California Casualty Management Co.

ANNUAL REPORT TO SHAREHOLDERS

2022

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"People who commit to make a difference for our communities deserve financial protection with the highest levels of care, service, compassion and understanding…

Which is Why We Exist."

During 2022, the surplus of California Casualty Group ("CCG") declined from $216.6 million to $134.9 million, a precipitous drop requiring urgent change. The entire property and casualty insurance industry suffered extraordinarily high losses in 2022 due to the rapid onset of inflation at levels not seen in forty years, caused by supply chain failures, labor shortages, loose monetary policy and government spending. As inflation persisted, equity and fixed income market values declined due to higher interest rates and the anticipation of a recession, magnifying the uncertain situation faced by CCG. On December 31, 2022, CCG's premium to surplus ratio had risen to 3.0:1, up sharply from 1.8:1 on December 31, 2021. CCG's NAIC risk-based capital percentage declined from 601% on December 31, 2021, to 300% on December 31, 2022.

At the end of the fourth quarter of 2022, as the impact of inflation on CCG's losses accelerated, the California Casualty Indemnity Exchange ("CCIE") Advisory Board requested that California Casualty Management Company ("CCMC") take urgent corrective action. The CCMC Board agreed to explore ways to support CCG surplus to avoid further decline. As inflation continued into the first quarter of 2023 at levels unprecedented in recent decades, the CCMC Board and the CCIE Advisory Board hired financial advisors from Alvarez & Marsal, a firm specializing in turnaround situations.

In February 2023, CCMC's CEO and CFO made independent personal decisions to leave CCMC. Beau Brown, who served as CCMC's CEO from 2007 to 2019, assumed the role of Chairman, President and CEO of CCMC effective February 7, 2023. Judy Jao, Senior Vice President of CCMC, agreed to serve as interim CFO and Treasurer of CCMC, and also as interim Treasurer of the subsidiaries of CCIE.

After a period of solid profitability during the initial phase of the COVID pandemic, operating losses resumed mid-2021. In response, management tightened underwriting, reduced expenses and raised rates in many CCG jurisdictions. By mid-2022, with inflation climbing, management intensified its pursuit of rate increases through countrywide rate initiatives it labeled "Operation Inflation" and "Operation Inflation 2". In a tremendous team effort, CCMC implemented eighty-four rate increases in 2022.

With twelve-month policies, CCG requires twenty-four months to fully earn-in rate increases, compared to twelve months for competitors with six-month policies. Since over fifty percent of CCG's book of business is in California, rate increases in California have an important impact on CCG profitability. CCG rate increases in California of 6.9 percent for auto effective January 27, 2023, and 6.9 percent for home effective February 12, 2023, started to benefit earned premium in first quarter 2023 with the full earned premium benefit achieved in first quarter 2025. A second set of CCG rate increases approved by the California Department of Insurance ("CDI") on April 18, 2023 – an auto increase of 22.4 percent filed January 27, 2023, and a home increase of 23.1 percent filed February 3, 2023 – are vital to CCMC's plan to stop the decline in CCG surplus. This set of increases will start to benefit earned premium shortly after implementation in June 2023, with the full earned premium benefit realized after two years.

While staff reductions that occurred in November 2022 were tremendously difficult for impacted employees, CCG has benefitted from a near 8 percentage point improvement in total expense ratio at the outset of 2023. At approximately 35 percent, CCG's total expense ratio at the outset of 2023 is close to efficiency standards set by the CDI, enhancing CCG's ability to achieve profitability in California. As CCMC explores strategic alternatives, all of which involve a reduced geographic footprint, the company will be challenged to maintain CCG's current 35 percent total expense ratio, an imperative if California Casualty is going to thrive.

While rate increases, expense reductions and underwriting changes will benefit CCG, CCMC recognizes that California Casualty's business model must change. The CCMC and CCIE Boards, management and our external advisors commenced a project in February 2023 to review a range of options, each of which involves a reduction in CCG's states of operation.

It is notable that during the period of accelerating losses in the fourth quarter of 2022, CCMC service metrics, in Service and in Claims, were above target levels. During the same time frame, retention of customers rose above 93 percent and has remained above 93 percent during the first quarter of 2023. As the company faces formidable challenges, CCMC's employees continue their focus on meeting the needs of the community heroes — educators, education support professionals, peace officers, firefighters and nurses — who trust California Casualty to protect them. During this uncertain and challenging time for our company, I thank CCMC's employees for standing with our customers, who give so much to serve our communities and teach our children.

Ongoing Challenges

In addition to inflation, CCMC continues to face four challenges that have been highlighted for the past three years in the CCMC Annual Report to Shareholders:

- CCG Profitability
- Guidewire Deployment
- California Property Exposure
- Pension Liability

Challenge: CCG Profitability

CCG's combined ratio in 2022, driven upward by inflation, reached 118.5%, an unsustainable level. CCG's surplus decline was $81.7 million. As equity markets declined in 2022, CCG's equity portfolio posted a nearly 20% negative return for the year, accounting for approximately $12 million of the $81.7 million reduction in surplus. An adverse jury verdict on an auto claim in 2022 ultimately resulted in a decrease of over $3.5 million in CCG surplus.

CCG leverage ratios deteriorated in 2022 to levels that may raise significant concern on the part of A.M. Best and state regulators. Profitability is the only path forward for CCG. While CCMC has not in recent decades targeted sub-100% combined ratios for CCG, attaining combined ratios under 100% in 2024 and 2025 is required in order to replenish surplus. Realizing sub-100% combined ratios demands urgent action.

Challenge: Guidewire Deployment

CCMC made the decision in September 2022 to pause its plan to extend Guidewire to twenty-five states not yet converted to the Guidewire platform. With nineteen states representing 92 percent of CCG's customers on the new system as of mid-2022, CCMC chose to focus on profitability rather than expanding system reach. Unfortunately, due to deteriorating results, CCMC also had to pause a bold system initiative aimed at transforming how California Casualty sells, processes and services business. CCMC paused the Fireball project at the completion of development but prior to testing, and may decide to reactivate the project at a future time when CCG profitability is stabilized.

CCMC signed a cloud subscription contract with Guidewire in mid-2021 and migrated its Guidewire claims system to Guidewire Cloud in 2022. CCMC has re-evaluated its intent to migrate its Guidewire policy management and billing modules to Guidewire Cloud based on its current need to prioritize profitability over investment.

CCMC expects to recover from CCG all amounts invested in Guidewire as they are amortized into expense over the life of the system. Those payments will create a significant source of cash flow for CCMC in the coming years, but at the cost of reducing surplus. For 2023, CCMC has chosen to fund a series of CCIE surplus notes at 6% interest with a portion of amortized expense recoveries from CCG. CCIE is in the approval process with the CDI to issue a series of surplus notes to CCMC, with a maximum aggregate amount of $10 million. The funding of the surplus notes demonstrates CCMC's commitment to protect CCG's surplus during this critical period.

If approved by the CDI, the surplus notes will boost CCG's surplus by $10 million which provides additional time needed to implement the approved and pending rate increases critical to restoring profitability. CCMC will look to repayment by CCIE of the surplus notes, subject to contractual conditions being met and approval by the California Insurance Commissioner, when the notes mature in 2033 or upon election by CCIE after five years to prepay.

Challenge: California Property Exposure

CCMC made further progress in 2022 in managing CCG's California property exposure, continuing to refine a proprietary underwriting model for wildfire risk using Fireline scoring in the context of a matrix of other factors. Once again, in 2022, California Casualty benefited by early rains in the West that effectively ended the wildfire season.

In the face of rate increases by reinsurers of 40 percent and higher, CCMC did not match its 2021 purchase of $63.4 million of 2022 reinsurance coverage above a $10 million retention. As of mid-April 2023, CCG is carrying $58.45 million of reinsurance above a $20 million retention. CCMC has a 2023 priority to identify and implement additional, cost-effective catastrophe loss mitigation strategies.

Challenge: Pension Liability

In a very difficult operating year, CCMC made some additional progress with respect to its pension liability in 2022, aided by further rising interest rates. The 10-Year Treasury yield rose from 1.52 percent at December 31, 2021, to 3.88 percent at December 31, 2022. Rising interest rates drove a decrease in CCMC's qualified defined benefit pension plan ("Pension Plan") liability from $240.6 million at December 31, 2021, to $184.4 million at December 31, 2022. Pension Plan assets decreased from 219.0 million at December 31, 2021, to 177.2 million at December 31, 2022.

The Pension Plan funded ratio rose in 2022 from 91.0 percent to 96.1 percent. Over a ten-year period, the improvement in the Pension Plan year-end funded ratio from 66.0 percent at December 31, 2012, to 96.1 percent at December 31, 2022, is a positive achievement.

In both May 2022 and August 2022, CCMC further shifted Pension Plan assets into long duration bonds to mitigate plan volatility. This action eliminated generation of substantial pension income by CCMC's Pension Plan. Pension income had a negative impact on CCMC's cash position in the period 2016 to 2021.

CCMC's non-qualified Supplemental Executive Retirement Plan and Excess Plan ("SERP and Excess Plans") are unfunded (see Note 11).

CCMC closely manages its pension obligations in consultation with trusted pension experts, including our investment manager and solution provider SEI, our pension actuaries, our auditors and our ERISA attorneys.

CCMC Financial Performance

The CCMC Board determined on September 13, 2022, that CCMC would have sufficient liquidity in the fourth quarter of 2022 to honor a limited number of repurchase requests of CCMC shares issued under executive incentive stock plans. This determination was based on the early payoff and termination of a revolving line of credit extended by CCIE and the reduction in pension income resulting from Pension Plan expected asset return assumption changes.

In November and December 2022, CCMC repurchased 72,099 shares, paying $2.1 million immediately, with installment payments of $1.5 million remaining over a four-year period extending through November/December 2026.

After assessing the impact of inflation on CCG results for the fourth quarter of 2022 and January 2023, the CCMC Board on February 7, 2023, determined that if CCMC were to continue share repurchases, it likely would not be able to meet its liabilities as they mature. On March 9, 2023, the CCMC Board reviewed CCMC's financial results and cash projections since its last meeting, and determined that if CCMC were to repurchase shares, it likely would not be able to meet its liabilities as they mature.

CCMC's lower-than-forecasted cash position has resulted from:

- Projected elimination of 2023 CCMC markup charged to CCG, in order to support the long-term health of CCG.
- Suspension of CCMC Guidewire and Fireball amortization expense recovery from CCG while CCIE seeks approval to issue CCMC a surplus note, to mitigate the impact of CCMC Guidewire amortization on CCG surplus.

CCMC net income in 2022 was $3.7 million, compared to $2.2 million in 2021. 2022 pre-tax income was $4.8 million, compared to $2.9 million in 2021. CCMC's 2022 total revenue was $141.3 million, compared to $126.9 million in 2021. CCMC did not record an incentive fee in 2022 or 2021. The economic challenges facing CCG will make it difficult for CCMC to achieve comparable levels of profitability in upcoming years until CCG leverage ratios and surplus levels have significantly improved.

CCMC's 2022 return on adjusted beginning shareholders' equity of $47.2 million was 7.9 percent. In comparison, CCMC's 2021 return on adjusted beginning shareholders' equity of $42.5 million was 5.2 percent. CCMC's 7.9 percent return on equity in 2022 is lower than both CCMC's 10-year historical average of 8.0 percent and CCMC's 20-year historical average of 10.4 percent. CCMC recorded $3.1 million in markup in 2022. In 2013 to 2019 and in 2021, CCMC recorded a reduced markup to support CCG.

Adjusted shareholder total return was 25.5 percent in 2022 compared to 9.3 percent in 2021. On an adjusted basis, total return of 25.5 percent was higher than CCMC's 7.9 percent return on equity as a result of other comprehensive income of $8.3 million resulting primarily from a favorable pension-related adjustment. Total adjusted shareholder return of 25.5 percent in 2022 was higher than CCMC's 10-year historical average of 8.9 percent and higher than CCMC's 20-year historical average of 10.5 percent. CCMC returns may lag historical average returns in upcoming years until CCG leverage ratios and surplus levels have improved.

On December 31, 2022, the adjusted book value per share of CCMC common stock was $59.10, up $12.38 from $46.72 on December 31, 2021. When the CCMC Board approved the calculation of Adjusted Book Value on December 31, 2022, it approved the calculation so that management can implement the terms of CCMC's executive incentive stock plans. The CCMC Board did not opine on the fair market value of CCMC stock as of December 31, 2022.

On a GAAP basis, CCMC had a shareholders' deficit of $0.9 million and a book value per share of negative $0.94 on December 31, 2022, compared to a shareholders' deficit on December 31, 2021, of $19.1 million and a book value per share of negative $18.92.

Notes 9 and 11 of CCMC's financial statements explain how cumulative charges, resulting from recognition of the funded status of employee benefit plans in the balance sheet as required by pension accounting standards implemented on December 31, 2007, are removed to generate CCMC's adjusted book value of $59.10. Actuarial losses and gains for CCMC's SERP and Excess Plans impact both CCMC's GAAP book value per share and adjusted book value per share, and resulted in a favorable $8.67 per share impact to both in 2022.

CCMC paid no dividends in 2022. CCMC had $8.3 million in cash and investment securities on December 31, 2022, up from $3.3 million on December 31, 2021. CCMC's cash fluctuates seasonally.

CCMC did not make a contribution to the Pension Plan in 2022, and it made no contributions in 2016 to 2021. In 2013, 2014 and 2015, CCMC made voluntary contributions totaling $39.0 million to the Pension Plan. The Pension Plan was 96.1 percent funded on December 31, 2022, with $177.2 million in assets compared to $184.4 million in liabilities. Since this plan is now frozen, all employees are participating in CCMC's service-based contribution plan going forward.

CCG Operating and Financial Performance

CCG auto underwriting income was negative $65.4 million in 2022 compared to negative $4.0 million in 2021. CCG homeowners underwriting income was negative $11.6 million in 2022 compared to negative $7.8 million in 2021. CCG's 2022 personal lines combined ratio was 118.5 percent, compared to 102.9 percent in 2021.

CCG's personal lines incurred loss ratio deteriorated from 64.1 percent in 2021 to 76.0 percent in 2022. CCG's 2022 auto incurred loss ratio was 79.4 percent, compared to 63.1 percent in 2021. CCG's 2022 home incurred loss ratio was 66.6 percent, compared to 67.3 percent in 2021. CCMC added $22.4 million to CCG personal lines bulk reserves in 2022.

CCG's direct written premium grew from $399.5 million in 2021 to $414.2 million in 2022, an increase of 3.7 percent. CCG's 2022 auto net earned premium was $291.6 million, compared to $293.6 million in 2021. CCG's 2022 home net earned premium was $107.7 million, compared to $99.1 million in 2021.

CCG's 2022 total customer retention was 93.2 percent, six-tenths higher than its 2021 customer retention of 92.6 percent. Customers-in-force declined moderately by 781 from 161,577 on December 31, 2021, to 160,856 on December 31, 2022.

CCG produced net income of negative $80.2 million in 2022 compared to net income of

$41.5 million in 2021. CCG surplus decreased by $81.7 million, decreasing from $216.6 million on December 31, 2021, to $134.9 million on December 31, 2022. A large portion of 2021 net income was due to equity portfolio realized gains that were generally offset by a reduction in equity portfolio unrealized gains.

Unrealized gains and losses on bonds are not reported for statutory purposes as a component of an insurer's surplus. With rising interest rates in 2022, CCG's fixed income portfolio on December 31, 2022, had an unrealized loss of $29.7 million compared to an unrealized loss of $4.2 million on December 31, 2021. On December 31, 2022, the duration of CCG's fixed income portfolio was 3.08 years. On January 30, 2023, CCMC, with approval from the CCIE Advisory Board's Investment Policy Review Committee, instructed CCG's equity manager, Allspring, to sell CCG's entire $42 million equity portfolio. CCG invested proceeds from the sale of equities in U.S. Treasury bills with a duration of less than one year, reducing the probability of CCG having to sell fixed income securities at a loss.

If CCIE exercised its right to put 186,000 shares back to CCMC, CCG's surplus would increase by approximately $20.3 million based on 2022 year-end values. If CCIE should exercise that put option, CCMC would be required to purchase the shares at an 85 percent premium to adjusted book value. That would produce a corresponding decline in adjusted book value for all other shareholders of approximately 20.6 percent. Note 3 of CCMC's financial statements, "Related Party Transactions", describes the details of CCIE's investment in CCMC.

CCG's 2022 total expense ratio, as a percentage of net earned premium, rose to 43.3 percent, compared to 39.2 percent for 2021. CCG's personal lines underwriting expense ratio, as a percent of net written premium, was 30.9 percent in 2022 compared to 27.0 percent in 2021. One-time costs in 2022, including restructuring and other personnel expenses, impacted the CCG total expense ratio and underwriting expense ratio. CCMC currently forecasts that in 2023 CCG will realize a sharp reduction to its total expense ratio of five-to eight-percentage points.

CCG's 2022 operating cash flow ratio was 92.0 percent while its underwriting cash flow ratio was 89.9 percent, compared to 102.0 percent and 99.2 percent, respectively, in 2021.

In June 2022, A.M. Best Company rated CCIE and its three personal lines subsidiaries at B++ (Good) with a "negative outlook".

California Casualty will Continue to Deliver for Community Heroes

California Casualty faces challenges that force us to consider major changes to our business model. As we make changes, I am confident that the company's primary focus will continue to be our mission of providing financial protection for our community heroes with the highest levels of care, service, compassion and understanding. Our employees make this mission a reality, and they are why I am confident that our customers and many of our affinity partners will continue to choose California Casualty to be the company that is there to serve them at their most difficult moments.

Carl B. Brown

Carl B. (Beau) Brown, CPCU
Chairman, President and CEO

To the Board of Directors of
California Casualty Management Company

Opinion

We have audited the financial statements of California Casualty Management Company, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and comprehensive income, changes in shareholders' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of California Casualty Management Company as of December 31, 2022 and 2021, 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 California Casualty Management 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 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 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 California Casualty Management Company's ability to continue as a going concern for one year from the date the 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 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 California Casualty Management 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 California Casualty Management Company's ability to continue as a going concern for a reasonable period of time.

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

Other Information

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

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

Crowe LLP

Fort Lauderdale, Florida
May 5, 2023

Crowe LLP

BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(DOLLARS IN THOUSANDS)

		2022		2021
ASSETS				
Current assets				
Cash and cash equivalents	$	8,322	$	3,204
Investment securities		-		101
Receivables		2,421		2,717
Income taxes recoverable		33		19
Prepaid expenses and other		6,303		6,183
Total current assets		17,079		12,224
Property and equipment, net		44,219		51,288
Operating lease assets		18,158		21,711
Deferred income taxes, net		8,863		14,568
Other noncurrent assets		301		559
Total assets	$	88,620	$	100,350
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)				
Current liabilities				
Accounts payable and accrued expenses	$	5,097	$	4,363
Accrued employee compensation		10,635		13,421
Accrued benefit liability		3,478		3,586
Taxes payable		412		512
Operating lease obligations		4,303		4,196
Finance lease obligations and other		1,572		1,122
Total current liabilities		25,497		27,200
Operating lease obligations		16,638		20,878
Noncurrent notes payable		181		481
Accrued benefit liability		42,954		69,497
Noncurrent employee compensation		861		1,225
Other noncurrent liabilities		3,387		201
Total liabilities		89,518		119,482
Shareholders' equity (deficit)				
Common stock - no par value		11,384		13,831
Common stock with put right (Note 3)		20,337		16,078
Accumulated other comprehensive loss		(66,807)		(84,150)
Retained earnings		34,188		35,109
Total shareholders' equity (deficit)		(898)		(19,132)
Total liabilities and shareholders' equity (deficit)	$	88,620	$	100,350

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

STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

YEARS ENDED DECEMBER 31, 2022 AND 2021

(DOLLARS IN THOUSANDS)

	2022	2021
Revenue:		
Management fee	$ 139,542	$ 125,186
Other	1,731	1,708
Total revenue	141,273	126,894
Operating expenses		
Personnel	70,215	73,116
Acquisition and professional services	32,539	23,253
Facility and equipment	27,597	23,270
Communications	3,704	6,149
Other	3,331	3,034
Total operating expenses	137,386	128,822
Operating income (loss)	3,887	(1,928)
Investment income	11	3
Interest expense	(95)	(62)
Pension income	1,038	4,850
Income before provision for income taxes	4,841	2,863
Provision for income taxes	1,095	661
Net income	3,746	2,202
Other comprehensive income (loss), net of tax		
Unrealized net loss on investments (net of tax of $1 for 2021)	-	(2)
Change in employee retirement benefit plans (net of tax of $4,610 and $2,627 for 2022 and 2021, respectively) (Note 11)	17,343	9,881
Other comprehensive income	17,343	9,879
Comprehensive income	$ 21,089	$ 12,081

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

STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

YEARS ENDED DECEMBER 31, 2022 AND 2021

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AND SHARE AMOUNTS)

2022

	Common Stock	Common Stock with Put Right	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balances at January 1, 2021	$ 13,042	$ 14,729	$ (94,029)	$ 34,256	$ (32,002)
Net income	-	-	-	2,202	2,202
Change in carrying value of common stock with put right (Note 3)	-	1,349	-	(1,349)	-
Stock issued in long-term executive incentive plan (11,384 shares)	487	-	-	-	487
Stock issued in executive stock plan (7,058 shares)	302	-	-	-	302
Change in unrealized net gain on investments, net of deferred tax of ($1)	-	-	(2)	-	(2)
Change in employee retirement benefit plans, net of deferred tax of $2,627 (Note 11)	-	-	9,881	-	9,881
Balances at December 31, 2021	13,831	16,078	(84,150)	35,109	(19,132)
Net income	-	-	-	3,746	3,746
Change in carrying value of common stock with put right (Note 3)	-	4,259	-	(4,259)	-
Common stock retired (72,099 shares)	(3,169)	-	-	(408)	(3,577)
Stock issued in long-term executive incentive plan (11,501 shares)	537	-	-	-	537
Stock issued in executive stock plan (3,959 shares)	185	-	-	-	185
Change in employee retirement benefit plans, net of deferred tax of $4,610 (Note 11)	-	-	17,343	-	17,343
Balances at December 31, 2022	$ 11,384	$ 20,337	$ (66,807)	$ 34,188	$ (898)

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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

(DOLLARS IN THOUSANDS)

		2022		2021
Cash flows from operating activities				
Net income	$	3,746	$	2,202
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization on property and equipment including leased assets		17,916		14,868
Accrection on bonds		-		(1)
Net gain on sale and disposal of property and equipment		23		(287)
Provision for deferred income taxes		1,094		660
Changes in:				
Receivables and other assets		(291)		(367)
Payables, accrued expenses, and other liabilities		(8,144)		(11,475)
Net cash provided by operating activities		14,345		5,600
Cash flows from investing activities				
Proceeds from sale of property and equipment		-		548
Purchase of property and equipment		(6,605)		(11,392)
Proceeds from sale and maturities of investment securities		100		-
Net cash used in investing activities		(6,505)		(10,844)
Cash flows from financing activities				
Payments on finance lease obligations		(290)		(415)
Payments on notes payable		(314)		(314)
Common stock retired		(2,118)		-
Net cash used in financing activities		(2,722)		(729)
Net change in cash and cash equivalents		5,118		(5,973)
Cash and cash equivalents at the beginning of the year		3,204		9,177
Cash and cash equivalents at the end of the year	$	8,322	$	3,204
Supplemental disclosure of cash flow information				
Cash paid during the year for income taxes	$	13	$	14
Supplemental schedule of noncash investing and financing activities				
Lease obligations arising from right-of-use assets from leases	$	23	$	80
Property and equipment purchased but not yet paid for	$	664	$	2,540
Common stock issued through employee stock plans	$	722	$	789
Deferred stock repurchases	$	1,459	$	-

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

NOTE 1 - NATURE OF OPERATIONS

California Casualty Management Company ("CCMC") is the attorney-in-fact for the California Casualty Indemnity Exchange ("CCIE"), a reciprocal insurance exchange, and manager for CCIE's wholly owned subsidiaries. CCIE and its subsidiaries are collectively referred to as the California Casualty Group ("CCG").

CCMC operates in the insurance services segment. CCG is a personal lines insurance group headquartered in San Mateo, California, writing nonassessable full coverage automobile and homeowner insurance policies. Some directors and officers of CCMC are nonvoting members of the Boards and/or are officers of CCG.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying financial statements are prepared and presented in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates: 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 materially differ from those estimates.

Cash Equivalents: Cash equivalents are certain highly liquid investments with insignificant interest rate risk which have original maturities of three months or less. CCMC's cash equivalents are stated at cost which approximates fair value and generally consist of money market funds and high quality short-term fixed income securities.

Investment Securities: CCMC classifies its marketable investment securities as available-for-sale. Accordingly, investment securities are reported at fair value. Investment securities are classified as current assets in the balance sheets as they represent funds available for current operations. Unrealized gains and losses on securities are recorded, net of tax, as a separate component of shareholders' equity (deficit) under accumulated other comprehensive income (loss) ("AOCI"). Gains and losses on investment securities that were realized and included in net income of the current period that also had been included in other comprehensive income (loss) ("OCI") as unrealized holding gains and losses in the period in which they arose are deducted through OCI in the current period as reclassification adjustments. Realized gains and losses on sales of investments are recognized on a first-in, first-out basis.

The amortized cost of debt securities are adjusted for amortization of premiums and accretion of discounts. Such amortization and accretion are included in investment income.

CCMC reviews its investment portfolio for reductions in fair value below cost that, in the opinion of CCMC, represent an other-than-temporary impairment ("OTTI"). Management reviews several factors to determine whether a loss is other than temporary, such as the length of time a security is in an unrealized loss position, the extent to which fair value is less than amortized cost, the impact of changing interest rates in the short and long term and the potential impact of credit–related losses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For debt securities, the amount of an OTTI related to a credit loss is recognized in investment income as a realized loss. Similarly, an impairment on a debt security which CCMC has the intent, at the balance sheet date, to sell or will more likely than not be required to sell before recovery of cost, is also recognized in investment income as a realized loss. This OTTI is also reflected as a reduction in the cost basis of the debt security. The amount of an unrealized loss on debt securities related to other factors is recorded, net of tax, as a component of shareholders' equity (deficit) in AOCI with no change to the cost basis of the security.

As of December 31, 2022, CCMC no longer held investments.

Fair Value Option: CCMC has adopted current authoritative accounting guidance which permits entities to elect to measure eligible items at fair value at specified dates. CCMC did not elect to apply the fair value option to any eligible financial assets or financial liabilities upon adoption, or during the years ended December 31, 2022 and 2021. CCMC may elect to account for selected financial assets and financial liabilities at fair value. Such an election could be made at the time an eligible financial asset, financial liability or firm commitment is recognized or when certain specified reconsideration events occur.

Disclosures About Fair Value of Financial Instruments: The fair value of investment securities is based upon quoted market prices, where available, or fair values quoted by an independent pricing service based on sales of similar securities. The carrying amounts of cash and short-term investments are reasonable estimates of fair value.

Property and Equipment: Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation is recognized principally using a straight-line method over the estimated useful lives of the assets. Estimated lives range from three to ten years for equipment and automobiles. Leasehold improvements are amortized over the useful life of the improvement or the applicable lease term, whichever is shorter. Cost of property and equipment retired or otherwise disposed of and the related accumulated depreciation and amortization are removed from the accounts, and the resulting gains or losses are included in the statements of income in the period disposed.

Computer software developed or obtained for internal use is capitalized. Upon project completion, these costs are amortized over the estimated useful life, ranging from three to ten years, of the software on a straight-line basis.

Revenue Recognition: The Company recognizes revenue in accordance with FASB ASC 606 *Revenue from Contracts with Customers* (ASC 606). CCMC's revenues primarily come from management fees earned from CCG and commissions earned on premiums for specialty types of insurance coverage placed with CCMC's strategic underwriting partners. Revenue from management fees is recognized as earned when performance obligations are met. CCMC considers the management of the insurance program to be the sole performance obligation of its contract with CCG. As discussed further in Note 3 CCMC is compensated based on expenses incurred, plus in certain years a markup and an annual incentive fee can be earned by CCMC. The base management fee is recognized as earned when the underlying services are performed and the performance obligation has been met which correlates with CCMC's recognition of expenses. The markup and annual incentive fees are recognized as revenue in the period that they are earned and approved by the board of directors. All compensation earned related to the management fees is typically settled in the month subsequent to when it is recognized as revenue.

Other revenue is comprised of commissions earned on premiums for specialty types of insurance coverage provided to CCG's policyholders through CCMC's strategic underwriting partners. Commissions are earned when performance obligations are met which is typically on the effective date or billing date of the policy depending on the underlying program. Payment is typically due within 30 days of billing date.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables: Receivable, net, consists of management fees billed to CCG and not collected as of year end. The Company uses the allowance method to record bad debts. The Company records an allowance for doubtful accounts against its outstanding receivables, which is based on management estimation of bad debts in the near term. No allowance was recorded as of December 31, 2022, and 2021, as balances were considered fully collectible.

Income Taxes: CCMC accounts for income taxes using a balance sheet approach. Under this method, the provision for income taxes is based on pretax financial statement income and includes amounts that are deferred. Deferred income tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts using enacted rates.

Accounting for Unrecognized Tax Benefits: Current authoritative accounting guidance for unrecognized tax benefits requires a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. CCMC records a liability for the difference between the benefit recognized and measured pursuant to the guidance that is more likely than not to be sustained upon settlement and the tax position taken or expected to be taken on CCMC's tax return. A liability is established when CCMC believes that certain tax return positions may be challenged despite CCMC's belief that the positions are fully supportable. The liability may be adjusted in light of revised assessments of a tax return position, or in the case of changing facts and circumstances, such as the outcome of a tax audit. Adjustments to the liability are recorded in the period in which the determination is made. The provision for income taxes includes the impact of initial liability recognition and any subsequent adjustments to those liabilities that are considered appropriate. Accrued interest and penalties related to unrecognized tax benefits are also recognized in the provision for income tax.

Variable Interest Entities: Current authoritative accounting guidance for the consolidation of variable interest entities ("VIEs") requires a qualitative assessment of whether an entity has the power to direct the VIE's activities and, whether the entity has the obligation to absorb losses or the right to receive benefits that could be significant to the VIE. The guidance also requires an ongoing reassessment of whether an entity is the primary beneficiary of a VIE. CCMC has evaluated its relationship with CCG to determine whether or not consolidation is required under this guidance.

Management's assessment included consideration of CCG's surplus, which is more than adequate to finance its ongoing operations, as well as the governance and organizational structure of both CCMC and CCG. Management concluded that CCG's Advisory Board holds and exercises the power to direct the activities that most significantly impact the economic performance of CCG. CCMC's Board of Directors does not have the power to direct the activities of CCG. Additionally, CCMC has no obligation to absorb losses or the right to receive benefits from CCG. Therefore management has concluded CCMC is not the primary beneficiary and consolidation is not required.

CCMC has no loss exposure as a result of its relationship with CCG (Note 1, Note 3).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases: CCMC accounts for its leases in accordance with FASB ASC 842 *Leases* (ASC 842). In accordance with ASC 842, lessees recognize all leases (other than short-term leases) on the balance sheets, by recording a right-of-use (ROU) asset and lease liability, equal to the present value of lease payments. The expense recognition and amortization of the leased assets vary depending on the classification of the lease as either an operating lease or a finance lease. For operating leases, the standard requires recognizing a single lease expense on a straight-line basis. For finance leases, interest expense and a straight-line amortization expense are required to be reflected separately in the income statement, with the total expense declining throughout the lease term.

At the inception of an arrangement, management determines whether the arrangement is or contains a lease based on the unique facts and circumstances present. Operating and finance leases are included in leased assets and lease obligations in the balance sheets.

ROU assets represent the right to use an underlying asset for the lease term and lease obligations represent CCMC's obligation to make lease payments arising from the lease. Operating lease ROU assets and obligations are recognized at commencement date based on the present value of lease payments over the lease term. As CCMC's leases do not provide an implicit rate, CCMC has elected to use the practical expedient provided by ASC 842 and utilize a U.S. Treasury rate with a similar duration to the lease at commencement date in determining the present value of lease payments. CCMC uses the implicit rate when readily determinable.

The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that CCMC will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

CCMC has elected not to recognize on the balance sheets leases with terms of one-year or less. Leases with a term greater than one-year are recognized on the balance sheets as ROU assets, lease obligations and, if applicable, long-term lease obligations.

Although separation of lease and non-lease components is required, certain practical expedients are available to entities. CCMC has lease agreements with lease and non-lease components, which are generally accounted for separately. Operating expenses and property taxes due for leased facilities are accounted for as non-lease components.

NOTE 3 - RELATED PARTY TRANSACTIONS

Management Fee and Reimbursements: CCMC is the attorney-in-fact for CCIE and manager for CCIE's wholly owned subsidiaries under various management agreements. CCMC is paid a fee consisting of expenses incurred on behalf of CCG plus a markup not to exceed 25% of expenses. In establishing the markup, CCMC's management considers several factors, including CCG's financial strength, operating results and the competitiveness of CCG's insurance products. CCG's 2022 earned premium and surplus are approximately $399,303 and $134,894, respectively. An annual incentive fee of up to 10% of CCG's calendar year pre-tax income, calculated after giving effect to such incentive fee, may also be paid to CCMC. No incentive fee was earned by CCMC in 2022 or 2021. CCMC reimburses CCG for the annual savings in state income taxes that are attributable to managing CCG's operations, or charges CCG for any adjustments to true-up prior years.

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND SHARE AMOUNTS)

NOTE 3 - RELATED PARTY TRANSACTIONS (Continued)

The management fee earned and state income tax adjustments for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Expenses incurred	$ 136,437	$ 124,034
Markup taken	3,105	1,152
Incentive fee	-	-
State income tax adjustments	-	-
Net management fee	$ 139,542	$ 125,186
Maximum markup allowed (25% of expenses incurred)	$ 34,109	$ 31,009
Markup taken	(3,105)	(1,152)
Markup allowed but not taken	$ 31,004	$ 29,857

Other Transactions: In accordance with the management agreements, generally all expenses incurred by CCMC that relate to the management of CCG shall be paid by CCMC and reimbursed through the management fee. Exceptions include the following, which shall be paid by CCG or if paid by CCMC, reimbursed separately from the management fee: losses, allocated claims expense, governmental charges, premium taxes, federal and all other taxes of CCG, reinsurance, CCG Directors' expenses and specific expenses authorized by the Advisory Board of CCIE. CCMC billed CCG $366 and $371 for expenses incurred under this provision in 2022 and 2021, respectively. These transactions are shown as a reduction of CCMC expense, rather than revenue.

At December 31, 2022 and 2021, CCMC had a receivable due from CCG of $2,268 and $2,587, respectively, included in receivables on the balance sheets. Related party balances are settled monthly.

CCIE Investment in CCMC: In 2004, CCIE purchased 186,000 shares of CCMC common stock from existing shareholders (158,722 Series A and 27,278 Series B) at a price of $99.09 per share. CCIE's interest in CCMC is 19.5% and 18.4% at December 31, 2022 and 2021, respectively. In accordance with the acquisition agreement, CCIE has the right to put the shares back to CCMC at a purchase price equal to the CCMC adjusted book value per share (Note 9) at the time the put right is exercised, multiplied by the same book value multiple used in the original purchase, 1.85. If CCIE were to exercise its put right on the 186,000 shares, at its ownership level as of December 31, 2022 and 2021, the resulting adjusted book value to the remaining shareholders will be reduced by approximately 20.6% and 19.2%, respectively. At December 31, 2022 and 2021, the carrying value of the common stock with put rights was $20,337 and $16,078, respectively, and is reported as a separate component of shareholders' equity (deficit). There is a corresponding reduction to retained earnings and, therefore, no net impact to total shareholders' equity (deficit). In March of 2020, CCMC's Board voted to temporarily cease dividends. The Board will re-evaluate the continuation of dividend payments on a quarterly basis. There were no dividends paid by CCMC to CCIE or to any shareholder during 2022 or 2021.

NOTE 4 - INVESTMENT SECURITIES

Current authoritative accounting guidance applies to all assets and liabilities measured at fair value on a recurring or nonrecurring basis, and establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value.

The guidance clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability. Fair value measurements assume the asset or liability is exchanged in an orderly manner; the exchange is in the principal market for that asset or liability (or in the most advantageous market when no principal market exists); and the market participants are independent, knowledgeable, able and willing to transact an exchange. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value.

CCMC has categorized its financial instruments into a fair value hierarchy of three levels, as follows:

Level 1 When available, CCMC uses unadjusted, quoted prices in active markets for identical instruments at the measurement date. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 includes active exchange-traded equity and certain U.S. Treasury securities.

Level 2 When quoted market prices in active markets are not available, CCMC uses quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and inputs other than quoted prices that are derived principally from or corroborated by observable market data by correlation or other means. These quotes come from independent pricing vendors and may be based on recently reported trading activity and other relevant information including benchmark yields, market interest rate curves, referenced credit spreads and estimated prepayment rates where applicable. Level 2 includes certain corporate, municipal and asset backed bonds.

Level 3 Valuations are derived principally from inputs that are unobservable in the market. These unobservable inputs reflect CCMC's own subjective estimates of assumptions that market participants would use in pricing the instrument.

Certain assets held by the Defined Benefit Pension Plan (Note 11) are measured at Net Asset Value.

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND SHARE AMOUNTS)

NOTE 4 - INVESTMENT SECURITIES (Continued)

CCMC had no investment holdings as of December 31, 2022.

The following table presents available-for-sale investments measured at fair value on a recurring basis classified by the fair value hierarchy as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Debt securities				
U.S. government	$ 101	$ -	$ -	$ 101
Total	$ 101	$ -	$ -	$ 101

CCMC currently has no material financial liabilities that would require classification.

The cost and fair values of investment securities as of December 31, 2021:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Debt securities				
U.S. government	$ 100	$ 1	$ -	$ 101
Total	$ 100	$ 1	$ -	$ 101

The amortized cost and fair value of debt securities with contractual maturities of one to five years at December 31, 2021 are $101. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations.

Proceeds from sales and maturities of debt securities during 2022 and 2021 were $100 and $0, respectively. There were no realized gains or losses or OTTI on investment securities in 2022 and 2021.

As of December 31, 2022 and 2021, the Company did not hold any investments in an unrealized loss position.

The components of investment income for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Interest and dividends	$ 11	$ 3
Investment income	$ 11	$ 3

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND SHARE AMOUNTS)

NOTE 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2022 and 2021 is as follows:

	2022	2021
Cost:		
Capitalized software	$ 95,409	$ 83,343
Work in progress	222	6,221
EDP equipment	15,050	15,006
Office equipment	5,449	5,468
Leasehold improvements	8,620	8,289
Equipment held under finance and capital leases	1,946	1,946
	126,696	120,273
Less: Accumulated amortization on capitalized software	(57,873)	(46,803)
Less: Other accumulated depreciation and amortization	(24,604)	(22,182)
Property and equipment, net	$ 44,219	$ 51,288
Depreciation and amortization expense on property and equipment	$ 13,650	$ 10,586

In 2017, CCMC commenced implementation of the underwriting, policy center, data hub and billing software for CCG. Cumulative software development costs of $56,368 and $46,794 have been capitalized and put into production as of December 31, 2022 and 2021. Software development costs included in work in progress were $222 and $6,221 as of December 31, 2022 and 2021, respectively.

In August 2019, CCMC entered into an installment payment agreement in connection with the acquisition of certain equipment. The term of the agreement is for 60 months with monthly payments of $26 and bears interest at a rate of 4.08%. As of December 31, 2022 and 2021, the unpaid principal balance amounted to $481 and $769, respectively, with $300 and $288, respectively, included as a current liability within finance lease obligations and other.

NOTE 6 - CREDIT ARRANGEMENTS

On June 1, 2018, CCMC entered into a lease agreement for a new home office. The lease requires CCMC to secure a letter of credit which may be used by the landlord to compensate for any loss due to CCMC's failure to fulfill its monetary obligations under the lease. A bank has an irrevocable $249 letter of credit in favor of BCSP Crossroads Property LLC.

A bank holds two standby letters of credit, totaling $102, which are held to secure future monetary obligations under expired large deductible workers' compensation insurance policies.

In March 2020, CCIE's Advisory Board voted to approve the issuance of a $5,000 revolving line of credit to CCMC to be used as necessary. In February of 2022, CCMC drew $4,500 from the line of credit. The entire principal balance was paid back to CCIE in August of 2022 along with $62 in interest expense. The line of credit was not drawn on in the year ending December 31, 2021. As of December 31, 2022 and 2021, there was no outstanding balance on the line of credit.

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND SHARE AMOUNTS)

NOTE 7 - LEASE COMMITMENTS

CCMC has various lease agreements for office buildings, equipment and software. Certain leases have renewal options and certain office buildings and equipment have purchase options. Leases with an initial term of 12 months or less are not recorded on the balance sheets; CCMC recognizes lease expense on these leases on a straight-line basis over the lease term.

CCMC commenced a lease on a new home office on June 1, 2018. The term of the lease is 7 years and 10 months, with one option to extend the lease for a period of 5 years. The rent was abated during the first 10 months of the lease term. CCMC received a lease incentive of $2,820 associated with this lease.

In 2018, CCMC sold the property located at 1650 Telstar Drive, Colorado Springs, CO, 80920 and leased it back from the buyer, Oak Real Estate Capital, for 12 years with 4 options to extend the lease for a period of 5 years each. CCIE is a guarantor on the lease for CCMC. If CCMC is unable to honor its future lease payments, then CCIE would be liable to pay these obligations.

In 2017, CCMC entered into a lease agreement with IBM Credit LLC for equipment. The term of the lease is 5 years, with a purchase option of one dollar at the end of the lease term. With the adoption of ASC 842 this lease has been accounted for as a finance lease.

CCMC rents or subleases space in its offices to third parties. CCMC has two subleases in its Colorado Springs office, with the expected payments of $1,287 over the next 5 years.

A summary of lease assets and liabilities at December 31 is as follows:

	2022	2021
Assets		
Operating lease assets	$ 18,158	$ 21,711
Finance lease assets	29	414
Total lease assets	$ 18,187	$ 22,125
Liabilities		
Current		
Operating	$ 4,303	$ 4,196
Finance	-	290
Non-current		
Operating	16,638	20,878
Finance	-	-
Total lease liabilities	$ 20,941	$ 25,364

CCMC's finance leases have been recorded within property and equipment, net on the balance sheets.

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND SHARE AMOUNTS)

NOTE 7 - LEASE COMMITMENTS (Continued)

Lease costs for the years ended December 31 are as follows:

	2022	2021
Operating lease cost	$ 4,266	$ 4,282
Finance lease cost		
Amortization of leased assets	385	389
Interest on lease liabilities	6	28
Sublease income	(815)	(774)
Net lease cost	$ 3,842	$ 3,925

A summary of maturities for operating and finance leases at December 31, 2022 is as follows:

	Operating Leases
2023	$ 4,919
2024	4,155
2025	4,144
2026	2,880
2027	2,291
Thereafter	4,351
Total lease payments	22,740
Less: Amount representing interest	(1,799)
Present value of lease liabilities	$ 20,941

A summary of remaining lease terms and discount rates at December 31, 2022 and 2021 is as follows:

	2022	2021
Weighted-average remaining lease term:		
Operating leases	5.83 years	6.61 years
Finance leases	N/A	0.67 years
Weighted-average discount rate:		
Operating leases	2.80%	2.80%
Finance leases	N/A	5.48%

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND SHARE AMOUNTS)

NOTE 7 - LEASE COMMITMENTS (Continued)

Supplemental cash flow information related to leases for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ (4,842)	$ (4,771)
Operating cash flows from finance leases	(6)	(28)
Financing cash flows from finance leases	(290)	(415)
Leased assets obtained in exchange for new operating lease liabilities	23	80

NOTE 8 - INCOME TAXES

A reconciliation of CCMC's effective income tax rate for the years ended December 31, 2022 and 2021 is as follows:

	2022		2021	
	Amount	Percentage	Amount	Percentage
U.S. federal tax (statutory tax rate)	$ 1,017	21.0 %	$ 601	21.0 %
All other items	78	1.6	60	2.1
Provision for income taxes (effective tax rate)	$ 1,095	22.6 %	$ 661	23.1 %

The significant components of the provision for income taxes for the years ended December 31, 2022 and 2021 are summarized below:

	2022	2021
Current expense (benefit)	$ -	$ 1
Deferred provision, noncurrent	1,095	660
Provision for income taxes	$ 1,095	$ 661

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND SHARE AMOUNTS)

NOTE 8 - INCOME TAXES (Continued)

The significant components of the net deferred tax assets (liabilities) recorded on the balance sheets at December 31 are as follows:

	2022	2021
Deferred tax assets:		
Employee benefits	$ 10,448	$ 16,614
Operating and capital leases	12,525	11,551
Rent expense	31	40
Net operating loss	4,895	5,525
Fed charitable contributions carryforward	139	125
Foreign credit carryforward	26	26
Internally developed computer software	197	-
All other	82	70
Total deferred income tax assets	28,343	33,951
Deferred tax liabilities:		
Unrealized appreciation on investments	-	(1)
Operating and capital leases	(11,946)	(10,869)
Depreciation	(7,410)	(7,152)
Prepaid expenses	(124)	(130)
Internally developed computer software	-	(1,231)
Total deferred income tax liabilities	(19,480)	(19,383)
Deferred income taxes, net	$ 8,863	$ 14,568

As of December 31, 2022, the Company had $23,310 of net operating loss carryforwards available. $10,883 of that carryforward will begin to expire in 2034 and $15,568 can be carried forward indefinitely. As of December 31, 2022, the Company had no capital loss carryforwards available.

Realization of these assets is primarily dependent upon generating sufficient future taxable income to utilize these assets. CCMC will establish a valuation allowance if it is more likely than not that these items will either expire before CCMC is able to realize their benefits, or that future deductibility is uncertain. There was no valuation allowance required at December 31, 2022 and 2021.

CCMC adjusts its tax liabilities when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined. CCMC has no material uncertain tax positions at December 31, 2022 and 2021.

CCMC files income tax returns in the United States federal jurisdiction (Internal Revenue Service, or IRS) and various state jurisdictions. In the normal course of business, CCMC is subject to examination by taxing authorities from any of these jurisdictions. With few exceptions, CCMC is no longer subject to income tax examinations for years before 2018. CCMC is not currently under a federal income tax audit by the IRS.

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND SHARE AMOUNTS)

NOTE 9 - SHAREHOLDERS' EQUITY (DEFICIT)

CCMC has authorized 1,800,000 and 1,000,000 shares of Series A and Series B common stock, respectively. Shares issued and outstanding, book value per share, and common stock issued and outstanding at December 31 are as follows:

	2022	2021
Shares issued and outstanding		
Series A	786,173	787,796
Series B	168,362	223,378
Total shares issued and outstanding	954,535	1,011,174
Book value per share	$ (0.94)	$ (18.92)

	2022	2021
Common stock issued and outstanding		
Series A	$ 3,804	$ 3,812
Series B	7,580	10,019
Total common stock	$ 11,384	$ 13,831

Adjusted book value per share is calculated as follows: total shareholders' equity (deficit) as determined under GAAP, plus the shareholder equity charges resulting from pension accounting (Note 11), divided by total outstanding shares of common stock. The calculation is as follows:

	2022	2021
Total shareholders' equity (deficit)	$ (898)	$ (19,132)
AOCI balance related to pension plan	57,311	66,378
Adjusted shareholders' equity	$ 56,413	$ 47,246
Total shares issued and outstanding	954,535	1,011,174
Adjusted book value per share	$ 59.10	$ 46.72

CCMC expects to recover employee retirement benefit plan funding shortfalls over time as pension expense is recognized in accordance with GAAP and reimbursed by CCG through the management fee. (Note 3).

The rights, privileges and restrictions of Series A and B are identical except holders of Series A shares have exclusive voting rights and power to vote upon election of Directors or upon any other matters. CCIE's put right is discussed in Note 3.

Effective April 2020, the Board elected to discontinue stock repurchases. During 2022, the Board voted to resume stock repurchases and repurchased and retired common stock in the amount of $3,577. CCMC paid $2,118 in cash with the remaining $1,459 payable to selling shareholders on an equal installment basis payable over the next four years. CCMC has recorded $1,094 within other noncurrent liabilities with the remaining of $365 recorded within current liabilities.

NOTE 10 - STOCK-BASED COMPENSATION PLANS

CCMC has two stock-based compensation plans: the Long Term Executive Incentive Plan ("LTEIP") and the Executive Stock Plan ("ESP"). The key provisions of each plan are described below. Both written plan documents are subject to review and approval by the California Department of Insurance, which requires, among other things, that CCMC annually report on all transactions made under the plans. Under both plans, if a plan participant's employment terminates because of death, disability, or retirement, CCMC has the right to repurchase that participant's shares at the most recently computed adjusted book value at the expiration of ten years after the termination of employment. If a plan participant's employment terminates for any other reason, CCMC has the right to repurchase that participant's shares for a period of 60 days after termination of employment. With the exception of ESP shares subject to a five-year holding period, plan participants have the right at any time to cause CCMC to repurchase all or any portion of their shares at adjusted book value by providing written notice to CCMC. Generally, to be eligible to receive an award under either plan, a participant must be a CCMC employee at the end of a plan performance period. However, under both plans, participants or their successors receive a prorated award if the participant dies, becomes disabled or retires during a performance period. The fair value of the restricted shares of common stock issued under both plans is considered equal to adjusted book value, as described in Note 9.

Key Provisions of LTEIP: The LTEIP provides key executives, all of whom are members of CCMC's Operating Committee, with incentive awards consisting of common stock and/or cash compensation, based on the attainment of specific annual profitability and other measures over a three-year performance period. A new three-year performance period commences on January 1st of each year. In order for participants to be eligible for an award, CCMC must meet its threshold performance measures. The LTEIP requires that participants elect to receive at least 50% of their earned LTEIP award in shares of common stock, with the remainder paid in cash. The number of shares of common stock to be issued to each plan participant is based on the adjusted book value as of December 31 of the year prior to the date the stock is issued.

Awards are paid annually and are based on the preceding three-year performance period. Shares of stock are issued immediately following the award, so there are no shares awarded but un-issued. Stock is issued prior to March 15th each year. Compensation expense under the LTEIP is measured during the performance period based on a best estimate of performance against the goals. Compensation expense under the LTEIP was $1,053 and $1,222 in 2022 and 2021, respectively. CCMC assumes no forfeitures during the payout period when determining compensation expense over the performance period. During 2022 and 2021 there were no forfeitures of earned awards. Under the LTEIP, 300,000 shares of Series B common stock have been reserved for issuance. Total shares issued under the LTEIP were 11,501 and 11,384 in 2022 and 2021, respectively.

The accrued liability for the LTEIP is comprised of $1,440 in current employee compensation liability and $861 in noncurrent employee compensation liability on the balance sheet at December 31, 2022. The accrued liability for the LTEIP is comprised of $1,177 in current employee compensation liability and $1,225 in noncurrent employee compensation liability on the balance sheet at December 31, 2021.

Key Provisions of ESP: The ESP provides all officers on the executive payroll with common stock and/or cash compensation based on the attainment of specific profitability and other measures over a one-year performance period, with a new performance period commencing on January 1st of each year. In order for participants to be eligible for an award, CCMC must meet its threshold performance measures. The ESP requires that participants elect to receive at least 60% of their earned ESP awards in shares of common stock, with the remainder paid in cash. The number of shares of common stock to be issued to each plan participant is based on the adjusted book value as of December 31st of the year prior to the date the stock is issued.

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND SHARE AMOUNTS)

NOTE 10 - STOCK-BASED COMPENSATION PLANS (Continued)

Awards are made annually, and are based on the preceding one-year performance period. Shares of stock are issued immediately following the award, so there are no shares awarded but un-issued. Stock is issued prior to March 15th each year. Participants are required to hold all shares of common stock issued under the ESP for a minimum of five years from the date of issuance before exercising repurchase rights.

Compensation expense under the ESP was $75 and $316 in 2022 and 2021, respectively. Under the ESP, 150,000 shares of Series B common stocks have been reserved for issuance. Total shares issued under the ESP were 3,959 and 7,058 in 2022 and 2021, respectively. The accrued liability for the ESP was $75 and $316 at December 31, 2022 and 2021, respectively. These balances are included in current employee compensation liability on the balance sheets.

NOTE 11 - EMPLOYEE RETIREMENT BENEFIT PLANS

CCMC provides defined contribution plans as well as both funded and unfunded noncontributory defined benefit pension plans. Substantially all of its employees participate in one or more of these plans. The funded plans are subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”). All plans are described below.

Savings Investment Plans (the “SIPs”): CCMC sponsors a plan for hourly employees and a plan for salaried employees. The SIPs are qualified under section 401(k) of the Internal Revenue Code (the “Code”). Participating employees may elect to contribute a percentage of their annual compensation to the applicable SIP, limited to a maximum annual dollar amount as provided by the Code. These employees are eligible to receive a matching contribution from CCMC. Those matching contributions were $1,404 and $1,532 for the years ended December 31, 2022 and 2021, respectively.

Effective January 1, 2004, the SIPs were amended to add a new defined contribution feature. Employees hired, or employees rehired following a break in service of 12 months or more, on or after January 1, 2004 receive an annual service-based CCMC contribution of 1.5% to 3.5% of annual compensation depending on length of service. Prior to 2020, the contribution rate was 3% to 7%. The expense for the defined contribution portion of the SIPs was $1,186 and $1,337 in 2022 and 2021, respectively.

Matching contributions and service-based contributions are vested to the employee on the following schedule:

Years of service	Vested Percentage
Less than two	0 %
Two	25 %
Three	50 %
Four	75 %
Five	100 %

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND SHARE AMOUNTS)

NOTE 11 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

Defined Benefit Pension Plan (the "Pension Plan"): The Pension Plan is qualified under Section 401(a) of the Code. The Pension Plan was amended in 2003 to exclude employees hired on or after January 1, 2004. Employees rehired on or after January 1, 2004, following a break in service of 12 months or more, are also excluded. Generally, benefits are based on length of service and the average of the highest earnings for five consecutive calendar years, or sixty months, whichever is greater. A participant is 100% vested after completion of five years of service.

Effective December 31, 2015, the Board of Directors adopted an amendment instituting a "hard freeze" of the Pension Plan so that no further benefits will accrue under the plan. All Pension Plan participants were enrolled in the Service-Based Contribution feature of the Savings Investment Plans (the "SIP") effective January 1, 2016.

Given the Pension Plan's freeze to future benefit accruals as of December 31, 2015, the amortization period for actuarial gains and losses was updated from the average future working lifetime of participants to the average life expectancy of participants effective January 1, 2016.

Pension Plan Benefits:

	2022	2021
Change in benefit obligation		
Benefit obligation at beginning of year	$ 240,582	$ 257,508
Service cost	-	-
Interest cost	5,077	4,129
Benefits paid	(11,689)	(11,097)
Actuarial (gain) loss	(49,579)	(9,958)
Benefit obligation at end of year	184,391	240,582
Change in plan assets		
Fair value of plan assets at beginning of year	218,980	218,836
Actual return on plan assets	(29,861)	11,241
Employer contribution	-	-
Benefits paid	(11,689)	(11,097)
Fair value of plan assets at end of year	177,430	218,980
Funded status at end of year	$ (6,961)	$ (21,602)
Amounts recognized in the balance sheets consist of		
Noncurrent liabilities	$ (6,961)	$ (21,602)
Net amount recognized	$ (6,961)	$ (21,602)
Amounts recognized in accumulated other comprehensive loss (pretax) consist of:		
Net loss	$ 72,501	$ 83,977
Accumulated other comprehensive loss	$ 72,501	$ 83,977

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND SHARE AMOUNTS)

NOTE 11 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

	2022	2021
Information for pension plans with an accumulated benefit obligation in excess of plan assets		
Projected benefit obligation	$ 184,391	$ 240,582
Accumulated benefit obligation	$ 184,391	$ 240,582
Fair value of plan assets	$ 177,430	$ 218,980
Components of net periodic benefit cost (income) and other amounts recognized in other comprehensive income (loss)		
Net periodic benefit cost		
Service cost	$ -	$ -
Interest cost	5,077	4,128
Expected return on assets	(11,389)	(14,529)
Amortization of net actuarial loss	3,148	3,606
Total pension income included in pension income on the statements of income	$ (3,164)	$ (6,795)
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) (pretax)		
Net (gain) loss	$ (8,329)	$ (6,670)
Amortization of net actuarial loss	(3,148)	(3,606)
Total recognized in other comprehensive income (loss)	(11,477)	(10,276)
Total recognized in net periodic benefit cost (income) and other comprehensive income (loss)	$ (14,641)	$ (17,071)
Weighted-average assumptions used to determine benefit obligation at December 31:		
Discount rate	4.94 %	2.60 %
Rate of compensation increase	N/A	N/A
Cost of living	N/A	N/A
Weighted-average assumptions used to determine net periodic benefit cost:		
Discount rate - projected benefit obligation	2.60 %	2.20 %
Discount rate - interest cost	2.14 %	1.64 %
Rate of compensation increase	N/A	N/A
Expected return on plan assets	7.10 %	7.10 %
Cost of living	N/A	N/A

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND SHARE AMOUNTS)

NOTE 11 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

The estimated net actuarial loss that will be amortized from accumulated other comprehensive loss into net periodic benefit cost (income) over the next fiscal year is $1,124.

CCMC selects its discount rate by using the expected cash flows of future benefit payments applied against the full yield curve provided by the FTSE Pension Liability Index.

As of January 1, 2016, CCMC changed the approach to measuring service and interest costs as part of the Pension Plan. CCMC elected to measure expense by applying the specific spot rates along that yield curve to the plans' liability cash flows. The new approach provides a more precise measurement of service and interest costs by aligning the timing of the plan's liability cash flows to the corresponding spot rates on the yield curve. This change does not affect the measurement of CCMC's plan obligations nor the funded status of the plan.

Pension Plan Assets: Fair value, asset allocations and target allocations at December 31 are as follows:

	2022		2021		2022
	Fair Value	Allocation	Fair Value	Allocation	Target Allocation
Equity funds					
Domestic	$ -	0%	$ 19,913	9%	
Global Large-Stock Value	23,385	13%	29,921	14%	
Total equity funds	23,385	13%	49,834	23%	15%
Fixed income					
US government agencies	40,581	23%	25,116	11%	
Fixed income funds					
Domestic					
Long duration bond fund	34,408	19%	40,243	18%	
Intermediate duration bond fund	66,144	37%	61,437	28%	
High-yield	-	0%	5,961	3%	
International					
Emerging markets debt	-	0%	3,895	2%	
Total fixed income	141,133	56%	136,652	51%	80%
Real estate fund	12,386	7%	31,840	15%	5%
Cash and accrued income	526	1%	654	0%	0%
	$ 177,430	100%	$ 218,980	100%	100%

US government agencies are in Level 1 of the fair value hierarchy; See Note 4 for a description of Levels in the fair value hierarchy.

NOTE 11 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

Equity, fixed income funds, and real estate fund investments are measured at Net Asset Value (NAV) of the units held by the Plan at year-end. The NAV, as provided by the trustee of the fund, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Were the Plan to initiate a full redemption of the real estate fund, the issuer reserves the right to require sixty-five business days' notification in order to ensure that securities liquidation will be carried out in an ordinary business manner.

Investment Policies, Strategies and Target Asset Allocations: The CCMC Board of Directors has delegated authority for setting, monitoring, and adjusting the investment policy with respect to investment funds of the Pension Plan to the Pension Plan Committee ("Committee"). The Committee selects and retains investment managers who are responsible for managing the Pension Plan assets in accordance with the objectives and guidelines set forth in the Pension Plan's Investment Policy Statement ("IPS"). Investment managers are expected to comply with all laws, regulations, and standards of ethical conduct.

Investment guidelines and the Pension Plan's asset allocation targets are based upon long-term perspectives, so that interim fluctuations in investment markets should be viewed with appropriate perspective. Consistent with the desire for adequate asset diversification, the IPS is based upon the expectation that the volatility (the standard deviation of returns) of the total Pension Plan assets will be similar to that of the investment market.

The target asset allocation is designed to provide an optimal asset mix for the portfolio, which emphasizes diversification and maximizes return for relative risk. The IPS also sets guidelines to minimize investment risk by disallowing certain transactions or investments in certain securities. Transactions that would jeopardize the tax-exempt status of the Pension Plan are not allowed. Performance objectives are set by the IPS for each asset category listed above, and are reviewed at least annually by the Committee to determine if the established objectives are appropriate.

The expected return on Pension Plan assets is an assumption primarily determined by the investment strategy adopted to meet the objectives of the Pension Plan. This assumption is developed from investment manager capital market projections which include future returns by asset category, expected volatility of returns and correlation among asset classes. Consideration is also given to the expenses of active management. Judgment is applied to the quantitative measures derived from the capital market projections to arrive at the selected return on Pension Plan assets assumption. A change in the asset allocation could significantly impact the expected rate of return on plan assets.

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND SHARE AMOUNTS)

NOTE 11 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

Cash Flows:

Contributions: No contributions were made in 2022 and 2021. CCMC does not expect to contribute to the Pension Plan for 2023.

Expected Future Benefit Payments: The following benefit payments, which reflect expected future service, are expected to be paid:

	Pension Benefits
2023	$ 12,070
2024	12,372
2025	12,732
2026	12,842
2027	13,070
Years 2028 - 2032	65,266
	$ 128,352

Supplemental Executive Retirement Plan and Excess Plan (the “SERP and Excess Plans”): The SERP and Excess Plans cover employees with earnings and/or benefits which exceed the limitations set out in the Pension Plan and/or the Code. Benefits are based on formulas similar to those of the Pension Plan.

The Excess Plan was frozen effective December 31, 2015. Effective January 1, 2016, CCMC adopted a new Service-Based Contribution Excess Benefit Plan (the “SBC Excess Plan”) to cover earnings and/or benefits that exceed the limits imposed by the Code for the Service-Based Contribution feature of the SIP. Benefits for the new SBC Excess Plan are based on the formula used for the SIP. CCMC accrued $62 and $108 for the contribution to the plan in 2022 and 2021, respectively. Earnings (losses) on investments in the SBC Excess Plan were $(208) and $243 in 2022 and 2021, respectively.

Given the SERP & Excess Plans’ freeze to future benefits accruals as of December 31, 2015, the amortization period for actuarial gains and losses has been updated from the average future working lifetime of participants to the average life expectancy of participants effective January 1, 2016.

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND SHARE AMOUNTS)

NOTE 11 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

SERP and Excess Benefits:

	2022	2021
Change in benefit obligation		
Benefit obligation at beginning of year	$ 50,159	$ 53,916
Service cost	-	-
Interest cost	957	739
Benefits paid	(3,483)	(3,470)
Actuarial (gain) loss	(9,308)	(1,026)
Benefit obligation at end of year	38,325	50,159
Change in plan assets		
Fair value of plan assets at beginning of year	-	-
Employer contributions	3,483	3,470
Benefits paid	(3,483)	(3,470)
Fair value of plan assets at end of year	-	-
Funded status at end of year	$ (38,325)	$ (50,159)
Amounts recognized in the balance sheets consist of:		
Current liabilities	$ (3,478)	$ (3,586)
Noncurrent liabilities	(34,848)	(46,573)
Net amount recognized	$ (38,326)	$ (50,159)
Amounts recognized in accumulated other comprehensive loss (pretax) consist of		
Net actuarial loss	$ 13,279	$ 23,756
Accumulated other comprehensive loss	$ 13,279	$ 23,756
Information for pension plans with an accumulated benefit obligation in excess of plan assets		
Projected benefit obligation	$ 38,326	$ 53,916
Accumulated benefit obligation	$ 38,326	$ 53,916

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND SHARE AMOUNTS)

NOTE 11 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

	2022	2021
Components of net periodic benefit cost and other amounts recognized in other comprehensive income (loss)		
Net periodic benefit cost		
Service cost	$ -	$ -
Interest cost	957	739
Amortization of net actuarial loss	1,169	1,206
Total pension expense included in pension income on the statements of income	$ 2,126	$ 1,945
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) (pretax)		
Net (gain) loss	$ (9,308)	$ (1,026)
Amortization of net actuarial loss	(1,169)	(1,206)
Total recognized in other comprehensive income (loss)	(10,477)	(2,232)
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ (8,351)	$ (287)

The estimated net actuarial loss that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year is $584.

	2022	2021
Weighted-average assumptions used to determine benefit obligation at December 31:		
Discount rate	4.88 %	2.43 %
Rate of compensation increase	N/A	N/A
Cost of living	N/A	N/A
Weighted-average assumptions used to determine net periodic benefit cost:		
Discount rate - projected benefit obligation	2.43 %	1.99 %
Discount rate - interest cost	1.94 %	1.40 %
Rate of compensation increase	N/A	N/A
Cost of living	N/A	N/A

CCMC selects its discount rate by using the expected cash flows of future benefit payments applied against the full yield curve provided by the Citigroup Pension Liability Index. CCMC measures service and interest costs as part of SERP and Excess Plans expense by applying the specific spot rates along the yield curve to the plans' liability cash flows.

Cash Flows:

Contributions: Since the plan is unfunded, no contributions are made. However, benefit payments are treated as contributions.

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND SHARE AMOUNTS)

NOTE 11 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

Expected Future Benefit Payments: The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	SERP and Excess Benefits
2023	$ 3,478
2024	3,464
2025	3,427
2026	3,354
2027	3,268
Years 2028 - 2032	14,698
	$ 31,689

Accumulated Other Comprehensive Income (Loss) ("AOCI"): The AOCI amounts related to employee retirement benefit plans recognized in the balance sheets, on an after-tax basis, were $67,772 and $85,115 at December 31, 2022 and 2021, respectively.

The following table summarizes the after-tax AOCI on employee retirement benefit plans:

	Pension Plan(1)	SERP & Excess Plans(2)	Total
AOCI balances, at December 31, 2020	$ 74,496	$ 20,500	$ 94,996
2021 activity			
Pension accounting charges	(8,118)	-	(8,118)
SERP and Excess Plans	-	(1,763)	(1,763)
Total 2021 activity	(8,118)	(1,763)	(9,881)
AOCI balances, at December 31, 2021	66,378	18,737	85,115
2022 activity			
Pension accounting charges	(9,067)	-	(9,067)
SERP and Excess Plans	-	(8,276)	(8,276)
Total 2022 activity	(9,067)	(8,276)	(17,343)
AOCI balances, at December 31, 2022	$ 57,311	$ 10,461	$ 67,772

(1) These after-tax GAAP pension plan accounting charges are utilized in the adjusted book value calculation (Note 9).

(2) These SERP and Excess Plan adjustments are excluded from the adjusted book value calculation (Note 9). They represent the cumulative difference between the accumulated benefit obligation and accrued benefit liability in the balance sheets.

The AOCI balances of $57,311 and $66,378 as of December 31, 2022 and 2021, respectively, are utilized in the calculation of the adjusted book value as described in Note 9 and excludes impacts from tax rate changes which have not been recognized in AOCI.

NOTE 12 - CONCENTRATION OF CREDIT RISK

CCMC's financial instruments exposed to concentration of credit risk consist of cash equivalents. CCMC maintains its cash accounts primarily with banks. Cash balances are insured by the Federal Deposit Insurance Company ("FDIC") up to $250 per depositor. CCMC had cash on deposit with three and four banks at December 31, 2022 and 2021, respectively, that exceeded the balance insured by the FDIC in the amount of $6,704 and $2,481, respectively. CCMC has not experienced any losses related to these balances, and management believes its credit risk to be minimal.

NOTE 13 - SUBSEQUENT EVENTS

CCMC has evaluated subsequent events through May 5, 2023, which is the date that the financial statements were available to be issued.

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Product Management &
Corporate Legal
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Carl B. (Beau) Brown, CPCU
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Chairman of the Board
President and CEO

Thomas R. Brown, CLU
Director
Chairman Emeritus

Fong-Yee Judy Jao, FCAS, MAAA
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