, The Plymouth Rock Company and Subsidiaries recorded values for these marketable alternative equity investments, which include realized and unrealized gains, of $49.0 million and $45.6 million, respectively. At December 31, 2023 and 2022, the Palisades Reciprocal Group recorded values for these marketable alternative equity investments of $29.8 million and $28.1 million, respectively.

17. Investment Securities and Investment Income, continued

C. Alternative Equity Investments, continued

Non-marketable alternative equity investments include interests in partnerships that invest in companies that are not publicly traded. These investments are valued by applying the equity method to values in their most recently available financial statements. The Plymouth Rock Company and Subsidiaries recorded values for non-marketable alternative equity investments of $53.4 million and $38.0 million at December 31, 2023 and 2022, respectively. The Palisades Reciprocal Group recorded values for non-marketable alternative equity investments of $19.4 million and $19.6 million at December 31, 2023 and 2022, respectively.

As of December 31, 2023, The Plymouth Rock Company and Subsidiaries had commitments outstanding to invest $57.0 million in 12 private equity funds – four with Lindsay Goldberg, four with Dover Street, two with Pantheon Global, and two with Link Ventures. The Chairman of The Plymouth Rock Company is a member of the general partnership that manages the Lindsay Goldberg funds.

As of December 31, 2023, the Palisades Reciprocal Group had commitments outstanding to invest $7.3 million in six private equity funds – four with Dover Street and two with Pantheon Global.

D. Fair Value Measurements

Cash, cash equivalents, and investment securities are valued using a variety of accounting methods, including fair value, cost and the equity method. The estimates of fair value for these assets have been derived from a variety of sources. Published market prices are used to value assets that are actively traded and for which market prices are readily observable. The values of a second category of assets which are not actively traded are determined from other available market data even though trade prices are not published. The fair values of assets in a third category are estimated using internal and external judgments.

17. Investment Securities and Investment Income, continued

D. Fair Value Measurements, continued

The Plymouth Rock Company and Subsidiaries

Cash, cash equivalents, and investment securities totaled $1,524 million and $1,285 million at December 31, 2023 and 2022, respectively. Assets in this category valued using either the equity method or the cost method totaled $102.4 million and $83.5 million, respectively, at December 31, 2023 and 2022. The fair value of the other assets in this category totaled $1,421 million and $1,202 million at December 31, 2023 and 2022, respectively. The fair value of one non-marketable common stock, which is determined using available market data other than quoted prices, increased from $91,200 at December 31, 2022 to $8.9 million at December 31, 2023 as a result of an observed transaction.

The fair value measurements for these assets are categorized as follows:

At December 31, 2023: (dollars in thousands)	Based on Quoted Prices	Determined from Other Available Market Data	Estimated Using Internal and External Judgments	Total
Cash and cash equivalents	$ 13,468	$ -0-	$-0-	$ 13,468
U.S. government securities	40,104	-0-	-0-	40,104
Corporate debt securities	-0-	357,347	-0-	357,347
Asset-backed securities	-0-	13	-0-	13
Marketable common stocks	1,001,527	-0-	-0-	1,001,527
Non-marketable securities	-0-	8,924	-0-	8,924
Total fair value	$1,055,099	$366,284	$-0-	$1,421,383
Assets valued using either the equity method or the cost method				102,373
Total value of cash, cash equivalents, and investment securities				$1,523,756

17. Investment Securities and Investment Income, continued

D. Fair Value Measurements, continued

At December 31, 2022: (dollars in thousands)	Based on Quoted Prices	Determined from Other Available Market Data	Estimated Using Internal and External Judgments	Total
Cash and cash equivalents	$ 22,585	$ -0-	$-0-	$ 22,585
U.S. government securities	8,819	-0-	-0-	8,819
Corporate debt securities	-0-	331,633	-0-	331,633
Asset-backed securities	-0-	18	-0-	18
Marketable common stocks	838,789	-0-	-0-	838,789
Non-marketable securities	-0-	91	-0-	91
Total fair value	$870,193	$331,742	$-0-	$1,201,935
Assets valued using either the equity method or the cost method				83,523
Total value of cash, cash equivalents, and investment securities				$1,285,458

<u>Palisades Reciprocal Group</u>

Cash, cash equivalents, and investment securities totaled $1,634 million and $1,524 million at December 31, 2023 and 2022, respectively. Assets in this category that are valued using either the equity method or the cost method totaled $49.2 million and $47.8 million at December 31, 2023 and 2022, respectively. The fair values of the other assets in this category totaled $1,585 million and $1,476 million at December 31, 2023 and 2022, respectively.

17. Investment Securities and Investment Income, continued

D. Fair Value Measurements, continued

The fair value measurements for these assets are categorized as follows:

At December 31, 2023: (dollars in thousands)	Based on Quoted Prices	Determined from Other Available Market Data	Estimated Using Internal and External Judgments	Total
Cash and cash equivalents	$ 5,417	$ -0-	$-0-	$ 5,417
U.S. government securities	17,396	-0-	-0-	17,396
Corporate debt securities	-0-	863,118	-0-	863,118
Asset-backed securities	-0-	46	-0-	46
Marketable preferred stocks	76	-0-	-0-	76
Marketable common stocks	699,183	-0-	-0-	699,183
Total fair value	$722,072	$863,164	$-0-	$1,585,236
Assets valued using either the equity method or the cost method				49,191
Total value of cash, cash equivalents, and investment securities				$1,634,427

At December 31, 2022: (dollars in thousands)	Based on Quoted Prices	Determined from Other Available Market Data	Estimated Using Internal and External Judgments	Total
Cash and cash equivalents	$ 11,289	$ -0-	$-0-	$ 11,289
U.S. government securities	17,504	-0-	-0-	17,504
Corporate debt securities	-0-	704,583	-0-	704,583
Asset-backed securities	-0-	83	-0-	83
Marketable preferred stocks	113	-0-	-0-	113
Marketable common stocks	742,263	-0-	-0-	742,263
Total fair value	$771,169	$704,666	$-0-	$1,475,835
Assets valued using either the equity method or the cost method				47,775
Total value of cash, cash equivalents, and investment securities				$1,523,610

17. Investment Securities and Investment Income, continued

E. Analysis of Investment Income and Capital Gains

The Plymouth Rock Company and Subsidiaries

The components of investment income and capital gains before federal income taxes during 2023 and 2022 were as follows:

(dollars in thousands)	2023	2022
Interest income and dividends from securities	$ 51,566	$ 31,473
Earnings from alternative equity investments	6,371	3,035
Rental income	7,065	11,885
Finance charges on premiums receivable	6,730	6,327
Gross investment income	71,732	52,720
Rental expenses	(4,663)	(8,756)
Investment expenses	(9,175)	(8,688)
Investment income	57,894	35,276
Net realized capital gains (losses)	(30,092)	18,190
Investment income and capital gains before unrealized gains on equity securities	27,802	53,466
Change in unrealized gains on equity securities	191,947	(208,556)
Investment income and capital gains	$ 219,749	$(155,090)

17. Investment Securities and Investment Income, continued

E. Analysis of Investment Income and Capital Gains, continued

Palisades Reciprocal Group

The components of investment income and capital gains before federal income taxes during 2023 and 2022 were as follows:

(dollars in thousands)	2023	2022
Interest income and dividends from securities	$ 46,182	$ 32,547
Earnings from alternative equity investments	1,943	34
Finance charges on premiums receivable	2,388	2,008
Gross investment income	50,513	34,589
Investment expenses	(10,421)	(10,272)
Investment income	40,092	24,317
Net realized capital gains (losses)	117,528	(11,124)
Investment income and capital gains before unrealized gains on equity securities	157,620	13,193
Change in unrealized gains on equity securities	(8,891)	(149,676)
Investment income and capital gains	$ 148,729	$(136,483)

17. Investment Securities and Investment Income, continued

F. Investment Activity

The Plymouth Rock Company and Subsidiaries

Activity in investment securities during 2023 and 2022 was as follows:

(dollars in thousands)	2023	2022
Balance at beginning of year	$1,262,873	$1,465,777
Change in marketable securities:		
Proceeds from maturities	(37,941)	(41,523)
Proceeds from sales	(551,297)	(531,332)
Purchases	612,139	596,152
Net change in marketable securities	22,901	23,297
Net change in alternative equity investments	18,851	(3,545)
Net investment activity	41,752	19,752
Net change in unrealized gain/(loss) on securities	205,663	(222,656)
Balance at end of year	$1,510,288	$1,262,873

Palisades Reciprocal Group

Activity in investment securities during 2023 and 2022 was as follows:

(dollars in thousands)	2023	2022
Balance at beginning of year	$1,512,321	$1,733,535
Change in marketable securities:		
Proceeds from maturities	(109,101)	(72,500)
Proceeds from sales	(409,690)	(524,958)
Purchases	613,701	561,079
Net change in marketable securities	94,910	(36,379)
Net change in alternative equity investments	1,415	(4,810)
Net investment activity	96,325	(41,189)
Net change in unrealized gain/(loss) on securities	20,364	(180,025)
Balance at end of year	$1,629,010	$1,512,321

18. Real Estate

At December 31, 2023 and 2022, The Plymouth Rock Company and Subsidiaries owned properties located at 695 Atlantic Avenue and 711 Atlantic Avenue in Boston, and 581 Main Street in Woodbridge, New Jersey. Building improvement costs of $10.3 million and $6.2 million were incurred in 2023 and 2022, respectively. The table below summarizes the real estate costs and carrying values at December 31, 2023 and 2022:

(dollars in thousands)	2023	2022
Land	$ 38,634	$ 38,634
Buildings, improvements, and other	179,538	169,272
Total cost	218,172	207,906
Less: accumulated depreciation	42,269	35,379
Net book value	$175,903	$172,527

Rental income from lessees other than The Plymouth Rock Company and Subsidiaries totaled $7.1 million and $11.9 million in 2023 and 2022, respectively. For each of the years 2024 through 2028, minimum annual rent receivable by The Plymouth Rock Company and Subsidiaries is $2.8 million. Total obligations to The Plymouth Rock Company and Subsidiaries from non-affiliated lessees through 2028 are $21.0 million. Buildings and improvements are depreciated over their useful lives, which range from three to 39 years.

The property at 711 Atlantic Avenue was appraised at $67.5 million as of December 1, 2022 compared with its carrying value of $72.5 million and $74.1 million at December 31, 2023 and 2022 respectively. We considered the lower appraisal value compared to carrying value to be a triggering event that required an evaluation of potential impairment of the property at 711 Atlantic Avenue at both December 31, 2023 and December 31, 2022. After evaluating expected future cash flows of the property at 711 Atlantic Avenue, it was determined that no adjustment to its carrying value as of December 31, 2023 or December 31, 2022 was necessary. The property at 581 Main Street was appraised at $61.9 million as of October 29, 2021 as compared with its carrying value of $61.7 million and $61.4 million at December 31, 2023 and 2022, respectively. The property at 695 Atlantic Avenue was appraised at $96.5 million as of October 1, 2020 compared with its carrying value of $41.8 million and $37.0 million as of December 31, 2023 and 2022, respectively. Because of changing market conditions and uncertainties inherent in the appraisal process, the amounts that could be realized if the properties were actually offered for sale may differ from their appraised values.

19. Stockholders' Equity

A. Common Stock

Common stock of The Plymouth Rock Company at December 31, 2023 and 2022 is composed of Class A common shares and Class B common shares, with shares of both classes having a par value of $0.10 each. There are 300,000 Class A common shares authorized, 64,258 were issued and outstanding at both December 31, 2023 and 2022.

There are 90,000 Class B common shares authorized, of which 59,783 were issued and outstanding at both December 31, 2023 and 2022. The Class A common shares are fully transferable and have the right to elect 20 percent of the Board of Directors. The Class B common shares are not transferable but may be converted to Class A common shares on a one-for-one basis at any time at the option of the holder and are converted automatically upon the occurrence of certain events. The Class B common shares have the right to elect 80 percent of the Board of Directors, a right which has never been exercised in full. Presently, two directors are elected by the Class B shareholders and all other directors are elected by the Class A shareholders.

Following a plan approved by the Board of Directors, The Plymouth Rock Company purchased and subsequently retired 211 outstanding shares of its Class A common stock held by one shareholder at a cost of $3.0 million during 2022.

B. Statutory Surplus and Dividend Availability

Insurance subsidiaries are required to file financial statements with state insurance departments. The accounting principles prescribed or permitted for these financial statements differ in certain respects from accounting principles generally accepted in the United States of America.

On a statutory accounting basis, capital and surplus of the insurance company subsidiaries of The Plymouth Rock Company totaled $650.4 million and $546.2 million at December 31, 2023 and 2022, respectively. The combined net loss of these subsidiaries on a statutory accounting basis was $42.8 million in 2023 and the combined net income of these subsidiaries was $6.9 million in 2022.

Capital and surplus of the insurance companies in the Palisades Reciprocal Group totaled $573.6 million and $546.9 million at December 31, 2023 and 2022, respectively. These insurance companies reported a combined net income on a statutory accounting basis of $27.2 million in 2023 and a combined net loss of $78.1 million in 2022.

19. Stockholders’ Equity, continued

B. Statutory Surplus and Dividend Availability, continued

Regulatory limitations restrict the amount of dividends that can be paid by the insurance companies owned by The Plymouth Rock Company and the insurance companies in the Palisades Reciprocal Group without the permission of state insurance regulators.

C. Earnings Per Share

Earnings per share of common stock are computed by dividing net income by the weighted average number of shares of common stock outstanding throughout the year.

Directors and Officers of The Plymouth Rock Company

Directors

James M. Stone, *Chairman*

James N. Bailey

Hal Belodoff

Wilmot H. Kidd, III

Andrew A. McElwee, Jr.

Norman L. Rosenthal

Sandra A. Urie

Sir Peter J. Wood

Officers

James M. Stone
Chief Executive Officer

James N. Bailey
Treasurer, Secretary, and Clerk

Andrew A. McElwee, Jr.
President and Chief Operating Officer

Mary A. Sprong
Vice President

Erin R. Macgowan
Vice President

Directors and Officers of the Principal Plymouth Rock Companies

Non-Management Directors

Hal Belodoff
Donald I. Bryan
Kerry A. Emanuel
Colleen M. Granahan
John C. Hill
Neil N. Jasey
Wilmot H. Kidd, III
Daniel R. Rasmussen
Julie A. Rochman
Norman L. Rosenthal
Sandra A. Urie
Sir Peter J. Wood

Management Directors and Corporate Officers

Richard F. Adam
James N. Bailey
David V. Bartolotta
Peter A. Bishop
Mary J. Boyd
Jeffrey E. Briglia
Andrew D. Brown
Frederick C. Childs
Andrew T. DeCicco
Lauren E. Dwyer
David A. Eastes
Robert H. Easton
Howard R. Goldberg
William D. Hartranft
Richard J. Jaros
Sunil S. Kini
Brendan M. Kirby
Scott N. Kwiker
Andrew J. Leeds
Erin R. Macgowan
Max E. Malaret
Richard J. Mariani
Wilbur L. Martin IV
Andrew A. McElwee, Jr.
Paul W. Measley
Louis C. Palomeque
David L. Pearlmutter
Anne M. Petruff
Amanda J. Smith
Mary A. Sprong
Karen L. Stickel
James M. Stone
Rachel M. Switchenko
Barry O. Tagen
Ethan F. Tarby
Adam E. Van Loon

Counsel:
Ropes & Gray LLP

Independent Auditor:
PricewaterhouseCoopers LLP