

ALPS Property & Casualty Insurance Company

Audited Statutory Financial Statements

*Years ended December 31, 2024 and 2023
with Report of Independent Auditors*

ALPS Property & Casualty Insurance Company

Audited Statutory Financial Statements

Years ended December 31, 2024 and 2023

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Report of Independent Auditors

Board of Directors
ALPS Property & Casualty Insurance Company

Opinions

We have audited the statutory financial statements of ALPS Property & Casualty Insurance Company (the Company), which comprise the statutory statements of admitted assets, liabilities, capital and surplus as of December 31, 2024 and 2023, and the related statutory statements of operations and changes in capital and surplus, and cash flows for the years then ended, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the admitted assets, liabilities, and surplus of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended, in accordance with the basis of accounting described in Note B.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2024 and 2023, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

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

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

As described in Note B to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the Montana Office of the Commissioner of Securities and Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices described in Note B and accounting principles generally accepted in the United States of America, are material and are described in Note B.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying summary investment schedule, supplemental investment risks interrogatories and supplemental reinsurance interrogatories of the Company as of December 31, 2024, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Montana Office of the Commissioner of Securities and Insurance. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such schedules are fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Williston, Vermont

April 24, 2025

Vermont firm registration 092-0000267

ALPS Property & Casualty Insurance Company

Statutory Statements of Admitted Assets, Liabilities, Capital and Surplus

As of December 31, 2024 and 2023

	2024	2023
Admitted Assets		
Investments assets and cash:		
Bonds	\$ 149,782,253	\$ 142,323,595
Common stocks	14,264,139	12,312,284
Common stock of affiliate	733,590	453,279
Other invested assets	3,784,694	2,960,957
Cash and short-term investments	5,867,200	6,724,999
Total invested assets and cash	174,431,876	164,775,114
Other admitted assets:		
Premiums receivable	2,693,992	2,827,570
Accrued investment income	1,630,015	1,497,712
Reinsurance recoverable on paid losses	240,218	624,772
Net deferred tax assets	2,404,195	2,853,059
Deductible receivable	45,001	82,986
Receivable for securities	9,250	-
Total other admitted assets	7,022,671	7,886,099
Total admitted assets	\$ 181,454,547	\$ 172,661,213
Liabilities, Capital and Surplus		
Liabilities:		
Reserve for losses and loss adjustment expenses, net	\$ 76,199,783	\$ 79,838,280
Unearned premiums, net	20,735,587	20,445,951
Ceded reinsurance premium payable	1,377,035	4,118,946
Funds held under reinsurance treaties	2,462,724	2,978,071
Advanced premiums	4,133,220	3,783,247
Accrued taxes and licenses payable	368,865	391,010
Other expenses payable	162,700	181,945
Remittances and items not allocated	56,874	82,725
Payable for securities	-	859,313
Due to parent, subsidiaries and affiliates	3,719,778	942,503
Amounts withheld or retained by Company for the account of others	1,074	1,317
Other liabilities	87,500	-
Total liabilities	109,305,140	113,623,308
Capital and surplus:		
Common stock \$1 par: 5,000,000 shares authorized, issued and outstanding	5,000,000	5,000,000
Paid-in contributed surplus	5,500,652	5,500,652
Unassigned surplus	61,648,755	48,537,253
Total capital and surplus	72,149,407	59,037,905
Total liabilities, capital and surplus	\$ 181,454,547	\$ 172,661,213

See accompanying notes to statutory financial statements.

ALPS Property & Casualty Insurance Company

Statutory Statements of Operations

Years ended December 31, 2024 and 2023

	2024	2023
Revenues		
Gross premiums written	\$ 60,525,946	\$ 59,518,637
Premiums ceded	(16,515,762)	(16,656,142)
Net premiums written	44,010,184	42,862,495
Change in unearned premiums	(289,636)	(660,945)
Net premiums earned	43,720,548	42,201,550
Expenses		
Losses incurred, net	8,933,156	10,392,364
Loss adjustment expenses incurred, net	7,192,552	13,804,690
Other underwriting and administrative expenses, net of reinsurance ceding commission of \$955,821 and \$561,560, respectively	15,376,310	13,748,876
Total losses and underwriting expenses	31,502,018	37,945,930
Underwriting Income	12,218,530	4,255,620
Realized gain (loss) on investments, net of income tax expense (benefit) of \$24,367 and \$(56,712), respectively	91,665	(213,346)
Investment income, net of investment expense of \$500,765 and \$445,351, respectively	6,954,919	5,917,127
Other income	173,139	170,095
Income after capital gains tax before all other federal income taxes	19,438,253	10,129,496
Provision for federal income taxes	(4,128,575)	(2,240,138)
Net income	\$ 15,309,678	\$ 7,889,358

See accompanying notes to statutory financial statements.

ALPS Property & Casualty Insurance Company

Statutory Statements of Changes in Capital and Surplus

Years ended December 31, 2024 and 2023

	<u>Common Stock</u>		<u>Paid-in and Contributed Surplus</u>	<u>Unassigned Surplus</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balance at December 31, 2022	5,000,000	\$ 5,000,000	\$ 5,500,652	\$ 42,647,793	\$ 53,148,445
Prior period correction of error - See Note B	-	-	-	(4,351,136)	(4,351,136)
Change in provision for reinsurance	-	-	-	4,351,136	4,351,136
Net change in unrealized gains, net of tax	-	-	-	217,793	217,793
Net change in nonadmitted assets	-	-	-	(123,247)	(123,247)
Net change in deferred taxes	-	-	-	205,556	205,556
Dividends to stockholder	-	-	-	(2,300,000)	(2,300,000)
Net income	-	-	-	<u>7,889,358</u>	<u>7,889,358</u>
Balance at December 31, 2023	5,000,000	5,000,000	5,500,652	48,537,253	59,037,905
Net change in unrealized gains, net of tax	-	-	-	1,512,841	1,512,841
Net change in nonadmitted assets	-	-	-	(204,473)	(204,473)
Net change in deferred taxes	-	-	-	(6,544)	(6,544)
Dividends to stockholder	-	-	-	(3,500,000)	(3,500,000)
Net income	-	-	-	<u>15,309,678</u>	<u>15,309,678</u>
Balance at December 31, 2024	<u>5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,500,652</u>	<u>\$ 61,648,755</u>	<u>\$ 72,149,407</u>

See accompanying notes to statutory financial statements

ALPS Property & Casualty Insurance Company

Statutory Statements of of Cash Flows

Years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Premiums collected, net of reinsurance	\$ 41,751,824	\$ 42,492,274
Benefits and loss-related payments	(9,355,846)	(7,625,248)
Commissions and expenses paid	(25,408,651)	(22,254,615)
Investment income, net	6,824,807	5,778,116
Miscellaneous income	173,139	170,095
Federal income taxes paid	<u>(4,152,940)</u>	<u>(2,183,427)</u>
Net cash flows from operating activities	<u>9,832,333</u>	<u>16,377,195</u>
Cash flows from investing activities:		
Proceeds from sales, maturities and repayments of bonds	15,957,276	21,365,891
Proceeds from sale of stocks	4,697,618	9,369,704
Purchase of bonds	(24,791,845)	(39,019,370)
Purchase of stocks	(4,925,918)	(9,501,423)
Purchase of other invested assets	(282,177)	(525,767)
Purchase of miscellaneous applications	<u>(9,250)</u>	<u>-</u>
Net cash flows from investing activities	<u>(9,354,296)</u>	<u>(18,310,965)</u>
Cash flows from financing activities:		
Dividend to stockholders	(3,500,000)	(2,300,000)
Miscellaneous proceeds (expenses)	<u>2,164,164</u>	<u>(194,376)</u>
Net cash flows from financing activities	<u>(1,335,836)</u>	<u>(2,494,376)</u>
Net change in cash and short-term investments	<u>(857,799)</u>	<u>(4,428,146)</u>
Cash and short-term investments at beginning of year	<u>6,724,999</u>	<u>11,153,145</u>
Cash and short-term investments at end of year	<u>\$ 5,867,200</u>	<u>\$ 6,724,999</u>
Supplemental disclosures of noncash transactions:		
Change in payables for securities	<u>\$ (859,313)</u>	<u>\$ 859,313</u>

See accompanying notes to statutory financial statements.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements

Years ended December 31, 2024 and 2023

Note A - Nature of Operations

Organization and Nature of Business

ALPS Property & Casualty Insurance Company (the Company) is a wholly owned subsidiary of ALPS Corporation, a stock corporation and parent holding company organized under Montana law. In addition to owning 100% of the outstanding shares of the Company, ALPS Corporation also owns 100% of the outstanding shares of ALPS Insurance Agency, Inc. (AIA), a Montana corporation that provides insurance underwriting, claims adjusting, insurance producer and other insurance-related services.

The Company has entered into the following agreements with its affiliated entities: (i) Administrative Services and Cost Sharing Agreement, (ii) Insurance Services Agreement, (iii) Tax Allocation Agreement and (iv) Facilities Use Agreement.

Under the Administrative Services and Cost Sharing Agreement, ALPS Corporation provides the Company with the following services: investment management services, corporate officers, corporate services, financial and accounting, legal and regulatory, reinsurance, human resources, actuarial, policy form development and filing, information technology, production, mailroom, strategic planning, executive management, and travel and transportation services. In addition, ALPS Corporation also provides equipment as the Company may request and determine to be reasonably necessary in the conduct of its insurance operations.

Under the Insurance Services Agreement, AIA provides the Company with underwriting, claims, sales, marketing and insurance producer services.

The Company is a party to a written Tax Allocation Agreement approved by the Company's Board of Directors, which sets forth the manner in which the total consolidated federal income tax for all entities is allocated to each entity that is a party to the consolidation. The written agreement provides that the consolidated tax liability shall be allocated pursuant to Reg. § 1.1502-33(d)(3) and 1.552-1(a)(1) to each member of the consolidated group, on a separate return basis, in accordance with a fraction, the numerator of which is the taxable income of each respective group member and the denominator of which is the aggregate taxable income of all members of the consolidated group. The estimated allocated tax liability of each group member is settled on a quarterly basis, with any final adjustments made within 90 days after the filing of the group's consolidated income tax return.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note A - Nature of Operations (Continued)

The Company is a Montana corporation, admitted in and regulated by the state of Montana as a casualty insurance company. The Company issues policies of professional liability insurance, employment practices liability insurance and cyber risk liability insurance to attorneys and law firms. From the date it commenced business on March 1, 1988, until 2013, the Company was structured and operated exclusively as a risk retention group pursuant to the provisions of the federal Liability Risk Retention Act (LRRRA).

As of December 31, 2024, the Company operates exclusively as a fully licensed and admitted insurance company in 47 states, the District of Columbia, and the U.S. Virgin Islands.

Note B - Summary of Significant Accounting Policies

Basis of accounting

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the Montana Office of the Commissioner of Securities and Insurance, which requires insurance companies domiciled in the state of Montana to prepare their statutory financial statements in accordance with the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual*, subject to any deviations prescribed or permitted by the Montana Commissioner of Securities and Insurance. The Company does not employ any permitted practices in the preparation of its statutory financial statements.

These statutory accounting practices (SAP) comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) and differ in some respects. The more significant of these differences are as follows:

- Certain assets designated as "nonadmitted" are excluded from the statutory statements of admitted assets, liabilities, capital and surplus. The change in nonadmitted assets is credited directly to or charged directly against unassigned surplus. Under GAAP, these nonadmitted assets are included in the balance sheet, subject to realizability.
- Investments: For statutory purposes, bonds are generally recorded at amortized cost pursuant to NAIC instructions. For GAAP, such securities are reported at fair value or amortized cost depending on their designation as trading, available-for-sale, or held to maturity. The impairment/credit loss model is different for statutory and GAAP purposes.

The fair value of investments on a statutory basis is determined by the Securities Valuation Office (SVO), whereas for GAAP, the fair value of investments is determined based on the exit price.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

- For loan-backed and structured securities, if the Company determines that it intends to sell a security or no longer has the ability and intent to retain the investment for a period of time sufficient to recover the amortized cost, that security shall be written down to fair value. For statutory purposes, if the Company subsequently changes its assertion, and does not intend to sell the security and has the ability and intent to retain the investment for a period of time sufficient to recover the amortized cost, the Company will continue to carry that security at the lower of cost or market, with any future decreases in fair value charged through operations until the security is disposed. For GAAP purposes, once the Company alters its assertion, that security's amortized cost basis will not be decreased for future reductions in fair value unless a subsequent other-than-temporary impairment is determined to have occurred.

Also, the impairment/credit loss model is different for statutory and GAAP purposes.

- Equity investments: Under SAP, equity securities are recorded at fair value with unrealized gains and losses recorded as a direct charge to capital and surplus, net of adjustments for federal income taxes. Under GAAP, unrealized gains and losses on equity securities are reported directly in net income.
- Cash and short-term investments in the statutory statements of cash flows represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with maturities of three months or less at the time of purchase. Further, GAAP requires the presentation of a reconciliation of net income to cash flows from operating activities. Additionally, cash flows are not classified consistently for GAAP and SAP.
- Commissions and other costs of acquiring and renewing business are expensed when incurred. Under GAAP, such costs, to the extent recoverable, are deferred and amortized to income as premiums are earned. Commissions allowed by reinsurers on business ceded are reported as income when received rather than being deferred and amortized with deferred policy acquisition costs, as required under GAAP.
- Reinsurance: Reserves for losses and loss adjustment expenses and unearned premiums have been reported net of applicable reinsurance, whereas for GAAP purposes, these reserves are recorded gross of applicable reinsurance. Effective in 2023, the impairment/credit loss model is different for statutory and GAAP purposes.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

- Deferred federal income taxes are provided for the tax effects of certain income and expense items recognized for income tax purposes in different years than for financial reporting purposes. The change in the deferred tax asset or liability is reflected directly in unassigned surplus. GAAP requires the change to be reported in income. Admittance testing may result in a charge to capital and surplus for nonadmitted portions of the deferred tax asset. State taxes are not considered for statutory purposes in calculating a deferred tax asset or liability; however, they are considered for GAAP purposes. Both statutory and GAAP guidance require a valuation allowance be established where the deferred tax asset is reduced to its realizable value if, based on the weight of available evidence, it is more likely than not that some portion or all of a gross deferred tax asset will not be realized. Changes in valuation allowance are reported in a manner similar to which changes in deferred tax assets and liabilities are reported, as noted above.
- Receivables over 90 days outstanding are not admitted in the statutory financial statements and are charged to surplus, whereas for GAAP, the Company assesses the collectability of receivable, and any charge is reflected in net income.
- Comprehensive income is not reflected in accordance with the requirements of GAAP. Instead, changes in unrealized gains and losses on investments are charged directly to unassigned surplus.
- Realized gains (losses): Under SAP, net realized gains (losses) on sales of investments are reported net of applicable income taxes, whereas they are reported gross of tax under GAAP.
- Statutory financial statements are prepared in a form and using language and groupings substantially the same as the annual statements of the Company filed with the NAIC and state regulatory authorities, which differ from the presentation and disclosure of financial statements presented in accordance with GAAP.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

A reconciliation of net income and capital and surplus amounts presented in conformity with GAAP and amounts presented herein is as follows as of and for the years ended December 31:

	Net Income		Capital and Surplus	
	2024	2023	2024	2023
Amounts stated in conformity with GAAP	\$ 16,660,441	\$ 8,465,236	\$ 68,912,750	\$ 56,675,427
Other investment adjustments	(1,797,734)	(173,841)	7,392,440	6,285,187
Deferred policy acquisition costs	17,311	(62,508)	(2,290,533)	(2,307,844)
Nonadmitted assets	-	-	(460,534)	(256,061)
Deferred income taxes	429,660	(339,529)	(1,404,716)	(1,358,804)
Amounts stated in conformity with SAP	<u>\$ 15,309,678</u>	<u>\$ 7,889,358</u>	<u>\$ 72,149,407</u>	<u>\$ 59,037,905</u>

Prior Period Correction of Error

In April 2024, the Company identified two reinsurers Peak Reinsurance Company Limited (Peak Re) and Hamilton Re Limited (Hamilton Re) with material reinsurance recoverable balances as of December 31, 2023 and 2022 that the Company classified as authorized reinsurers on Schedule F of the 2023 and 2022 NAIC Annual Statement. Both reinsurers were, in fact, unauthorized reinsurers as of December 31, 2023 and 2022. The December 31, 2023 and 2022 NAIC Annual Statement reported Peak Re unsecured reinsurance recoverable net of funds held, payables and collateral of \$4,038,068 and \$3,586,836, respectively. The December 31, 2023 and 2022 NAIC Annual Statement reported Hamilton Re had unsecured reinsurance recoverable net of funds held, payables and collateral of \$748,337 and \$765,300, respectively. Statutory guidance requires the Company to obtain collateral to secure the reinsurance recoverables due from unauthorized reinsurers or record a provision for reinsurance in accordance with SAP. On May 8, 2024, Peak Re secured a letter of credit totaling \$4,038,068 from Standard Chartered Bank, effective December 31, 2023 securing the Company's reinsurance recoverables. On May 13, 2024, Hamilton Re secured a letter of credit totaling \$748,337 from Citibank Europe PLC, effective December 31, 2023 securing the Company's reinsurance recoverables. These letters of credit have been reflected in Note E. As such, no provision for reinsurance was deemed necessary as of December 31, 2023 relative to Peak Re or Hamilton Re.

The Company should have recorded a provision for reinsurance as of December 31, 2022 for the total unsecured unauthorized reinsurance recoverable which totaled \$4,351,136. The correction of this error was recorded through reduction of unassigned surplus by \$4,351,136 as of January 1, 2023, in accordance with Statement of Statutory Accounting Principles No. 3, *Accounting Changes and Corrections of Errors*.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Risk and uncertainties

Certain risks and uncertainties are inherent in the Company's day-to-day operations and in the process of preparing its statutory financial statements. The more significant of those risks and uncertainties, as well as the Company's methods for mitigating the risks, are presented below and throughout the notes to the statutory financial statements.

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

Estimates

The preparation of the statutory financial statements in conformity with SAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. For example, significant estimates and assumptions are utilized in the valuation of investments, valuation of allowances for deferred income tax assets and doubtful accounts, and determining reasonable reserves for loss and loss adjustment expenses (LAE). It is reasonably possible that actual experience could differ from the estimates and assumptions utilized, which could have a material impact on the statutory financial statements.

Reinsurance

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligation could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. The Company evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. Management believes that any liability arising from this contingency would not be material to the Company's financial position.

Ceded reinsurance premiums and commissions are netted against earned premium and related expense, respectively. Amounts recoverable from reinsurers on paid losses and LAE are reported as an asset, whereas amounts recoverable on unpaid losses and LAE and ceded unearned premiums are offset against the liability for losses and LAE and unearned premiums, respectively.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

The Company participates in a contingent profit sharing commission (CPC) with its reinsurers whereby three years following the inception of a reinsurance contract, and annually thereafter until all claims subject to that reinsurance contract are settled, the Company will receive between 25% and 35% commission, depending on the treaty structure, from the reinsurers in the event that the Company's claim expenses are less than the ceded premiums collected by the reinsurers. Management holds any CPC received as a liability until substantially all claims have closed within the respective treaty. Management recorded liabilities related to CPCs of \$2,462,724 and \$2,978,071 for the years ending December 31, 2024 and 2023, respectively in funds held under reinsurance treaties on the Statements of Admitted Assets, Liabilities, Capital and Surplus.

Losses and loss adjustment expense reserves

The Company estimates reserves for losses and loss adjustment expenses based on the accumulation of case estimates for direct claims and incidents reported, net of applicable policy deductibles and deduction of amounts for reinsurance ceded on reported claims and incidents. The liability for LAE is provided by estimating future expenses to be incurred in settlement of the claims provided for in the reserves for losses, net of reinsurance ceded. Actual results could differ from these estimates. As adjustments to these estimates are determined, such adjustments are reflected in current operations.

Estimated liabilities for unpaid loss and LAE are based on individual case estimates of the ultimate cost of reported loss and LAE and estimates of incurred but not reported losses (IBNR). LAE include costs associated directly with specific claims and internal costs relating to claim settlement and administration. Such liabilities are necessarily based on assumptions and estimates. Reserves for IBNR losses and LAE are calculated based upon loss projections utilizing certain actuarial assumptions and the Company's historical experience, net of applicable reinsurance recoverable amounts. Methods utilized by the consulting actuary include the paid and incurred loss development methods, the modified expected loss method, the reported and paid Bornhuetter-Ferguson methods, the base limit times Increased Limit Factors (ILF) method, and the average value method utilizing the Company's historical data. IBNR reserves are derived from the difference between the projected ultimate losses and loss expenses incurred and the sum of case-basis losses and loss expense reserves, and inception-to-date paid losses and loss expenses. An estimate of ultimate losses is projected at each reporting date. Management believes that its aggregate liability for unpaid loss and loss adjustment expenses at year end represents its best estimate of the amount necessary to cover the ultimate costs of losses based upon an analysis prepared by an independent consulting actuary.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

The liability for unpaid loss and LAE is recorded net of applicable reinsurance receivable amounts. Reinsurance receivable amounts are comprised of estimated amounts of unpaid losses and LAE, which are expected to be recoverable from the Company's reinsurers pursuant to certain reinsurance agreements. Such amounts have been estimated using actuarial assumptions consistent with those used to estimate the related liability for unpaid loss and LAE. Management believes that reinsurance receivables represent its best estimate of such amounts; however, as changes in the estimated ultimate liability for loss and LAE are determined, the estimated ultimate amount receivable from the reinsurance companies will also change.

The Company has recorded a reserve credit against unpaid losses and LAE for unsecured high deductibles in the amount of \$1,546,682 and \$1,673,459 for the years ended December 31, 2024 and 2023, respectively.

External factors

The Company is regulated by the state of Montana, as well as states in which it does business. Such regulations, among other things, limit the amount of dividends and impose restrictions on the amount and type of investments. The Company may also be required to seek state approval for rates for policies written in each respective state. Certain states may impose requirements on the coverage provided and restrictions on the amount of rate increases the Company seeks on policies written in that state.

Risk-based capital

The NAIC has developed risk-based capital (RBC) standards for property and casualty insurers that relate an insurer's reported statutory surplus to the risks inherent in its overall operations. The formula uses the statutory annual statement to calculate the minimum indicated capital level to protect the Company from various risks that it faces. The NAIC model law calls for various levels of regulatory action based on the magnitude of an indicated deficiency, if any. The Company continues to monitor internal capital levels to ensure that they are in excess of the minimum capital requirements for all action levels. Management believes that the Company's capital levels are sufficient to support the level of risk inherent in its operations.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Concentrations of credit risk

The credit quality of the bond investment portfolio at December 31, 2024 and 2023, is presented in the following table:

		2024		2023	
		Statement Amount	Percentage	Statement Amount	Percentage
NAIC-1	Highest quality	\$ 137,744,365	92.0 %	\$ 133,326,076	93.6 %
NAIC-2	High quality	11,457,309	7.6 %	8,472,647	6.0 %
NAIC-3	Medium quality	580,579	0.4 %	374,872	0.3 %
NAIC-6	In or near default	-	- %	150,000	0.1 %
		<u>\$ 149,782,253</u>	<u>100 %</u>	<u>\$ 142,323,595</u>	<u>100 %</u>

Bonds with ratings from AAA to BBB, as assigned by Standard & Poor's Corporation, are generally considered investment-grade securities. Some securities issued by the United States government or an agency thereof are not rated but are considered to be investment-grade. The NAIC regards United States Treasuries and agencies and all A ratings as Class 1 (highest quality), BBB ratings as Class 2 (high quality), BB ratings as Class 3 (medium quality), B ratings as Class 4 (low quality), C ratings as Class 5 (lower quality), and D ratings as Class 6 (in or near default).

Premiums Earned and Related Costs

Premiums are recognized as revenue on a daily pro rata basis over the policy period. Unearned premiums are established to cover the unexpired portion of policies written and are computed on a pro rata basis. Advanced premiums are deferred until the effective date of the policy, at which time they are recognized as revenue on a pro rata basis over the term of the policy. The cost of reinsurance ceded is recognized ratably over the term of the underlying direct policies. Expenses incurred in connection with new or renewal business, including acquisition costs such as commissions and premium taxes are charged to operations as incurred. Expenses incurred are reduced for ceding commission and allowances from ceded reinsurance.

The Company's claims-made lawyers professional liability policies include a provision for extended reporting coverage, whereby the costs related to the extended reporting period will be waived for the insured policyholder when termination of coverage relates to death, disability, or permanent or total retirement from professional practice within the definition of the policy. The liability for this extended reporting coverage is included as a component of unearned premiums and totaled \$1,900,000 and \$1,800,000 as of December 31, 2024 and 2023, respectively.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

A premium deficiency reserve is recognized when the anticipated losses, loss adjustment expenses, commissions and other acquisition costs, and maintenance costs exceed the recorded unearned premium reserve, and any future installment premiums on existing policies. If a premium deficiency exists, a premium deficiency reserve is recognized by recording an additional liability for the deficiency, with a corresponding charge to operations. The Company does consider anticipated investment income when determining if a premium deficiency exists. During 2024 and 2023, the Company did not recognize a premium deficiency reserve.

Cash and short-term investments

The Company considers all highly liquid investments with a maturity of one year or less at the date of acquisition and all non-negotiable certificates of deposit to be part of cash and short-term investments. From time to time, certain bank accounts that are subject to limited Federal Deposit Insurance Corporation (FDIC) coverage exceed their insured limits, sometimes by substantial amounts. The Company periodically reviews the risk this poses and has determined it to be minimal. The Company has not experienced any losses in such accounts as a result of this concentration and believes it is not exposed to any significant credit risk on cash balances.

Investments

Investments, excluding residential and commercial mortgage-backed securities not guaranteed by federal or federally sponsored agencies, are stated at carrying values prescribed by the NAIC's SVO. Accordingly, non-loan-backed bonds rated 1 and 2 by the NAIC are stated at amortized cost using the scientific-interest method, with bonds containing call provisions being amortized to the call or maturity date, whichever results in a lower asset value.

Loan-backed bonds rated 1 and 2 by the NAIC are stated at amortized cost using the scientific-interest method, including anticipated prepayments.

All bonds rated 3 through 6 are carried at the lower of amortized cost or fair value with the change run through capital and surplus, net of applicable taxes.

Short-term investments are stated at amortized value using the scientific-interest method.

Non-investment-grade short-term investments are stated at the lower of amortized cost or fair value.

Prepayment assumptions for single-class and multiclass mortgage-backed/asset-backed securities were obtained from broker-dealer survey values or the SVO. The retrospective adjustment method is used to value all loan-backed securities.

Common stocks and mutual funds other than common stock of affiliate are stated at fair value, with unrealized gains and losses being reported in unassigned surplus, net of applicable taxes.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Common stock of affiliate represents the Company's 33.33% ownership in Lawyers Reinsurance Company (Lawyers Re), a Vermont captive insurance company, which is considered to be a subsidiary, controlled and affiliated entity (SCA) under Statement of Statutory Accounting Principles (SSAP) No. 97. The SCA prepares its financial statements in accordance with GAAP, which differs from NAIC SAP. The monetary effect of the differences between GAAP and NAIC SAP is an increase (decrease) in the Company's prorata share of SCA's surplus of \$96,280 and \$(98,399) as of December 31, 2024 and 2023, respectively and a decrease in the Company's prorata share of the SCA's net gain of \$(154,964) and an increase of \$244,691, for the years then ended. The insurance SCA is valued based on the underlying audited GAAP equity of the investee and has a carrying value of \$733,590 and \$453,279 at December 31, 2024 and 2023, respectively. Any redemption requests by the Company are subject to the approval of Lawyers Re's Board of Directors and the Vermont Department of Financial Regulation.

Investments in joint ventures, partnerships and limited liability companies reported as other invested assets and are stated at the underlying audited GAAP equity value, with unrealized gains and losses being reported in unassigned surplus, net of applicable taxes. Other invested assets are valued using the net asset value (NAV) as a practical expedient.

The assessment of other-than-temporary impairments is performed on a case-by-case basis. Factors considered by management in determining whether an other-than-temporary impairment exists (in other than loan-backed or structured investment securities) include the financial condition, business prospects and creditworthiness of the issuer, the length of time and extent to which fair value has been less than cost for equity securities or amortized cost for fixed-income securities, and the Company's intent and ability to retain such investments until the fair value recovers. If it is determined that the decline in fair market value is other than temporary, the carrying amount of the investment is written down to fair value as its new basis, and the amount of the write-down is recorded as a realized loss.

For loan-backed or structured securities, factors considered by management in determining whether an other-than-temporary impairment exists include the Company's stated intent to not sell, the Company's ability to hold such investments until the fair value recovers, and the discounted cash flows of the security based on the yield at the date of acquisition. If the Company intends to sell or if the Company does not have the ability and intent to hold the security for a period of time sufficient to recover its amortized cost basis, an other-than-temporary impairment exists, and the security is written down to fair value with the amount of the write-down recorded as a realized loss. If the Company does not intend to sell the security and has the ability and intent to hold the security for a period of time sufficient to recover the amortized cost basis, the Company calculates the cash flows expected to be collected. In this calculation, the Company compares the present value of cash flows expected to be collected, discounted at the security's effective interest rate at the date of purchase, to the amortized cost basis. If the present value of cash flows is less than the amortized cost basis, a realized loss is recorded for the difference. The present value of cash flows then becomes the new cost basis.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

The Company may, from time to time, sell invested assets subsequent to the statutory statement of admitted assets, liabilities, capital and surplus date that were considered temporarily impaired at the statutory statement of admitted assets, liabilities, capital and surplus date for several reasons. For all subsequent sales of invested assets that were considered temporarily impaired at the statutory statement of admitted assets, liabilities, capital and surplus date, the Company contemporaneously documents its rationale for its change in intent or ability to hold to recovery. The rationale for the change in the Company's ability and intent generally focuses on changes in the economic facts and circumstances related to the invested asset subsequent to the statutory statement of admitted assets, liabilities, capital and surplus date, significant unforeseen changes in the Company's liquidity needs, or changes in tax laws or the regulatory environment.

Accrued investment income

Investment income is accrued when earned. The Company does not admit investment income due and accrued over 90 days past due. Investment income is reported net of investment expenses including investment advisory fees, interest expense and other allocated cost related to investment management and administration.

Interest income due and accrued was \$1,630,015 and \$1,497,712 as of December 31, 2024 and 2023, respectively, and is recorded as accrued investment income on the Statements of Admitted Assets, Liabilities, Capital and Surplus. No accrued investment income was nonadmitted as of December 31, 2024 and 2023.

Income taxes

Current income taxes incurred are recognized in the statutory statements of operations based on tax returns for the current year and tax contingencies for the current and all prior years, to the extent not previously provided.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the statutory financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Gross deferred tax assets and liabilities are measured using enacted tax rates and are considered for admitted asset status according to the admissibility tests as set forth by the NAIC. Changes in deferred tax assets and deferred tax liabilities, including changes attributable to changes in tax rates, are recognized as a component of surplus.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Gross deferred income tax assets are reduced by a valuation allowance if the Company determines it is more likely than not that some portion or all of the gross deferred tax assets will not be realized. Adjusted deferred income tax assets are limited pursuant to SSAP No. 101 - Income Taxes (SSAP 101) to (1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse during a time frame corresponding with IRS tax loss carryback provisions, not to exceed three years, plus (2) the lesser of the remaining gross deferred income tax assets expected to be realized within three years of the statutory statement of admitted assets, liabilities, capital and surplus date or 15% of capital and surplus (subject to certain limitations), excluding any net deferred income tax assets, electronic data processing equipment and operating software, and any net positive goodwill, plus (3) the amount of remaining gross deferred income tax assets that can be offset against existing deferred income tax liabilities. The remaining deferred income tax assets in excess of the above are nonadmitted. Deferred income taxes do not include amounts for state taxes.

The Company would recognize interest and penalties related to unrecognized tax benefits in tax expense. During the years ended December 31, 2024 and 2023, the Company did not recognize any interest and penalties.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note C - Investments

The cost or amortized cost and estimated NAIC fair value of bonds and equity securities as of December 31, 2024 and 2023 are as follows:

	December 31, 2024			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	NAIC Fair Value
Bonds:				
U. S. Government agencies	\$ 811,068	\$ -	\$ (5,189)	\$ 805,879
State, municipal and other governments	91,865,957	327,231	(6,284,917)	85,908,271
Corporate securities	18,007,372	132,986	(858,825)	17,281,533
Commercial mortgage-backed securities	8,900,850	13,556	(360,063)	8,554,343
Residential mortgage-backed securities	21,590,316	176,181	(760,445)	21,006,052
Other asset-backed securities	<u>8,838,427</u>	<u>81,828</u>	<u>(86,520)</u>	<u>8,833,735</u>
Total bonds	<u>150,013,990</u>	<u>\$ 731,782</u>	<u>\$ (8,355,959)</u>	<u>\$ 142,389,813</u>
Adjustments for bonds carried at NAIC fair value:				
State, municipal and other governments	(73,450)			
Corporate Securities	(158,253)			
Residential mortgage-backed securities	<u>(34)</u>			
Total adjustments	<u>(231,737)</u>			
	<u>\$ 149,782,253</u>			
Common stocks	<u>\$ 13,283,102</u>	<u>\$ 1,491,920</u>	<u>\$ (510,883)</u>	<u>\$ 14,264,139</u>
Other invested assets	<u>\$ 2,956,756</u>	<u>\$ 827,938</u>	<u>\$ -</u>	<u>\$ 3,784,694</u>

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note C - Investments (Continued)

	December 31, 2023			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	NAIC Fair Value
Bonds:				
U. S. Government agencies	\$ 820,130	\$ 7,183	\$ -	\$ 827,313
State, municipal and other governments	89,731,158	714,387	(5,837,097)	84,608,448
Corporate securities	16,287,350	403,171	(731,008)	15,959,513
Commercial mortgage-backed securities	8,877,532	7,397	(529,403)	8,355,526
Residential mortgage-backed securities	19,682,490	375,344	(701,314)	19,356,520
Other asset-backed securities	<u>7,212,952</u>	<u>50,792</u>	<u>(135,741)</u>	<u>7,128,003</u>
Total bonds	142,611,612	<u>\$ 1,558,274</u>	<u>\$ (7,934,563)</u>	<u>\$ 136,235,323</u>
Adjustments for bonds carried at NAIC fair value:				
State, municipal and other governments	(147,577)			
Corporate securities	(139,969)			
Residential mortgage-backed securities	(471)			
Total adjustments	<u>(288,017)</u>			
	<u>\$ 142,323,595</u>			
Common stocks	<u>\$ 12,368,088</u>	<u>\$ 454,706</u>	<u>\$ (510,510)</u>	<u>\$ 12,312,284</u>
Other invested assets	<u>\$ 2,674,578</u>	<u>\$ 286,379</u>	<u>\$ -</u>	<u>\$ 2,960,957</u>

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note C - Investments (Continued)

The following tables present the estimated NAIC fair value and the gross unrealized losses, aggregated by investment category and length of time that individual investment securities have been in an unrealized loss position, at December 31, 2024 and 2023:

	December 31, 2024					
	Less Than 12 Months		Greater Than or Equal to 12 Months		Total	
	NAIC Fair Value	Gross Unrealized Losses	NAIC Fair Value	Gross Unrealized Losses	NAIC Fair Value	Gross Unrealized Losses
Bonds:						
U. S. Government agencies	\$ 805,879	\$ (5,189)	\$ -	\$ -	\$ 805,879	\$ (5,189)
State, municipal and other governments	28,231,293	(596,397)	26,927,078	(5,688,520)	55,158,371	(6,284,917)
Corporate securities	5,507,005	(307,525)	4,904,020	(551,300)	10,411,025	(858,825)
Commercial mortgage-backed securities	-	-	7,136,234	(360,063)	7,136,234	(360,063)
Residential mortgage-backed securities	8,473,284	(126,768)	5,565,587	(633,677)	14,038,871	(760,445)
Other asset-backed securities	2,181,907	(33,059)	1,305,022	(53,461)	3,486,929	(86,520)
Total bonds	<u>45,199,368</u>	<u>(1,068,938)</u>	<u>45,837,941</u>	<u>(7,287,021)</u>	<u>91,037,309</u>	<u>(8,355,959)</u>
Common stocks	<u>325,297</u>	<u>(13,898)</u>	<u>2,413,977</u>	<u>(496,985)</u>	<u>2,739,274</u>	<u>(510,883)</u>
Total	<u>\$ 45,524,665</u>	<u>\$ (1,082,836)</u>	<u>\$ 48,251,918</u>	<u>\$ (7,784,006)</u>	<u>\$ 93,776,583</u>	<u>\$ (8,866,842)</u>

	December 31, 2023					
	Less Than 12 Months		Greater Than or Equal to 12 Months		Total	
	NAIC Fair Value	Gross Unrealized Losses	NAIC Fair Value	Gross Unrealized Losses	NAIC Fair Value	Gross Unrealized Losses
Bonds:						
State, municipal and other governments	\$ 16,849,128	\$ (108,837)	\$ 37,384,451	\$ (5,728,260)	\$ 54,233,579	\$ (5,837,097)
Corporate securities	684,721	(2,150)	7,711,161	(728,858)	8,395,882	(731,008)
Commercial mortgage-backed securities	-	-	7,871,084	(529,403)	7,871,084	(529,403)
Residential mortgage-backed securities	3,434,396	(55,115)	5,586,737	(646,199)	9,021,133	(701,314)
Other asset-backed securities	249,992	(146)	3,785,991	(135,595)	4,035,983	(135,741)
Total bonds	<u>21,218,237</u>	<u>(166,248)</u>	<u>62,339,424</u>	<u>(7,768,315)</u>	<u>83,557,661</u>	<u>(7,934,563)</u>
Common stocks	<u>-</u>	<u>-</u>	<u>2,926,062</u>	<u>(510,510)</u>	<u>2,926,062</u>	<u>(510,510)</u>
Total	<u>\$ 21,218,237</u>	<u>\$ (166,248)</u>	<u>\$ 65,265,486</u>	<u>\$ (8,278,825)</u>	<u>\$ 86,483,723</u>	<u>\$ (8,445,073)</u>

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note C - Investments (Continued)

The majority of the unrealized losses on bonds are due to interest rate changes and market segments that are experiencing temporary declines. The Company periodically examines its investment portfolio to determine if any investments are other-than-temporarily impaired. The Company asserts that it has the intent and ability to hold securities in an unrealized loss position long enough to allow the cost basis of these securities to be recovered. These conclusions are supported by a detailed analysis of each security by the Company's asset managers. It is possible that the Company could recognize other-than-temporary impairments in the future on some securities if future events, information and the passage of time cause it to conclude that declines in the value are other than temporary.

The amortized cost and estimated NAIC fair value of bonds by contractual maturity at December 31, 2024, are shown below. The bond maturities are calculated based on the scheduled repayment date, with the final installment adjusted for any discount or premium. Mortgage-backed, loan-backed and structured securities are subject to the guidance in Statement of Statutory Accounting Principles (SSAP) No. 43, *Loan-Backed and Structured Securities*, which requires distribution based on the anticipated future prepayment cash flows used to value the security.

	Book Value	NAIC Fair Value
Due in one year or less	\$ 3,419,979	\$ 3,421,698
Due after one year through five years	20,973,614	20,767,508
Due after five years through ten years	24,271,728	23,767,736
Due after ten years through twenty years	31,101,046	27,844,774
Due after twenty years	70,015,886	66,588,097
Total	\$ 149,782,253	\$ 142,389,813

Major categories of net investment income are summarized as follows:

	Years Ended December 31	
	2024	2023
Bonds	\$ 6,771,879	\$ 5,669,407
Common stocks	459,306	444,386
Short-term investments	224,499	248,685
	7,455,684	6,362,478
Less investment expenses:		
Other investment expense	500,765	445,351
Net investment income	\$ 6,954,919	\$ 5,917,127

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note C - Investments (Continued)

Proceeds from the sales of bonds during 2024 and 2023 were \$4,873,686 and \$19,651,276, respectively. The Company had 24 and 39 securities that were called in 2024 and 2023, respectively. No prepayment or acceleration fees were generated as a result of the bonds being called. Realized gains (losses) on investments recognized in the statutory statements of operations during the years presented are summarized as follows:

	Years Ended December 31	
	2024	2023
Gross realized gains:		
Bonds	\$ 9,025	\$ 79,493
Equity securities	686,705	696,780
Total	695,730	776,273
Gross realized losses:		
Bonds, including other-than-temporary impairment	(579,698)	(977,402)
Equity securities, including other-than-temporary impairments	-	(68,929)
Total	(579,698)	(1,046,331)
Tax (expense) benefit on net realized capital gains (losses)	(24,367)	56,712
Net realized capital gains (losses), net of tax	\$ 91,665	\$ (213,346)

In 2024 and 2023, no securities became other-than-temporarily impaired.

The following table discloses quantitative information about the Company's restricted asset by category as of December 31, 2024 and 2023.

Restricted Asset Category	Gross Restricted			Total Current Year Admitted Restricted	Percentage	
	Total from Current Year	Total from Prior Year	Increase/ (Decrease)		Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Funds on deposit - State of Montana	\$ 2,942,391	\$ 2,923,148	\$ 19,243	\$ 2,942,391	1.6 %	1.6 %
Funds on deposit - other states	2,936,900	2,876,711	60,189	2,936,900	1.6	1.6
First Interstate Bank CD	-	1,189,574	(1,189,574)	-	-	-
FHLB Capital Stock	103,800	94,600	9,200	103,800	0.1	0.1
Total restricted assets	\$ 5,983,091	\$ 7,084,033	\$ (1,100,942)	\$ 5,983,091	3.3 %	3.3 %

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note D - Losses and Loss Adjustment Expenses Reserves

The components of the liability for losses and LAE and related reinsurance balances recoverable, are as follows:

	December 31, 2024			December 31, 2023		
	Gross Liability	Reinsurance Receivable	Net Liability	Gross Liability	Reinsurance Receivable	Net Liability
Case-basis	\$ 38,936,955	\$ (8,746,095)	\$ 30,190,860	\$ 35,744,532	\$ (7,840,973)	\$ 27,903,559
IBNR	<u>86,256,724</u>	<u>(40,247,801)</u>	<u>46,008,923</u>	<u>101,515,476</u>	<u>(49,580,755)</u>	<u>51,934,721</u>
Total reserves	<u>\$ 125,193,679</u>	<u>\$ (48,993,896)</u>	<u>\$ 76,199,783</u>	<u>\$ 137,260,008</u>	<u>\$ (57,421,728)</u>	<u>\$ 79,838,280</u>

The following table provides a reconciliation of the beginning and ending reserve balances for losses and LAE, net of reinsurance recoverable, for the years ended December 31, 2024 and 2023:

	2024	2023
Reserve for losses and LAE, beginning of year, (net of reinsurance recoverable of \$57,421,728 and \$59,386,040 in 2024 and 2023, respectively)	\$ 79,838,280	\$ 71,563,265
Add provision (reduction) for losses and LAE, net of reinsurance, applicable to claims reported in:		
Current year	29,726,000	28,697,000
Prior years	<u>(13,600,292)</u>	<u>(4,499,946)</u>
Total incurred during the current year	<u>16,125,708</u>	<u>24,197,054</u>
Payments for losses and LAE, net of reinsurance, reported in:		
Current year	4,937,000	4,335,000
Prior years	<u>14,827,205</u>	<u>11,587,039</u>
Net claim payments, during the year	<u>19,764,205</u>	<u>15,922,039</u>
Reserve for losses and LAE, end of year (net of reinsurance recoverable of \$48,993,896 and \$57,421,728 in 2024 and 2023, respectively)	<u>\$ 76,199,783</u>	<u>\$ 79,838,280</u>

Reserves for incurred losses and LAE attributable to claims reported to the Company in prior years have decreased by \$13,600,292 and \$4,499,946 during 2024 and 2023, respectively. These changes are generally the result of ongoing analysis of claim files. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

The Company paid extra contractual obligations of \$0 in 2024 and 2023, respectively.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note E - Reinsurance

The Company utilizes reinsurance contracts to reduce its exposure to losses in all aspects of its insurance business. Such reinsurance permits recovery of a portion of losses from reinsurers, although it does not relieve the Company from its primary liability to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company evaluates the financial strength of potential reinsurers and continually monitors the financial condition of reinsurers.

The Company uses a combination of excess of loss treaties to limit its retention to \$350,000 to \$500,000 dollars per claim.

Amounts recoverable from reinsurers are estimated based upon assumptions consistent with those used in establishing the liabilities related to the underlying reinsured contracts. Management believes the recoverables are appropriately established. The Company generally strives to diversify its credit risks related to reinsurance ceded. There were no disputes with reinsurers at December 31, 2024 or 2023.

The Company holds letters of credit in the amount of \$8,032,843 and \$7,449,241 at December 31, 2024 and 2023, respectively, to secure recoverable balances from unauthorized reinsurers.

The Company has no uncollectible reinsurance recoverables that were written off during the year.

The Company has unsecured aggregate recoverables for losses, paid and unpaid, LAE, and unearned premium with the following individual reinsurers, authorized or unauthorized, exceeding 3% of policyholders' surplus at either December 31, 2024 or 2023:

	<u>AM Best Rating</u>	<u>2024</u>	<u>2023</u>
Allied World	A	\$ 3,328,211	\$ 3,133,465
Axis Reinsurance Co.	A	16,931,135	19,124,889
China Re	A	N/A*	1,867,069
Endurance Reinsurance	A+	2,861,524	3,348,000
Lloyd's Syndicate Number 2623	A+	N/A*	2,305,391
Lloyd's Syndicate Number 4472	NR	4,050,289	4,736,874
Munich Reinsurance America, Inc.	A+	3,437,096	3,970,315
Safety National Casualty Corporation	A+	3,348,826	3,743,585
SCOR Reinsurance Co.	A	N/A*	3,088,589
Transatlantic Reinsurance Co.	A+	N/A*	2,877,596

*Unsecured reinsurance recoverables are below 3% of policyholders' surplus in 2024.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note E - Reinsurance (Continued)

A summary of the impact of ceded reinsurance on written, earned and unearned premiums, and losses and LAE incurred for the years ended December 31, 2024 and 2023, is as follows:

	2024	2023
Premiums written:		
Direct	\$ 60,525,946	\$ 59,518,637
Ceded	<u>(16,515,762)</u>	<u>(16,656,142)</u>
Net premiums written	<u>\$ 44,010,184</u>	<u>\$ 42,862,495</u>
Premiums earned:		
Direct	\$ 60,439,762	\$ 58,434,032
Ceded	<u>(16,719,214)</u>	<u>(16,232,482)</u>
Net premiums earned	<u>\$ 43,720,548</u>	<u>\$ 42,201,550</u>
Unearned premiums:		
Direct	\$ 27,789,133	\$ 27,702,949
Ceded	<u>(7,053,546)</u>	<u>(7,256,998)</u>
Net unearned premiums	<u>\$ 20,735,587</u>	<u>\$ 20,445,951</u>
Losses and LAE incurred:		
Direct	\$ 20,977,191	\$ 31,334,594
Ceded	<u>(4,851,483)</u>	<u>(7,137,540)</u>
Net losses and LAE incurred	<u>\$ 16,125,708</u>	<u>\$ 24,197,054</u>

The unearned premium reserve is reported net of ceded reinsurance premiums of \$7,053,546 and \$7,256,998 at December 31, 2024 and 2023, respectively. Ceding commissions relative to these unearned amounts ("commission equity") amounted to \$190,349 and \$37,230 at December 31, 2024 and 2023, respectively, and have been fully earned.

Note F - Equity

Dividends on common stock are declared by the Company's Board of Directors. Under the insurance regulations of the state of Montana, dividends are classified into two types: ordinary and extraordinary. Ordinary dividends require 15-day advance notice to the Montana Commissioner of Securities and Insurance prior to payment. Extraordinary dividends, those that in total exceed 10% of the current year-end policyholders' surplus, require approval from the Montana Commissioner of Securities and Insurance 30 days prior to payment. For the years ended December 31, 2024 and 2023, dividends in excess of \$7,214,941 and \$5,903,791, respectively, would be considered extraordinary.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note F - Equity (Continued)

Ordinary dividends were declared and paid by the Company during the years ending December 31, 2024 and 2023 in the amounts of \$3,500,000 and \$2,300,000, respectively. The Company paid no extraordinary dividends during 2024 or 2023.

A summary of changes in unassigned surplus represented by unrealized gains and losses is as follows:

	2024		2023	
	Cumulative Increase (Decrease) in Surplus	Current-Year Increase (Decrease) in Surplus	Cumulative Increase (Decrease) in Surplus	Current-Year Increase (Decrease) in Surplus
Unrealized losses-bonds	\$ (231,737)	\$ 56,279	\$ (288,016)	\$ (64,873)
Unrealized losses-common stock	981,037	1,036,841	(55,804)	563,357
Unrealized losses-common stock of affiliate	227,452	280,310	(52,859)	(367,332)
Unrealized gains-other invested assets	827,938	541,559	286,379	144,535
Total increase (decrease)	<u>\$ 1,804,690</u>	<u>\$ 1,914,989</u>	<u>\$ (110,300)</u>	<u>\$ 275,687</u>

Note G - Affiliated Companies and Related-Party Transactions

The Company rents office space from related parties under a Facilities Use Agreement, as described in Note A. The Company purchases administrative and support services from ALPS Corporation. The Company retains AIA to provide claims, underwriting, sales, marketing and insurance producer services for and on behalf of the Company. The amounts charged to the Company for administrative and support, rent, claims, underwriting, sales, marketing, insurance producer services and investment management services were as follows:

	Years Ended December 31	
	2024	2023
Administrative services	\$ 6,569,818	\$ 5,468,637
Investment management services	156,493	139,950
Rent	512,499	392,712
Claims	1,621,745	1,437,158
Underwriting	1,239,399	1,135,189
Commissions	4,262,876	4,169,437
	<u>\$ 14,362,830</u>	<u>\$ 12,743,083</u>

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note G - Affiliated Companies and Related-Party Transactions (Continued)

At December 31, 2024 and 2023, the Company reported net amounts due to affiliates of \$3,719,778 and \$942,503, respectively. For the years ended December 31, 2024 and 2023, the Company has expensed \$2,192,750 and \$1,259,956 respectively, related to its participation in the ALPS Corporation Long-Term Cash Incentive Plan.

An affiliate of one of the Company's reinsurers also owns 20.4% and 19.3% of the common stock in ALPS Corporation for the years ending December 31, 2024 and 2023, respectively. During 2016, the Company entered into an agreement providing the entity a right of first refusal on up to 33% of any reinsurance placed by the Company.

Note H - Federal Income Taxes

At December 31, 2024 and 2023, the income tax expense represents amounts paid to ALPS Corporation under the Tax Allocation Agreement. The Company is not subject to state income taxes.

The Inflation Reduction Act (Act) was enacted on August 16, 2022, and includes a corporate alternative minimum tax (CAMT). The controlled group of corporations of which the Company is a member has determined that it does not expect to be liable for the CAMT in 2023.

At December 31, the components of the net adjusted admitted deferred income tax asset were as follows:

	2024		
	Ordinary	Capital	Total
Gross deferred tax assets	\$ 2,902,960	\$ -	\$ 2,902,960
Adjustment gross deferred tax assets	2,902,960	-	2,902,960
Deferred tax assets nonadmitted	(235,557)	-	(235,557)
Net admitted deferred tax assets	2,667,403	-	2,667,403
Deferred tax liabilities	42,348	220,860	263,208
Net adjusted deferred tax asset	\$ 2,625,055	\$ (220,860)	\$ 2,404,195

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note H - Federal Income Taxes (Continued)

	2023		
	Ordinary	Capital	Total
Gross deferred tax assets	\$ 2,956,831	\$ 175,736	\$ 3,132,567
Adjustment gross deferred tax assets	2,956,831	175,736	3,132,567
Deferred tax assets nonadmitted	(195,385)	-	(195,385)
Net admitted deferred tax assets	2,761,446	175,736	2,937,182
Deferred tax liabilities	84,123	-	84,123
Net adjusted deferred tax asset	<u>\$ 2,677,323</u>	<u>\$ 175,736</u>	<u>\$ 2,853,059</u>

For 2024 and 2023, the Company determined a valuation allowance was not necessary.

A summary of the Company's adjusted admitted gross deferred tax asset calculation by component and character pursuant to SSAP 101 for the years ended December 31, 2024 and 2023, is as follows:

	2024		
	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks	\$ -	\$ -	\$ -
Adjusted gross deferred tax assets expected to be realized after application of the threshold limitation	<u>2,625,055</u>	<u>-</u>	<u>2,625,055</u>
Adjusted gross deferred tax assets expected to be realized following the balance sheet date	2,625,055	-	2,625,055
Adjusted gross deferred tax assets allowed per limitation threshold	-	-	10,461,782
Adjusted gross deferred tax assets offset by gross deferred tax liabilities	<u>42,348</u>	<u>-</u>	<u>42,348</u>
Net admitted deferred tax assets	<u>\$ 2,667,403</u>	<u>\$ -</u>	<u>\$ 2,667,403</u>

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note H - Federal Income Taxes (Continued)

	2023		
	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks	\$ -	\$ -	\$ -
Adjusted gross deferred tax assets expected to be realized after application of the threshold limitation	<u>2,677,323</u>	<u>175,736</u>	<u>2,853,059</u>
Adjusted gross deferred tax assets expected to be realized following the balance sheet date	2,677,323	175,736	2,853,059
Adjusted gross deferred tax assets allowed per limitation threshold	-	-	8,427,498
Adjusted gross deferred tax assets offset by gross deferred tax liabilities	<u>84,123</u>	<u>-</u>	<u>84,123</u>
Net admitted deferred tax assets	<u><u>\$ 2,761,446</u></u>	<u><u>\$ 175,736</u></u>	<u><u>\$ 2,937,182</u></u>

The ratio and adjusted capital and surplus used to determine recovery period and threshold limitation used to determine admissibility of the deferred tax assets under SSAP 101 for each year, are as follows:

	Years Ended December 31	
	2024	2023
Percentage used to determine recovery period and threshold limitation amount	599 %	485 %
Adjusted capital and surplus used to determine recovery period and threshold limitation	\$ 69,745,211	\$ 56,184,847

The Company has not implemented any tax sharing strategies to admit additional deferred tax assets.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note H - Federal Income Taxes (Continued)

The components of net deferred federal income tax assets were as follows:

	<u>December 31</u>		
	<u>2024</u>	<u>2023</u>	<u>Change</u>
Gross deferred federal income tax assets:			
Ordinary:			
Discounting unpaid losses	\$ 1,291,664	\$ 1,299,118	\$ (7,454)
Unearned premium reserve	1,046,879	1,019,576	27,303
Profit commission	517,172	625,395	(108,223)
Other	47,245	12,742	34,503
Capital:			
Investments	-	175,736	(175,736)
Total deferred federal income tax assets	<u>2,902,960</u>	<u>3,132,567</u>	<u>(229,607)</u>
Gross deferred federal income tax liabilities:			
Ordinary:			
Policyholder reserves	(42,348)	(84,123)	41,775
Capital:			
Investments	(220,860)	-	(220,860)
Total deferred federal income tax liabilities	<u>(263,208)</u>	<u>(84,123)</u>	<u>(179,085)</u>
Net deferred federal income tax asset	2,639,752	3,048,444	(408,692)
Deferred federal income tax assets nonadmitted	<u>(235,557)</u>	<u>(195,385)</u>	<u>(40,172)</u>
Net admitted deferred federal income tax asset	<u>\$ 2,404,195</u>	<u>\$ 2,853,059</u>	<u>\$ (448,864)</u>
(Decrease) increase in deferred federal income tax assets nonadmitted	<u>\$ (40,172)</u>	<u>\$ 179,942</u>	

The Company's change in net deferred income taxes, exclusive of nonadmitted amounts, is comprised of the following:

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Total deferred tax assets	\$ 2,902,960	\$ 3,132,567	\$ (229,607)
Total deferred tax liabilities	<u>(263,208)</u>	<u>(84,123)</u>	<u>(179,085)</u>
Net deferred tax assets	<u>\$ 2,639,752</u>	<u>\$ 3,048,444</u>	<u>(408,692)</u>
Tax effect of unrealized gains			<u>(402,148)</u>
Change in net deferred income tax			<u>\$ (6,544)</u>

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note H - Federal Income Taxes (Continued)

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing the difference at December 31, 2024 are summarized as follows:

	Amount	Tax at Statutory Rate	Effective Tax Rate
Income before taxes (including all realized capital gains/(losses))	\$ 19,462,620	\$ 4,087,150	21.00 %
Tax-Exempt interest	(1,178,926)	(247,574)	(1.27)
Dividends received deduction	(113,756)	(23,889)	(0.12)
Proration adjustment	323,170	67,866	0.35
SIT Bond Fund differences	26,439	5,552	0.03
Profit commission change in method	497,164	104,404	0.54
Change in profit commissions	515,347	108,223	0.56
Change in unearned AIA commissions	(16,450)	(3,455)	(0.02)
Change in non-admitted	164,302	34,503	0.18
Other	64,842	13,617	0.07
Total	<u>\$ 19,744,752</u>	4,146,397	21.30
Federal income taxes incurred		4,128,575	21.21
Tax on net realized capital gains (losses)		24,367	0.13
Change in deferred income tax reflected in surplus		<u>(6,544)</u>	<u>(0.03)</u>
Total statutory income taxes		<u>\$ 4,146,398</u>	<u>21.30 %</u>

At December 31, 2024 and 2023, the Company did not have an operating loss carryforward available to offset against future taxable income.

The Company follows the net operating loss rules proscribed by the IRS at the consolidated group level in accordance with the Tax Allocation Agreement. Accordingly there are no income taxes incurred in 2024 and 2023, that will be available for recoupment in the event of future net losses.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note I - Nonadmitted Assets

Assets designated as nonadmitted are reflected as a reduction in surplus in the accompanying statement of admitted assets, liabilities and policyholders' surplus. Changes in nonadmitted assets are reflected as adjustments to capital and surplus. A summary of assets nonadmitted is as follows:

	Years Ended December 31	
	2024	2023
Balance of nonadmitted assets-beginning of the year	\$ 256,061	\$ 132,814
Increase (decrease) in nonadmitted assets:		
Deductible receivables	4,866	(4,394)
Prepaid expenses	159,169	(53,509)
Reinsurance recoverables	266	1,208
Deferred tax assets	40,172	179,942
Net change	204,473	123,247
Balance of nonadmitted assets-end of year	\$ 460,534	\$ 256,061

Note J - Fair Value of Financial Instruments and Fair Value Measurements

The fair values of investment securities, including short-term investments and cash, are estimated based on prices received from third-party securities dealers. Cash and short-term investments' carried values approximate their fair values.

The Company's financial assets and liabilities carried at NAIC fair value have been classified, for disclosure purposes, based on a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The hierarchy gives the highest priority to fair values determined using unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to fair values determined using unobservable inputs (Level 3). An asset's or liability's classification is determined based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1

Valuations are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note J - Fair Value of Financial Instruments and Fair Value Measurements (Continued)

Level 2

Valuations are derived from inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3

Valuations are derived from techniques that require significant unobservable inputs. The unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Cash, short-term investments, uncollected premiums, reinsurance recoverable, and accounts payable and accrued expenses

The carrying amounts reported are at cost for these financial instruments, which approximates their fair value due to the short duration to maturity.

Investment securities

The fair values of bonds are based on market values prescribed by the NAIC's SVO. The Company uses amortized cost as a substitute for fair value in accordance with prescribed guidance for certain investments for which the NAIC did not provide a value. The fair values for common stocks, mutual funds and exchange traded funds are generally based on market values prescribed by the SVO.

All other financial instruments are specifically exempted from fair value disclosure requirements because they qualify as insurance-related products.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note J - Fair Value of Financial Instruments and Fair Value Measurements (Continued)

The estimated carrying amounts and NAIC fair values of the Company's financial instruments classified by the fair value hierarchy as of December 31, 2024 and 2023, are as follows:

December 31, 2024					
Assets	Level 1	Level 2	Level 3	Fair Value	Carrying Value
Bonds	\$ 805,879	\$ 141,583,934	\$ -	\$ 142,389,813	\$ 149,782,253
Common stocks	14,160,339	103,800	-	14,264,139	14,264,139
Cash and short-term investments	5,867,200	-	-	5,867,200	5,867,200
Total	<u>\$ 20,833,418</u>	<u>\$ 141,687,734</u>	<u>\$ -</u>	<u>\$ 162,521,152</u>	<u>\$ 169,913,592</u>
December 31, 2023					
Assets	Level 1	Level 2	Level 3	Fair Value	Carrying Value
Bonds	\$ 827,313	\$ 135,408,010	\$ -	\$ 136,235,323	\$ 142,323,595
Common stocks	12,217,684	94,600	-	12,312,284	12,312,284
Cash and short-term investments	6,724,999	-	-	6,724,999	6,724,999
Total	<u>\$ 19,769,996</u>	<u>\$ 135,502,610</u>	<u>\$ -</u>	<u>\$ 155,272,606</u>	<u>\$ 161,360,878</u>

The Company's common stock of affiliate represents its investment in Lawyers Re which is carried using the GAAP equity method as further described in Note B, and accordingly the carrying value of \$733,590 and \$453,279 as of December 31, 2024 and 2023, respectively have been excluded above.

The Company holds an investment in Federal Home Loan Bank (FHLB) of Des Moines associated with its FHLB membership. The stock is putable by the Company at its fixed par value of \$100 per share. There is no active market for the FHLB stock, rather FHLB redeems all shares at the stated par value. The Company did not redeem any FHLB stock, receive any advances, or pledge any investments to the FHLB in 2024 or 2023. In evaluating the fair value of FHLB stock the Company considers the credit rating of the FHLB and ability to repurchase shares at par value. Based upon that assessment the Company concluded there is no other than temporary impairment. As such, the fair value and carrying value of FHLB stock continue to be equal to the \$100 par value per share. Fair value and carrying value of the FHLB stock totaled \$103,800 and \$94,600 as of December 31, 2024 and 2023, respectively and have been reflected as a Level 2 estimate in the fair value hierarchy.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note J - Fair Value of Financial Instruments and Fair Value Measurements (Continued)

The Company holds an other invested asset in the SIT Opportunity Bond Fund, LLC (SIT Fund), which is a private investment fund that invests in closed-end registered investment companies that have underlying investments in fixed-income securities. The SIT Fund is carried at net asset value as a practical expedient, and has a carrying value of \$2,232,747 and \$2,032,897 at December 31, 2024 and 2023, respectively. The Company is required to provide 30 days of advance notice to the SIT Fund manager for all redemption requests. The Company's investment represents approximately 3.28% and 3.17% ownership interest of the SIT Fund as of December 31, 2024 and 2023, respectively. Pursuant to NAIC SAP fair value estimates derived by using the NAV practical expedient are excluded from the fair value hierarchy and as such are not reflected in the previous disclosure.

On September 17, 2021, the Company entered into a subscription agreement with Trident Capital IX, L.P., a Cayman Islands exempted Limited Partnership (the "Trident Fund"), wherein the Company agreed to a \$2 million capital commitment to invest in the Fund. This is a private equity fund that is carried at NAV. The Trident Fund had carrying values of \$1,551,947 and \$928,060, at December 31, 2024 and 2023, respectively. The Company's investment represents approximately 0.04% ownership interest of the Trident Fund as of December 31, 2024 and 2023, respectively. Pursuant to NAIC SAP fair value estimates derived by using the NAV practical expedient are excluded from the fair value hierarchy and as such are not reflected in the previous disclosure.

The following summarizes financial instruments measured at fair value as of December 31, 2024 and 2023, segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value:

Assets	December 31, 2024			Total Fair Value
	Level 1	Level 2	Level 3	
Bonds:				
Corporate	\$ -	\$ 356,061	\$ -	\$ 356,061
Residential mortgage backed State, municipal and other governments	-	4 224,523	-	4 224,523
Total bonds	\$ -	\$ 580,584	\$ -	\$ 580,584
Common stocks	\$ 14,160,339	\$ 103,800	\$ -	\$ 14,264,139

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note J - Fair Value of Financial Instruments and Fair Value Measurements (Continued)

Assets	December 31, 2023			Total Fair Value
	Level 1	Level 2	Level 3	
Bonds:				
Corporate	\$ -	\$ 377,080	\$ -	\$ 377,080
State, municipal and other governments	-	150,000	-	150,000
Total bonds	\$ -	\$ 527,080	\$ -	\$ 527,080
Common stocks	\$ 12,217,684	\$ 94,600	\$ -	\$ 12,312,284

Note K - Commitments and Contingencies

The Company is not aware of any pending or threatened litigation or any unasserted claims or assessments that management considers to be probable of assertion and that, if asserted, would have at least a reasonable possibility of an unfavorable outcome, the risk of which has not been adequately insured against or provision for which has not been adequately reserved.

On September 17, 2021, the Company entered into a subscription agreement with the Trident Fund, wherein the Company agreed to a \$2 million capital commitment to invest in the Trident Fund. As of December 31, 2024 and 2023 the Company contributed \$1,210,237 and \$928,060, respectively, to the Trident Fund leaving an unfunded capital commitments of \$789,763 and \$1,071,940 for the years ending December 31, 2024 and 2023. The Company received a drawdown notice and subsequently contributed \$143,097 in January 2025. The company has not received any other drawdown notice from the Trident Fund other than those previously described above.

On May 23, 2024, the Company entered into a subscription agreement with Trident Capital X, L.P., a Cayman Islands exempted Limited Partnership (the "Trident X Fund"), wherein the Company agreed to a \$2 million capital commitment to invest in the Trident X Fund. As of December 31, 2024, the Company has received no drawdown notice from the Trident X Fund and the Company's full \$2 million capital commitment remains outstanding. The company has not received any drawdown notice from the Trident X Fund.

Note L - Subsequent Events

All of the effects of subsequent events that provide additional evidence about conditions that existed at the statutory financial statement date, including the estimates inherent in the process of preparing the statutory financial statements, are recognized in the statutory financial statements. The Company does not recognize subsequent events that provide evidence about conditions that did not exist at the statutory financial statement date but arose after, but before the statutory financial statements are available to be issued. In some cases, nonrecognized subsequent events are disclosed to keep the statutory financial statements from being misleading.

ALPS Property & Casualty Insurance Company

Notes to Statutory Financial Statements (Continued)

Note L - Subsequent Events (Continued)

Subsequent events have been evaluated through April 24, 2025, which is the date the statutory financial statements were available to be issued.

Other Financial Information

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1 Amount	2 Percentage of Column 1 Line 13	3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3+4) Amount	6 Percentage of Column 5 Line 13
1. Long-term bonds (Schedule D, Part 1):						
1.01 U.S. governments	967,583	0.6	967,583		967,583	0.6
1.02 All other governments						
1.03 U.S. states, territories and possessions, etc. guaranteed	186,988	0.1	186,988		186,988	0.1
1.04 U.S. political subdivisions of states, territories, and possessions, guaranteed	12,559,794	7.2	12,559,794		12,559,794	7.2
1.05 U.S. special revenue and special assessment obligations, etc. non-guaranteed	87,934,825	50.4	87,934,820		87,934,820	50.4
1.06 Industrial and miscellaneous	47,269,744	27.1	47,269,749		47,269,749	27.1
1.07 Hybrid securities						
1.08 Parent, subsidiaries and affiliates						
1.09 SVO identified funds						
1.10 Unaffiliated bank loans						
1.11 Unaffiliated certificates of deposit	863,319	0.5	863,319		863,319	0.5
1.12 Total long-term bonds	149,782,253	85.9	149,782,253		149,782,253	85.9
2. Preferred stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and miscellaneous (Unaffiliated)						
2.02 Parent, subsidiaries and affiliates						
2.03 Total preferred stocks						
3. Common stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and miscellaneous Publicly traded (Unaffiliated)						
3.02 Industrial and miscellaneous Other (Unaffiliated)	103,800	0.1	103,800		103,800	0.1
3.03 Parent, subsidiaries and affiliates Publicly traded						
3.04 Parent, subsidiaries and affiliates Other	733,589	0.4	733,590		733,590	0.4
3.05 Mutual funds	2,950,530	1.7	2,950,531		2,950,531	1.7
3.06 Unit investment trusts						
3.07 Closed-end funds						
3.08 Exchange traded funds	11,209,810	6.4	11,209,808		11,209,808	6.4
3.09 Total common stocks	14,997,729	8.6	14,997,729		14,997,729	8.6
4. Mortgage loans (Schedule B):						
4.01 Farm mortgages						
4.02 Residential mortgages						
4.03 Commercial mortgages						
4.04 Mezzanine real estate loans						
4.05 Total valuation allowance						
4.06 Total mortgage loans						
5. Real estate (Schedule A):						
5.01 Properties occupied by company						
5.02 Properties held for production of income						
5.03 Properties held for sale						
5.04 Total real estate						
6. Cash, cash equivalents and short-term investments:						
6.01 Cash (Schedule E, Part 1)	3,570,116	2.0	3,570,116		3,570,116	2.0
6.02 Cash equivalents (Schedule E, Part 2)	2,297,084	1.3	2,297,084		2,297,084	1.3
6.03 Short-term investments (Schedule DA)			-		-	-
6.04 Total cash, cash equivalents and short-term investments	5,867,200	3.4	5,867,200		5,867,200	3.4
7. Contract loans						
8. Derivatives (Schedule DB)						
9. Other invested assets (Schedule BA)	3,784,694	2.2	3,784,694		3,784,694	2.2
10. Receivables for securities	9,250	0.0	9,250		9,250	0.0
11. Securities lending (Schedule DL, Part 1)				XXX	XXX	XXX
12. Other invested assets (Page 2, Line 11)						
13. Total invested assets	174,441,126	100.0	174,441,126		174,441,126	100.0



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2024
(To Be Filed by April 1)

Of The: ALPS Property & Casualty Insurance Company

Address (City, State and Zip Code): Missoula, MT, US 59802

NAIC Group Code: 0000

NAIC Company Code: 32450

Employer's ID Number: 26-0023979

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

- 1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement..... \$ 181,454,547
- 2. Ten largest exposures to a single issuer/borrower/investment.

	1	2	3	4
	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	FEDERAL HOME LOAN MORTGAGE CORP.	MBS / CMO	\$ 5,076,127	2.797 %
2.02	VANGUARD HIGH DIVIDEND YIELD ETF	COMMON STK	\$ 4,956,872	2.732 %
2.03	ISHARES CORE S&P 500 ETF	COMMON STK	\$ 4,956,686	2.732 %
2.04	FEDERAL NATIONAL MORTGAGE ASSOCIATION	MBS / CMO	\$ 3,752,798	2.068 %
2.05	COLORADO HOUSING AND FINANCE AUTHORITY	BONDS	\$ 3,336,729	1.839 %
2.06	MASSACHUSETTS HOUSING FINANCE AGENCY	BONDS	\$ 3,215,949	1.772 %
2.07	POLEN OPPORTUNISTIC HIGH YIELD FUND	COMMON STK	\$ 2,950,530	1.626 %
2.08	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	BONDS	\$ 2,423,797	1.336 %
2.09	MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY	BONDS	\$ 2,094,039	1.154 %
2.10	MINNESOTA HOUSING FINANCE AGENCY	BONDS	\$ 2,012,035	1.109 %

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

	1	2
Bonds		
3.01 NAIC 1	\$ 137,744,366	75.911 %
3.02 NAIC 2	\$ 11,457,308	6.314 %
3.03 NAIC 3	\$ 580,580	0.320 %
3.04 NAIC 4	\$ -	- %
3.05 NAIC 5	\$ -	- %
3.06 NAIC 6	\$ -	- %
Preferred Stocks		
3.07 NAIC 1	\$ -	- %
3.08 NAIC 2	\$ -	- %
3.09 NAIC 3	\$ -	- %
3.10 NAIC 4	\$ -	- %
3.11 NAIC 5	\$ -	- %
3.12 NAIC 6	\$ -	- %

- 4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? YES

If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

	1	2
4.02 Total admitted assets held in foreign investments	\$	%
4.03 Foreign-currency-denominated investments	\$	%
4.04 Insurance liabilities denominated in that same foreign currency	\$	%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES - 5 TO 10

5.	Aggregate foreign investment exposure categorized by NAIC sovereign designation:		1	2		
5.01	Countries designated NAIC 1.....	\$		%		
5.02	Countries designated NAIC 2.....	\$		%		
5.03	Countries designated NAIC 3 or below.....	\$		%		
6.	Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:		1	2		
	Countries designated NAIC 1:					
6.01	Country 1:.....	\$		%		
6.02	Country 2:.....	\$		%		
	Countries designated NAIC 2:					
6.03	Country 1:.....	\$		%		
6.04	Country 2:.....	\$		%		
	Countries designated NAIC 3 or below:					
6.05	Country 1:.....	\$		%		
6.06	Country 2:.....	\$		%		
7.	Aggregate unhedged foreign currency exposure.....	\$		%		
8.	Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:		1	2		
8.01	Countries designated NAIC 1:.....	\$		%		
8.02	Countries designated NAIC 2:.....	\$		%		
8.03	Countries designated NAIC 3 or below:.....	\$		%		
9.	Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:		1	2		
	Countries designated NAIC 1:					
9.01	Country 1:.....	\$		%		
9.02	Country 2:.....	\$		%		
	Countries designated NAIC 2:					
9.03	Country 1:.....	\$		%		
9.04	Country 2:.....	\$		%		
	Countries designated NAIC 3 or below:					
9.05	Country 1:.....	\$		%		
9.06	Country 2:.....	\$		%		
10.	Ten largest non-sovereign (i.e. non-governmental) foreign issues:		1	2	3	4
	1	2				
	Issuer	NAIC Designation				
10.01		\$			%
10.02		\$			%
10.03		\$			%
10.04		\$			%
10.05		\$			%
10.06		\$			%
10.07		\$			%
10.08		\$			%
10.09		\$			%
10.10		\$			%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES - 11 TO 13

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

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?..... YES.....

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

	1	2
11.02 Total admitted assets held in Canadian investments	\$	%
11.03 Canadian-currency-denominated investments	\$	%
11.04 Canadian-denominated insurance liabilities	\$	%
11.05 Unhedged Canadian currency exposure	\$	%

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

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?..... YES.....

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	1	2	3
12.02 Aggregate statement value of investments with contractual sales restrictions	\$	%	
Largest three investments with contractual sales restrictions:			
12.03	\$	%	
12.04	\$	%	
12.05	\$	%	

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

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets?..... NO.....

If response to 13.01 is yes, responses are not required for the remainder of Interrogatory 13.

	1	2	3
Issuer			
13.02 VANGUARD HIGH DIVIDEND YIELD ETF	\$ 4,956,872	2.732 %	
13.03 ISHARES CORE S&P 500 ETF	\$ 4,956,686	2.732 %	
13.04 POLEN OPPORTUNISTIC HIGH YIELD FUND	\$ 2,950,530	1.626 %	
13.05 LAWYERS REINSURANCE COMPANY	\$ 733,590	0.404 %	
13.06 INVESCO S&P 500 EQUAL WEIGHT ETF	\$ 591,401	0.326 %	
13.07 ISHARES CORE MSCI EAFE ETF	\$ 470,876	0.260 %	
13.08 ISHARES CORE S&P MID-CAP ETF	\$ 233,974	0.129 %	
13.09 FEDERAL HOME LOAN BANKS	\$ 103,800	0.057 %	
13.10	\$	%	
13.11	\$	%	

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES - 14 TO 15

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

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? YES.....

If response to 14.01 above is yes, responses are not required 14.02 through 14.05

	1	2	3
14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities		\$	%
Largest three investments held in nonaffiliated, privately placed equities:			
14.03		\$	%
14.04		\$	%
14.05		\$	%

Ten largest fund managers:

	1	2	3	4
	Fund Manager	Total Invested	Diversified	Nondiversified
14.06		\$	\$	\$
14.07		\$	\$	\$
14.08		\$	\$	\$
14.09		\$	\$	\$
14.10		\$	\$	\$
14.11		\$	\$	\$
14.12		\$	\$	\$
14.13		\$	\$	\$
14.14		\$	\$	\$
14.15		\$	\$	\$

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

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? YES.....

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02 Aggregate statement value of investments held in general partnership interests		\$	%
Largest three investments in general partnership interests:			
15.03		\$	%
15.04		\$	%
15.05		\$	%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES - 16 TO 18

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

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? YES.....

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1	2	3
Type (Residential, Commercial, Agricultural)			
16.02		\$	%
16.03		\$	%
16.04		\$	%
16.05		\$	%
16.06		\$	%
16.07		\$	%
16.08		\$	%
16.09		\$	%
16.10		\$	%
16.11		\$	%

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

	Loans	
16.12 Construction loans	\$	%
16.13 Mortgage loans over 90 days past due	\$ -	- %
16.14 Mortgage loans in the process of foreclosure	\$ -	- %
16.15 Mortgage loans foreclosed	\$	%
16.16 Restructured mortgage loans	\$ -	- %

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

Loan-to-Value	Residential		Commercial		Agricultural	
	1	2	3	4	5	6
17.01 above 95%	\$	%	\$	%	\$	%
17.02 91% to 95%	\$	%	\$	%	\$	%
17.03 81% to 90%	\$	%	\$	%	\$	%
17.04 71% to 80%	\$	%	\$	%	\$	%
17.05 below 70%	\$	%	\$	%	\$	%

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

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? YES.....

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	1	2	3
Description			
18.02		\$	%
18.03		\$	%
18.04		\$	%
18.05		\$	%
18.06		\$	%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES - 19 TO 22

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

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets?..... YES.....

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3
19.02 Aggregate statement value of investments held in mezzanine real estate loans:.....	\$		%
Largest three investments held in mezzanine real estate loans:			
19.03	\$		%
19.04	\$		%
19.05	\$		%

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

	At Year-End		At End of Each Quarter			
	1	2	3	4	5	
			1st Qtr	2nd Qtr	3rd Qtr	
20.01 Securities lending agreements (do not include assets held as collateral for such transactions).....	\$	-	-%	\$	\$	\$
20.02 Repurchase agreements.....	\$	-	-%	\$	\$	\$
20.03 Reverse repurchase agreements.....	\$	-	-%	\$	\$	\$
20.04 Dollar repurchase agreements.....	\$	-	-%	\$	\$	\$
20.05 Dollar reverse repurchase agreements.....	\$	-	-%	\$	\$	\$

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

	Owned		Written		
	1	2	3	4	
21.01 Hedging.....	\$	-	-%	\$	%
21.02 Income generation.....	\$	-	-%	\$	%
21.03 Other.....	\$	-	-%	\$	%

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

	At Year-End		At End of Each Quarter		
	1	2	3	4	5
			1st Qtr	2nd Qtr	3rd Qtr
22.01 Hedging.....	\$	-	-%	\$	\$
22.02 Income generation.....	\$	-	-%	\$	\$
22.03 Replications.....	\$	-	-%	\$	\$
22.04 Other.....	\$	-	-%	\$	\$

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES - 23

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

	At Year-End			At End of Each Quarter		
	1	2	3	4	5	
			1st Qtr	2nd Qtr	3rd Qtr	
23.01 Hedging	\$ -	- %	\$ -	\$ -	\$ -	\$ -
23.02 Income generation	\$ -	- %	\$ -	\$ -	\$ -	\$ -
23.03 Replications	\$ -	- %	\$ -	\$ -	\$ -	\$ -
23.04 Other	\$ -	- %	\$ -	\$ -	\$ -	\$ -

ALPS Property & Casualty Insurance Company

Reinsurance Interrogatories

December 31, 2024

7. The Company is not party to a quota share reinsurance agreement whereby the Company receives a fixed ceding commission.

8. Not applicable to The Company.

9. The Company has performed an analysis of its reinsurance contracts and has concluded that substantial risk has been transferred to the reinsurers and the contracts do not contain provisions that would require disclosure in accordance with General Interrogatory 9, as more fully described in SSAP No. 62: Property and Casualty Reinsurance.