



California Casualty Management Co.

ANNUAL REPORT TO SHAREHOLDERS

2025

TABLE OF CONTENTS

03
CHAIRMAN AND CEO LETTER

09
INDEPENDENT
AUDITOR'S REPORT

11
FINANCIAL REPORT

36
DIRECTORS AND OFFICERS

37
TRANSFER AGENT/
SHAREHOLDER SERVICES

"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 2025, California Casualty Management Company (“CCMC”) and California Casualty Group (“CCG”) continued to focus on achieving profitability within a smaller footprint consisting of seven core states: California, Arizona, Colorado, Idaho, Kansas, Oregon and Wyoming. With the continued focus on achieving profitability, CCG delivered a second consecutive year of strong results with a reported combined ratio of 94.4% for the year.

The year started with a significant loss due to wildfires in Southern California, but the impact of that loss was mitigated by an enhanced reinsurance program put in place at the start of the year.

The Eaton and Palisades fires were the costliest wildfire catastrophe event in U.S. history. However, CCG’s surplus fully rebounded by May 31, 2025, following the wildfires and a \$7.7 million January expense impact generated by the conclusion of the California Casualty Indemnity Exchange (CCIE) quota share reinsurance agreement with SCOR Reinsurance Company (“SCOR Re”). This rebound by mid-year demonstrated resilience and solid enterprise risk management (“ERM”). CCG’s surplus as of December 31, 2025, was \$172.6 million, a \$28.4 million year-over-year increase.

As I stated in last year’s Annual Report to Shareholders, we are all incredibly grateful to the first responders who rushed into danger as 100 mph winds drove flames through Altadena and Pacific Palisades. We are also grateful to our reinsurance brokers and the global reinsurers who stood behind CCG after the fires, supporting the dedicated effort of CCMC’s claims team to rapidly pay policyholder losses.

Based on solid profitability and improved risk-based capital (“RBC”) ratios for CCIE and its subsidiaries, the California Department of Insurance (“CDI”) and Oregon Division of Financial Regulation (“OR DFR”) stopped requiring monthly financial reports for CCIE and its subsidiaries, effectively ending their enhanced oversight of our business.

CCMC’s management team is encouraged by the CDI’s decision to accept and approve home rate filings that allow insurers to include a net cost of reinsurance in ratemaking and use forward-looking catastrophe models. We obtained approval for CCG’s first home rate filing under the CDI’s new regulations effective May 1, 2026. We are committed to the homeowners line of business in California and believe the new regulations will enable CCG to manage the risk posed by climate change to maintain and grow home exposures throughout the state.

Litigation of auto bodily injury and uninsured motorist claims is increasing and a threat to CCG’s plans to grow surplus to support policy growth. This is not a new phenomenon, but it is growing in magnitude and poses risk that we must mitigate.

None of the achievements of the past two years would have been possible without the commitment and perseverance of CCMC’s employees and the patience exhibited by CCMC’s shareholders and affinity group partners. Thank you to CCMC’s employees for making CCG’s turnaround possible and to CCMC’s shareholders and partners for their loyalty. CCG is in a much stronger position to withstand the risks faced by its policyholder-owners.

Challenges

CCMC’s progress was strong relative to 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 profitability in 2025 was favorable to plan, with CCG’s surplus of \$172.6 million at year-end 2025 exceeding planned 2025 surplus of \$156.5 million

by \$16.1 million. This result demonstrates CCG's resilience given the impact of the January 2025 wildfire event.

CCG's 2025 reported combined ratio of 94.4 percent and 2025 financial-basis combined ratio of 95.7 percent were both favorable to plan.

Profitability exceeded plan due to better-than-plan non-catastrophe auto and home losses, favorable investment income, and low catastrophe losses after January 2025. CCG's underwriting income was \$15.6 million in 2025.

As a result of the early completion of our "Shrink-to-Strength" strategy, which focused on sustained profitability and the consolidation of operations to seven core states, CCG's Best's Capital Adequacy Ratio ("BCAR") improved and is firmly within AM Best's "Very Strong" BCAR Assessment category.

Challenge: Guidewire Deployment

In December 2025, CCMC and a valued partner successfully migrated policy processing and billing modules from Guidewire "on-premises" to Guidewire Cloud, on time and on budget. Claims modules were previously migrated to Guidewire Cloud.

CCMC successfully decommissioned its primary mainframe legacy systems in spring 2025.

CCMC recovers amounts invested in Guidewire from CCG 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. Remaining Guidewire amortization is \$4.9 million as of December 31, 2025.

Challenge: California Property Exposure

CCG's gross incurred losses for the January 2025 wildfires were \$59 million as of February 28, 2026, approximately \$51 million of which were paid. Nearly ninety percent of CCG's losses were from the Eaton fire in Altadena.

Excluded from the \$59 million is a mid-February

2025 CA FAIR Plan assessment of \$4.9 million. Ultimately, half of this \$4.9 million assessment will be recouped over two years through CCG policyholder fees and half will be paid by reinsurers.

CCMC and the CCIE Advisory Board placed \$110 million of catastrophe treaty reinsurance for 2025, comprised of 100 percent placement of the following layers: 10x10, 20x20, 60x40 and 20x100. As a result, the net impact to CCG of the January wildfires was \$26 million, which is the sum of CCG's \$10.0 million reinsurance retention, \$6.9 million of reinsurance reinstatement fees and \$2.9 million for the purchase in March of third event coverage, plus \$6.2 million for CCG's share of CA FAIR Plan underwriting losses that is in addition to the CA FAIR Plan assessment.

In the aftermath of the January 2025 wildfires, CCMC identified additional actions to mitigate CCG's wildfire risk through focused management of property exposure concentrations and refinement of pricing and underwriting standards using new advanced tools.

CCMC and the CCIE Advisory Board placed \$135 million of property catastrophe treaty reinsurance above a \$15 million retention effective January 1, 2026, comprised of 100 percent placement of the following layers: 25x15, 30x40, 70x70 and 10x140. Additionally, CCMC and CCIE purchased aggregate catastrophe coverage that would provide some protection for a year with a very large accumulation of smaller losses.

Challenge: Pension Liability

In August 2025, CCMC completed a group annuity contract with Metropolitan Tower Life Insurance Company ("Met Tower Life") to annuitize 271 retirees from CCMC's qualified defined benefit pension plan (the "Pension Plan") for a cash payment from the Pension Plan trust of \$7.9 million. CCMC completed a similar transaction with Met Tower Life in December 2025 to annuitize 120 retirees for a payment from the Pension Plan trust of \$7.0 million.

According to Accounting Standards Codification (“ASC”) 715, CCMC must recognize settlement effects in earnings when the total cost of settlements for the year exceeds the Pension Plan’s service cost plus interest cost (the “threshold”). For 2025, the threshold was set at \$8.0 million, with the cost of settlement determined by the total premium paid for the group annuity contracts. Since the combined premiums for the August and December contracts exceeded the threshold, CCMC’s pension expense was recognized and reimbursed by CCG through the management fee. Based on the transaction size, the pension expense charged to CCG in 2025 increased by \$6.4 million.

Due to the current desirability of such annuity transfers from the standpoint of life insurers, the two transactions generated a projected benefit obligation (“PBO”) net gain of approximately \$560,000 for the Pension Plan.

The Pension Plan’s funded status declined from 101.8 percent as of December 31, 2024, to 99.6 percent as of December 31, 2025, with the decrease primarily attributable to increased liabilities based upon adoption of a new white-collar mortality table subsequent to analysis conducted by external consultants in the second half of 2025.

Pension Plan liabilities dropped by \$13.5 million from \$159.4 million as of December 31, 2024, to \$145.9 million as of December 31, 2025. Pension Plan assets decreased by \$16.8 million from \$162.2 million as of December 31, 2024, to \$145.4 million as of December 31, 2025, with the annuity lift outs driving the reduction in both liabilities and assets.

CCMC, with advice from partner SEI, continued to mitigate potential Pension Plan volatility by maintaining long duration fixed income investments at allocations above ninety percent (90%) of Pension Plan assets throughout 2025.

CCMC Financial Performance

CCMC net income in 2025 was \$5.4 million, compared to \$2.1 million in 2024. Pre-tax income was \$6.9 million in 2025, compared to \$2.7 million in 2024. CCMC’s 2025 total revenue was \$95.6 million, compared to \$100.2 million in 2024. CCMC recorded an incentive fee of \$3.1 million in 2025. To support CCG, CCMC did not charge an incentive fee in 2024, despite substantial 2024 CCG pretax income. In further support of CCG, CCMC did not charge its markup fee in 2023, 2024 or 2025. In 2013 to 2019 and in 2021 CCMC charged a reduced markup to support CCG. CCMC has unresolved issues with the CDI related to CCMC’s markup and incentive fee structure.

As of December 31, 2025, the adjusted book value per share of CCMC common stock was \$70.06, up \$4.82 from \$65.24 as of December 31, 2024. When the CCMC Board approved the calculation of adjusted book value per share as of December 31, 2025, it approved the calculation for the limited purpose of allowing CCMC’s management to implement the terms of CCMC’s executive incentive plans. The CCMC Board did not opine on the fair market value of CCMC stock as of December 31, 2025.

On a GAAP basis, CCMC had shareholders’ equity of \$18.2 million and a book value per share of \$19.06 on December 31, 2025, compared to shareholders’ equity on December 31, 2024, of \$9.5 million and a book value per share of \$9.97.

Notes 8 and 10 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 per share of \$70.06. 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 \$0.8 million debit to other comprehensive income due to actuarial losses for CCMC's SERP and Excess Plans decreased both CCMC's GAAP book value per share and CCMC's adjusted book value per share by \$0.82 in 2025.

CCMC paid no dividends in 2025. CCMC had \$30.4 million in cash and investment securities on December 31, 2025, up from \$10.5 million on December 31, 2024. CCMC's cash fluctuates seasonally.

CCMC made no voluntary contributions to its qualified Pension Plan in 2025. CCMC contributed \$7.2 million to the Pension Plan in 2024. It made no contributions in 2016 to 2023. 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 99.6 percent funded on December 31, 2025, with \$145.4 million in assets compared to \$145.9 million in liabilities.

CCMC's non-qualified SERP and Excess Plans are unfunded (see Note 10).

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

CCG Operating and Financial Performance

CCG produced net income of \$28.1 million in 2025 compared to net income of \$22.1 million in 2024. CCG's surplus as of December 31, 2025, was \$172.6 million, a \$28.4 million increase compared to \$144.2 million as of December 31, 2024.

CCG's auto underwriting income was \$15.2 million in 2025 compared to negative \$7.2 million in 2024. CCG's homeowners underwriting income was \$0.4 million in 2025 compared to \$17.0 million in 2024.

CCG's 2025 personal lines combined ratio was 94.4 percent, compared to 99.5 percent in 2024.

CCG's direct written premium decreased slightly from \$386.6 million in 2024 to \$385.1 million in 2025. Boosted by the cut-off termination of the quota share reinsurance agreement between CCIE and SCOR Re on 17.5 percent of CCIE's California auto and home premium as of January 1, 2025, CCG's net written premium increased from \$324.9 million as of December 31, 2024, to \$393.0 million as of December 31, 2025. The increase in net written premium exerted some downward pressure on CCIE's 2025 RBC ratio and CCG's BCAR.

The quota share agreement termination increased CCG's underwriting expenses and reduced CCIE's surplus by \$7.7M on January 1, 2025. The increase to CCIE's net written premium was \$27.5 million due to the return of ceded Unearned Premium Reserve ("UPR") to CCIE. While the quota share termination reduced CCIE's income and surplus, it increased CCIE's operating cash flow due to the recovery of UPR and paid loss from SCOR Re.

As of December 31, 2025, CCIE's RBC ratio was 597 percent, compared to 633 percent at year-end 2024, 407 percent at year-end 2023 and 300 percent at year-end 2022.

CCG's 2025 auto net earned premium was \$273.5 million, compared to \$265.3 million in 2024. CCG's 2025 home net earned premium was \$95.5 million, compared to \$101.4 million in 2024. Home retention dipped after CCG's June 2023 Financial Strength Rating downgrade to B by AM Best caused certain lenders to not accept CCG home insurance, impacting home premium, but home retention began to recover solidly after CCG received an "A, Exceptional" rating from Demotech in April 2025.

CCG's personal lines incurred loss ratio improved to 60.6 percent in 2025, compared to 68.3 percent in 2024. CCG's 2025 auto incurred loss ratio improved to 60.6 percent, compared to 74.7 percent in 2024. CCG's 2025 home incurred

loss ratio was 60.7 percent, compared to 51.3 percent in 2024, primarily impacted by the January wildfires. Based on actuarial analyses, CCMC increased CCG's direct personal lines bulk reserves by \$13 million in 2025, compared to an increase of \$3 million in 2024.

CCG's 2025 total expense ratio, as a percentage of net earned premium, increased to 35.1 percent, compared to 29.0 percent for 2024. CCG's total expense ratio was negatively impacted by 2.1 percentage points in 2025 due to the exit of the SCOR Re quota share reinsurance agreement, after benefitting by approximately 0.5 percentage points in 2024 and 1.2 percentage points in 2023. Additional pension expense of \$6.4 million related to 2025 CCMC Pension Plan de-risking increased CCG's 2025 total expense ratio by 1.7 percentage points. A \$3.1 million incentive fee earned by CCMC increased CCG's 2025 total expense ratio by 0.8 percentage points, and an IBNR loss adjustment expense reserve addition increased CCG's 2025 total expense ratio by 0.4 percentage points. Excluding these items, the expense ratio would have been nearly flat year-over-year.

CCG's personal lines underwriting expense ratio, as a percentage of net written premium, was 21.9 percent in 2025 compared to 19.2 percent in 2024. The increase in net written premium caused by the quota share agreement termination tempered the 2025 underwriting expense ratio increase.

Customer retention in CCG's core states, while strong relative to the industry, declined in 2025 due to rate increases and the impact of CCG's AM Best downgrade, though downward pressure tempered significantly and then reversed and trended upward when Demotech rated CCIE "A, Exceptional" in April 2025. CCG's core state customer-based renewal retention for 2025, including California, was 87.5 percent compared to 88.2 percent in 2024. California retention for 2025 was 88.8 percent compared to 90.8 percent in 2024. CCG core state customers-in-force declined

by 9,794 from 97,435 on December 31, 2024, to 87,641 on December 31, 2025.

Unrealized gains and losses on bonds are not reported for statutory purposes as a component of an insurer's surplus. CCG's bond portfolio unrealized losses decreased from \$17.8 million as of December 31, 2024, to \$5.8 million as of December 31, 2025. On December 31, 2025, the duration of CCG's fixed income portfolio was 3.08 years compared to a duration of 2.72 years on December 31, 2024, due to the decision to increase duration based on reduced CCG bond portfolio unrealized losses and the improving health of CCG.

If CCIE exercised its right to put 186,000 shares back to CCMC, CCMC would be required to purchase the shares at an 85 percent premium to adjusted book value per share. That would produce a corresponding decline in adjusted book value per share 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.

Enhanced by the cut-off termination of the quota share agreement with SCOR Re, CCG's 2025 operating cash flow ratio was 117.7 percent and its underwriting cash flow ratio was 114.3 percent, compared to 93.2 percent and 90.4 percent, respectively, in 2024.

In July 2025, AM Best confirmed its Best's Financial Strength Rating for CCIE and its three personal lines subsidiaries of B (Fair) with Stable Outlook.

Additional Financial Comments

In prior years, CCMC issued certain B shares and A "Escrow" shares pursuant to certain employee incentive plans. These shares provide the holder with a contractual right to require CCMC to redeem those shares at its adjusted

book value per share, subject to compliance with the California Corporations Code. Given the losses taken in recent years and the general uncertainty in the insurance market, CCMC's Board could not make the finding required by the California Corporations Code to authorize the redemption of B shares and A "Escrow" shares in 2025. However, CCG's surplus has recovered and stabilized at a healthy level. The Demotech rating has helped slow the decline of policies-in-force and customers-in-force. The CDI and OR DFR ended their enhanced oversight and reporting requirements. CCMC's financial results improved in 2025. Steps were also taken to help reduce the liability of CCMC's qualified Pension Plan while also reducing the volatility of that liability. Further, the CCIE Advisory Board agreed that it would not exercise its put right on or before May 1, 2026.

Considering all of these factors and management's projections and recommendations, the Board was able to make the determinations required by the California Corporations Code to open a window for redemptions of B Shares and A "Escrow" shares. CCMC informed the shareholders owning those shares of this determination to provide them with an opportunity to redeem their shares. Requests for redemption were due on April 8, 2026, and the Board formally approved the redemptions on April 10, 2026. Eligible B and A "Escrow" shares tendered for redemption totaled approximately 14% of overall CCMC shares outstanding. The aggregate cost of the redemptions was \$9.7 million. Approximately, \$6 million of that amount will be paid on approximately May 1, 2026, and the balance will be paid annually in four installments of approximately \$930 thousand per year in 2027 to 2030.

The CCMC Board has determined that it is not currently in the best interest of CCMC to pay dividends to its shareholders or otherwise redeem shares that do not have a contractual redemption right. CCMC plans to prioritize reducing the liability of its qualified Pension Plan and build up its balance

sheet to meet the obligations of its nonqualified SERP and Excess Plans.

CCMC must demonstrate that it can transition from its shrink-to-strength period, reverse losses in CCG policies-in-force, and successfully operate the business over several years. CCMC believes that maintaining CCG as a healthy going concern offers CCMC shareholders the best opportunity for generating shareholder value.

2026 – Build CCG Surplus to Withstand Volatility

It is imperative for CCMC to continue to build CCG's surplus to withstand the volatility that is inherent in our business. Building an increasingly sophisticated ERM program has helped management appreciate the magnitude of many of the risks that CCMC and CCG face. It has also helped us determine how best to mitigate those risks. Though we work intently to mitigate CCMC's and CCG's risks, we know how critical it is to build CCG's surplus to meet and adapt to an uncertain future.

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, 2025 and 2024, and the related statements of income and comprehensive income, changes in shareholders' equity, 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, 2025 and 2024, 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 10, 2026

BALANCE SHEETS

DECEMBER 31, 2025 AND 2024

(DOLLARS IN THOUSANDS)

 2025

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 30,428	\$ 10,459
Receivable	665	732
Income taxes recoverable	122	89
Prepaid expenses and other	4,755	4,375
Total current assets	<u>35,970</u>	<u>15,655</u>
Surplus note receivable	10,000	10,000
Property and equipment, net	14,086	19,256
Operating lease assets	7,892	10,136
Net pension asset	-	2,806
Deferred income taxes, net	6,529	6,621
Other noncurrent assets	1,087	1,069
	<u>75,564</u>	<u>65,543</u>
Total assets	<u>\$ 75,564</u>	<u>\$ 65,543</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 3,486	\$ 2,213
Accrued employee compensation	10,429	8,262
Accrued benefit liability	3,106	3,106
Taxes payable	1,438	490
Operating lease obligations	2,103	3,378
Other liabilities	579	534
Total current liabilities	<u>21,141</u>	<u>17,983</u>
Operating lease obligations	6,232	7,871
Accrued benefit liability	29,582	29,393
Noncurrent employee compensation	423	371
Other noncurrent liabilities	-	411
Total liabilities	<u>57,378</u>	<u>56,029</u>
Shareholders' equity		
Common stock - no par value	11,362	11,362
Common stock with put right (Note 3)	24,109	22,450
Accumulated other comprehensive loss	(55,015)	(58,304)
Retained earnings	37,730	34,006
Total shareholders' equity	<u>18,186</u>	<u>9,514</u>
Total liabilities and shareholders' equity	<u>\$ 75,564</u>	<u>\$ 65,543</u>

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

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

YEARS ENDED DECEMBER 31, 2025 AND 2024

(DOLLARS IN THOUSANDS)



	<u>2025</u>	<u>2024</u>
Revenue		
Management fee	\$ 92,523	\$ 97,528
Other	3,059	2,714
Total revenue	<u>95,582</u>	<u>100,242</u>
Operating expenses		
Personnel	45,952	45,125
Acquisition and professional services	7,891	15,701
Facility and equipment	23,546	29,499
Communications	1,856	3,040
Other operating (income) expense	(229)	509
Total operating expenses	<u>79,016</u>	<u>93,874</u>
Operating income	16,566	6,368
Investment income	732	538
Interest expense	-	(2)
Pension expense	(10,388)	(4,253)
Income before provision for income taxes	<u>6,910</u>	<u>2,651</u>
Provision for income taxes	<u>1,527</u>	<u>543</u>
Net income	5,383	2,108
Other comprehensive income, net of tax		
Change in employee retirement benefit plans (net of tax of \$874 and \$2,242 for 2025 and 2024, respectively) (Note 10)	<u>3,289</u>	<u>8,436</u>
Other comprehensive income	<u>3,289</u>	<u>8,436</u>
Comprehensive income	<u>\$ 8,672</u>	<u>\$ 10,544</u>

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

STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

YEARS ENDED DECEMBER 31, 2025 AND 2024

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



	Common Stock	Common Stock with Put Right	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balances at January 1, 2024	\$ 11,358	\$ 20,168	\$ (66,740)	\$ 34,180	\$ (1,034)
Net income	-	-	-	2,108	2,108
Change in carrying value of common stock with put right (Note 3)	-	2,282	-	(2,282)	-
Stock issued in long-term executive incentive plan (70 shares)	4	-	-	-	4
Change in employee retirement benefit plans, net of deferred tax of \$2,242 (Note 10)	-	-	8,436	-	8,436
Balances at December 31, 2024	11,362	22,450	(58,304)	34,006	9,514
Net income	-	-	-	5,383	5,383
Change in carrying value of common stock with put right (Note 3)	-	1,659	-	(1,659)	-
Change in employee retirement benefit plans, net of deferred tax of \$874 (Note 10)	-	-	3,289	-	3,289
Balances at December 31, 2025	<u>\$ 11,362</u>	<u>\$ 24,109</u>	<u>\$ (55,015)</u>	<u>\$ 37,730</u>	<u>\$ 18,186</u>

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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024
(DOLLARS IN THOUSANDS)

 **2025**

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Net income	\$ 5,383	\$ 2,108
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization on property and equipment including leased assets	13,198	18,221
Net loss on sale and disposal of property and equipment	4	66
Provision for deferred income taxes	(782)	142
Employee retirement plan contributions	(3,125)	(3,345)
Pension plan contributions	-	(7,200)
Changes in:		
Receivables and other assets	1,697	(1,967)
Payables, accrued expenses, and other liabilities	8,652	2,835
Net cash provided by operating activities	<u>25,027</u>	<u>10,860</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>(5,042)</u>	<u>(2,812)</u>
Net cash used in investing activities	(5,042)	(2,812)
Cash flows from financing activities		
Payments on lease terminations	(16)	(1,583)
Common stock issued	-	4
Net cash used in financing activities	<u>(16)</u>	<u>(1,579)</u>
Net change in cash and cash equivalents	19,969	6,469
Cash and cash equivalents at the beginning of the year	<u>10,459</u>	<u>3,990</u>
Cash and cash equivalents at the end of the year	<u>\$ 30,428</u>	<u>\$ 10,459</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for income taxes	\$ 1,400	\$ 234
Supplemental schedule of noncash investing and financing activities		
Property and equipment purchased but not yet paid for	\$ 80	\$ 2
Common stock issued through employee stock plans	\$ -	\$ 4

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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

The logo for the year 2025, featuring a stylized '2' icon followed by the number '2025' in a large, bold, white font.

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 located in Palo Alto, California, writing nonassessable full coverage automobile and homeowner insurance policies. Some directors and officers of CCMC are 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.

Allowance for Credit Losses: The Company measures expected credit losses in accordance with FASB ASC 326 “Financial Instruments - Credit losses.” The current expected credit losses apply to financial assets measured at amortized cost. It also applies to off-balance sheet credit exposures not accounted for as insurance (financial guarantees and other similar instruments). As of December 31, 2025 and 2024, management determined no allowance was necessary for its in-scope instruments.

Cash and 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, 2025 and 2024. 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.

Receivables: Receivables consists of fees billed 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, 2025 and 2024, as balances were considered fully collectible.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, typically ranging from three to seven 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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 statement of income, 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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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

 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2025 earned premium and surplus are approximately \$368,944 and \$172,632, respectively. CCG's 2024 earned premium and surplus are approximately \$366,672 and \$144,240, respectively. An annual incentive fee of up to 10% of CCG's calendar year pre-tax income may also be paid to CCMC. CCMC's Board of Directors approved a \$3,119 incentive fee for the year-ended December 31, 2025. No incentive fee was paid to CCMC in 2024. 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, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Expenses incurred	\$ 89,404	\$ 98,128
Markup	-	-
Incentive fee	3,119	-
Board approved fee reduction	-	(600)
Net management fee	<u>\$ 92,523</u>	<u>\$ 97,528</u>
Maximum markup allowed (25% of expenses incurred)	<u>\$ 22,351</u>	<u>\$ 24,532</u>
Markup taken	-	-
Markup allowed but not taken	<u>\$ 22,351</u>	<u>\$ 24,532</u>

Effective March 5, 2024, CCMC's Board of Directors approved a reduction of CCMC's 2024 management fee by \$600.

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 \$315 and \$302 for expenses incurred under this provision in 2025 and 2024, respectively. These transactions are shown as a reduction of CCMC expense, rather than revenue.

NOTE 3 - RELATED PARTY TRANSACTIONS (Continued)

At December 31, 2025 and 2024, CCMC had a (payable due to) receivable due from CCG of \$(1,434) and \$297, respectively, included in accounts payable and accrued expenses and receivables on the balance sheets, respectively. 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, 2025 and 2024. 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 8) 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, 2025 and 2024, the resulting adjusted book value to the remaining shareholders will be reduced by approximately 20.6% for both years. At December 31, 2025 and 2024, the carrying value of the common stock with put rights was \$24,109 and \$22,450, respectively, and is reported as a separate component of shareholders' equity. There is a corresponding reduction to retained earnings and, therefore, no net impact to total shareholders' equity. 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 2025 or 2024.

Surplus Note Receivable with CCIE: During 2023, the Company entered into a surplus note agreement (Surplus Note) with CCIE whereby 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. CCIE obtained State approval and paid the Company \$379 in interest payments for both years ended December 31, 2025 and 2024.

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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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

 2025

NOTE 4 - INVESTMENT SECURITIES (Continued)

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 10) are measured at Net Asset Value.

CCMC had no investment holdings as of December 31, 2025 and 2024 other than those held within the Pension Plan as further described in Note 10.

NOTE 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Cost:		
Capitalized software	\$ 84,077	\$ 95,249
Work in progress	1,044	2,927
EDP equipment	4,039	11,304
Office equipment	3,147	3,743
Leasehold improvements	6,285	6,700
Equipment held under finance and capital leases	1,946	1,946
	<u>100,538</u>	<u>121,869</u>
Less: accumulated amortization on capitalized software	(72,904)	(81,912)
Less: other accumulated depreciation and amortization	(13,548)	(20,701)
	<u>\$ 14,086</u>	<u>\$ 19,256</u>
Property and equipment, net		
	<u>\$ 14,086</u>	<u>\$ 19,256</u>
Depreciation and amortization expense on property and equipment	<u>\$ 10,209</u>	<u>\$ 14,980</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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

 2025

NOTE 5 - PROPERTY AND EQUIPMENT (Continued)

In 2017, CCMC commenced implementation of the underwriting, policy center, data hub and billing software for CCG. Software development costs included in work in progress were \$1,044 and \$2,927 as of December 31, 2025 and 2024, respectively. During 2025, the Company did not write off any projects. During 2024, the Company wrote off approximately \$390 related to certain projects related to the data hub and billing software for CCG as management determined the projects were no longer viable.

NOTE 6 - 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 2025, CCMC entered an agreement with Bozicevic, Field & Francis, LLP to sublease office space located at 505 Hamilton Avenue, Palo Alto, California. The lease commenced on December 1, 2025 and has a term of 4 years and 10 months.

CCMC rents or subleases space in its offices to third parties. CCMC has one sublease in its Colorado Springs office, with the expected total payments of \$273 over the next 2 years.

There were no payments for lease terminations during 2025. In 2024, CCMC made one-time payments of \$1,583 to buyout two building leases. Upon those payments, the leases were terminated.

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

	<u>2025</u>	<u>2024</u>
Assets		
Operating lease assets	\$ 7,892	\$ 10,136
Total lease assets	<u>\$ 7,892</u>	<u>\$ 10,136</u>
Liabilities		
Current		
Operating	\$ 2,103	\$ 3,378
Non-current		
Operating	<u>6,232</u>	<u>7,871</u>
Total lease liabilities	<u>\$ 8,335</u>	<u>\$ 11,249</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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



NOTE 6 - LEASE COMMITMENTS (Continued)

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

	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ 3,011	\$ 3,241
Lease termination costs, net	16	1,184
Sublease income	<u>(153)</u>	<u>(144)</u>
Net lease cost	<u>\$ 2,874</u>	<u>\$ 4,281</u>

A summary of maturities for operating leases at December 31, 2025 is as follows:

2026	\$ 2,315
2027	1,900
2028	1,916
2029	1,920
2030	<u>825</u>
Total lease payments	8,876
Less: Amount representing interest	<u>(541)</u>
Present value of lease liabilities	<u>\$ 8,335</u>

A summary of remaining lease terms and discount rates at December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Weighted-average remaining lease term:		
Operating leases	4.20 years	4.55 years
Weighted-average discount rate:		
Operating leases	2.94%	2.85%

Supplemental cash flow information related to leases for the years ended December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ (3,660)	\$ (5,596)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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



NOTE 7 - INCOME TAXES

A reconciliation of CCMC's effective income tax rate for the years ended December 31, 2025 and 2024 is as follows:

	<u>2025</u>		<u>2024</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
U.S. federal tax (statutory tax rate)	\$ 1,451	21.0 %	\$ 557	21.0 %
All other items	<u>76</u>	<u>1.1</u>	<u>(14)</u>	<u>(0.5)</u>
Provision for income taxes (effective tax rate)	<u>\$ 1,527</u>	<u>22.1 %</u>	<u>\$ 543</u>	<u>20.5 %</u>

The significant components of the provision for income taxes for the years ended December 31, 2025 and 2024 are summarized below:

	<u>2025</u>	<u>2024</u>
Current provision	\$ 2,309	\$ 401
Deferred provision, noncurrent	<u>(782)</u>	<u>142</u>
Provision for income taxes	<u>\$ 1,527</u>	<u>\$ 543</u>

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

	<u>2025</u>	<u>2024</u>
Deferred tax assets:		
Employee benefits	\$ 6,023	\$ 6,623
Operating and capital leases	233	532
Rent expense	-	7
Net operating loss	-	870
Fed charitable contributions carryforward	1	33
Foreign credit carryforward	12	15
Depreciation	436	-
All other	<u>126</u>	<u>94</u>
Total deferred income tax assets	6,831	8,174
Deferred tax liabilities:		
Operating and capital leases	(140)	(298)
Depreciation	-	(1,145)
Rent expense	(3)	-
Prepaid expenses	<u>(159)</u>	<u>(110)</u>
Total deferred income tax liabilities	<u>(302)</u>	<u>(1,553)</u>
Deferred income taxes, net	<u>\$ 6,529</u>	<u>\$ 6,621</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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

 2025

NOTE 7 - INCOME TAXES (Continued)

During the year ended December 31, 2025, the Company utilized \$4,170 of net operating loss carryforwards. There are no remaining net operating losses to be carried forward.

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, 2025 and 2024.

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, 2025 and 2024.

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 2022. CCMC is not currently under a federal income tax audit by the IRS.

NOTE 8 - SHAREHOLDERS' EQUITY

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:

	<u>2025</u>	<u>2024</u>
Shares issued and outstanding		
Series A	786,173	786,173
Series B	<u>167,722</u>	<u>167,722</u>
Total shares issued and outstanding	<u>953,895</u>	<u>953,895</u>
Book value per share	<u>\$ 19.06</u>	<u>\$ 9.97</u>
	<u>2025</u>	<u>2024</u>
Common stock issued and outstanding		
Series A	\$ 3,804	\$ 3,804
Series B	<u>7,558</u>	<u>7,558</u>
Total common stock	<u>\$ 11,362</u>	<u>\$ 11,362</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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

 2025

NOTE 8 - SHAREHOLDERS' EQUITY (Continued)

Adjusted book value per share is calculated as follows: total shareholders' equity as determined under GAAP, plus the shareholder equity charges resulting from pension accounting (Note 10), divided by total outstanding shares of common stock. The calculation is as follows:

	<u>2025</u>	<u>2024</u>
Total shareholders' equity	\$ 18,186	\$ 9,514
AOCI balance related to pension plan	<u>48,646</u>	<u>52,719</u>
Adjusted shareholders' equity	<u>\$ 66,832</u>	<u>\$ 62,233</u>
Total shares issued and outstanding	953,895	953,895
Adjusted book value per share	\$ 70.06	\$ 65.24

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 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, 2025 and 2024 CCMC has recorded \$0 and \$365, respectively, within other noncurrent liabilities and \$365 and \$365, respectively, recorded within current liabilities. There were no repurchases during 2025 or 2024.

NOTE 9 - COMPENSATION PLANS

CCMC maintains compensation programs designed to incentivize and reward employees based on individual performance and the overall financial performance of the Company. These programs primarily consist of cash-based incentive arrangements.

Historically, CCMC maintained stock-based compensation plans, including the Long-Term Executive Incentive Plan ("LTEIP") and the Executive Stock Plan ("ESP"). These plans were 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. The ESP was suspended indefinitely effective January 1, 2023, and no additional shares have been or will be issued under that plan. Additionally, the Company has permanently suspended its employee stock-based compensation structure, and no active stock plans remain in place. 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 8.

NOTE 9 - COMPENSATION PLANS (Continued)

The Company adopted the Long-Term Incentive Plan (LTIP), effective June 6, 2023, 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. Compensation expense under the LTIP was \$1,013 and \$432 in 2025 and 2024, respectively.

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 \$959 in current employee compensation liability and \$423 in noncurrent employee compensation liability on the balance sheet at December 31, 2025. The accrued liability for the LTIP is comprised of \$421 in current employee compensation liability and \$371 in noncurrent employee compensation liability on the balance sheet at December 31, 2024.

NOTE 10 - 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 \$890 and \$843 for the years ended December 31, 2025 and 2024, 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 \$785 and \$558 in 2025 and 2024, respectively.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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

 2025

NOTE 10 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

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

<u>Years of Service</u>	<u>Vested Percentage</u>
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.

Effective as of June 20, 2024, the Board of Directors adopted an amendment to provide a one-time lump sum payment window for eligible terminated and vested Plan participants. The lump sum amount per participant to be paid out shall not exceed \$158. As of December 31, 2024, \$7,438 was paid out which is below the settlement threshold of \$8,517. No lump sum payments were approved or paid out during 2025.

During the year ended December 31, 2025, CCMC recorded a settlement charge of \$6,429 related to purchased annuities for 390 in-pay retirees and beneficiaries. This amount is added to the 2025 net periodic pension cost of \$2,052 to bring the total 2025 pension expense to \$8,481.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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



NOTE 10 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

Pension Plan Benefits:

	<u>2025</u>	<u>2024</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 159,403	\$ 183,154
Service cost	-	-
Interest cost	8,040	8,517
Benefits paid	(27,987)	(20,206)
Actuarial loss (gain)	6,432	(12,062)
Benefit obligation at end of year	<u>145,888</u>	<u>159,403</u>
Change in plan assets		
Fair value of plan assets at beginning of year	162,209	175,310
Actual loss (return) on plan assets	11,146	(95)
Employer contribution	-	7,200
Benefits paid	(27,987)	(20,206)
Fair value of plan assets at end of year	<u>145,368</u>	<u>162,209</u>
Funded status at end of year	<u>\$ (520)</u>	<u>\$ 2,806</u>
Amounts recognized in the balance sheets consist of:		
Net current pension asset	\$ -	\$ 2,806
Net accrued benefit liability	(520)	-
Net amount recognized	<u>\$ (520)</u>	<u>\$ 2,806</u>
Amounts recognized in accumulated other comprehensive loss (pretax) consist of:		
Net loss	<u>\$ 61,532</u>	<u>\$ 66,689</u>
Accumulated other comprehensive loss	<u>\$ 61,532</u>	<u>\$ 66,689</u>
Information for pension plans with an accumulated benefit obligation in excess of plan assets		
Projected benefit obligation	\$ 145,888	\$ 159,403
Accumulated benefit obligation	\$ 145,888	\$ 159,403

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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



NOTE 10 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

	<u>2025</u>	<u>2024</u>
Components of net periodic benefit cost and other amounts recognized in other comprehensive income		
Net periodic benefit cost		
Service cost	\$ -	\$ -
Interest cost	8,040	8,517
Expected return on assets	(7,512)	(8,132)
Amortization of net actuarial loss	1,524	1,504
Net periodic benefit cost	<u>2,052</u>	<u>1,889</u>
Settlement	<u>6,429</u>	<u>-</u>
Total pension expense included in pension expense on the statements of income	8,481	1,889
Other changes in plan assets and benefit obligations recognized in other comprehensive income (pretax)		
Net loss (gain)	2,798	(3,835)
Settlement	(6,429)	-
Amortization of net actuarial loss	<u>(1,524)</u>	<u>(1,504)</u>
Total recognized in other comprehensive income	<u>(5,155)</u>	<u>(5,339)</u>
Total recognized in net periodic benefit expense and other comprehensive income	<u>\$ 3,326</u>	<u>\$ (3,450)</u>

	<u>2025</u>	<u>2024</u>
Weighted-average assumptions used to determine benefit obligation at December 31:		
Discount rate	5.18 %	5.38 %
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	5.38 %	4.74 %
Discount rate - interest cost	5.29 %	4.83 %
Rate of compensation increase	N/A	N/A
Expected return on plan assets	4.25 %	4.25 %

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 \$2,162.

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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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



NOTE 10 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

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:

	<u>2025</u>		<u>2024</u>		<u>2025</u>
	<u>Fair</u>		<u>Fair</u>		<u>Target</u>
	<u>Value</u>	<u>Allocation</u>	<u>Value</u>	<u>Allocation</u>	<u>Allocation</u>
Equity funds					
Global Large-Stock Value	\$ 11,003	8%	\$ 9,997	6%	
Total equity funds	11,003	8%	9,997	6%	10%
Fixed income					
US government agencies	25,071	17%	21,503	13%	
Fixed income funds					
Long duration bond fund	39,500	27%	45,772	28%	
Intermediate duration bond fund	67,903	47%	79,453	49%	
Total fixed income	132,474	74%	146,728	77%	90%
Real estate fund	363	0%	3,881	2%	0%
Cash and accrued income	1,528	1%	1,603	2%	0%
	<u>\$ 145,368</u>	<u>100%</u>	<u>\$ 162,209</u>	<u>100%</u>	<u>100%</u>

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.

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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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

 2025

NOTE 10 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

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.

Cash Flows:

Contributions: The Company contributed \$0 and \$7,200 to the pension plan during the years ended 2025 and 2024, respectively. Subsequent December 31, 2025, the company contributed \$5,000 to the pension plan during 2026.

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

	<u>Pension Benefits</u>
2026	\$ 11,656
2027	11,747
2028	11,712
2029	11,697
2030	11,594
Years 2031 to 2034	<u>55,203</u>
	<u>\$ 113,609</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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



NOTE 10 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

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. 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.

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 had no accrued contribution to the plan in 2025 and 2024. Earnings (losses) on investments in the SBC Excess Plan were \$156 and \$227 in 2025 and 2024, respectively.

On December 2, 2025, the CCMC Board amended the SBC Excess Plan such that no participants will enter the SBC Excess Benefit Plan with respect to years after 2024 and no new contributions to the SBC Excess Benefit Plan will be made with respect to years after 2025.

SERP and Excess Benefits:

	<u>2025</u>	<u>2024</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 31,301	\$ 37,623
Service cost	-	-
Interest cost	1,568	1,747
Benefits paid	(3,125)	(3,345)
Actuarial loss (gain)	1,331	(4,724)
Benefit obligation at end of year	<u>31,075</u>	<u>31,301</u>
Change in plan assets		
Fair value of plan assets at beginning of year	-	-
Employer contributions	3,125	3,345
Benefits paid	(3,125)	(3,345)
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Funded status at end of year	<u>\$ (31,075)</u>	<u>\$ (31,301)</u>
Amounts recognized in the balance sheets consist of:		
Current liabilities	\$ (3,106)	\$ (3,106)
Noncurrent liabilities	<u>(27,969)</u>	<u>(28,213)</u>
Net amount recognized	<u>\$ (31,075)</u>	<u>\$ (31,319)</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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



NOTE 10 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

	<u>2025</u>	<u>2024</u>
Amounts recognized in accumulated other comprehensive loss (pretax) consist of		
Net actuarial loss	\$ 9,320	\$ 8,327
Accumulated other comprehensive loss	<u>\$ 9,320</u>	<u>\$ 8,327</u>
Information for pension plans with an accumulated benefit obligation in excess of plan assets		
Projected benefit obligation	\$ 31,075	\$ 31,301
Accumulated benefit obligation	\$ 31,075	\$ 31,301
	<u>2025</u>	<u>2024</u>
Components of net periodic benefit cost and other amounts recognized in other comprehensive income		
Net periodic benefit cost		
Service cost	\$ -	\$ -
Interest cost	1,568	1,747
Amortization of net actuarial loss	<u>339</u>	<u>616</u>
Total pension expense included on the statements of income	<u>\$ 1,907</u>	<u>\$ 2,363</u>
Other changes in plan assets and benefit obligations recognized in other comprehensive income (pretax)		
Net gain (loss)	\$ 1,331	\$ (4,724)
Amortization of net actuarial loss	<u>(339)</u>	<u>(616)</u>
Total recognized in other comprehensive income	<u>992</u>	<u>(5,340)</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ 2,899</u>	<u>\$ (2,977)</u>

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 \$428.

	<u>2025</u>	<u>2024</u>
Weighted-average assumptions used to determine benefit obligation at December 31:		
Discount rate	5.02 %	5.31 %
Rate of compensation increase	N/A	N/A
Cost of living	N/A	N/A

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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



NOTE 10 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

	<u>2025</u>	<u>2024</u>
Weighted-average assumptions used to determine net periodic benefit cost:		
Discount rate - projected benefit obligation	5.31 %	4.68 %
Discount rate - interest cost	5.27 %	4.87 %
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.

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

	<u>SERP and Excess Benefits</u>
2026	\$ 3,106
2027	3,062
2028	2,999
2029	2,917
2030	2,831
Years 2031-2034	12,349
	<u>\$ 27,264</u>

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 \$55,980 and \$59,269 at December 31, 2025 and 2024, respectively.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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



NOTE 10 - EMPLOYEE RETIREMENT BENEFIT PLANS (Continued)

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, 2023	\$ 56,937	\$ 10,768	\$ 67,705
2024 activity			
Pension accounting charges	(4,218)	-	(4,218)
SERP and Excess Plans	-	(4,218)	(4,218)
Total 2024 activity	(4,218)	(4,218)	(8,436)
AOCI balances, at December 31, 2024	52,719	6,550	59,269
2025 activity			
Pension accounting charges	(4,073)	-	(4,073)
SERP and Excess Plans	-	784	784
Total 2025 activity	(4,073)	784	(3,289)
AOCI balances, at December 31, 2025	\$ 48,646	\$ 7,334	\$ 55,980

(1) These after-tax GAAP pension plan accounting charges are utilized in the adjusted book value calculation (Note 8).

(2) These SERP and Excess Plan adjustments are excluded from the adjusted book value calculation (Note 8). They represent the cumulative difference between the accumulated benefit obligation and accrued benefit liability in the balance sheets.

The AOCI balances of \$48,646 and \$52,719 as of December 31, 2025 and 2024, respectively, are utilized in the calculation of the adjusted book value as described in Note 8 and exclude impacts from tax rate changes which have not been recognized in AOCI.

NOTE 11 - CONCENTRATION OF CREDIT RISK

CCMC's financial instruments exposed to concentration of credit risk consist of cash equivalents. CCMC maintains its cash deposits and money market fund accounts primarily with three financial institutions.

Cash on deposit with financial institutions are insured by the Federal Deposit Insurance Company ("FDIC") up to \$250 per depositor. CCMC had cash on deposit with one bank, JP Morgan Chase in the form of commercial checking accounts as of December 31, 2025 and 2024, that exceeded the balance insured by the FDIC by \$12,607 and \$7,231, respectively. CCMC has not experienced any losses related to these balances, and management believes its credit risk to be minimal.

Cash equivalents are comprised of money market funds held at two financial institutions. Money Market Funds are not FDIC insured. \$17,570 and \$2,641 are held in one money market fund with BlackRock as of December 31, 2025 and 2024, respectively.

NOTE 12 - SUBSEQUENT EVENTS

CCMC has evaluated subsequent events through April 10, 2026, which is the date that the financial statements were available to be issued.

Jeffrey G. Berry

Director

Todd A. Brickel, CPCU

Senior Vice President
Chief Risk & Product Officer
Secretary

Carl B. (Beau) Brown, CPCU

Director
Chairman of the Board
President and CEO

Thomas R. Brown, CLU

Director
Chairman Emeritus

Fong-Yee Judy Jao,

FCAS, MAAA

Senior Vice President
Chief Financial Officer,
Treasurer and Actuary

Mark D. Pitchford

Executive Vice President
Chief Operating Officer

Thomas M. Tongue, Esq.

Director

Kelly M. Whiteside, MSOD

Senior Vice President
Human Resources

Transfer Agent/Shareholder Services:

EQ Shareowner Services
P.O. Box 64874
St. Paul, MN 55164-0874

Contact EQ Shareowner Services for CCMC shareholder services, including address changes, dividend issues, and share balance information:

Write: EQ Shareowner Services
P.O. Box 64874
St. Paul, MN 55164-0874
Call: 1(800) 401-1957

Contact CCMC on other shareholder issues:

Beau Brown Theresa Martin
bbrown@calcas.com tmartin@calcas.com

**We invite you to try our Shareholder Relations website:
<https://www.calcas.com/shareholder>**

We look forward to seeing you there!



California Casualty Management Co.
505 Hamilton Ave.
Palo Alto, CA 94301

(650) 574-4000

www.calcas.com