California Casualty Management Co.

ANNUAL REPORT TO SHAREHOLDERS

2023

TABLE OF CONTENTS

"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."

In 2023, California Casualty Management Company ("CCMC") and California Casualty Group ("CCG") weathered a difficult insurance market while executing on an ambitious strategic plan to "Shrink to Strength" that focuses our business on seven core states: California, Arizona, Colorado, Idaho, Kansas, Oregon and Wyoming. When CCMC launched the Shrink to Strength plan, with support from the California Casualty Indemnity Exchange ("CCIE") Advisory Board, we understood that it would take time to exit states, reduce expenses, and get rate increases approved and implemented. For 2023, CCMC projected that its financial results would continue to be poor before stabilizing in early 2024 and ultimately improving later in 2024. While CCMC's management team felt these projections were reasonable, there was also an appreciation that the insurance market, particularly in California, was highly uncertain.

Rate inadequacy and catastrophes challenged the entire industry well into 2023. To stabilize surplus, CCMC worked with the California Department of Insurance ("CDI") to implement three rounds of substantial auto and home rate increases.

Because CCG issues twelve-month policies, rate increases take twenty-four months to fully earn-in. While written premium increased rapidly due to rate increases, earned premium lagged, and CCG surplus declined from $134.9 million at year-end 2022 to an October 2023 low of $103.3 million, negatively impacting CCG's leverage and financial ratios.

Throughout much of 2023, CCMC, assisted by our legal and financial advisors, worked closely with the CDI and the Oregon Division of Financial Regulation ("OR DFR") to address CCG's financial situation. Two CCIE subsidiaries, California Casualty & Fire Insurance Company ("CCFIC") and California Casualty General Insurance Company of Oregon ("CCGIC"), had risk-based capital ratios below the "company action level" of 200% at December 31, 2022, which prompted significant additional oversight from, and negotiation with, the CDI and OR DFR.

In addition to facing questions from regulators, CCMC also faced inquiries from our A.M. Best analysts in 2023. In June 2023, A.M. Best downgraded CCG's Best's Financial Strength Rating from B++ to B. In December 2023, our A.M. Best analysts informed us that we would be reviewed again in January 2024 due to projections of where our Best's Capital Adequacy Ratio ("BCAR") would end the year. To ensure that CCG's BCAR remained at the "Adequate" level at year-end 2023, CCIE, at the recommendation of CCMC management, bound quota share reinsurance with SCOR Reinsurance Company on 17.5% of CCIE's projected $306 million of California auto and home premium, effective December 31, 2023, and expiring on January 1, 2025.

In October 2023, CCG began the process of exiting 36 states and the District of Columbia. By April 2025, CCG will have non-renewed all policies in its "exit states", improving CCG leverage and financial ratios due to a sizeable reduction in premium that is certain to occur.

With inflation decreasing in mid-2023 and rates earning-in with increasing impact, CCG posted solid profitability in the fourth quarter following poor profitability earlier in 2023. At year-end, CCIE's 2023 risk-based capital ratio was 407% compared to 300% at year-end 2022.

California Casualty has a rich history of serving public servants, with key partnerships dating back to the 1970's and even to 1951 in the case of the California Teachers Association. We thank our partners for standing with California Casualty during perhaps the most difficult period in the history of the company.

Ongoing Challenges

CCMC made progress against four challenges highlighted in recent years in the CCMC Annual Report to Shareholders:

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

Challenge: CCG Profitability

CCG's 2023 combined ratio of 109.6% was impacted by poor results in the first three quarters of the year caused by rate inadequacy, historically high severe convective storm and California winter storm losses, and an unusually large number of non-catastrophe total home losses. In addition, Claims management and external advisors identified leakage and corresponding opportunities to change the department's organizational structure and work processes to reduce cycle times, improve customer experience, and increase accuracy and efficiency.

CCG achieved a 97.4% combined ratio in the fourth quarter of 2023 (98.4% pre-quota share). December results drove this fourth quarter improvement. In the month of December, CCG had net income of $12.6 million ($7.6 million pre-quota share) based on an underwriting profit of $11.6 million ($6.6 million pre-quota share). The impact of rate increases, seasonality, mild December weather and reduced operating expenses contributed to this result. In addition, CCMC implemented a $2 million management fee reduction compared to actual expenses incurred to help protect CCG's surplus and support CCG's BCAR.

CCG's surplus at year-end was $122.1 million, an $18.8 million increase compared to $103.3 million at October 31, 2023. The $18.8 million surplus increase over this two-month period includes $5 million due to quota share reinsurance, $2 million from surplus notes issued as scheduled in November 2023 and December 2023, and $3 million due to the acceleration into December 2023 of the final three surplus notes that were previously scheduled for January 2024, February 2024, and March 2024.

Over a 24-month period starting in April 2022, CCG implemented 110 auto and 60 home rate increases with an overall premium impact of $173.9 million. Two critically important 2023 California rate increases, 22.4% for auto effective June 3 and 23.1% for home effective June 18, were approved swiftly by the CDI. CCG must continue to pursue rate increases to sustain profitability and build surplus to withstand periods of future inflation and large catastrophes.

Profitability initiatives implemented in 2023 will build through CCG's financial results in 2024 as rate increases continue to earn in, expense and restructuring initiatives deliver full-year impacts, and Claims Department organizational and process enhancements gain traction.

Challenge: Guidewire Deployment

The Shrink to Strength strategy eliminated the need to extend Guidewire to twenty-five states that CCMC had not yet converted to Guidewire. CCG's seven core states are fully rolled-out on Guidewire, with policy processing and billing modules running on a Guidewire "on-premises" installation and claims processing running on Guidewire Cloud.

By February 2025, CCG will no longer have active policies running on legacy systems. CCMC will stage the decommissioning of legacy systems over time. CCMC has already decommissioned certain systems that are no longer required. Ultimately, CCMC will choose to outsource or manually process certain tasks to accelerate its decommissioning timeline.

CCMC recovers from CCG amounts invested in Guidewire as they are amortized into expense over the life of the system. Those amounts represent a significant source of cash flow for CCMC through mid-2026. CCMC's funding of $10 million of CCIE-issued surplus notes demonstrated CCMC's commitment to protect CCG's surplus during a critical period. The surplus notes enabled CCG rate increases to earn-in, supporting CCG's profitability in the fourth quarter of 2023. CCMC will look to repayment by CCIE of the surplus notes, subject to contractual conditions being met and approval by the CDI, when the notes mature in 2033 or upon election by CCIE after five years to prepay.

Challenge: California Property Exposure

CCMC has made considerable progress mitigating CCG wildfire risk using a proprietary tool that assesses fire-protection scoring in the context of a matrix of other factors.

In 2023, CCG carried $58.45 million of property catastrophe treaty reinsurance above a $20 million retention. Effective January 1, 2024, CCG is carrying $65.08 million, comprised of 100% placement of its 20x20 and 40x40 layers, and 50.8% placement of a 10x10 layer that CCG did not have in 2023. In addition, CCG placed 58% of a $2.5 million per-risk facultative reinsurance coverage limit on property losses in excess of $1.5 million.

Summer rains in the West, including those from tropical storm Hilary, effectively ended the 2023 wildfire season. However, with the California winter storms and severe convective storm activity in the Rocky Mountain states and Midwest, CCG's 2023 catastrophe losses of $28.7 million were significantly higher than 2022 catastrophe losses of less than $7.0 million.

In California, regulations have limited insurers' use of catastrophe models to price homeowners insurance. It is vital that the CDI's proposed revised regulations are drafted fairly and implemented without delay by early-2025.

Challenge: Pension Liability

CCMC made additional progress with respect to its pension liability in 2023, aided by interest rates that were stable at a relatively high level. CCMC's qualified defined benefit pension plan ("Pension Plan") liability decreased from $184.4 million at December 31, 2022, to $183.2 million at December 31, 2023. Pension Plan assets decreased from $177.4 million at December 31, 2022, to $175.3 million at December 31, 2023.

The Pension Plan funded ratio declined slightly from 96.1 percent at December 31, 2022, to 95.7 percent at December 31, 2023. Over a twelve-year period, the improvement in the Pension Plan year-end funded ratio from 62.6 percent at December 31, 2011, to 95.7 percent at December 31, 2023, is a positive achievement.

CCMC, with advice from partner SEI, further mitigated potential plan volatility by increasing long duration fixed income funds and securities to eighty-seven percent (87%) of Pension Plan assets at year-end 2023 compared to eighty percent (80%) at year-end 2022.

CCMC Financial Performance

In 2023, the CCMC Board adopted the recommendation of CCMC's management and its outside legal counsel and determined that CCMC could not make share repurchases or pay dividends without jeopardizing its ability to pay liabilities as they mature. CCMC was required to take a number of steps in 2023 and prior years to support CCG's surplus. These steps were viewed as critical to maintaining the viability of CCG and, in turn, CCMC as going concerns. While CCG's financial results are starting to stabilize, its results will need to start improving significantly and over a reasonable period of time before the focus can return to improving CCMC's balance sheet and liquidity.

As CCG results worsened in the first half of 2023, CCMC, with its financial advisors and the CCIE Advisory Board, evaluated various options, and that analysis supported the conclusion that the Shrink to Strength strategy offered the best opportunity to pay creditors and provide shareholders with a substantial return. However, it must be understood that the Shrink to Strength strategy relies on CCMC's ability to successfully operate the business for several years. While there certainly are risks, CCMC continues to believe that operating as a going concern, which involves a primary focus on the health of CCG, offers CCMC shareholders the best opportunity for generating shareholder value.

On September 22, 2023, the CDI approved CCIE's securities permit application to issue $15 million of surplus notes, $10 million funded by CCMC and $5 million funded by the Brown Family Trust. The CCMC Board, and Tom and Joan Brown, made decisions to fund the CCIE surplus notes to support the health of CCG.

In 2024, CCMC does not expect to pay shareholder dividends and does not expect to be in a position to honor stock redemptions without jeopardizing CCMC's ability to pay its liabilities. CCMC made progress in 2023 towards stabilizing CCG's surplus and reducing the risk of further regulatory intervention. If CCG surplus continues to be stable, CCMC will shift focus toward addressing CCMC's balance sheet by increasing the funding of the Pension Plan. Funding the Pension Plan not only reduces CCMC's liabilities, but it also eliminates expensive insurance premiums.

CCMC net income in 2023 was negative $0.2 million, compared to $3.7 million in 2022. Pre-tax income was negative $0.1 million in 2023, compared to $4.8 million in 2022. CCMC's 2023 total revenue was $113.4 million, compared to $141.3 million in 2022. CCMC did not record an incentive fee in 2023 or 2022. CCMC recorded no markup in 2023. In 2013 to 2019 and in 2021, CCMC recorded a reduced markup to support CCG.

The CDI and CCMC have discussed the CDI's expectation that CCIE's risk-based capital ratio must improve before CCMC resumes charging any markup or incentive fee to CCIE. CCMC implemented a $2 million management fee reduction in 2023 compared to actual expenses incurred to help protect CCG's surplus and support CCG's BCAR.

On December 31, 2023, the adjusted book value per share of CCMC common stock was $58.61, down $0.49 from $59.10 on December 31, 2022. When the CCMC Board approved the calculation of Adjusted Book Value on December 31, 2023, 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, 2023.

On a GAAP basis, CCMC had a shareholders' deficit of $1.0 million and a book value per share of negative $1.09 on December 31, 2023, compared to a shareholders' deficit on December 31, 2022, of $0.9 million and a book value per share of negative $0.94.

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 $58.61. Actuarial losses and gains for CCMC's non-qualified Supplemental Executive Retirement Plan and Excess Plan ("SERP and Excess Plans") impact both CCMC's GAAP book value per share and adjusted book value per share. A $0.3 million charge to other comprehensive income from actuarial losses for CCMC's SERP and Excess Plans resulted in an unfavorable $0.32 per share impact to CCMC GAAP book value per share and CCMC adjusted book value per share in 2023.

CCMC paid no dividends in 2023. CCMC had $4.0 million in cash and investment securities on December 31, 2023, down from $8.3 million on December 31, 2022. CCMC's cash fluctuates seasonally.

CCMC did not make a contribution to the Pension Plan in 2023, and it made no contributions in 2016 to 2022. In 2013, 2014 and 2015, CCMC made voluntary contributions totaling $39.0 million to the Pension Plan. The Pension Plan was frozen effective December 31, 2015. The Pension Plan was 95.7 percent funded on December 31, 2023, with $175.3 million in assets compared to $183.2 million in liabilities.

CCMC's SERP and Excess Plans are unfunded (see Note 11).

CCMC 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.

CCG Operating and Financial Performance

CCG auto underwriting income was negative $18.1 million in 2023 compared to negative $65.4 million in 2022. CCG homeowners underwriting income was negative $25.3 million in 2023 compared to negative $11.6 million in 2022. CCG's 2023 personal lines combined ratio was 109.8 percent, compared to 118.5 percent in 2022.

CCG's personal lines incurred loss ratio deteriorated from 76.0 percent in 2022 to 78.4 percent in 2023. CCG's 2023 auto incurred loss ratio was 74.7 percent, compared to 79.4 percent in 2022. CCG's 2023 home incurred loss ratio was 88.1 percent, compared to 66.6 percent in 2022. Based on actuarial analysis, personal lines bulk reserves were decreased by $11.2 million in 2023, compared to an increase of $22.4 million in 2022.

CCG's 2023 total expense ratio, as a percentage of net earned premium, decreased to 31.5 percent (32.7 percent pre-quota share), compared to 43.3 percent for 2022. CCG's personal lines underwriting expense ratio, as a percent of net written premium, was 20.2 percent in 2023 compared to 30.9 percent in 2022. One-time costs including restructuring and other personnel costs impacted 2022 expenses.

As a result of implemented rate increases, CCG's direct written premium grew from $414.2 million in 2022 to $470.3 million in 2023, an increase of 13.6% percent. As discussed above, CCG entered into a quota share reinsurance agreement effective December 31, 2023, resulting in a reduction in net written premium of $24.8 million in 2023. CCG's 2023 auto net earned premium was $316.8 million, compared to $291.6 million in 2022. CCG's 2023 home net earned premium was $120.1 million, compared to $107.7 million in 2022.

CCG's 2023 total customer retention was 87.9 percent, 5.3 percentage points lower than its 2022 customer retention of 93.2 percent. Core state retention for 2023, including California, was 92.2% compared to 94.0% in 2022. California retention for 2023 was 93.0% compared to 94.3% in 2022. Exit state retention for 2023 was 78.3% compared to 91.4% in 2022. With aggressive rate increases and non-renewals in exit states commencing in October 2023, CCG customers-in-force declined by 14,397 from 160,856 on December 31, 2022, to 146,459 on December 31, 2023.

CCG produced a net loss of $24.4 million in 2023 compared to a net loss of $80.2 million in 2022. CCG surplus decreased by $12.8 million, decreasing from $134.9 million on December 31, 2022, to $122.1 million on December 31, 2023. Catastrophe losses contributed to a significant portion of the surplus drop in 2023. The surplus notes funded by CCMC and the Brown Family Trust provided $15 million of support to

CCG's year-end 2023 surplus, and quota share reinsurance provided $5 million of support.

Unrealized gains and losses on bonds are not reported for statutory purposes as a component of an insurer's surplus. CCG bond portfolio unrealized losses declined from $29.7 million on December 31, 2022, to $20.6 million on December 31, 2023. On December 31, 2023, the duration of CCG's fixed income portfolio was 2.46 years compared to a duration of 3.08 years on December 31, 2022, due to a focus on liquidity to weather difficult market conditions and in preparation for CCG's exit state non-renewals.

If CCIE exercised its right to put 186,000 shares back to CCMC, CCG's surplus would increase by approximately $20.2 million based on 2023 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 2023 operating cash flow ratio was 91.1 percent while its underwriting cash flow ratio was 88.7 percent, compared to 92.0 percent and 89.9 percent, respectively, in 2022.

In June 2023, A.M. Best downgraded the Best's Financial Strength Rating for CCIE and its three personal lines subsidiaries two notches to B (Fair) with a "stable outlook".

2024 – A Critical Year for California Casualty

It is important that CCG's results improve in 2024. CCMC has delivered to A.M. Best projections of 2024 operating profitability, with reduced leverage resulting from quota share reinsurance and state exits producing sharply lower 2024 written premium. We are on plan and successfully moving toward a future that is smaller, while remaining focused on our core markets and the customer value proposition that has differentiated California Casualty in the marketplace.

We will continue to simplify our Information Technology systems in 2024, without sacrificing our commitment to the security and privacy of information. We are excited about implementing innovative chatbot and artificial intelligence projects to enhance our ability to deliver exceptional service to our customers. We congratulate our employees for making California Casualty the #3 auto insurer on Forbes' 2024 list of America's Best Insurance Companies.

Thank you to CCMC's shareholders for your support and encouragement, and thank you to CCMC's employees for their strength and perseverance.

Carl B. Brown

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

Our hearts extend to Jeff Berry and the entire Berry family, who lost Ken Berry on October 22, 2023. Ken served on the CCMC Board for over 25 years, stepping down in December 2022.

We mourn the loss on January 24, 2024, of Lynne Siegel, who served as Vice Chair of the CCIE Advisory Board from 2014 - 2017.

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, 2023 and 2022, and the related statements of (loss) income and comprehensive (loss) 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, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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

Crowe LLP

Boston, Massachusetts
April 23, 2024

(DOLLARS IN THOUSANDS)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,990	$ 8,322
Receivables	943	2,421
Income taxes recoverable	158	33
Prepaid expenses and other	4,284	6,303
Total current assets	9,375	17,079
Surplus note receivable	10,000	-
Property and equipment, net	31,489	44,219
Operating lease assets	14,741	18,158
Deferred income taxes, net	9,006	8,863
Other noncurrent assets	355	301
Total assets	$ 74,966	$ 88,620
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued expenses	$ 3,619	$ 5,097
Accrued employee compensation	4,741	10,635
Accrued benefit liability	3,489	3,478
Taxes payable	136	412
Operating lease obligations	3,862	4,303
Finance lease obligations and other	1,191	1,572
Total current liabilities	17,038	25,497
Operating lease obligations	12,983	16,638
Noncurrent notes payable	-	181
Accrued benefit liability	43,129	42,954
Noncurrent employee compensation	263	861
Other noncurrent liabilities	2,587	3,387
Total liabilities	76,000	89,518
Shareholders' equity (deficit)		
Common stock - no par value	11,358	11,384
Common stock with put right (Note 3)	20,168	20,337
Accumulated other comprehensive loss	(66,740)	(66,807)
Retained earnings	34,180	34,188
Total shareholders' equity (deficit)	(1,034)	(898)
Total liabilities and shareholders' equity (deficit)	$ 74,966	$ 88,620

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

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

YEARS ENDED DECEMBER 31, 2023 AND 2022

(DOLLARS IN THOUSANDS)

2023

	2023	2022
Revenue:		
Management fee	$ 111,380	$ 139,542
Other	2,065	1,731
Total revenue	113,445	141,273
Operating expenses		
Personnel	47,800	70,215
Acquisition and professional services	29,730	32,539
Facility and equipment	27,121	27,597
Communications	2,935	3,704
Other	2,177	3,331
Total operating expenses	109,763	137,386
Operating income	3,682	3,887
Investment income	41	11
Interest expense	(14)	(95)
Pension (expense) income	(3,761)	1,038
(Loss) income before provision for income taxes	(52)	4,841
Provision for income taxes	120	1,095
Net (loss) income	(172)	3,746
Other comprehensive (loss) income, net of tax		
Change in employee retirement benefit plans (net of tax of $18 and $4,610 for 2023 and 2022, respectively) (Note 11)	67	17,343
Other comprehensive income	67	17,343
Comprehensive (loss) income	$ (105)	$ 21,089

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

STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

YEARS ENDED DECEMBER 31, 2023 AND 2022

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

2023

	Common Stock	Common Stock with Put Right	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balances at January 1, 2022	$ 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)
Net loss	-	-	-	(172)	(172)
Change in carrying value of common stock with put right (Note 3)	-	(169)	-	169	-
Common stock retired (1,130 shares)	(51)	-	-	(5)	(56)
Stock issued in long-term executive incentive plan (420 shares)	25	-	-	-	25
Change in employee retirement benefit plans, net of deferred tax of $18 (Note 11)	-	-	67	-	67
Balances at December 31, 2023	$ 11,358	$ 20,168	$ (66,740)	$ 34,180	$ (1,034)

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

(DOLLARS IN THOUSANDS)

	2023	2022
Cash flows from operating activities		
Net (loss) income	$ (172)	$ 3,746
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Depreciation and amortization on property and equipment including leased assets	17,118	17,916
Net loss on sale and disposal of property and equipment	101	23
Provision for deferred income taxes	(160)	1,094
Changes in:		
Receivables and other assets	2,647	(291)
Payables, accrued expenses, and other liabilities	(12,745)	(8,144)
Net cash provided by operating activities	6,789	14,345
Cash flows from investing activities		
Advances on surplus note CCIE	(10,000)	-
Purchases of property and equipment	(402)	(6,605)
Proceeds from sale and maturities of investment securities	-	100
Net cash used in investing activities	(10,402)	(6,505)
Cash flows from financing activities		
Payments on finance lease obligations	-	(290)
Payments on notes payable	(300)	(314)
Common stock retired	(420)	(2,118)
Net cash used in financing activities	(720)	(2,722)
Net change in cash and cash equivalents	(4,333)	5,118
Cash and cash equivalents at the beginning of the year	8,322	3,204
Cash and cash equivalents at the end of the year	$ 3,990	$ 8,322
Supplemental disclosure of cash flow information		
Cash paid during the year for income taxes	$ 488	$ 13
Supplemental schedule of noncash investing and financing activities		
Lease obligations arising from right-of-use assets from leases	$ -	$ 23
Property and equipment purchased but not yet paid for	$ 11	$ 664
Common stock issued through employee stock plans	$ 25	$ 722
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.

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, 2023 and 2022. 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables: Receivables consists of management fees billed to CCG and not collected as of year end. The Company uses the allowance method to record an allowance for any expected credit losses. The Company records an expected credit loss in an allowance account against its outstanding receivables, which is based on management estimation of expected credit losses in the near term. No allowance was recorded as of December 31, 2023, and 2022, as balances were considered fully collectible.

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standard: On January 1, 2023, the Company adopted ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which provides updated guidance for the accounting of credit losses for financial instruments. The updated guidance replaces the incurred loss methodology and applies a new credit loss model (current expected credit losses or CECL) for determining credit-related impairments for certain financial instruments and requires an entity to estimate the credit losses expected over the life of an exposure or pool of exposures. The estimate of expected credit losses should consider historical information, current information, as well as reasonable and supportable forecasts. The expected credit losses, and subsequent adjustments to such losses, are recorded through an allowance account that is deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the balance sheet as the amount expected to be collected.

The adoption of this pronouncement had no financial impact on the Company's financial statements as of December 31, 2023 as management determined no allowance was necessary for its in scope financial instruments.

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 2023 earned premium and surplus are approximately $436,901 and $122,079, respectively. 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 2023 or 2022. 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.

The management fee earned for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Expenses incurred	$ 113,380	$ 136,437
Markup taken	-	3,105
Board approved fee reduction	(2,000)	-
Net management fee	$ 111,380	$ 139,542
Maximum markup allowed (25% of expenses incurred)	$ 28,345	$ 34,109
Markup taken	-	(3,105)
Markup allowed but not taken	$ 28,345	$ 31,004

Effective December 29, 2023 CCMC's Board of Directors unanimously approved the decision to reduce CCMC's 2023 management fee by $2,000.

NOTE 3 - RELATED PARTY TRANSACTIONS (Continued)

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 $267 and $366 for expenses incurred under this provision in 2023 and 2022, respectively. These transactions are shown as a reduction of CCMC expense, rather than revenue.

At December 31, 2023 and 2022, CCMC had a receivable due from CCG of $825 and $2,268, 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% at December 31, 2023 and 2022. 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, 2023 and 2022, the resulting adjusted book value to the remaining shareholders will be reduced by approximately 20.6% and 20.6%, respectively. At December 31, 2023 and 2022, the carrying value of the common stock with put rights was $20,168 and $20,337, respectively, and is reported as a separate component of shareholders' deficit. There is a corresponding reduction to retained earnings and, therefore, no net impact to total shareholders' 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 2023 or 2022.

Surplus Note Receivable with CCIE: During 2023, the Company entered into a surplus note agreement (Surplus Note) with CCIE whereby the CCMC loaned $10,000 to CCIE. Interest on the Surplus Note shall accrue at the annual rate equal to 3.79%, not compounded. Interest is calculated upon the unpaid balance of the Surplus Note. The payment of interest on the Surplus Note may only be made out of CCIE's surplus funds with the prior written approval of the Insurance Commissioner of the State of California. This Surplus Note is subordinated to all existing and future claims of policyholders, claimants or beneficiaries of CCIE (Policy Claims) and all existing and future indebtedness of CCIE for borrowed money, any expense or any claim or amount owed, and all liabilities (Senior Indebtedness), but senior to any dividends to subscribers. All Policy Claims and Senior Indebtedness of CCIE must be paid as they become due before any payment may be made on this Surplus Note.

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.

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

NOTE 4 - INVESTMENT SECURITIES (Continued)

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.

CCMC had no investment holdings as of December 31, 2023 or 2022.

Proceeds from sales and maturities of debt securities during 2023 and 2022 were $0 and $100, respectively. There were no realized gains or losses or other than temporary impairment on investment securities in 2023 and 2022.

The components of investment income for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Interest and dividends	$ 41	$ 11
Investment income	$ 41	$ 11

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

NOTE 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2023 and 2022 is as follows:

	2023	2022
Cost:		
Capitalized software	$ 95,179	$ 95,409
Work in progress	605	222
EDP equipment	11,344	15,050
Office equipment	4,661	5,449
Leasehold improvements	6,449	8,620
Equipment held under finance and capital leases	1,946	1,946
	120,183	126,696
Less: Accumulated amortization on capitalized software	(68,652)	(57,873)
Less: Other accumulated depreciation and amortization	(20,043)	(24,604)
Property and equipment, net	$ 31,489	$ 44,219
Depreciation and amortization expense on property and equipment	$ 13,030	$ 13,650

In 2017, CCMC commenced implementation of the underwriting, policy center, data hub and billing software for CCG. Cumulative software development costs of $56,873 have been capitalized and put into production as of December 31, 2023 and 2022. Software development costs included in work in progress were $605 and $222 as of December 31, 2023 and 2022, respectively. During 2023, the Company wrote off approximately $650 related to a certain project related to the data hub and billing software for CCG as management determined the project was no longer viable.

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, 2023 and 2022, the unpaid principal balance amounted to $181 and $481, respectively, with $181 and $300, 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. In September 2022, the CCMC Board voted to request that CCIE terminate the promissory note. On September 15, 2022, the CCIE Advisory Board voted to terminate the promissory note.

(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.

In 2023, CCMC made a one-time payment of $250 to buyout the KSC lease. Upon that payment, the lease was terminated.

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

	2023	2022
Assets		
Operating lease assets	$ 14,741	$ 18,158
Finance lease assets	-	29
Total lease assets	$ 14,741	$ 18,187
Liabilities		
Current		
Operating	$ 3,862	$ 4,303
Finance	-	-
Non-current		
Operating	12,983	16,638
Finance	-	-
Total lease liabilities	$ 16,845	$ 20,941

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:

	2023	2022
Operating lease cost	$ 4,088	$ 4,266
Finance lease cost		
Amortization of leased assets	29	385
Interest on lease liabilities	-	6
Sublease income	(671)	(815)
Net lease cost	$ 3,446	$ 3,842

A summary of maturities for operating and finance leases at December 31, 2023 is as follows:

	Operating Leases
2024	$ 4,313
2025	4,154
2026	2,912
2027	2,307
2028	1,783
Thereafter	2,622
Total lease payments	18,092
Less: Amount representing interest	(1,247)
Present value of lease liabilities	$ 16,845

A summary of remaining lease terms and discount rates at December 31, 2023 and 2022 is as follows:

	2023	2022
Weighted-average remaining lease term:		
Operating leases	5 years	5.83 years
Finance leases	N/A	N/A
Weighted-average discount rate:		
Operating leases	2.85%	2.80%
Finance leases	N/A	N/A

(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, 2023 and 2022 is as follows:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ (3,814)	$ (4,842)
Operating cash flows from finance leases	-	(6)
Financing cash flows from finance leases	-	(290)
Leased assets obtained in exchange for new operating lease liabilities	-	23

NOTE 8 - INCOME TAXES

A reconciliation of CCMC's effective income tax rate for the years ended December 31, 2023 and 2022 is as follows:

	2023		2022	
	Amount	Percentage	Amount	Percentage
U.S. federal tax (statutory tax rate)	$ (11)	21.0 %	$ 1,017	21.0 %
All other items	131	(247.7)	78	1.6
Provision for income taxes (effective tax rate)	$ 120	(226.7) %	$ 1,095	22.6 %

The significant components of the provision for income taxes for the years ended December 31, 2023 and 2022 are summarized below:

	2023	2022
Current provision	$ 280	$ -
Deferred provision, noncurrent	(160)	1,095
Provision for income taxes	$ 120	$ 1,095

(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:

	2023	2022
Deferred tax assets:		
Employee benefits	$ 10,215	$ 10,448
Operating and capital leases	13,317	12,525
Rent expense	23	31
Net operating loss	2,350	4,895
Fed charitable contributions carryforward	56	139
Foreign credit carryforward	26	26
Internally developed computer software	-	197
All other	98	82
Total deferred income tax assets	26,085	28,343
Deferred tax liabilities:		
Operating and capital leases	(12,973)	(11,946)
Depreciation	(3,993)	(7,410)
Prepaid expenses	(113)	(124)
Total deferred income tax liabilities	(17,079)	(19,480)
Deferred income taxes, net	$ 9,006	$ 8,863

As of December 31, 2023, the Company had $11,192 of net operating loss carryforwards available, $11,192 can be carried forward indefinitely. As of December 31, 2023, 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, 2023 and 2022.

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, 2023 and 2022.

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' 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:

	2023	2022
Shares issued and outstanding		
Series A	786,173	786,173
Series B	167,652	168,362
Total shares issued and outstanding	953,825	954,535
Book value per share	$ (1.09)	$ (0.94)

	2023	2022
Common stock issued and outstanding		
Series A	$ 3,804	$ 3,804
Series B	7,554	7,580
Total common stock	$ 11,358	$ 11,384

Adjusted book value per share is calculated as follows: total shareholders' 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:

	2023	2022
Total shareholders' equity (deficit)	$ (1,034)	$ (898)
AOCI balance related to pension plan	56,937	57,311
Adjusted shareholders' equity	$ 55,903	$ 56,413
Total shares issued and outstanding	953,825	954,535
Adjusted book value per share	$ 58.61	$ 59.10

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. As of December 31, 2023 and 2022 CCMC has recorded $729 and $1,094, respectively, within other noncurrent liabilities and $365 and $365, respectively, recorded within current liabilities. During 2023, CCMC repurchased and retired common stock in the amount of $56.

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.

<u>Key Provisions of LTEIP</u>: 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 (benefit) expense under the LTEIP was ($346) and $1,053 in 2023 and 2022, respectively. CCMC assumes no forfeitures during the payout period when determining compensation expense over the performance period. There were $96 and $395 awarded shares forfeited for the 2023 and 2022 plan years, respectively. Under the LTEIP, 300,000 shares of Series B common stock have been reserved for issuance. Total shares issued under the LTEIP were 420 and 11,501 in 2023 and 2022, respectively.

The accrued liability for the LTEIP is comprised of $402 in current employee compensation liability on the balance sheet at December 31, 2023. 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.

NOTE 10 - STOCK-BASED COMPENSATION PLANS (Continued)

Effective June 6, 2023 the LTEIP was replaced with a Long-Term Incentive Plan (LTIP) to reward key senior management employees for their contributions to the Company's long term financial performance, with cash incentive awards based on a time-based vesting component and performance-based component measured over a rolling three year performance period. Each performance period commences on January 1st of each year and ends on December 31 of the third year. Half of the target award percentage for each performance period shall vest at the end of each performance period based on three-year performance against performance-based measures established by the Board of Directors for the performance period and continued employment with the Company. The target award is based on a percentage of the participant's base salary. One half of the target award applies to the performance-based component and the other half is applied to the time-based vesting component and will be divided equally among each year of the performance period.

Each payment for the LTIP will be made as soon as administratively practicable after the end of the applicable calendar year of vesting for time-based vesting component or performance period for the performance-based component, in each case, no later than March 15 of the applicable year of payment. All payments under the LTIP shall be made in cash and subject to tax withholding.

The accrued liability for the LTIP is comprised of $263 in current employee compensation liability and $263 in noncurrent employee compensation liability on the balance sheet at December 31, 2023.

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.

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 in 2022. 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 in 2022. The accrued liability for the ESP was $75 at December 31, 2022. These balances are included in current employee compensation liability on the balance sheets. Effective January 1, 2023, the ESP was terminated, and no additional shares will be issued.

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.

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

NOTE 11 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

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 $1,011 and $1,404 for the years ended December 31, 2023 and 2022, 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. On December 28, 2022, the CCMC Board passed a resolution to make the annual service-based CCMC contribution discretionary. Prior to 2020, the contribution rate was 3% to 7%. The expense for the defined contribution portion of the SIPs was $0 and $1,186 in 2023 and 2022, 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 %

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.

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

NOTE 11 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

Pension Plan Benefits:

	2023	2022
Change in benefit obligation		
Benefit obligation at beginning of year	$ 184,391	$ 240,582
Service cost	-	-
Interest cost	8,812	5,077
Benefits paid	(12,268)	(11,689)
Actuarial loss (gain)	2,219	(49,579)
Benefit obligation at end of year	183,154	184,391
Change in plan assets		
Fair value of plan assets at beginning of year	177,430	218,980
Actual loss (return) on plan assets	10,148	(29,861)
Benefits paid	(12,268)	(11,689)
Fair value of plan assets at end of year	175,310	177,430
Funded status at end of year	$ (7,844)	$ (6,961)
Amounts recognized in the balance sheets consist of		
Noncurrent liabilities	$ (7,844)	$ (6,961)
Net amount recognized	$ (7,844)	$ (6,961)
Amounts recognized in accumulated other comprehensive loss (pretax) consist of:		
Net loss	$ 72,028	$ 72,501
Accumulated other comprehensive loss	$ 72,028	$ 72,501

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

NOTE 11 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

	2023	2022
Information for pension plans with an accumulated benefit obligation in excess of plan assets		
Projected benefit obligation	$ 183,154	$ 184,391
Accumulated benefit obligation	$ 183,154	$ 184,391
Fair value of plan assets	$ 175,310	$ 177,430

	2023	2022
Components of net periodic benefit cost (income) and other amounts recognized in other comprehensive income (loss)		
Net periodic benefit cost		
Service cost	$ -	$ -
Interest cost	8,812	5,077
Expected return on assets	(8,516)	(11,389)
Amortization of net actuarial loss	1,060	3,148
Total pension expense (income) included in pension income on the statements of loss (income)	$ 1,356	$ (3,164)
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) (pretax)		
Net loss (gain)	$ 587	$ (8,329)
Amortization of net actuarial loss	(1,060)	(3,148)
Total recognized in other comprehensive loss	(473)	(11,477)
Total recognized in net periodic benefit income and other comprehensive income (loss)	$ 883	$ (14,641)
Weighted-average assumptions used to determine benefit obligation at December 31:		
Discount rate	4.74 %	4.94 %
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	4.94 %	2.60 %
Discount rate - interest cost	4.98 %	2.14 %
Rate of compensation increase	N/A	N/A
Expected return on plan assets	4.25 %	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 $1,509.

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:

	2023 Fair Value	2023 Allocation	2022 Fair Value	2022 Allocation	2023 Target Allocation
Equity funds					
Global Large-Stock Value	$ 15,923	9%	$ 23,385	13%	
Total equity funds	15,923	9%	23,385	13%	15%
Fixed income					
US government agencies	23,286	13%	40,581	23%	
Fixed income funds					
Long duration bond fund	45,961	26%	34,408	19%	
Intermediate duration bond fund	81,591	47%	66,144	37%	
Total fixed income	150,838	73%	141,133	56%	80%
Real estate fund	7,308	4%	12,386	7%	5%
Cash and accrued income	1,241	1%	526	1%	0%
	$ 175,310	100%	$ 177,430	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. The Plan initiated a full redemption of the real estate fund in 2023, and the redemption amounts are being paid in increments by the fund according to permitted procedures.

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 2023 and 2022. CCMC does not expect to make any contributions to the Pension Plan in 2024.

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

	Pension Benefits
2024	$ 12,571
2025	12,891
2026	12,931
2027	13,021
2028	13,063
Years 2029 - 2033	64,288
	$ 128,765

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. On December 28, 2022, the CCMC Board passed a resolution to make the annual service-based CCMC contribution discretionary. CCMC accrued $0 and $62 for the contribution to the plan in 2023 and 2022, respectively. Earnings (losses) on investments in the SBC Excess Plan were $222 and $(208) in 2023 and 2022, 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:

	2023	2022
Change in benefit obligation		
Benefit obligation at beginning of year	$ 38,325	$ 50,159
Service cost	-	-
Interest cost	1,829	957
Benefits paid	(3,496)	(3,483)
Actuarial loss (gain)	965	(9,308)
Benefit obligation at end of year	37,623	38,325
Change in plan assets		
Fair value of plan assets at beginning of year	-	-
Employer contributions	3,496	3,483
Benefits paid	(3,496)	(3,483)
Fair value of plan assets at end of year	-	-
Funded status at end of year	$ (37,623)	$ (38,325)
Amounts recognized in the balance sheets consist of:		
Current liabilities	$ (3,489)	$ (3,478)
Noncurrent liabilities	(34,134)	(34,848)
Net amount recognized	$ (37,623)	$ (38,326)
Amounts recognized in accumulated other comprehensive loss (pretax) consist of		
Net actuarial loss	$ 13,667	$ 13,279
Accumulated other comprehensive loss	$ 13,667	$ 13,279
Information for pension plans with an accumulated benefit obligation in excess of plan assets		
Projected benefit obligation	$ 37,623	$ 38,326
Accumulated benefit obligation	$ 37,623	$ 38,326

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

NOTE 11 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

	2023	2022
Components of net periodic benefit cost and other amounts recognized in other comprehensive income (loss)		
Net periodic benefit cost		
Service cost	$ -	$ -
Interest cost	1,829	957
Amortization of net actuarial loss	576	1,169
Total pension expense included in pension income on the statements of income	$ 2,405	$ 2,126
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) (pretax)		
Net loss (gain)	$ 964	$ (9,308)
Amortization of net actuarial loss	(576)	(1,169)
Total recognized in other comprehensive income (loss)	388	(10,477)
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ 2,793	$ (8,351)

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 $616.

	2023	2022
Weighted-average assumptions used to determine benefit obligation at December 31:		
Discount rate	4.68 %	4.88 %
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	4.88 %	2.43 %
Discount rate - interest cost	5.00 %	1.94 %
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 Express Benefits
2024	$ 3,489
2025	3,461
2026	3,396
2027	3,316
2028	3,221
Years 2029 - 2033	14,335
	$ 31,218

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 $67,705 and $67,772 at December 31, 2023 and 2022, 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, 2022	$ 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, 2023	57,311	10,461	67,772
2023 activity			
Pension accounting charges	(374)	-	(374)
SERP and Excess Plans	-	307	307
Total 2023 activity	(374)	307	(67)
AOCI balances, at December 31, 2023	$ 56,937	$ 10,768	$ 67,705

(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.

NOTE 11 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

The AOCI balances of $56,937 and $57,311 as of December 31, 2023 and 2022, respectively, are utilized in the calculation of the adjusted book value as described in Note 9 and exclude 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, 2023 and 2022, respectively, that exceeded the balance insured by the FDIC in the amount of $3,388 and $6,704, 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 April 23, 2024, which is the date that the financial statements were available to be issued.

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Director

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Product Management,
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Carl B. (Beau) Brown, CPCU
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Thomas R. Brown, CLU
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Fong-Yee Judy Jao, FCAS, MAAA
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