



ICC Holdings, Inc. (NASDAQ:ICCH)  
Q4 2017 Results Earnings Conference Call

April 4, 2018, 1:00 PM CT

**Corporate Speakers:**

- Julia Suiter – Chief Legal Officer
- Arron Sutherland – President and Chief Executive Officer
- Mike Smith – Chief Financial Officer

**Operator:**

Good day ladies and gentleman, and welcome to the ICC Holdings Inc. year-end 2017 Earnings conference call. At this time all participants are in a listen only mode. Later we will conduct a question and answer session and instructions will follow at that time. If anyone should require operator assistance please press star then zero key on your touch-tone telephone. As a reminder this call may be recorded. I would now like to turn the conference over to Ms. Julia Suiter of ICC Holdings, Inc.

**Julia Suiter:**

Thank you, good afternoon and welcome to ICC HOLDINGS, INC.'s discussion of our 2017 year-end financial results. By now, hopefully all of you have seen our earnings release and Form 10-K. If not, you may access these documents on our website, [ir.ICCHoldingsInc.com](http://ir.ICCHoldingsInc.com).

With us on this afternoon's call are Arron Sutherland, our President and Chief Executive Officer, and Mike Smith, our Chief Financial Officer. Following Arron and Mike's remarks about our quarterly results, we will open the call up for your questions.

Before turning it over to Arron, I would like to advise everyone that during this call there may be forward-looking statements made and references to non-GAAP financial measures. Any forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from the statements made during the call. Information concerning those risks is contained in the earnings release and in ICC HOLDINGS, INC.'s most recent 10-K on file with the SEC. In addition, the forward-looking statements speak only as of today, Wednesday, April 4, 2018. ICC HOLDINGS, INC. expressly disclaims any obligation to update or revise any forward-looking statements made during this call.

This call is being recorded. In the near future, the call may be accessed on ICC HOLDINGS, INC.'s website.

With that, I will turn the call over to ICC HOLDINGS, INC.'s President and CEO, Arron Sutherland.

**Arron Sutherland:**

Thank you, Julia. Good afternoon everyone. It's a pleasure to share our fourth quarter results with you this afternoon. I am happy to report that the Company's underwriting results improved in the fourth quarter over the third quarter. This coupled with strong investment returns, lead to net income for the quarter. While property losses were still above expectations, the Company has taken steps going forward to mitigate the volatility with the property line of business. Specifically, with targeted rate increases, modifications to underwriting criteria, and reduced loss retention via reinsurance. The Company continues to produce positive topline growth with direct written premium growing 10.8% over the same period in 2016. This increase was driven by the continued expansion into Colorado and Ohio, coupled with strong growth in the more mature markets of

Minnesota and Missouri. As geographic expansion plans move forward, we expect premium growth to continue its upward trend going. To that end, the Company has appointed agents, and is on track to produce premium in Michigan this month.

In terms of losses, the Company did not experience any dramatic change in the by-line experience in the fourth quarter. The Company did experience higher than expected losses in the state of Missouri, which were offset by improved experience in Illinois and Indiana. The Company continues to focus on the property line of business, and returning its results to historical norms. The Company continues to generate profit in both its Liquor Liability and Workers' Compensation lines of business.

The Company's core strengths of specialized products, food and beverage industry focus, and superior service combined with a committed agency force are the keys to long term growth and profitability. The Company will maintain underwriting discipline and sustainable pricing to grow and ensure a profitable future.

With that, let me make a few high level comments on our fourth quarter financial results and then Mike will provide additional detail. Net earnings were \$708,000 or \$0.22 per share for the twelve months ended December 31, 2017, compared to \$2,810,000 for the same period in 2016. Our combined ratio was 104.8% and 94.3% for the twelve months ended December 31, 2017 and 2016, respectively.

With that, I will turn it over to Mike Smith, our Chief Financial Officer, to discuss the financial results in greater detail.

**Mike Smith:**

Thanks Arron. Good afternoon everyone.

The decrease in net earnings to \$708,000 from \$2,810,000 for the year ended December 31, 2017 compared to 2016 was a result of increased expenses for the year. Losses and settlement expenses increased by 19.2% for the year ended December 31, 2017 in comparison to the same period in 2016. The increase in losses and settlement expenses is primarily due to an increase in fire losses and higher retention of property losses compared to the same period in 2016.

Also contributing to the decrease in net earnings, was an increase in policy acquisition costs and other operating expenses. Policy acquisition costs and other operating expenses increased by 9.2% for the twelve months ended December 31, 2017 compared to the same period of 2016. This increase was primarily driven by the additional costs associated with operating as a public company.

Direct premiums written grew by 10.8% and 5.2% for the three and twelve months ended December 31, 2017, respectively as compared to the same periods of 2016. Net premiums earned grew by 5.1% and 3.8% for the fourth quarter and year ended December 31, 2017, respectively.

Net investment income grew \$248,000, or 46.4% for the fourth quarter of 2017 compared to the same period in 2016. Net investment income increased by \$664,000, or 33.7%, during the year ended December 31, 2017, as compared to the same period in 2016. The growth in net investment income is primarily from the deployment of IPO funds.

Total assets increased by 24.7 % from \$122,160,000 at December 31, 2016 to \$152,335,000 at December 31, 2017, as a result of our initial public offering. Our investment portfolio, which consists of fixed maturity securities, common stocks, preferred stocks, and property held for investment, increased by 38.1% from \$76,122,000 at December 31, 2016 to \$105,133,000 at December 31, 2017. The increase in invested assets was a result of deploying the net proceeds from our completed initial public offering.

At December 31, 2017 shareholders' equity was \$64,101,000 and with 3,500,000 shares outstanding, book value per share was \$18.31 per share.

With that, I'll turn it back to Arron for some final comments before we open up for questions.

**Arron Sutherland:**

Thank you Mike. Before we move to the question-and-answer portion of the call, I'd like to leave you with some summary points.

The Company expects to continue growth in its core states while maintain the ongoing momentum from recent expansion states. The Company will maintain a focus on the food and beverage industry, while exploring additional opportunities for market expansion.

The Company is working to address the issues with property underwriting losses, while understanding that much of these results are due to normal insurance cycles.

With strong premium growth and the measures implemented to improve property loss volatility, the Company does believe it is positioned for improved operating results long-term.

The Company continues to maintain a strong balance sheet, including adequate reserves. The low leverage position of the company creates a solid financial base for the planned growth.

With that, we would be glad to take your questions.

**Operator:**

**QUESTION&ANSWER SESSION:**

Thank you. Ladies and gentleman if you have a question at this time, please press the star then the one key on your touch-tone telephone. If your question has been answered or you wish to remove yourself from the queue, please press the pound key.

We ask that you please limit yourself to one question and one follow up.

One moment for questions.

Again if you have a question please press star and then one key on your touch-tone telephone.

I'm not showing any questions.

**Arron Sutherland:**

Ladies and gentlemen thank you for participating in today's conference.

**Operator:**

This concludes today's program. You may all disconnect. Everyone have a great day.