ALPS Corporation and Subsidiaries

Consolidated Financial Statements

Years ended December 31, 2021 and 2020
with Report of Independent Auditors

ALPS Corporation and Subsidiaries

Consolidated Financial Statements

Years ended December 31, 2021 and 2020

Contents

Report of Independent Auditors

Board of Directors
ALPS Corporation and Subsidiaries

Opinion
We have audited the consolidated financial statements of ALPS Corporation and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 opinion.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the disclosures about short-duration insurance contracts, including incurred and cumulative paid losses and allocated loss adjustment expenses, net of reinsurance and average annual percentage payout of incurred losses by age, net of reinsurance, on pages 40 - 42 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Johnson Lambert LLP

Burlington, Vermont
April 28, 2022
VT firm registration: 092-0000267

ALPS Corporation and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2021 and 2020

	2021	2020
Assets		
Investments:		
Fixed maturities available-for-sale, at fair value	$ 130,387,236	$ 124,311,193
Equity securities, at fair value	12,348,184	10,364,474
Common stock of affiliate	839,021	686,029
Alternative investment	4,018,884	3,810,477
Total investments	147,593,325	139,172,173
Cash and cash equivalents	7,387,105	8,469,770
Accrued interest receivable	1,102,202	1,130,709
Accounts receivable	472,651	444,092
Premiums receivable	2,726,714	2,789,589
Reinsurance recoverable	63,107,339	72,686,462
Net deferred tax asset	515,927	-
Right-of-use asset, net	1,604,834	1,980,107
Property and equipment, net	1,918,614	1,493,145
Other assets	1,430,222	1,254,815
Total assets	$ 227,858,933	$ 229,420,862
Liabilities and stockholders' equity		
Liabilities and stockholders' equity		
Losses and loss adjustment expense reserves	$ 120,586,727	$ 125,957,435
Unearned premiums	30,506,035	29,424,839
Reinsurance payable, funds held under reinsurance treaties	7,479,772	6,700,958
Accounts payable and accrued expenses	6,864,612	7,193,217
Net deferred tax liability	-	202,811
Surplus notes	-	2,300,000
Long-term debt	-	226,676
Lease liability	1,605,390	1,980,618
Income tax payable	494,002	105,618
Total liabilities	167,536,538	174,092,172
Stockholders' Equity:		
Common Stock - Class A	3,522	3,522
Common Stock - Class C	241	241
Additional paid-in capital	23,111,019	23,111,019
Retained earnings	61,903,585	53,189,906
Treasury stock	(29,609,751)	(28,199,736)
Accumulated other comprehensive income, net of tax	4,913,779	7,223,738
Total stockholders' equity	60,322,395	55,328,690
Total liabilities and stockholders' equity	$ 227,858,933	$ 229,420,862

See accompanying notes to consolidated financial statements.

ALPS Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

Years ended December 31, 2021 and 2020

	2021	2020
Revenues		
Premiums earned	$ 53,781,544	$ 50,793,484
Premiums ceded	(17,094,767)	(16,453,405)
Net premiums earned	36,686,777	34,340,079
Investment income, net	4,303,453	4,448,660
Net realized capital gains on available-for-sale securities	34,011	189,597
Net gains recognized on equity securities	2,184,057	324,184
Other revenue	1,257,731	2,203,104
Total revenues	44,466,029	41,505,624
Expenses		
Losses and loss adjustment expenses	32,450,994	45,705,796
Reinsurance recoveries	(13,544,826)	(29,932,774)
Net losses and loss adjustment expenses	18,906,168	15,773,022
Operating expenses	14,705,296	14,580,105
Total expenses	33,611,464	30,353,127
Income before provision for income taxes	10,854,565	11,152,497
Provision for income taxes		
Current	2,245,585	1,828,397
Deferred provision	(104,699)	65,177
Total provision for income taxes	2,140,886	1,893,574
Net income	8,713,679	9,258,923
Other comprehensive (loss) income, net of tax		
Net unrealized (losses) gains during the period on available-for-sale securities, net of tax of $(606,897) and $692,453, respectively	(2,283,090)	2,604,942
Reclassification adjustment for net realized gain on available-for-sale securities, net of tax of $(7,142) and $(39,815), respectively	(26,869)	(149,782)
Total other comprehensive (loss) income	(2,309,959)	2,455,160
Total comprehensive income	$ 6,403,720	$ 11,714,083

See accompanying notes to consolidated financial statements.

ALPS Corporation and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

Year ended December 31, 2021 and 2020

	Class A Common Stock		Class C Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock, at Cost		Total Stockholders' Equity
	Shares	Amount	Shares	Amount				Shares	Amount	
Balance at December 31, 2019	3,522	$ 3,522	241	$ 241	$ 23,111,019	$ 43,988,114	$ 4,768,578	2,038	$ (26,221,488)	$ 45,649,986
Stock redemption	-	-	-	-	-	-	-	80	(2,116,355)	(2,116,355)
Surplus refunds	-	-	-	-	-	(57,131)	-	-	-	(57,131)
Stock issuance for share repurchase program	-	-	-	-	-	-	-	(5)	138,107	138,107
Comprehensive income, net of tax	-	-	-	-	-	-	2,455,160	-	-	2,455,160
Net income	-	-	-	-	-	9,258,923	-	-	-	9,258,923
Balance at December 31, 2020	3,522	3,522	241	241	23,111,019	53,189,906	7,223,738	2,113	(28,199,736)	55,328,690
Stock redemption - affiliates	-	-	-	-	-	-	-	59	(1,993,905)	(1,993,905)
Stock issuance for share repurchase program	-	-	-	-	-	-	-	(17)	583,890	583,890
Comprehensive loss, net of tax	-	-	-	-	-	-	(2,309,959)	-	-	(2,309,959)
Net income	-	-	-	-	-	8,713,679	-	-	-	8,713,679
Balance at December 31, 2021	3,522	$ 3,522	241	$ 241	$ 23,111,019	$ 61,903,585	$ 4,913,779	2,155	$ (29,609,751)	$ 60,322,395

See accompanying notes to consolidated financial statements.

ALPS Corporation and Subsidiaries

Consolidated Statements of of Cash Flows

Years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Net income	$ 8,713,679	$ 9,258,923
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	945,695	909,076
Bond amortization or accretion	305,565	330,946
Deferred tax provision	(104,699)	65,177
Net realized capital gains on available-for-sale securities	(34,011)	(189,597)
Net gain recognized on equity securities	(2,184,057)	(324,184)
Forgiveness of PPP loan	-	(1,136,804)
Changes in operating assets and liabilities:		
Accrued interest receivable	28,507	104,243
Accounts receivable	(28,559)	58,054
Premiums receivable	62,875	178,679
Reinsurance recoverable	9,579,123	(22,805,172)
Other assets	(175,407)	(140,140)
Losses and loss adjustment expense reserves	(5,370,708)	21,475,379
Unearned premiums	1,081,196	1,461,077
Reinsurance payable, funds held under reinsurance treaties	778,814	360,024
Accounts payable and accrued expenses	(403,605)	1,655,525
Income tax payable, net	388,384	(17,903)
Net cash provided by operating activities	13,582,792	11,243,303
Cash flows from investing activities		
Purchase of property and equipment	(998,017)	(866,449)
Purchase of fixed maturities	(27,750,962)	(27,770,448)
Purchase of equity securities	(432,568)	(9,439,805)
Proceeds from sales, maturities and repayments of fixed maturities	17,979,388	23,479,017
Proceeds from sale of equity securities	848,621	6,420,856
Net cash used in investing activities	(10,353,538)	(8,176,829)

(Continued)

ALPS Corporation and Subsidiaries

Consolidated Statements of of Cash Flows (Continued)

	2021	2020
Cash flows from financing activities		
Proceeds from PPP Loan	-	1,136,804
Payment of long-term debt	(601,904)	(573,564)
Payment of surplus notes	(2,300,000)	(629,414)
Surplus payments	-	(57,131)
Stock redeemed	(1,993,905)	(2,116,355)
Issuance of treasury stock	583,890	138,107
Net cash used in financing activities	(4,311,919)	(2,101,553)
Net change in cash and cash equivalents	(1,082,665)	964,921
Cash and cash equivalents:		
Beginning of year	8,469,770	7,504,849
End of year	$ 7,387,105	$ 8,469,770
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 91,802	$ 132,392
Cash paid for taxes	$ 1,341,950	$ 1,590,000
Supplemental disclosures of noncash transactions		
PPP Loan principal forgiven during the year	$ -	$ 1,136,804
Other assets - payables for securities	$ 75,000	$ 250,000

See accompanying notes to consolidated financial statements.

Note A - Organization

Organization and Nature of Business
ALPS Corporation is a stock corporation and parent holding company organized under Montana law. ALPS Corporation owns 100% of the outstanding shares of each of the following entities: (i) ALPS Property & Casualty Insurance Company (ALPS P&C), a Montana domestic stock insurer that primarily underwrites lawyers' professional liability insurance on a claims-made and reported basis; and (ii) ALPS Insurance Agency, Inc. (AIA), a Montana corporation that provides insurance underwriting, claims adjusting, insurance producer and other insurance-related services.

The accompanying consolidated financial statements include the accounts of ALPS Corporation and its wholly owned subsidiaries (collectively the Company) as of December 31, 2021 and 2020, and the related activities of each entity are included in the consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years then ended. All significant intercompany accounts and transactions have been eliminated.

ALPS P&C is a Montana corporation, admitted in and regulated by the state of Montana as a casualty insurance company. ALPS P&C issues policies of professional liability insurance, employment practices liability insurance, and cyber risk and security breach liability insurance to attorneys and law firms.

As of December 31, 2021, ALPS P&C 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 Presentation
The Company's consolidated financial statements have been presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as codified by the Financial Accounting Standards Board (FASB).

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note B - Summary of Significant Accounting Policies (Continued)

Risks and uncertainties
Certain risks and uncertainties are inherent to the Company's day-to-day operations and to the process of preparing its consolidated 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 consolidated financial statements.

The ongoing COVID-19 coronavirus pandemic (COVID-19) continues to have a global impact creating uncertainty, volatility, and disruption across economies and financial markets. The Company's operational and financial performance will depend on certain developments, including the duration and spread of COVID-19 and its impact on the Company, its policyholders, owners, employees and vendors. As such, COVID-19 could have a material adverse effect on the Company's financial position in the future. The ultimate duration and impact of the COVID-19 outbreak on the Company's financial position cannot be reasonably estimated at this time.

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 consolidated balance sheets.

Estimates
The preparation of the consolidated financial statements in conformity with U.S. GAAP 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 calculation of 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 consolidated financial statements.

Cash and Cash Equivalents
For purposes of the Company's consolidated statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Note B - Summary of Significant Accounting Policies (Continued)

Investments
The Company's investments in fixed maturity securities have been designated as available-for-sale and are reported at fair value, with the net unrealized appreciation (depreciation) and other-than-temporary impairments determined to be noncredit-related included in other comprehensive (loss) income, net of deferred income taxes, and included as a component of accumulated other comprehensive income in stockholders' equity. Realized gains and losses on sales of fixed maturity securities are determined using the specific identification method and are included as a component of net realized capital gains on available-for-sale securities in the year of sale. Income tax effects are released from accumulated other comprehensive income, net of tax as individual securities are sold. Equity securities are reported at fair value, with changes in fair value including unrealized appreciation (depreciation) reported as net gains on equity securities in the consolidated statements of comprehensive income.

Fair value is based on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company employs a hierarchal disclosure framework, which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Financial instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investment in a limited liability company is carried at fair value based upon the underlying audited U.S. GAAP equity value, with changes in fair value including unrealized gains and losses reported as net gains on equity securities in net income. The limited liability company investment is included in the alternative investments category in the consolidated balance sheets. Alternative investments are valued using the net asset value (NAV) as practical expedient.

Common stock of affiliate represents the Company's 33.33% ownership in Lawyers Reinsurance Company (Lawyers Re). The common stock of affiliate is accounted for in accordance with the equity method of accounting under ASC 323. The common stock of affiliate is valued based on the underlying audited U.S. GAAP equity of the investee and has a carrying value of $839,021 and $686,029 at December 31, 2021 and 2020, respectively. Any redemption requests by the Company would be subject to the approval of Lawyers Re's Board of Directors and the Vermont Department of Financial Regulation. Changes in the value of common stock of affiliate are reported as a component of net gains on equity securities in net income.

Note B - Summary of Significant Accounting Policies (Continued)

Declines in fair value of fixed maturity securities below cost are evaluated on a quarterly basis to assess whether any other-than-temporary impairment loss should be recorded. In determining whether these losses are expected to be other than temporary, the Company considers severity of impairment, duration of impairment, forecasted recovery period, industry outlook, financial condition of the issuer, projected cash flows, issuer credit ratings, and the intent and ability of the Company to hold the investment until the recovery of its cost.

If the Company intends to sell a fixed maturity security or it is more likely than not that the Company would be required to sell a security before the recovery of its amortized cost, the Company records an other-than-temporary impairment and divides the loss between credit and noncredit. The Company recognizes the credit loss portion in net income as a component of net realized capital gains on available-for-sale securities and the noncredit loss portion in other comprehensive (loss) income and accumulated other comprehensive income. The credit loss portion is determined by comparing the net present value of projected future cash flows with the amortized cost basis of the fixed maturity security. The net present value is calculated using the Company's best estimate of the projected future cash flows at the effective interest rate implicit in the fixed maturity security at the date of acquisition.

Investment income is recognized as earned net of related investment expenses. Fixed maturity premiums and discounts are amortized or accreted by the scientific-yield method and are charged or credited to net investment income.

Payroll Protection Program Loan (PPP Loan)
On April 14, 2020 the Company received two loans pursuant to the Paycheck Protection Program (the Program), a program implemented and federally authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, for an aggregate principal amount of $1,136,804. The Company elected to account for these PPP loans as debt, in accordance with FASB ASC 470.

The gain on loan extinguishment included as a component of other revenue relates to the forgiveness of the PPP Loans. See Note S for more information.

Other Revenue
Other revenue consists primarily of commission income generated by AIA. Commission income relates to commissions earned on insurance policies placed with other carriers, and are recognized in earnings at the time the underlying policy is placed. Other revenue also includes $0 and $1,143,095 during 2021 and 2020, associated with the forgiveness of principal and interest on extinguishment of PPP loans.

Note B - Summary of Significant Accounting Policies (Continued)

Deferred Policy Acquisition Costs
Certain costs related to the acquisition of insurance contracts to the extent recoverable have been deferred. Such costs are being amortized as the associated premium revenue is earned. The Company capitalizes only incremental costs directly related to the successful acquisition of new or renewal insurance contracts. Accordingly, acquisition costs consist of commissions and premium taxes of insurance policies that are successfully issued. Unearned ceding commissions and allowances from reinsurers are recorded as a reduction to deferred acquisition costs. Acquisition costs incurred are reported net of ceding commissions and related allowances from reinsurers as underwriting expenses on the consolidated statement of comprehensive income. Deferred acquisition costs, net of unearned ceding commissions are included in other assets.

Property and Equipment
Property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided using straight-line and accelerated methods based upon the assets' useful lives. Costs incurred for normal repairs and maintenance are expensed as incurred.

Income taxes
Deferred income tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. Deferred income tax expenses or credits are based on the changes in the asset or liability from period to period. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company has not established any liabilities for uncertain tax positions taken or positions expected to be taken on income tax returns. The Company would establish such liabilities when such positions are judged to not meet the more-likely-than-not threshold based on the technical merits of the positions. Estimated interest and penalties related to uncertain tax positions would be included as a component of income tax expense.

With few exceptions, the Company is no longer subject to examinations by federal tax authorities before 2016, and by Montana, Virginia and Ohio state tax authorities before 2013.

Receivables
The Company grants credit to customers and agents as part of the normal course of business. Management determines the allowance for doubtful customer accounts based on specific customer balances and industry and economic conditions. Premiums that are financed are charged an interest rate of up to 8.99% annually. Management has determined that no provision for uncollectible premiums receivable is necessary at December 31, 2021 or 2020.

Note B - Summary of Significant Accounting Policies (Continued)

Advertising costs
Advertising costs are expensed when incurred, and for 2021 and 2020 were $490,871 and $504,849, respectively.

Reinsurance
Reinsurance contracts do not relieve the Company from its obligations to insureds. Failure of reinsurers to honor their obligations 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, amounts recoverable on unpaid losses and LAE and ceded unearned premiums are aggregated and reported as a reinsurance recoverable asset on the consolidated balance sheet.

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 and included as a component of unearned premium 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 and are netted against earned premium. Ceded premium related to the unexpired portion of underlying reinsurance are reported as a component of the reinsurance recoverable on the consolidated balance sheet.

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 $1,800,000 and $2,300,000 as of December 31, 2021 and 2020, respectively.

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 2021 and 2020, the Company did not recognize a premium deficiency reserve.

Note B - Summary of Significant Accounting Policies (Continued)

Loss and loss adjustment expense reserves
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. 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 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. As adjustments to these estimates are determined, such adjustments are reflected in current operations.

The Company has recorded a reserve credit against unpaid losses and LAE for unsecured high deductibles in the amount of $1,768,838 and $1,840,102 for the years ended December 31, 2021 and 2020, respectively.

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.

External factors
ALPS P&C 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 types of investments. The Company is 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.

Note B - Summary of Significant Accounting Policies (Continued)

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

Concentrations of geographic and credit risk
The Company's total gross written premium of $54,358,071 for the year ended December 31, 2021, included $9,656,551 or insureds in Virginia; $4,630,902 for insureds in West Virginia; $3,631,336 for insureds in Washington; $2,906,216 for insureds in Montana; $2,819,704 for insureds in Georgia; $2,699,761 for insureds in Idaho; $2,525,308 for insureds in Nevada; $2,421,243 for insureds in South Carolina; $2,350,209 for insureds in Alaska; and $2,187,275 for insureds in Colorado.

The Company maintains its cash and short-term investments with high-quality financial institutions. Interest-bearing and non-interest-bearing accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. From time to time, the Company maintains cash in accounts in excess of FDIC-insured limits. The Company has not experienced any losses in such accounts.

At December 31, 2021, the Company's investment portfolio was composed of securities of the United States government and agencies, state and municipal governments, corporate securities and mortgage-backed securities, the vast majority of which are investment grade. This portfolio is widely diversified among various issuers and industries and is not dependent on the economic stability of one issuer or industry.

Note C - Property, Plant and Equipment

Property, plant and equipment at cost and related accumulated depreciation on December 31, 2021 and 2020, are as follows:

	2021	2020
Office furniture and equipment	$ 293,737	$ 295,379
IT equipment and software	5,396,944	4,678,251
	5,690,681	4,973,630
Less accumulated depreciation	(3,772,067)	(3,480,485)
Property, plant and equipment, net	$ 1,918,614	$ 1,493,145

Depreciation expense was $585,889 and $560,583 in 2021 and 2020, respectively.

Note D - Investments

The amortized cost, adjusted cost and estimated fair values of available-for-sale securities at December 31, 2021 and 2020, are as follows:

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed maturity securities:				
U. S. Government agencies	$ 455,392	$ 309	$ (1,622)	$ 454,079
State, municipal and other governments	84,265,140	4,869,158	(157,693)	88,976,605
Corporate securities	17,640,378	818,924	(98,877)	18,360,425
Commercial mortgage-backed securities	8,245,155	674,291	(84)	8,919,362
Residential mortgage-backed securities	7,037,014	185,043	(62,879)	7,159,178
Other asset-backed securities	6,524,182	26,762	(33,357)	6,517,587
Total	$ 124,167,261	$ 6,574,487	$ (354,512)	$ 130,387,236

Note D - Investments (Continued)

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed maturity securities:				
U. S. Government agencies	$ 725,091	$ 6,438	$ -	$ 731,529
State, municipal and other governments	78,715,720	6,205,343	(27,231)	84,893,832
Corporate securities	17,532,578	1,571,756	(113,144)	18,991,190
Commercial mortgage-backed securities	8,677,394	1,150,503	(7,491)	9,820,406
Residential mortgage-backed securities	5,299,534	314,218	(1,608)	5,612,144
Other asset-backed securities	4,216,905	58,833	(13,646)	4,262,092
Total	$ 115,167,222	$ 9,307,091	$ (163,120)	$ 124,311,193

The following tables present the estimated fair value and gross unrealized losses on the Company's available-for-sale investment securities, aggregated by investment category and length of time that individual investment securities have been in a continuous unrealized loss position, at December 31, 2021 and 2020:

	December 31, 2021					
	Less Than 12 Months		Greater Than or Equal to 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
Fixed maturity securities:						
U. S. Government agencies	$ 228,797	$ (1,622)	$ -	$ -	$ 228,797	$ (1,622)
State, municipal and other governments	7,298,959	(148,445)	411,887	(9,248)	7,710,846	(157,693)
Corporate securities	3,842,939	(59,451)	476,406	(39,426)	4,319,345	(98,877)
Commercial mortgage-backed securities	804,832	(84)	-	-	804,832	(84)
Residential mortgage-backed securities	3,470,513	(61,739)	68,048	(1,140)	3,538,561	(62,879)
Other asset-backed securities	5,051,271	(33,357)	-	-	5,051,271	(33,357)
Total	$ 20,697,311	$ (304,698)	$ 956,341	$ (49,814)	$ 21,653,652	$ (354,512)

Note D - Investments (Continued)

	December 31, 2020					
	Less Than 12 Months		Greater Than or Equal to 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
Fixed maturity securities:						
State, municipal and other governments	$ 2,351,836	$ (27,231)	$ -	$ -	$ 2,351,836	$ (27,231)
Corporate securities	552,502	(113,144)	-	-	552,502	(113,144)
Commercial mortgage-backed securities	498,366	(7,491)	-	-	498,366	(7,491)
Residential mortgage-backed securities	170,146	(1,297)	34,534	(311)	204,680	(1,608)
Other asset-backed securities	149,993	(7)	2,284,639	(13,639)	2,434,632	(13,646)
Total	$ 3,722,843	$ (149,170)	$ 2,319,173	$ (13,950)	$ 6,042,016	$ (163,120)

At December 31, 2021 and 2020, the unrealized losses on the Company's fixed-income investments were not the result of any credit-related problems; rather, they were caused by interest rate increases and widening and narrowing of bond pricing spreads. Substantially all of the issuers have investment-grade ratings; therefore, the Company believes each issuer will be able to meet the contractual terms of the obligation. At December 31, 2021 and 2020, the Company did not have the intent to sell and it was unlikely that the Company would be required to sell the investments before the recovery of its amortized cost basis.

In 2021 and 2020, no securities became other-than-temporarily impaired.

The Company continues to review its investment portfolios under its impairment review policy. Given the unpredictability of market conditions and the significant judgments involved, there is a continuing risk that declines in fair value may occur and other-than-temporary impairments may be recorded in future periods.

The Company received proceeds from the sale and maturities of fixed maturity securities totaling $17,979,388 and $23,479,017 in 2021 and 2020, respectively. Gross realized gains and losses on available-for-sale investments, including other-than-temporary impairments, reflected in the results of operations for the years ended December 31, 2021 and 2020, are as follows:

	2021	2020
Realized:		
Gross realized gains on sales of fixed maturity securities	$ 92,716	$ 236,146
Gross realized losses on sales of fixed maturity securities	(58,705)	(46,549)
Net realized capital gains on available-for-sale securities	$ 34,011	$ 189,597

Note D - Investments (Continued)

Major categories of the Company's net recognized gains (losses) on investments are summarized as follows for the years ended December 31:

	2021	2020
Net change in fair value recognized on alternative investments held at year end	$ 208,407	$ 306,650
Net change in fair value recognized on common stock of affiliate held at year end	152,992	179,891
Net change in fair value recognized on equity securities held at year end	1,780,130	875,344
Net gain (loss) on equity securities sold during the year	42,528	(1,037,701)
Net gains recognized on equity securities	$ 2,184,057	$ 324,184

The amortized cost and estimated fair value of fixed maturity securities at December 31, 2021, 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 distributed based on the anticipated future prepayment cash flows used to value the security:

	Amortized Cost	Fair Value
Due in one year or less	$ 1,273,619	$ 1,292,392
Due after one year through five years	13,198,650	13,696,263
Due after five years through ten years	28,361,358	30,228,682
Due after ten years through twenty	45,199,955	47,716,651
Due after twenty	36,133,679	37,453,248
Total	$ 124,167,261	$ 130,387,236

Note D - Investments (Continued)

The Company places certain assets in trust for the benefit of its regulators and has other assets restricted as a result of its membership in The Federal Home Loan Bank (FHLB) of Des Moines. The following table discloses the fair value of the Company's restricted asset by category as of December 31, 2021 and 2020:

	Gross Restricted		
Restricted Asset Category	Total from Current Year	Total from Prior Year	Increase/ (Decrease)
Funds on deposit - State of Montana	$ 3,283,843	$ 3,318,642	$ (34,799)
Funds on deposit - other states	2,291,811	2,348,097	(56,286)
FHLB Capital Stock	170,300	161,200	9,100
Collateral for promissory notes- see Note M	-	706,416	(706,416)
Total restricted assets	$ 5,745,954	$ 6,534,355	$ (788,401)

Net investment income consists of the following:

	Years Ended December 31	
	2021	2020
Fixed maturities	$ 4,321,809	$ 4,509,476
Equity securities	358,859	330,176
Short-term investments	10,722	31,535
Other	196	280
	4,691,586	4,871,467
Investment expense	(388,133)	(422,807)
Net investment income	$ 4,303,453	$ 4,448,660

Note E - Losses and Loss Adjustment Expense Reserves

The components of the reinsurance recoverable as of December 31, 2021 and 2020 are as follows:

	2021	2020
Unearned premium ceded	$ 9,180,966	$ 8,596,745
Reinsurance receivable on paid losses and LAE	374,239	1,271,601
Reinsurance recoverable on unpaid losses and LAE	53,552,134	62,818,116
Total reinsurance recoverable	$ 63,107,339	$ 72,686,462

Note E - Losses and Loss Adjustment Expense Reserves (Continued)

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

	December 31, 2021			December 31, 2020		
	Gross Liability	Reinsurance Recoverable	Net Liability	Gross Liability	Reinsurance Recoverable	Net Liability
Case	$ 39,155,207	$ (13,650,686)	$ 25,504,521	$ 62,188,021	$ (34,759,574)	$ 27,428,447
IBNR	81,431,520	(39,901,448)	41,530,072	63,769,414	(28,058,542)	35,710,872
Total reserves	$ 120,586,727	$ (53,552,134)	$ 67,034,593	$ 125,957,435	$ (62,818,116)	$ 63,139,319

The reconciliation of the net incurred and paid losses development tables to the liability for losses and LAE reserves on the balance sheet as of December 31, 2021 is as follows (in thousands):

Net outstanding liabilities:	
Professional liability insurance	$ 65,121
Reinsurance recoverable:	
Professional liability insurance	53,552
Unallocated loss adjustment expenses	1,914
Total gross liability for unpaid losses and loss adjustment expenses	$ 120,587

Note E - Losses and Loss Adjustment Expense Reserves (Continued)

The following is information about incurred and cumulative paid losses and loss adjustment expenses, net of reinsurance, and IBNR liabilities plus expected development on reported claims, net of reinsurance and the cumulative number of reported claims as of December 31, 2021, by category:

Professional liability insurance

Accident Year	Incurred	Cumulative Paid	Total IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2012	$ 16,717	$ 16,717	$ -	525
2013	16,068	15,068	489	542
2014	17,590	17,255	210	554
2015	17,969	16,359	1,312	539
2016	15,364	12,199	2,580	648
2017	19,800	14,282	3,920	591
2018	20,375	12,672	4,673	666
2019	26,299	15,720	4,855	664
2020	21,271	7,455	7,185	513
2021	22,665	2,129	15,926	555
Total	$ 194,118	$ 129,856	$ 41,150	

The Company determines the number of reported claims by tracking claims at the claimant level.

Note E - Losses and Loss Adjustment Expense Reserves (Continued)

The following table provides a reconciliation of the beginning and ending reserve balances for losses and loss adjustment expenses (LAE) for 2021 and 2020:

	Year Ended December 31	
	2021	2020
Liability as of January 1, net of reinsurance recoverables of $62,818,116 and $40,601,349 in 2021 and 2020, respectively	$ 63,139,319	$ 63,880,707
Add provision for losses and LAE applicable to claims reported in:		
Current year	23,599,780	22,026,149
Prior years	(4,693,613)	(6,253,127)
Total incurred losses during the current year	18,906,167	15,773,022
Payments for losses and LAE reported in:		
Current year	(2,197,779)	(2,640,163)
Prior years	(12,813,114)	(13,874,247)
Net paid during the year	(15,010,893)	(16,514,410)
Liability as of December 31, net of reinsurance recoverables of $53,552,134 and $62,818,116 in 2021 and 2020, respectively	$ 67,034,593	$ 63,139,319

Reserves for incurred losses and LAE attributable to claims reported to the Company in prior years have decreased by approximately $4,693,613 and $6,253,127 during 2021 and 2020, 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.

Note F - 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 dollars per claim.

Note F - Reinsurance (Continued)

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 strives to diversify its credit risks related to reinsurance ceded. There were no disputes with reinsurers at December 31, 2021 or 2020. The Company has no uncollectible reinsurance recoverables that were written off during the year.

The Company holds letters of credit in the amount of approximately $3,875,145 and $5,315,302 at December 31, 2021 and 2020, respectively, to secure recoverable balances from reinsurers not authorized by the Montana Office of the Commissioner of Securities and Insurance.

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, 2021 and 2020, is as follows:

	2021	2020
Premiums written:		
Direct	$ 54,358,070	$ 52,008,398
Ceded	(17,639,531)	(16,480,041)
Net premiums written	$ 36,718,539	$ 35,528,357
Premiums earned:		
Direct	$ 53,781,544	$ 50,793,484
Ceded	(17,094,767)	(16,453,405)
Net premiums earned	$ 36,686,777	$ 34,340,079
Unearned premiums:		
Direct	$ 25,533,656	$ 24,957,129
Advanced	4,972,379	4,467,710
Ceded	(9,200,238)	(8,596,745)
Net unearned premiums	$ 21,305,797	$ 20,828,094
Losses and LAE incurred:		
Direct	$ 32,450,994	$ 45,705,796
Ceded	(13,544,826)	(29,932,774)
Net losses and LAE incurred	$ 18,906,168	$ 15,773,022

Note G - Income Taxes

The Company prepares a consolidated federal income tax return that includes all direct and indirect subsidiaries. The Company's affiliates included in the consolidated federal income tax return allocate income tax expenses in accordance with a consolidated tax allocation agreement. The allocation results in profitable companies recognizing income tax incurred as if the individual company filed a separate return and loss companies recognizing a benefit to the extent their losses contribute to reduce consolidated taxes.

The Company's deferred tax items are measured at an effective tax rate of 21% as of December 31, 2021 and 2020.

The provision for federal income taxes incurred is different from that which would be obtained by applying the federal income tax rate of 21% to income before income taxes. The significant items causing this difference are related to tax-exempt investment income, dividends received deduction, state and foreign income taxes and the forgiveness of the PPP Loan.

Comprehensive income tax expense included in the consolidated financial statements for the years ended December 31, 2021 and 2020, is as follows:

	2021	2020
Current:		
U.S. federal provision	$ 2,202,820	$ 1,828,397
States and foreign	42,765	-
Total current tax	2,245,585	1,828,397
Deferred:		
U.S. federal provision	(104,699)	65,177
Total tax provision	$ 2,140,886	$ 1,893,574

Note G - Income Taxes (Continued)

Deferred income taxes have been established based upon the temporary differences between the financial statement and income tax bases of assets and liabilities. The tax effect of temporary differences that give rise to significant portions of the Company's net deferred income tax asset (liability) for the years ended December 31, 2021 and 2020, is as follows:

	2021	2020
Deferred tax assets:		
Unearned/advanced premium adjustment	$ 899,048	$ 874,046
Unpaid losses and LAE	1,155,210	1,098,510
Long-term incentive plan payable	731,611	795,691
Other-than-temporary impairments	21,000	21,000
Profit commissions	574,380	-
Other	73,700	-
Total deferred tax assets	3,454,949	2,789,247
Deferred tax liabilities:		
Tax reform - reserves transition effect	(167,446)	(209,107)
Book to tax depreciation	(155,448)	(152,560)
Deferred acquisition costs	(100,469)	(93,766)
Unrealized gains	(2,306,850)	(2,536,625)
Profit commissions	(203,571)	-
Deposit premiums	(5,238)	-
Total deferred tax liabilities	(2,939,022)	(2,992,058)
Net deferred tax asset (liability)	$ 515,927	$ (202,811)

Based upon anticipated future taxable income, the Company's net realized gains, and consideration of all other available evidence, management believes that it is more likely than not that the Company's net deferred income tax asset will be realized.

Note H - Fair Value Measurements

Fair values of fixed maturity and equity securities are based on quoted market prices, where available. The Company obtains one price for each security, primarily from a third-party pricing service (pricing service), which generally uses quoted or other observable inputs for the determination of fair value. The pricing service derives the security prices through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available observable market information. For securities not actively traded, the pricing service may use quoted market prices of comparable instruments or incorporate inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. In addition, the pricing service uses model processes, such as the option-adjusted spread model, to assess interest rate impact and develop prepayment scenarios.

As the Company is responsible for the determination of fair value, it performs a monthly analysis on the prices received from third parties for its externally managed portfolios to determine whether the prices are reasonable estimates of fair value. The analysis includes a comparison of prices received from third parties to prices obtained from other sources. There were no adjustments to quoted market prices obtained from third-party pricing services during 2021 and 2020 that were material to the consolidated financial statements.

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that allocates the inputs 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.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset and market-corroborated inputs, and 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.

Note H - Fair Value Measurements (Continued)

The following is a description of the valuation methodologies used by the Company to value assets measured at fair value:

Major Category	Valued At
State and/or U.S. government obligations and common and/or preferred stock and exchange traded funds	Closing price reported in the active market in which the individual security is traded (Level 1); if in an inactive market, based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency; securities that trade infrequently and therefore have little or no price transparency are valued using the investment manager's best estimates (Level 2)
Mutual funds	Net asset value (NAV) of shares which are provided by the administrator of the fund and are actively traded on a public market (Level 1)
Fixed-income securities including corporate, commercial and residential mortgage-backed securities	Closing price reported in the active market in which the bond is traded or based on yields currently available on comparable securities of issuers with similar credit ratings or a discounted cash flows approach that maximized observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks (Level 2)

The distribution of the Company's investments, which are measured at fair value on a recurring basis, in the valuation hierarchy is as follows:

	December 31, 2021			
Assets	Level 1	Level 2	Level 3	Fair Value
Fixed maturities-available for sale:				
U.S. Government agencies	$ 454,079	$ -	$ -	$ 454,079
State, municipal and other governments	-	88,976,605	-	88,976,605
Corporate securities	-	18,360,425	-	18,360,425
Commercial mortgage-backed securities	-	8,919,362	-	8,919,362
Residential mortgage-backed securities	-	7,159,178	-	7,159,178
Other asset-backed securities	-	6,517,587	-	6,517,587
	454,079	129,933,157	-	130,387,236
Equity securities, at fair value	12,177,884	170,300	-	12,348,184
Total investments in the fair value hierarchy	$ 12,631,963	$ 130,103,457	$ -	$ 142,735,420

Note H - Fair Value Measurements (Continued)

	December 31, 2020			
Assets	Level 1	Level 2	Level 3	Total
Fixed maturities-available for sale:				
U.S. Government agencies	$ 731,529	$ -	$ -	$ 731,529
State, municipal and other governments	-	84,893,832	-	84,893,832
Corporate securities	-	18,991,190	-	18,991,190
Commercial mortgage-backed securities	-	9,820,406	-	9,820,406
Residential mortgage-backed securities	-	5,612,144	-	5,612,144
Other asset-backed securities	-	4,262,092	-	4,262,092
	731,529	123,579,664	-	124,311,193
Equity securities, at fair value	10,203,274	161,200	-	10,364,474
Total investments in the fair value hierarchy	$ 10,934,803	$ 123,740,864	$ -	$ 134,675,667

In accordance with ASC 820-10, certain investments that are measured at net asset value per share have not been classified in the fair value hierarchy.

The Company holds an investment in the SIT Opportunity Bond Fund, LLC (the 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 NAV as a practical expedient and has a carrying value of $4,018,884 and $3,810,477 at December 31, 2021 and 2020, 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 a 4.8% and 2.8% ownership interest of the SIT fund as of December 31, 2021 and 2020, respectively.

Common stock of affiliate represents the Company’s investment in Lawyers Re. The common stock of affiliate is accounted for in accordance with the equity method of accounting under ASC 323, and accordingly have been excluded above. The common stock of affiliate is valued based on the underlying audited U.S. GAAP equity of the investee and has a carrying value of $839,021 and $686,029 at December 31, 2021 and 2020, respectively. The Company did not receive any dividends, or purchase or sell any shares of Lawyers Re during the periods ending December 31, 2021 and 2020.

Note H - Fair Value Measurements (Continued)

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 Federal Home Loan Bank in 2021 or 2020. 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 $170,300 and $161,200 as of December 31, 2021 and 2020, respectively and have been reflected as a Level 2 estimate in the fair value hierarchy.

Note I - Employee Benefits Plan

The Company sponsors a defined contribution plan known as the ALPS Corporation 401(k) Profit Sharing Plan (the 401(k) Plan). The 401(k) Plan is designed as a type of qualified retirement plan commonly referred to as a 401(k) safe harbor plan. The 401(k) Plan allows participants to make salary deferral contributions to the 401(k) Plan on a pretax basis. The Company also sponsors a Section 125 cafeteria plan (the Cafeteria Plan).

Under the 401(k) Plan, the Company makes a matching contribution to each eligible participant in an amount equal to 100% of a participant’s salary reduction contribution up to 6% of a participant’s eligible compensation. The Company makes a fixed-dollar contribution in the amount of $8,100 per full-time employee under the Cafeteria Plan, if the employee participates in the Company sponsored health insurance. If the employee does not purchase insurance through the Company's plan, the Company contributes $6,000 to the employee's cafeteria plan.

For the plan year 2021, the Company contributed $298,754 to the 401(k) Plan and $571,919 to the Cafeteria Plan. For the plan year 2020, the Company contributed $290,827 to the 401(k) Plan and $541,197 to the Cafeteria Plan.

Note J - Commitments and Contingencies

The Company previously entered into a written employment agreement with the Executive Board Chair (EBC) that expired on December 31, 2015. The position of the EBC was eliminated effective December 31, 2015. Pursuant to the terms of the expired employment agreement, the Company and the former EBC entered into a long-term consulting agreement during which the former EBC will render consulting services to the Company for a seven and a half–year term ending on June 30, 2023.

Note J - Commitments and Contingencies (Continued)

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 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 Trident Fund. As of December 31, 2021, the Company has received no drawdown notice from the Trident Fund and the Company's full $2 million capital commitment remains outstanding.

As of December 31, 2021 and 2020, the Company has entered into redemption agreements with certain officers and directors which grant to those individuals the right to tender to the Company for redemption all shares of Class A Common Stock that are held by such individual. Upon such tender, the Company is obligated to redeem the Class A Common Stock at a redemption price equal to the then-existing book value per share as most recently declared by the Company's Board of Directors. The Company is obligated to pay the total redemption price no later than December 31 of the fourth calendar year following the calendar year in which the individual tenders the Class A Common Stock for redemption. As of December 31, 2021 and 2020, these individuals owned, in aggregate, 373 and 369 shares, respectively of Class A Common shares having a book value of $12,511,251 and $9,756,649, respectively. During the year ended December 31, 2021, these individuals have tendered no shares of Class A Common Stock for redemption by the Company. Under the terms of one redemption agreement, the Company has agreed to pay accrued interest on the unpaid redemption price at an adjustable rate equal to the mid-term applicable federal rate, as published by the IRS issued for the calendar month in which the redemption occurs. The interest rate shall be adjusted effective as of the first day of each calendar quarter and the accrued interest shall be paid quarterly within 15 days following the end of each calendar quarter.

Note K - Outstanding Shares

ALPS Corporation is authorized to issue 9,000,000 shares of Class A Common Stock having a $1.00 par value; 1,000,000 shares of Class B Non-voting Stock having a $1.00 par value; and 1,000,000 shares of Class C Common Stock having a $1.00 par value. The Company's restated articles of incorporation provide that no stockholder may own a fractional share of Class A Common Stock if said stockholder does not own at least one whole share of Class A Common Stock.

ALPS Corporation had approximately 3,522 Class A Common shares issued as of December 31, 2021 and 2020. Of these shares, approximately 2,155 and 2,113 were held in treasury at December 31, 2021 and 2020, respectively. ALPS Corporation had no Class B nonvoting shares issued and outstanding as of December 31, 2021 and 2020. ALPS Corporation had approximately 241 shares of Class C Common shares issued and outstanding as of December 31, 2021 and 2020.

Note K - Outstanding Shares (Continued)

The Company has entered into a written agreement with one of the Company's reinsurers that owns approximately 58 shares of Class A Common Stock and 241 shares of Class C Common Stock. The third party has the right to put to the Company for cash up to 50% of the aggregate number of common shares held by the third party at a per share exercise price equal to the U.S. GAAP adjusted book value per share as of the most recent calendar quarter. The Company will not be required to make any such repurchases of said shares of common stock if: (i) after giving effect to said repurchase, the repurchase would cause the Company to violate MCA § 35-1-712; or (ii) the Board reasonably and in good faith determines that such repurchases will have a materially adverse impact on the Company. 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 at open market pricing and terms.

Note L - Lease Commitments

The Company leases office space in the Historic Florence Building. The lease commenced on October 18, 2018, and has an initial term through December 31, 2025. The Company has the option to extend the lease for an additional five years on January 1, 2026, with an annual rent of $436,300, and extend again for an additional five years on January 1, 2031, with an annual rent of $449,338 through December 31, 2035.

The Company has valued the Historic Florence Building lease as an operating lease in accordance with ASU No. 2016-02. The Company’s valuation of the right-of-use-asset and corresponding lease liability was based on the initial lease term, since it is not reasonably certain that the two renewal options will be exercised. The Company valued the liability and right-of-use asset using a discount rate of 3.13%, and the lease has a remaining useful life of four years at December 31, 2021.

The Company entered a five-year equipment lease in 2018 that is considered a financing lease under ASC Topic 842. The lease liability and right-of-use-asset was valued using a discount rate of 3.13%, and the lease has a remaining useful life of two years at December 31, 2021.

The Company has the following right-of-use-assets and lease liabilities at December 31:

	2021	2020
Operating lease assets	$ 1,590,656	$ 1,958,196
Financing lease assets	14,178	21,911
Total leased assets	$ 1,604,834	$ 1,980,107

Note L - Lease Commitments (Continued)

	2021	2020
Current:		
Operating	$ 379,210	$ 367,540
Financing	7,932	7,688
Long-term:		
Operating	1,211,446	1,590,656
Financing	6,802	14,734
Total lease liability	$ 1,605,390	$ 1,980,618

Maturities of the lease liabilities at December 31, 2021, are as follows:

	Operating	Financing	Total
Years ending December 31:			
2022	$ 423,588	$ 8,280	$ 431,868
2023	423,588	6,900	430,488
2024	423,588	-	423,588
2025	423,588	-	423,588
Total future lease payments	1,694,352	15,180	1,709,532
Lease interest	(103,696)	(446)	(104,142)
Present value of lease liabilities	$ 1,590,656	$ 14,734	$ 1,605,390

The Company incurred the following lease costs for the years ended December 31:

	2021	2020
Operating lease cost	$ 423,588	$ 423,588
Financing lease cost:		
Amortization of leased assets	7,688	7,451
Interest on lease liabilities	592	829
Total lease cost	$ 431,868	$ 431,868

The Company incurred the following capital lease cash flows for the years ended December 31:

	2021	2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ (423,588)	$ (423,588)
Operating cash flows from financing leases	(592)	(829)
Financing cash flows from financing leases	(7,688)	(7,451)

Note M - Long-Term Debt

Long-term debt at December 31, 2021 and 2020, is as follows:

	2021	2020
Promissory notes to Florence Associates Partners in annual installments of various amounts as specified in the individual notes, at 8% interest, with various maturities through March 2021: secured by investments	$ -	$ 226,676
Total long-term debt	$ -	$ 226,676

The promissory notes are secured by money market funds and corporate fixed maturities held in restricted accounts with US Bank. The value of the collateral accounts totaled $0 and $706,370 for the years ending December 31, 2021 and 2020, respectively. The promissory notes matured and were paid in full in March 2021.

Note N - Surplus Notes

The Company has issued the following surplus debentures or similar obligations as of December 31, 2021:

Date Issued	Interest Rate	Par Value	Carrying Value	Principal and/or Interest Paid Current Year	Total Principal and/or Interest Paid	Unapproved Principal and/or Interest	Date of Maturity
10/14/2005	LIBOR +3.55%	$ -	$ -	$ 2,377,216	$ 17,317,178	$ -	10/15/2035

The Company has issued the following surplus debentures or similar obligations as of December 31, 2020:

Date Issued	Interest Rate	Par Value	Carrying Value	Principal and/or Interest Paid Current Year	Total Principal and/or Interest Paid	Unapproved Principal and/or Interest	Date of Maturity
10/14/2005	LIBOR +3.55%	$ 2,300,000	$ 2,300,000	$ 713,796	$ 14,939,962	$ 3,850	10/15/2035

ALPS P&C received cash in exchange for a surplus note in the amount of $10,000,000 issued to Merrill Lynch International on October 14, 2005. This note is administered by U.S. Bank, National Association, as trustee, and has the following repayment conditions and restrictions: payment of interest to be made quarterly in arrears on the 15th of March, June, September and December, and only with the prior approval of the Montana Commissioner of Securities and Insurance. Principal payments in the amount of $2,300,000 and $629,414 were paid by the Company during the years ended December 31, 2021 and 2020, respectively. The note was paid off as of December 31, 2021.

Note O - Long-Term Incentive Plan

In 2013, the Board of Directors created the Long-Term Surrogate Equity Incentive Plan (LTIP), which replaced all of the Company's then-existing equity-related incentive plans, including stock options and stock appreciation. The LTIP consists of annual grants that provide participants, on a five-year cliff vesting schedule, the right to share in a predefined percentage of incremental growth in the Company's declared book value over the five years following the grant.

The Board amended the LTIP such that the grants provide participants the right to share in a predefined percentage of the Company's declared book value per share. In 2021 and 2020, the Company recorded $920,000 and $1,630,000, respectively, in expense based on book value per share growth. In 2021 and 2020, the Company paid vested grants of $1,225,142 and $807,489, respectively.

Note P - Dividend Restrictions

Dividends from ALPS P&C are declared by its Board of Directors. Under 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 which in total exceed 10% of the current year-end policyholder's statutory surplus, require approval from the Montana Commissioner of Securities and Insurance 30 days prior to payment. For the years ended December 31, 2021 and 2020, dividends in excess of $5,317,003 and $4,852,970, respectively, would be considered extraordinary.

Ordinary dividends in the amount of $2,000,000 were declared and paid by ALPS P&C to ALPS Corporation in 2021 and 2020, respectively.

Note Q - Statutory Information

The financial statements of ALPS P&C differ from related statutory-basis financial statements principally as follows: (a) the bond portfolio is classified as available-for-sale (carried at fair value) rather than generally being carried at amortized cost; (b) acquisition costs of acquiring new business are deferred and amortized over the life of the policies rather than charged to operations as incurred; (c) certain deferred income tax assets, agents' balances, receivables from affiliates over 90 days old, and certain other assets designated as nonadmitted assets for statutory purposes are reported as assets rather than being charged to surplus; (d) reinsurance reserve credits are reported as assets rather than being offset against the related reserve amounts, and an allowance is established for uncollectible amounts through a charge through earnings rather than through statutory formula-driven methods; and (e) investments in subsidiary companies are consolidated with the accounts and operations of the Company rather than carried at the subsidiary's underlying net assets, with changes credited or charged directly to unassigned surplus. A reconciliation of ALPS P&C's net income and capital and surplus amounts presented in accordance with U.S. GAAP and presented in accordance with statutory accounting practices is a follows as of and for the years ended December 31:

	Net Income (Loss)		Capital and Surplus	
	2021	2020	2021	2020
Amounts stated in conformity with U.S. GAAP	$ 8,916,667	$ 8,277,825	$ 60,147,314	$ 55,522,707
Other investment adjustments	(2,058,346)	(1,361,885)	(6,332,725)	(9,245,647)
Deferred policy acquisition costs	(97,360)	(35,690)	(2,016,342)	(1,918,982)
Nonadmitted assets	-	-	(74,123)	(183,022)
Deferred income taxes	(97,968)	220,986	1,445,907	2,050,790
Surplus note interest	(3,850)	(3,167)	-	3,850
Surplus notes	-	-	-	2,300,000
Amounts stated in conformity with statutory accounting practices	$ 6,659,143	$ 7,098,069	$ 53,170,031	$ 48,529,696

Note R - Stock Redemption and Purchase Program

Since 2014, the Company has maintained a Stock Redemption and Purchase Program (the Program) because there is no public market or exchange for the Company's outstanding Class A Common Stock. The Program does not involve the Company's issuance of additional or new classes of securities. Instead, the Company maintains the Program to facilitate the sale and purchase of Class A Common Stock. The Program provides a corporate redemption option in order to accommodate those stockholders who desire to sell some or all of their Class A Common Stock. The Program also facilitates the independent purchasing of Class A Common Stock by those interested stockholders who desire to own additional Class A Common Stock. For the years ended December 31, 2021 and 2020, the Company redeemed 59 shares and 80 shares of Class A Common Stock, respectively, at the aggregate redemption price of $1,993,905 and $2,116,355, respectively. For the years ended December 31, 2021 and 2020, existing stockholders purchased 17 and 5 shares of Class A Common Stock at the aggregate purchase price of $583,890 and $138,107, respectively. The Program allows for the Company's officers, directors and employees (Affiliates) to purchase and sell shares of Class A Common Stock. Affiliates did not sell any shares of Class A Common Stock in 2021 or 2020.

Note S - PPP Loan & Gain on Loan Extinguishment

On April 14, 2020, the Company received PPP Loans in the amount of $1,136,804, and are two year loans with a maturity date of April 2022. The PPP Loans bear an annual interest rate of 1%, and are unsecured and guaranteed by the Small Business Administration (SBA). On November, 10, 2020, the Company received forgiveness of the PPP Loans from the SBA, and concurrently recorded a gain on loan extinguishment in the income statement for the forgiveness of principal and accrued interest of $1,143,095.

During the year ended 2020 the Company had one non-cash financing activity, which was the forgiveness of the PPP Loans' principal of $1,136,804.

Note T - Subsequent Event

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

Note T - Subsequent Event (Continued)

On January 21, 2022, The Company has submitted a redemption request to SIT Investments Associates to partially divest its holdings in the SIT Fund referred to in Note H. This request is a partial redemption of the Company's interest in the SIT Fund in the amount of $1.5 million dollars and is effective February 28, 2022.

On January 1, 2022, The Company renewed its excess of loss treaties and increased its retention to $500,000 dollars per claim.

Subsequent events have been evaluated through April 28, 2022, which is the date the consolidated financial statements were available to be issued.

Required Supplementary Information

ALPS Corporation and Subsidiaries

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

The following is information about incurred and paid loss development, net of reinsurance and by significant category for the years ended December 31:

Professional liability insurance

Accident Year	Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2012	$ 17,467	$ 18,381	$ 18,706	$ 18,692	$ 18,674	$ 18,574	$ 17,674	$ 17,197	$ 17,056	$ 16,717
2013		18,511	17,948	18,195	18,153	18,153	17,284	16,522	16,068	16,068
2014			19,361	21,276	21,202	21,202	21,202	19,348	18,290	17,590
2015				19,774	20,235	20,235	20,235	19,856	18,919	17,969
2016					18,924	18,924	18,924	19,239	16,864	15,364
2017						19,849	19,865	19,998	19,998	19,800
2018							21,383	21,511	21,547	20,375
2019								23,949	24,948	26,299
2020									21,271	21,271
2021										22,665
Total										194,118

ALPS Corporation and Subsidiaries

Incurred and Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance (Unaudited) (Continued)

Professional liability insurance

	Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance									
Accident Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2012	$ 2,990	$ 9,544	$ 12,149	$ 14,507	$ 15,855	$ 16,627	$ 16,713	$ 16,715	$ 16,714	$ 16,717
2013		3,147	7,799	11,545	13,347	14,573	14,982	14,974	15,035	15,068
2014			2,375	8,485	12,312	14,703	16,100	17,099	17,240	17,255
2015				3,530	9,895	13,098	15,056	15,840	15,960	16,359
2016					1,990	6,439	8,808	10,664	11,745	12,199
2017						2,890	8,153	10,921	13,095	14,282
2018							3,572	8,546	11,248	12,672
2019								3,998	11,619	15,720
2020									2,579	7,455
2021										2,129
Total										129,856
All outstanding liabilities before 2012, net of reinsurance										859
Liabilities for losses and loss adjustment expenses, net of reinsurance										$ 65,121

ALPS Corporation and Subsidiaries

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

The following is the average annual percentage payout of incurred claims by age net of reinsurance as of December 31, 2021:

	Average Annual Percentage Payout of Incurred Claims by Age									
Years	1	2	3	4	5	6	7	8	9	10
Professional liability insurance	15.9 %	30.0 %	17.2 %	11.3 %	6.8 %	3.2 %	0.9 %	0.2 %	0.1 %	- %