

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2021

or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For transition period from _____ to _____.

Commission File Number: 001-38046

ICC Holdings, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)
225 20th Street, Rock Island, Illinois
(Address of principal executive offices)

81-3359409
(I.R.S. Employer
Identification No.)

61201
(Zip Code)

(309) 793-1700
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	ICCH	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's common stock outstanding as of November 10, 2021 was 3,292,788.

Table of Contents

	<u>Page</u>	
PART I		
Item 1.	Financial Statements	
	Condensed Consolidated Balance Sheets as of September 30, 2021 (unaudited) and December 31, 2020	3
	Condensed Consolidated Statements of Earnings and Comprehensive Earnings for the Three-Month Periods Ended September 30, 2021 and 2020 (unaudited)	4
	Condensed Consolidated Statements of Earnings and Comprehensive Earnings for the Nine-Month Periods Ended September 30, 2021 and 2020 (unaudited)	5
	Condensed Consolidated Statements of Stockholders Equity for the Nine-Month Periods Ended September 30, 2021 and 2020 (unaudited)	6
	Condensed Consolidated Statements of Cash Flows for the Nine-Month Periods Ended September 30, 2021 and 2020 (unaudited)	7
	Notes to Unaudited Condensed Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	20
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	33
Item 4.	Controls and Procedures	34
PART II		
Item 1.	Legal Proceedings	35
Item 1A.	Risk Factors	35
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	35
Item 3.	Default Upon Senior Securities	35
Item 4.	Mine Safety Disclosures	35
Item 5.	Other Information	35
Item 6.	Exhibits	36
	Signatures	37

PART I — FINANCIAL INFORMATION
Item 1. Financial Statements
**ICC Holdings, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets**

	As of	
	September 30, 2021 (Unaudited)	December 31, 2020
Assets		
Investments and cash:		
Fixed maturity securities (amortized cost of \$103,846,072 at 9/30/2021 and \$98,753,027 at 12/31/2020)	\$ 108,521,574	\$ 105,740,566
Common stocks at fair value	22,066,048	14,724,814
Preferred stocks at fair value	1,803,285	1,683,892
Other invested assets	1,837,430	1,772,867
Property held for investment, at cost, net of accumulated depreciation of \$427,818 at 9/30/2021 and \$465,364 at 12/31/2020	5,451,710	5,399,826
Cash and cash equivalents	2,639,480	6,598,842
Total investments and cash	142,319,527	135,920,807
Accrued investment income	713,585	660,793
Premiums and reinsurance balances receivable, net of allowances for uncollectible amounts of \$150,000 at 9/30/2021 and 12/31/2020	26,162,183	23,506,171
Ceded unearned premiums	957,508	860,905
Reinsurance balances recoverable on unpaid losses and settlement expenses, net of allowances for uncollectible amounts of \$0 at 9/30/2021 and 12/31/2020	14,476,233	13,019,865
Federal income taxes	104,751	372,986
Deferred policy acquisition costs, net	6,284,156	5,429,620
Property and equipment, at cost, net of accumulated depreciation of \$6,113,613 at 9/30/2021 and \$6,079,728 at 12/31/2020	3,085,985	2,860,331
Other assets	1,202,170	1,307,794
Total assets	\$ 195,306,098	\$ 183,939,272
Liabilities and Equity		
Liabilities:		
Unpaid losses and settlement expenses	\$ 61,290,612	\$ 61,575,666
Unearned premiums	34,920,950	29,788,834
Reinsurance balances payable	1,176,193	371,195
Corporate debt	18,458,022	13,465,574
Accrued expenses	4,246,487	3,472,511
Income taxes - deferred	964,625	1,231,271
Other liabilities	878,347	1,290,532
Total liabilities	121,935,236	111,195,583
Equity:		
Common stock ¹	35,000	35,000
Treasury stock, at cost ²	(3,119,646)	(3,153,838)
Additional paid-in capital	32,875,761	32,780,436
Accumulated other comprehensive earnings, net of tax	3,693,581	5,520,091
Retained earnings	42,288,985	40,140,115
Less: Unearned Employee Stock Ownership Plan shares at cost ³	(2,402,819)	(2,578,115)
Total equity	73,370,862	72,743,689
Total liabilities and equity	\$ 195,306,098	\$ 183,939,272

¹Par value \$0.01; authorized: 2021 - 10,000,000 shares and 2020 - 10,000,000 shares; issued: 2021 - 3,500,000 shares and 2020 - 3,500,000 shares; outstanding: 2021 - 3,293,961 and 2020 - 3,291,125 shares

²2021 - 206,039 shares and 2020 - 208,875 shares

³2021 - 240,282 shares and 2020 - 257,811 shares

See accompanying notes to consolidated financial statements.

ICC Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Earnings and Comprehensive Earnings (Unaudited)

	For the Three-Months Ended September 30,	
	2021	2020
Net premiums earned	\$ 14,079,395	\$ 12,532,967
Net investment income	823,912	900,950
Net realized investment gains (losses)	287,455	(59,333)
Net unrealized (losses) gains on equity securities	(212,136)	981,779
Other income (loss)	58,590	(36,333)
Consolidated revenues	<u>15,037,216</u>	<u>14,320,030</u>
Losses and settlement expenses	8,814,522	8,863,053
Policy acquisition costs and other operating expenses	5,442,542	4,722,485
Interest expense on debt	62,379	58,724
General corporate expenses	171,105	171,860
Total expenses	<u>14,490,548</u>	<u>13,816,122</u>
Earnings before income taxes	546,668	503,908
Total income tax expense	122,405	99,919
Net earnings	<u>\$ 424,263</u>	<u>\$ 403,989</u>
Other comprehensive (loss) earnings, net of tax	(680,975)	440,838
Comprehensive (loss) earnings	<u>\$ (256,712)</u>	<u>\$ 844,827</u>
Earnings per share:		
Basic:		
Basic net earnings per share	\$ 0.14	\$ 0.13
Diluted:		
Diluted net earnings per share	\$ 0.14	\$ 0.13
Weighted average number of common shares outstanding:		
Basic	3,068,199	3,030,571
Diluted	3,083,867	3,039,658

See accompanying notes to consolidated financial statements.

ICC Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Earnings and Comprehensive Earnings (Unaudited)

	For the Nine-Months Ended September 30,	
	2021	2020
Net premiums earned	\$ 38,860,915	\$ 36,921,702
Net investment income	2,409,036	2,644,900
Net realized investment gains (losses)	824,070	(402,320)
Net unrealized gains on equity securities	1,392,999	2,195
Other income	196,624	82,934
Consolidated revenues	43,683,644	39,249,411
Losses and settlement expenses	25,281,508	25,913,619
Policy acquisition costs and other operating expenses	14,957,143	13,741,725
Interest expense on debt	174,095	150,773
General corporate expenses	531,222	471,616
Total expenses	40,943,968	40,277,733
Earnings (loss) before income taxes	2,739,676	(1,028,322)
Total income tax expense (benefit)	590,806	(240,980)
Net earnings (loss)	\$ 2,148,870	\$ (787,342)
Other comprehensive (loss) earnings, net of tax	(1,826,510)	2,254,721
Comprehensive earnings	\$ 322,360	\$ 1,467,379
Earnings per share:		
Basic:		
Basic net earnings (loss) per share	\$ 0.71	\$ (0.26)
Diluted:		
Diluted net earnings (loss) per share	\$ 0.70	\$ (0.26)
Weighted average number of common shares outstanding:		
Basic	3,042,035	3,023,794
Diluted	3,057,704	3,032,881

See accompanying notes to consolidated financial statements.

ICC Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

	Common stock	Treasury stock	Unearned ESOP	Additional paid-in capital	Retained earnings	Accumulated other comprehensive earnings (loss)	Total equity
Balance, January 1, 2020	\$ 35,000	\$ (3,146,576)	\$ (2,812,485)	\$ 32,703,209	\$ 36,608,750	\$ 2,953,936	\$ 66,341,834
Purchase of treasury stock	—	(109,460)	—	—	—	—	(109,460)
Net (loss)	—	—	—	—	(787,342)	—	(787,342)
Other comprehensive earnings, net of tax	—	—	—	—	—	2,254,721	2,254,721
Restricted stock unit expense	—	143,380 ¹	—	(16,792)	—	—	126,588
ESOP compensation expense	—	—	175,457	31,078	—	—	206,535
Balance, September 30, 2020	<u>\$ 35,000</u>	<u>\$ (3,112,656)</u>	<u>\$ (2,637,028)</u>	<u>\$ 32,717,495</u>	<u>\$ 35,821,408</u>	<u>\$ 5,208,657</u>	<u>\$ 68,032,876</u>

	Common stock	Treasury stock	Unearned ESOP	Additional paid-in capital	Retained earnings	Accumulated other comprehensive earnings (loss)	Total equity
Balance, January 1, 2021	\$ 35,000	\$ (3,153,838)	\$ (2,578,115)	\$ 32,780,436	\$ 40,140,115	\$ 5,520,091	\$ 72,743,689
Purchase of treasury stock	—	(103,407)	—	—	—	—	(103,407)
Net earnings	—	—	—	—	2,148,870	—	2,148,870
Other comprehensive loss, net of tax	—	—	—	—	—	(1,826,510)	(1,826,510)
Restricted stock unit expense	—	137,599 ¹	—	(544)	—	—	137,055
ESOP compensation expense	—	—	175,296	95,869	—	—	271,165
Balance, September 30, 2021	<u>\$ 35,000</u>	<u>\$ (3,119,646)</u>	<u>\$ (2,402,819)</u>	<u>\$ 32,875,761</u>	<u>\$ 42,288,985</u>	<u>\$ 3,693,581</u>	<u>\$ 73,370,862</u>

¹Amount represents restricted stock units that have fully vested in the period.

See accompanying notes to consolidated financial statements.

ICC Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Nine-Month Periods Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net earnings (loss)	\$ 2,148,870	\$ (787,342)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities		
Net realized investment (gains) losses	(824,070)	402,320
Net unrealized gains on equity securities	(1,392,999)	(2,195)
Depreciation	485,688	508,152
Deferred income tax	218,885	(423,896)
Amortization of bond premium and discount	209,740	175,114
Stock-based compensation expense	408,220	333,123
Change in:		
Accrued investment income	(52,792)	(72,885)
Premiums and reinsurance balances receivable	(2,656,012)	(369,089)
Ceded unearned premiums	(96,603)	(16,900)
Reinsurance balances payable	804,998	353,676
Reinsurance balances recoverable	(1,456,368)	(2,808,250)
Deferred policy acquisition costs	(854,536)	1,786
Unpaid losses and settlement expenses	(285,054)	5,104,937
Unearned premiums	5,132,116	(471,148)
Accrued expenses	773,976	(1,123,106)
Current federal income tax	268,235	(525,303)
Other	(188,107)	(692,009)
Net cash provided by (used in) operating activities	<u>2,644,187</u>	<u>(413,015)</u>
Cash flows from investing activities:		
Purchases of:		
Fixed maturity securities, available-for-sale	(17,102,938)	(20,946,699)
Common stocks	(8,119,260)	(3,356,465)
Preferred stocks	(458,734)	(1,718,782)
Other invested assets	(350,000)	(901,500)
Property held for investment	(1,630,760)	(1,268,464)
Property and equipment	(647,962)	(231,291)
Proceeds from sales, maturities and calls of:		
Fixed maturity securities, available-for-sale	11,921,877	12,813,180
Common stocks	2,734,181	4,247,936
Preferred stocks	340,523	221,990
Other invested assets	304,987	—
Property held for investment	1,470,533	—
Property and equipment	44,963	11,753
Net cash used in investing activities	<u>(11,492,590)</u>	<u>(11,128,342)</u>
Cash flows from financing activities:		
Proceeds from loans	9,000,000	11,629,800
Repayments of borrowed funds	(4,007,552)	(6,928)
Purchase of treasury stock	(103,407)	(109,460)
Net cash provided by financing activities	<u>4,889,041</u>	<u>11,513,412</u>
Net decrease in cash and cash equivalents	<u>(3,959,362)</u>	<u>(27,945)</u>
Cash and cash equivalents at beginning of year	6,598,842	6,626,585
Cash and cash equivalents at end of period	<u>\$ 2,639,480</u>	<u>\$ 6,598,640</u>
Supplemental information:		
Federal income tax paid	\$ 65,000	\$ —
Interest paid	\$ 170,100	\$ 135,800

See accompanying notes to consolidated financial statements.

Notes to Unaudited Condensed Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF BUSINESS

ICC Holdings, Inc. is a Pennsylvania corporation that was organized in 2016. As used in this Form 10-Q, references to the “Company,” “we,” “us,” and “our” refer to the consolidated group. On a stand-alone basis ICC Holdings, Inc. is referred to as the “Parent Company.” The consolidated group consists of the holding company, ICC Holdings, Inc.; ICC Realty, LLC, a real estate services and holding company; Beverage Insurance Agency, Inc., a non-insurance subsidiary; Estrella Innovative Solutions, Inc., an outsourcing company; and Illinois Casualty Company (ICC), an operating insurance company that is the parent company of ICC Properties, LLC, a real estate series limited liability company. Both ICC and ICC Properties, LLC are Illinois domiciled companies.

We are a specialty insurance carrier primarily underwriting commercial multi-peril, liquor liability, workers’ compensation, and umbrella liability coverages for the food and beverage industry through our subsidiary insurance company, ICC. ICC writes business in Arizona, Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Ohio, Pennsylvania, and Wisconsin and markets through independent agents. Approximately 22.1% and 22.7% of the premium is written in Illinois for the three months ended September 30, 2021 and 2020, respectively. For the nine months ended September 30, 2021 and 2020, approximately 23.9% and 25.0% of the premium is written in Illinois, respectively. The Company operates as one segment.

B. PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial reporting and with the instructions to Form 10-Q. Accordingly, they do not include all the disclosures required by GAAP for complete financial statements. As such, these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K, for the year ended December 31, 2020 (the “2020 10-K”). Management believes that the disclosures are adequate to make the information presented not misleading, and all normal and recurring adjustments necessary to present fairly the financial position at September 30, 2021, and the results of operations of the Company and its subsidiaries for all periods presented have been made. The results of operations for any interim period are not necessarily indicative of the operating results for a full year.

The preparation of the unaudited condensed consolidated interim financial statements requires management to make estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated interim financial statements, and the reported amounts of revenue and expenses during the period. These amounts are inherently subject to change and actual results could differ significantly from these estimates.

C. SIGNIFICANT ACCOUNTING POLICIES

The Company reported its significant accounting policies in the 2020 10-K.

D. PROSPECTIVE ACCOUNTING STANDARDS

For information regarding accounting standards that the Company has not yet adopted, see the “Prospective Accounting Standards” in *Note 1 – Summary of Significant Accounting Policies* in the 2020 10-K. The Company maintains its status as an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). We have taken advantage of the extended transition period provided by Section 107 of the JOBS Act. We decided to comply with the effective dates for financial accounting standards applicable to emerging growth companies later in compliance with the requirements in Sections 107(b)(2) and (3) of the JOBS Act. Such decision is irrevocable.

E. PROPERTY AND EQUIPMENT

Annually, the Company reviews the major asset classes of property and equipment held for impairment. For the periods ended September 30, 2021 and 2020, the Company recognized no impairments. Property and equipment are summarized as follows:

	As of	
	September 30, 2021	December 31, 2020
Automobiles	\$ 529,724	\$ 530,722
Furniture and fixtures	504,867	491,766
Computer equipment and software	4,148,009	3,971,272
Home office	4,016,998	3,946,299
Total cost	9,199,598	8,940,059
Accumulated depreciation	(6,113,613)	(6,079,728)
Net property and equipment	\$ 3,085,985	\$ 2,860,331

F. COMPREHENSIVE EARNINGS

Comprehensive earnings (loss) include net earnings (loss) plus unrealized gains (losses) on available-for-sale investment securities, net of tax. In reporting the components of comprehensive earnings on a net basis in the statement of earnings, the Company used a 21% tax rate. Other comprehensive earnings, as shown in the consolidated statements of earnings and comprehensive earnings, is net of tax (benefit) expense of \$(485,528) and \$599,356 for the nine months ended September 30, 2021 and 2020, respectively.

The following table presents changes in accumulated other comprehensive earnings for unrealized gains and losses on available-for-sale securities:

	Nine-Months Ended September 30,	
	2021	2020
Beginning balance	\$ 5,520,091	\$ 2,953,936
Other comprehensive (loss) earnings before reclassification	(1,729,126)	2,579,925
Amount reclassified from accumulated other comprehensive (loss) earnings	(97,384)	(325,204)
Net current period other comprehensive (loss) earnings	(1,826,510)	2,254,721
Ending balance	<u>\$ 3,693,581</u>	<u>\$ 5,208,657</u>

The following table illustrates the components of other comprehensive earnings for each period presented in the condensed consolidated interim financial statements.

	Three-Month Periods Ended September 30,					
	2021			2020		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Other comprehensive (loss) earnings, net of tax						
Unrealized gains and losses on AFS investments:						
Unrealized holding (losses) gains arising during the period	\$ (748,597)	\$ 157,205	\$ (591,392)	\$ 625,124	\$ (131,276)	\$ 493,848
Reclassification adjustment for gains included in net earnings	(113,397)	23,814	(89,583)	(67,101)	14,091	(53,010)
Total other comprehensive (loss) earnings	<u>\$ (861,994)</u>	<u>\$ 181,019</u>	<u>\$ (680,975)</u>	<u>\$ 558,023</u>	<u>\$ (117,185)</u>	<u>\$ 440,838</u>

	Nine-Month Periods Ended September 30,					
	2021			2020		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Other comprehensive (loss) earnings, net of tax						
Unrealized gains and losses on AFS investments:						
Unrealized holding (losses) gains arising during the period	\$ (2,188,767)	\$ 459,641	\$ (1,729,126)	\$ 3,265,728	\$ (685,803)	\$ 2,579,925
Reclassification adjustment for gains included in net earnings	(123,271)	25,887	(97,384)	(411,651)	86,447	(325,204)
Total other comprehensive (loss) earnings	<u>\$ (2,312,038)</u>	<u>\$ 485,528</u>	<u>\$ (1,826,510)</u>	<u>\$ 2,854,077</u>	<u>\$ (599,356)</u>	<u>\$ 2,254,721</u>

The following table provides the reclassifications from accumulated other comprehensive earnings for the periods presented:

Details about Accumulated Other Comprehensive Earnings Component	Amounts Reclassified from Accumulated Other Comprehensive Earnings				Affected Line Item in the Statement where Net Earnings is Presented
	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,		
	2021	2020	2021	2020	
Unrealized (gains) on AFS investments:					
	\$ (113,397)	\$ (67,102)	\$ (123,271)	\$ (411,651)	Net realized investment (gains)
	23,814	14,092	25,887	86,447	Income tax expense
Total reclassification adjustment, net of tax	<u>\$ (89,583)</u>	<u>\$ (53,010)</u>	<u>\$ (97,384)</u>	<u>\$ (325,204)</u>	

G. RISKS AND UNCERTAINTIES

Certain risks and uncertainties are inherent to our day-to-day operations. Adverse changes in the economy could lower demand for our insurance products or negatively impact our investment results, both of which could have an adverse effect on the revenue and profitability of our operations. The ongoing COVID-19 pandemic has resulted in, and could continue to result in, significant disruptions in economic activity and financial markets. The cumulative effects of COVID-19 on the Company, and the effect of any other public health outbreak, cannot be predicted, but could reduce demand for our insurance policies, result in increased level of losses, settlement expenses or other operating costs, or reduce the market value of invested assets held by the Company.

2. INVESTMENTS

The Company's investments are primarily composed of fixed income debt securities and common and preferred stock equity securities. We carry our equity securities at fair value and categorize all our fixed maturity debt securities as available-for-sale (AFS), which are carried at fair value. When available, quoted market prices are obtained to determine fair value for the Company's investments. If a quoted market price is not available, fair value is estimated using a secondary pricing source or using quoted market prices of similar securities. The Company has no investment securities for which fair value is determined using Level 3 inputs as defined in Note 3 – Fair Value Disclosures. Realized gains and losses on disposition of investments are based on specific identification of the investments sold on the settlement date, which does not differ significantly from trade date accounting.

Available-for-Sale Fixed Maturity and Equity Securities

The following tables are a summary of the proceeds from sales, maturities, and calls of AFS fixed maturity and equity securities and the related gross realized gains and losses.

	For the Three-Months Ended September 30,			
	Proceeds	Gains	Losses	Net Realized Gains (Losses)
2021				
Fixed maturity securities	\$ 5,737,579	\$ 113,397	\$ —	\$ 113,397
Common stocks	769,346	198,390	(24,333)	174,057
2020				
Fixed maturity securities	\$ 3,428,951	\$ 67,102	\$ —	\$ 67,102
Common stocks	986,939	93,984	(226,398)	(132,414)
Preferred stocks	76,500	5,979	—	5,979
	For the Nine-Months Ended September 30,			
	Proceeds	Gains	Losses	Net Realized Gains (Losses)
2021				
Fixed maturity securities	\$ 11,921,877	\$ 132,854	\$ (9,582)	\$ 123,272
Common stocks	2,734,181	753,159	(90,072)	663,087
Preferred stocks	340,523	37,711	—	37,711
2020				
Fixed maturity securities	\$ 12,813,180	\$ 412,577	\$ (926)	\$ 411,651
Common stocks	4,247,936	470,406	(1,282,423)	(812,017)
Preferred stocks	221,990	8,808	(10,762)	(1,954)

The amortized cost and estimated fair value of fixed income securities at September 30, 2021, by contractual maturity, are shown as follows:

	Amortized Cost	Fair Value
Due in one year or less	\$ 1,350,140	\$ 1,367,452
Due after one year through five years	19,902,345	20,985,675
Due after five years through 10 years	16,124,244	17,236,073
Due after 10 years	24,822,242	26,591,640
Asset and mortgage backed securities without a specific due date	41,431,296	42,109,018
Redeemable preferred stocks	215,805	231,716
Total fixed maturity securities	\$ 103,846,072	\$ 108,521,574

Expected maturities may differ from contractual maturities due to call provisions on some existing securities.

The following table is a schedule of amortized cost and estimated fair values of investments in securities classified as available for sale at September 30, 2021 and December 31, 2020:

	Amortized Cost	Fair Value	Gross Unrealized	
			Gains	Losses
2021				
Fixed maturity securities:				
U.S. Treasury	\$ 1,352,223	\$ 1,361,648	\$ 19,538	\$ (10,113)
MBS/ABS/CMBS	41,431,296	42,109,018	910,082	(232,360)
Corporate	42,107,833	45,019,622	3,054,564	(142,775)
Municipal	18,738,915	19,799,570	1,109,084	(48,429)
Redeemable preferred stock	215,805	231,716	15,911	—
Total fixed maturity securities	\$ 103,846,072	\$ 108,521,574	\$ 5,109,179	\$ (433,677)

	Amortized Cost	Fair Value	Gross Unrealized	
			Gains	Losses
2020				
Fixed maturity securities:				
U.S. Treasury	\$ 1,352,758	\$ 1,385,406	\$ 33,336	\$ (688)
MBS/ABS/CMBS	40,509,172	41,743,304	1,367,411	(133,279)
Corporate	39,186,671	43,580,743	4,429,000	(34,928)
Municipal	17,488,621	18,788,674	1,316,358	(16,305)
Redeemable preferred stock	215,805	242,439	26,634	—
Total fixed maturity securities	<u>\$ 98,753,027</u>	<u>\$ 105,740,566</u>	<u>\$ 7,172,739</u>	<u>\$ (185,200)</u>

All the Company's collateralized securities carry an average credit rating of AA+ by one or more major rating agencies and continue to pay according to contractual terms. Included within MBS/ABS/CMBS, as defined in *Note 3 – Fair Value Disclosures*, are asset backed securities with fair values of \$15,137,535 and \$12,801,506, residential mortgage backed securities of \$15,047,391 and \$16,220,343, and commercial mortgage backed securities of \$11,924,092 and \$12,721,455 at September 30, 2021 and December 31, 2020, respectively.

ANALYSIS

The following tables are also used as part of the impairment analysis and displays the total value of securities that were in an unrealized loss position as of September 30, 2021 and December 31, 2020. The tables segregate the securities based on type, noting the fair value, amortized cost, and unrealized loss on each category of investment as well as in total. The table further classifies the securities based on the length of time they have been in an unrealized loss position.

	September 30, 2021			December 31, 2020		
	< 12 Months	12 Months & Greater	Total	< 12 Months	12 Months & Greater	Total
Fixed Maturity Securities:						
U.S. Treasury						
Fair value	\$ 395,500	\$ 294,891	\$ 690,391	\$ 299,391	\$ —	\$ 299,391
Amortized cost	400,439	300,065	700,504	300,078	—	300,078
Unrealized loss	<u>(4,939)</u>	<u>(5,174)</u>	<u>(10,113)</u>	<u>(688)</u>	<u>—</u>	<u>(688)</u>
MBS/ABS/CMBS						
Fair value	15,000,526	1,118,211	16,118,737	7,120,339	2,010,434	9,130,773
Amortized cost	15,171,819	1,179,278	16,351,097	7,236,360	2,027,692	9,264,052
Unrealized loss	<u>(171,293)</u>	<u>(61,067)</u>	<u>(232,360)</u>	<u>(116,021)</u>	<u>(17,258)</u>	<u>(133,279)</u>
Corporate						
Fair value	5,919,961	—	5,919,961	1,739,691	—	1,739,691
Amortized cost	6,062,736	—	6,062,736	1,774,619	—	1,774,619
Unrealized loss	<u>(142,775)</u>	<u>—</u>	<u>(142,775)</u>	<u>(34,928)</u>	<u>—</u>	<u>(34,928)</u>
Municipal						
Fair value	3,311,196	—	3,311,196	756,678	—	756,678
Amortized cost	3,359,625	—	3,359,625	772,984	—	772,984
Unrealized loss	<u>(48,429)</u>	<u>—</u>	<u>(48,429)</u>	<u>(16,306)</u>	<u>—</u>	<u>(16,306)</u>
Total						
Fair value	24,627,183	1,413,102	26,040,285	9,916,099	2,010,434	11,926,533
Amortized cost	24,994,619	1,479,343	26,473,962	10,084,041	2,027,692	12,111,733
Unrealized loss	<u>\$ (367,436)</u>	<u>\$ (66,241)</u>	<u>\$ (433,677)</u>	<u>\$ (167,942)</u>	<u>\$ (17,258)</u>	<u>\$ (185,200)</u>

The fixed income portfolio contained 45 securities in an unrealized loss position as of September 30, 2021. Of these 45 securities, 3 have been in an unrealized loss position for 12 consecutive months or longer and represent \$66,241 in unrealized losses. All fixed income securities in the investment portfolio continue to pay the expected coupon payments under the contractual terms of the securities. Credit-related impairments on fixed income securities that we do not plan to sell, and for which we are not more likely than not to be required to sell, are recognized in net earnings. Any non-credit related impairment is recognized in comprehensive earnings. Based on management's analysis, the fixed income portfolio is of a high credit quality and it is believed it will recover the amortized cost basis of the fixed income securities. Management monitors the credit quality of the fixed income investments to assess if it is probable that the Company will receive its contractual or estimated cash flows in the form of principal and interest.

There were no other-than-temporary impairment losses recognized in net earnings during the first nine months ended September 30, 2021. For all fixed income securities at a loss at September 30, 2021, management believes it is probable that the Company will receive all contractual payments in the form of principal and interest. In addition, the Company is not required to, nor does it intend to sell these investments prior to recovering the entire amortized cost basis for each security,

which may be at maturity. The fixed income securities in an unrealized loss position were not other-than-temporarily impaired at September 30, 2021 and December 31, 2020.

UNREALIZED GAINS AND LOSSES ON EQUITY SECURITIES

Net unrealized (losses) gains for the three and nine months ended September 30, 2021 for equity securities held as of September 30, 2021 were \$(212,136) and \$1,392,999, respectively. Net unrealized gains for the three and nine months ended September 30, 2020 for equity securities held as of September 30, 2020 were \$981,779 and \$2,195, respectively.

Other Invested Assets

Other invested assets include membership in the Federal Home Loan Bank of Chicago (FHLBC), which occurred in February 2018. Our \$300,000 investment in FHLBC stock is carried at cost. Due to the nature of our membership in the FHLBC, the carrying amount approximates fair value.

In addition, other invested assets include privately held investments of \$463,900 and notes receivable of \$1,073,530 which bear interest between 4% and 6.5%. As of September 30, 2021, \$304,987 in note payments have been received and \$9,449 in accrued escrow and interest receivable has been recorded. The Company had no allowance recorded related to uncollectible note receivables at September 30, 2021 and December 31, 2020.

3. FAIR VALUE DISCLOSURES

Fair value is defined as the price in the principal market that would be received for an asset to facilitate an orderly transaction between market participants on the measurement date. The fair value of certain financial instruments is determined based on their underlying characteristics and relevant transactions in the marketplace. GAAP guidance requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance also describes three levels of inputs that may be used to measure fair value.

The following are the levels of the fair value hierarchy and a brief description of the type of valuation inputs that are used to establish each level:

- Level 1** is applied to valuations based on readily available, unadjusted quoted prices in active markets for identical assets.
- Level 2** is applied to valuations based upon quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets; or valuations based on models where the significant inputs are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities) or can be corroborated by observable market data.
- Level 3** is applied to valuations that are derived from techniques in which one or more of the significant inputs are unobservable. Financial assets are classified based upon the lowest level of significant input that is used to determine fair value.

As a part of the process to determine fair value, management utilizes widely recognized, third-party pricing sources to determine fair values. Management has obtained an understanding of the third-party pricing sources' valuation methodologies and inputs. The following is a description of the valuation techniques used for financial assets that are measured at fair value, including the general classification of such assets pursuant to the fair value hierarchy.

Corporate, Agencies, and Municipal Bonds—The pricing vendor employs a multi-dimensional model which uses standard inputs including (listed in order of priority for use) benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, market bids/offers and other reference data. The pricing vendor also monitors market indicators, as well as industry and economic events. All bonds valued using these techniques are classified as Level 2. All Corporate, Agencies, and Municipal securities are deemed Level 2.

Mortgage-backed Securities (MBS), Collateralized Mortgage Obligations (CMO), Commercial Mortgage-backed Securities (CMBS) and Asset-backed Securities (ABS)—The pricing vendor evaluation methodology includes principally interest rate movements and new issue data. Evaluation of the tranches (non-volatile, volatile, or credit sensitivity) is based on the pricing vendors' interpretation of accepted modeling and pricing conventions. This information is then used to determine the cash flows for each tranche, benchmark yields, pre-payment assumptions and to incorporate collateral performance. To evaluate CMO volatility, an option adjusted spread model is used in combination with models that simulate interest rate paths to determine market price information. This process allows the pricing vendor to obtain evaluations of a broad universe of securities in a way that reflects changes in yield curve, index rates, implied volatility, mortgage rates, and recent trade activity.

[Table of Contents](#)

MBS, CMBS, CMO and ABS with corroborated and observable inputs are classified as Level 2. All MBS, CMBS, CMO and ABS holdings are deemed Level 2.

U.S. Treasury Bonds, Common Stocks and Exchange Traded Funds—U.S. treasury bonds and exchange traded equities have readily observable price levels and are classified as Level 1 (fair value based on quoted market prices). All common stock holdings are deemed Level 1.

Preferred Stock—Preferred stocks do not have readily observable prices, but do have quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices and are classified as Level 2. All preferred stock holdings are deemed Level 2.

Due to the relatively short-term nature of cash and cash equivalents, their carrying amounts are reasonable estimates of fair value. Other invested assets as well as debt obligations are carried at face value and given that there is no readily available market for these to trade in, management believes that face value accurately reflects fair value.

Assets measured at fair value on a recurring basis as of September 30, 2021, are summarized below:

	Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
AFS securities				
Fixed maturity securities				
U.S. treasury	\$ 1,361,648	\$ —	\$ —	\$ 1,361,648
MBS/ABS/CMBS	—	42,109,018	—	42,109,018
Corporate	—	45,019,622	—	45,019,622
Municipal	—	19,799,570	—	19,799,570
Redeemable preferred stocks	—	231,716	—	231,716
Total fixed maturity securities	1,361,648	107,159,926	—	108,521,574
Equity securities				
Common stocks	22,066,048	—	—	22,066,048
Perpetual preferred stocks	—	1,803,285	—	1,803,285
Total equity securities	22,066,048	1,803,285	—	23,869,333
Total marketable investments measured at fair value	\$ 23,427,696	\$ 108,963,211	\$ —	\$ 132,390,907

Assets measured at fair value on a recurring basis as of December 31, 2020, are summarized below:

	Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
AFS securities				
Fixed maturity securities				
U.S. treasury	\$ 1,385,406	\$ —	\$ —	\$ 1,385,406
MBS/ABS/CMBS	—	41,743,304	—	41,743,304
Corporate	—	43,580,743	—	43,580,743
Municipal	—	18,788,674	—	18,788,674
Redeemable preferred stocks	—	242,439	—	242,439
Total fixed maturity securities	1,385,406	104,355,160	—	105,740,566
Equity securities				
Common stocks	14,724,814	—	—	14,724,814
Perpetual preferred stocks	—	1,683,892	—	1,683,892
Total equity securities	14,724,814	1,683,892	—	16,408,706
Total marketable investments measured at fair value	\$ 16,110,220	\$ 106,039,052	\$ —	\$ 122,149,272

As noted in the previous tables, the Company did not have any assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of September 30, 2021 and December 31, 2020. Additionally, there were no securities transferred in or out of Levels 1 or 2 during the nine-month periods ended September 30, 2021 and 2020.

4. DEBT

Debt Obligation

ICC Holdings, Inc. secured a loan with a commercial bank in March 2017 in the amount of \$3.5 million and used the proceeds to repay ICC for the money borrowed by the ESOP. The term of the loan is five years bearing interest at 3.65%. The Company pledged stock and \$1.0 million of marketable assets as collateral for the loan.

The Company also has borrowing capacity up to approximately \$37 million in the aggregate from its membership with the Federal Home Loan Bank of Chicago (FHLBC).

As part of the Company's response to COVID-19, the Company obtained, in March 2020, a \$6.0 million loan from the FHLBC as a precautionary measure to increase its cash position, to provide increased liquidity, and to compensate for potential reductions in premium receivable collections. The term of the loan is five years bearing interest at 1.4%. The Company pledged \$6.8 million of fixed income securities as collateral for this loan.

The Company's \$4.0 million, 0% interest, one-year FHLBC loan, obtained in May 2020, matured on May 3, 2021. On this date, a new \$4.0 million, 0.74% fixed interest, one-year FHLBC loan became effective. This loan agreement was arranged in July 2020. Collateral totaling \$7.4 million supports both the \$6.0 million and \$4.0 million outstanding FHLBC loans and consists of fixed income securities.

A one-year FHLBC loan for \$5.0 million, 0% interest was entered into on May 28, 2021. Upon maturity in May 2022, this loan will rollover to a \$5.0 million, 1.36% fixed interest loan. Collateral totaling \$5.8 million supports this new FHLBC loan and consists of fixed income securities.

The total balance of the debt agreements at September 30, 2021 and December 31, 2020 was \$18,458,022 and \$13,465,574, respectively. The average interest rate on remaining debt was 1.3% as of September 30, 2021 and 1.6% as of December 31, 2020.

Revolving Line of Credit

We maintained a revolving line of credit with a commercial bank, which permitted borrowing up to an aggregate principal amount of \$1.75 million. This facility was initially entered into during 2013 and expired August 2020. The line of credit was priced at 30-day LIBOR plus 2% with a floor of 3.5%. In order to secure the lowest rate possible, the Company pledged marketable securities not to exceed \$5.0 million in the event the Company would draw down on the line of credit. There were no financial covenants governing this agreement.

Effective August 2020, the Company replaced its expired line of credit with a \$2.0 million revolving line of credit with another commercial bank, which renews annually and has a current expiration date of July 2022. This new line of credit is priced at Prime plus 0.5%. The Company pledged \$2.0 million of business assets in the event the Company draws down on the line of credit. There are no financial covenants governing this agreement.

There was no interest paid on these lines of credit during the nine months ended September 30, 2021 and 2020.

5. REINSURANCE

In the ordinary course of business, the Company assumes and cedes premiums and selected insured risks with other insurance companies, known as reinsurance. A large portion of the reinsurance is put into effect under contracts known as treaties and, in some instances, by negotiation on each individual risk (known as facultative reinsurance). In addition, there are several types of treaties including quota share, excess of loss and catastrophe reinsurance contracts that protect against losses over stipulated amounts arising from any one occurrence or event. The arrangements allow the Company to pursue greater diversification of business and serve to limit the maximum net loss to a single event, such as a catastrophe. Through the quantification of exposed policy limits in each region and the extensive use of computer-assisted modeling techniques, management monitors the concentration of risks exposed to catastrophic events.

Through the purchase of reinsurance, the Company also generally limits its net loss on any individual risk to a maximum of \$1,000,000 for casualty and workers' compensation business and \$750,000 for property, although certain treaties contain an annual aggregate deductible before reinsurance applies.

Premiums, written and earned, along with losses and settlement expenses incurred for the periods presented is summarized as follows:

	Three-Month Periods Ended September 30,	
	2021	2020
WRITTEN		
Direct	\$ 18,356,903	\$ 14,534,058
Reinsurance assumed	41,008	51,551
Reinsurance ceded	(2,812,181)	(2,328,734)
Net	<u>\$ 15,585,730</u>	<u>\$ 12,256,875</u>
EARNED		
Direct	\$ 16,839,315	\$ 14,825,942
Reinsurance assumed	37,998	51,108
Reinsurance ceded	(2,797,918)	(2,344,083)
Net	<u>\$ 14,079,395</u>	<u>\$ 12,532,967</u>
LOSS AND SETTLEMENT EXPENSES INCURRED		
Direct	\$ 11,186,326	\$ 10,536,397
Reinsurance assumed	16,452	6,073
Reinsurance ceded	(2,388,256)	(1,679,417)
Net	<u>\$ 8,814,522</u>	<u>\$ 8,863,053</u>
	Nine-Month Periods Ended September 30,	
	2021	2020
WRITTEN		
Direct	\$ 52,045,372	\$ 44,240,437
Reinsurance assumed	34,661	114,924
Reinsurance ceded	(8,183,606)	(7,921,708)
Net	<u>\$ 43,896,427</u>	<u>\$ 36,433,653</u>
EARNED		
Direct	\$ 46,897,960	\$ 44,710,106
Reinsurance assumed	49,958	116,404
Reinsurance ceded	(8,087,003)	(7,904,808)
Net	<u>\$ 38,860,915</u>	<u>\$ 36,921,702</u>
LOSS AND SETTLEMENT EXPENSES INCURRED		
Direct	\$ 33,992,513	\$ 37,370,896
Reinsurance assumed	26,703	44,409
Reinsurance ceded	(8,737,708)	(11,501,686)
Net	<u>\$ 25,281,508</u>	<u>\$ 25,913,619</u>

6. UNPAID LOSSES AND SETTLEMENT EXPENSES

The following table is a reconciliation of the Company's unpaid losses and settlement expenses:

<i>(In thousands)</i>	For the Three-Months Ended September 30,	
	2021	2020
Unpaid losses and settlement expense - beginning of the period:		
Gross	\$ 63,858	\$ 66,415
Less: Ceded	15,918	19,463
Net	47,940	46,952
Increase in incurred losses and settlement expense:		
Current year	8,582	9,298
Prior years	233	(435)
Total incurred	8,815	8,863
Deduct: Loss and settlement expense payments for claims incurred:		
Current year	5,384	4,885
Prior years	4,557	2,831
Total paid	9,941	7,716
Net unpaid losses and settlement expense - end of the period	46,815	48,099
Plus: Reinsurance recoverable on unpaid losses	14,476	13,844
Gross unpaid losses and settlement expense - end of the period	\$ 61,291	\$ 61,943

<i>(In thousands)</i>	For the Nine-Months Ended September 30,	
	2021	2020
Unpaid losses and settlement expense - beginning of the period:		
Gross	\$ 61,576	\$ 56,838
Less: Ceded	13,020	11,036
Net	48,556	45,802
Increase in incurred losses and settlement expense:		
Current year	23,818	23,838
Prior years	1,464	2,076
Total incurred	25,282	25,914
Deduct: Loss and settlement expense payments for claims incurred:		
Current year	10,195	10,534
Prior years	16,829	13,083
Total paid	27,024	23,617
Net unpaid losses and settlement expense - end of the period	46,815	48,099
Plus: Reinsurance recoverable on unpaid losses	14,476	13,844
Gross unpaid losses and settlement expense - end of the period	\$ 61,291	\$ 61,943

For the nine months ended September 30, 2021 and 2020, we experienced unfavorable development of \$1,464,000 and \$2,076,000, respectively. The unfavorable development for the three and nine months ended September 30, 2021 was primarily driven by the Business Owners Liability and Business Owners Property lines of business. Similarly, Business Owners Liability and Business Owners Property lines of business were the primary drivers of adverse development for the three and nine months ended September 30, 2020.

7. INCOME TAXES

The Company's effective tax rate for the three and nine-month periods ended September 30, 2021 were 22.4% and 21.6%, respectively, compared to 19.8% and 23.4% for the same periods in 2020, respectively. Effective rates are dependent upon components of pretax earnings and losses and the related tax effects.

Income tax expense for the three and nine-month periods ended September 30, 2021 and 2020 differed from the amounts computed by applying the U.S. federal tax rate of 21% to pretax income from continuing operations as demonstrated in the following table:

	For the Three-Months Ended September 30,	
	2021	2020
Provision for income taxes at the statutory federal tax rates	\$ 114,800	\$ 105,820
Increase (reduction) in taxes resulting from:		
Dividends received deduction	(8,657)	(7,871)
Tax-exempt interest income	(14,890)	(15,531)
Proration of tax-exempt interest and dividends received deduction	5,685	5,715
Nondeductible expenses	25,302	11,523
Officer life insurance, net	165	263
Total	\$ 122,405	\$ 99,919

	For the Nine-Months Ended September 30,	
	2021	2020
Provision for income taxes at the statutory federal tax rates	\$ 575,332	\$ (215,948)
Increase (reduction) in taxes resulting from:		
Dividends received deduction	(24,732)	(21,567)
Tax-exempt interest income	(44,437)	(46,795)
Proration of tax-exempt interest and dividends received deduction	16,748	16,683
Nondeductible expenses	67,397	25,751
Officer life insurance, net	498	896
Total	\$ 590,806	\$ (240,980)

Management believes it is more likely than not that all deferred tax assets will be recovered as the result of future operations, which will generate sufficient taxable income to realize the deferred tax asset.

As of September 30, 2021 and December 31, 2020, the Company does not have any capital or operating loss carryforwards. Periods still subject to IRS audit include 2017 through current year. There are currently no open tax exams.

8. EMPLOYEE BENEFITS**ESOP**

In connection with our conversion and public offering, we established an ESOP. The ESOP borrowed from the Company to purchase 350,000 shares in the offering. The issuance of the shares to the ESOP resulted in a contra account established in the equity section of the balance sheet for the unallocated shares at an amount equal to their \$10.00 per share purchase price.

The Company may make discretionary contributions to the ESOP and pay dividends on unallocated shares to the ESOP. ICC makes annual contributions to the ESOP sufficient to repay the loan. When loan payments are made, ESOP shares are allocated to participants based on relative compensation. No contributions to the ESOP were made during the nine months ended September 30, 2021 and 2020, respectively.

A compensation expense charge is booked monthly during each year for the shares committed to be allocated to participants that year, determined with reference to the fair market value of our stock at the time the commitment to allocate the shares is accrued and recognized. For the nine months ended September 30, 2021, we recognized compensation expense of \$271,165 related to 17,530 shares of our common stock that are committed to be released to participants' accounts at December 31, 2021. Of the 17,530 shares committed to be released, 1,926 shares were committed on September 30, 2021 and

[Table of Contents](#)

had no impact on the weighted average common shares outstanding for the nine months ended September 30, 2021. For the nine months ended September 30, 2020, we recognized compensation expense of \$206,535 related to 17,546 shares of our common stock that were committed to be released to participants' accounts at December 31, 2020. Of the 17,546 shares committed to be released at December 31, 2020, 1,921 shares were committed on September 30, 2020 and had no impact on the weighted average common shares outstanding for the nine months ended September 30, 2020.

RESTRICTED STOCK UNITS

Restricted stock units (RSUs) were granted for the first time in February 2018 with additional RSUs granted in March 2019, April 2020, and April 2021. RSUs have a grant date value equal to the closing price of the Company's stock on the dates the shares are granted. The RSUs vest one third over three years beginning the first anniversary of the date of grant.

As of September 30, 2021, 15,000, 18,040, 13,071, and 11,700 RSUs have been granted at a fair market value of \$14.78, \$11.03, \$13.70, and \$15.10, respectively. We recognized \$137,055 and \$126,588 of expense on these units in the nine months ended September 30, 2021 and 2020, respectively. Total unrecognized compensation expense relating to outstanding and unvested RSUs was \$304,679 as of September 30, 2021, which will be recognized over the remainder of their respective three years of vesting.

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date the financial statements were issued.

We acquired Southern Hospitality, LLC DBA Katkin on October 1, 2021 for an aggregate cash consideration of \$100,000. Katkin provides certified food and beverage safety education for a wide variety of food service professionals.

~ 19 ~

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Private Securities Litigation Reform Act of 1995 (the "Reform Act") provides a safe harbor for forward-looking statements made by or on behalf of ICC Holdings, Inc. ICC Holdings, Inc. and its representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in ICC Holdings, Inc.'s filings with the Securities and Exchange Commission (SEC) and its reports to shareholders. Generally, the inclusion of the words "anticipates," "believe," "estimate," "expect," "future," "intend," "may," "plans," "seek," "will," or the negative of such terms and similar expressions identify statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and that are intended to come within the safe harbor protection provided by those sections. All statements addressing operating performance, events, or developments that ICC Holdings, Inc. expects or anticipates will occur in the future, including statements relating to sales growth, earnings or earnings per share growth, and market share, as well as statements expressing optimism or pessimism about future operating results, are forward-looking statements within the meaning of the Reform Act. The forward-looking statements are and will be based on management's then-current beliefs and assumptions regarding future events and operating performance and on information currently available to management, and are applicable only as of the dates of such statements.

Forward-looking statements involve risks, uncertainties and assumptions, including, among other things, the factors discussed under the heading "Item 1A. Risk Factors" of ICC Holdings, Inc.'s Annual Report on Form 10-K and those listed below. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Actual results may differ materially from those expressed in these forward-looking statements due to several uncertainties and risks, including the risks described in this Quarterly Report on Form 10-Q and other unforeseen risks. Readers should not put undue reliance on any forward-looking statements. These statements speak only as of the date of this Quarterly Report on Form 10-Q, even if subsequently made available by us on our website or otherwise, and we undertake no obligation to update or revise these statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q.

All of these factors are difficult to predict and many are beyond our control. These important factors include those discussed under "Item 1A. Risk Factors" of ICC Holdings, Inc.'s 2020 Annual Report on Form 10-K and those listed below:

- the potential impact of fraud, operational errors, systems malfunctions, or cybersecurity incidents;
- future economic conditions in the markets in which we compete that are less favorable than expected;
- our ability to expand geographically;
- the effects of weather-related and other catastrophic events, including those related to health emergencies and the spread of infectious diseases and pandemics;
- the effect of legislative, judicial, economic, demographic and regulatory events in the jurisdictions where we do business, especially changes with respect to laws, regulations and judicial decisions relating to liquor liability;
- our ability to enter new markets successfully and capitalize on growth opportunities either through acquisitions or the expansion of our producer network;
- financial market conditions, including, but not limited to, changes in interest rates and the stock markets causing a reduction of investment income or investment gains and a reduction in the value of our investment portfolio;
- heightened competition, including specifically the intensification of price competition, the entry of new competitors and the development of new products by new or existing competitors, resulting in a reduction in the demand for our products;
- actual claims may exceed our best estimate of ultimate insurance losses incurred through September 30, 2021 resulting directly from the COVID-19 pandemic and consequent economic crises;
- our reserves at September 30, 2021 could change including as a result of, among other things, the impact of legislative or regulatory actions taken in response to COVID-19;
- the continued impact of COVID-19, its variants and related risks, including from shelter-in-place and other restrictive orders, unemployment, and the financial market volatility, could continue to adversely impact our results, including premiums written and investment income;
- infection rates, severity of pandemics, including COVID-19 and its variants, civil unrest and their effects on our business operations and claims activity, and any adverse impact to our insureds, brokers, agents, and employees;
- the impact of acts of terrorism and acts of war;
- the effects of terrorist related insurance legislation and laws;
- changes in general economic conditions, including inflation, unemployment, interest rates and other factors;
- the cost, availability and collectability of reinsurance;
- estimates and adequacy of loss reserves and trends in loss and settlement expenses;
- changes in the coverage terms selected by insurance customers, including higher limits;
- our inability to obtain regulatory approval of, or to implement, premium rate increases;
- our ability to obtain reinsurance coverage at reasonable prices or on terms that adequately protect us;

- the potential impact on our reported net income that could result from the adoption of future auditing or accounting standards issued by the Public Company Accounting Oversight Board or the Financial Accounting Standards Board or other standard-setting bodies;
- unanticipated changes in industry trends and ratings assigned by nationally recognized rating organizations;
- adverse litigation or arbitration results;
- litigation tactics and developments, including those related to business interruption claims; and
- adverse changes in applicable laws, regulations or rules governing insurance holding companies and insurance companies, and environmental, tax or accounting matters including limitations on premium levels, increases in minimum capital and reserves, and other financial viability requirements, and changes that affect the cost of, or demand for our products.

Because forward-looking information is subject to various risks and uncertainties, actual results may differ materially from that expressed or implied by the forward-looking information.

All subsequent written and oral forward-looking information attributable to ICC Holdings, Inc. or any person acting on our behalf is expressly qualified in its entirety by the cautionary statement contained or referred to in this section.

Overview

ICC is a regional property and casualty insurance company incorporated in Illinois and focused exclusively on the food and beverage industry. On the effective date of the mutual-to-public company conversion, ICC became a wholly owned subsidiary of ICC Holdings, Inc.

For the nine months ended September 30, 2021, we had direct written premiums of \$52,045,000, net premiums earned of \$38,861,000, and net earnings of \$2,149,000. For the nine months ended September 30, 2020, we had direct premiums written of \$44,240,000, net premiums earned of \$36,922,000, and net loss of \$787,000. At September 30, 2021, we had total assets of \$195,306,000 and equity of \$73,371,000. At December 31, 2020, we had total assets of \$183,939,000 and equity of \$72,743,000. In response to the ongoing novel coronavirus (COVID-19) pandemic, in March 2020, we temporarily suspended all insurance premium billing for at least 30 days, and, by August 2020, normal billing resumed in all states in which we operate.

We are an “emerging growth company” as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” including, but not limited to: not required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act; reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; exemptions from the requirements of holding an annual non-binding advisory vote on executive compensation and nonbinding stockholder approval of any golden parachute payments not previously approved.

In addition, Section 107 of the JOBS Act also provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have taken advantage of the extended transition period provided by Section 107 of the JOBS Act. We decided to comply with the effective dates for financial accounting standards applicable to emerging growth companies later in compliance with the requirements in Sections 107(b)(2) and (3) of the JOBS Act. Such decision is irrevocable.

Principal Revenue and Expense Items

We derive our revenue primarily from premiums earned, net investment income and net realized and unrealized gains (losses) from investments.

Gross and net premiums written

Gross premiums written is equal to direct and assumed premiums before the effect of ceded reinsurance. Net premiums written is the difference between gross premiums written and premiums ceded or paid to reinsurers (ceded premiums written).

Net premiums earned

Premiums earned is the earned portion of our net premiums written. Gross premiums written include all premiums recorded by an insurance company during a specified policy period. Insurance premiums on property and casualty insurance contracts are recognized in proportion to the underlying risk insured and are earned ratably over the duration of the policies. At the end of each accounting period, the portion of the premiums that is not yet earned is included in unearned premiums and is realized as revenue in subsequent periods over the remaining term of the policy. Our policies typically have a term of twelve months. Thus, for example, for a policy that is written on July 1, 2021, one-half of the premiums would be earned in 2021 and the other half would be earned in 2022.

Net investment income and net realized gains (losses) on investments

We invest our surplus and the funds supporting our insurance liabilities (including unearned premiums and unpaid loss and loss adjustment expenses) in cash, cash equivalents, equities, fixed securities and real estate. Investment income includes interest and dividends earned on invested assets as well as rental income on investment properties. Net realized gains and losses on invested assets are reported separately from net investment income. We recognize realized gains when invested assets are sold for an amount greater than their cost or amortized cost (in the case of fixed securities) and recognize realized losses when investment securities are written down as a result of an other than temporary impairment or sold for an amount less than their cost or amortized cost, as applicable. We recognize in earnings the change in unrealized gains and losses on equity securities when our equity securities are trading at an amount greater than or less than their cost, respectively. Unrealized (losses) gains on equity securities for the three and nine months ended September 30, 2021 were \$ (212,000) and \$1,393,000, respectively. Unrealized gains for the three and nine months ended September 30, 2020 for equity securities were \$982,000 and \$2,000, respectively. Our portfolio of investment securities is managed by two independent third parties with managers specializing in the insurance industry.

ICC's expenses consist primarily of:

Losses and settlement expenses

Losses and settlement expenses represent the largest expense item and include: (1) claim payments made, (2) estimates for future claim payments and changes in those estimates for prior periods, and (3) costs associated with investigating, defending and adjusting claims.

Amortization of deferred policy acquisition costs and other operating expenses

Expenses incurred to underwrite risks are referred to as policy acquisition expenses. Variable policy acquisition costs consist of commission expenses, premium taxes and certain other underwriting expenses that vary with and are primarily related to the writing and acquisition of new and renewal business. These policy acquisition costs are deferred and amortized over the effective period of the related insurance policies. Fixed policy acquisition costs are expensed as incurred. These costs include salaries, rent, office supplies, and depreciation. Other operating expenses consist primarily of information technology costs, accounting and internal control salaries, as well as audit and legal expenses.

Income taxes

We use the asset and liability method of accounting for income taxes. Deferred income taxes arise from the recognition of temporary differences between financial statement carrying amounts and the tax bases of our assets and liabilities. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. The effect of a change in tax rates is recognized in the period of the enactment date.

Key Financial Measures

We evaluate our insurance operations by monitoring certain key measures of growth and profitability. In addition to reviewing our financial performance based on results determined in accordance with generally accepted accounting principles in the United States (GAAP), we utilize certain operational financial measures that we believe are valuable in managing our business and for comparison to our peers. These operational measures are combined ratio, written premiums, underwriting income, the losses and settlement expense ratio, the expense ratio, the ratio of net written premiums to statutory surplus and return on average equity.

We measure growth by monitoring changes in gross premiums written and net premiums written. We measure underwriting profitability by examining losses and settlement expense, underwriting expense and combined ratios. We also measure profitability by examining underwriting income (loss) and net earnings (loss).

Losses and settlement expense ratio

The losses and settlement expense ratio is the ratio (expressed as a percentage) of losses and settlement expenses incurred to net premiums earned. We measure the losses and settlement expense ratio on an accident year and calendar year loss basis to measure underwriting profitability. An accident year loss ratio measures losses and settlement expenses for insured events occurring in a particular year, regardless of when they are reported, as a percentage of premiums earned during that year. A calendar year loss ratio measures loss and settlement expense for insured events occurring during a particular year and the change in loss reserves from prior accident years as a percentage of premiums earned during that year.

Expense ratio

The underwriting expense ratio is the ratio (expressed as a percentage) of amortization of deferred policy acquisition costs and other operating expenses to premiums earned, and measures our operational efficiency in producing, underwriting and administering our insurance business.

GAAP combined ratio

Our GAAP combined ratio is the sum of the losses and settlement expense ratio and the expense ratio and measures our overall underwriting profit. If the GAAP combined ratio is below 100%, we are making an underwriting profit. If our combined ratio is at or above 100%, we are not profitable without investment income and may not be profitable if investment income is insufficient.

Net premiums written to statutory surplus ratio

The net premiums written to statutory surplus ratio represents the ratio of net premiums written, after reinsurance ceded, to statutory surplus. This ratio measures our exposure to pricing errors in our current book of business. The higher the ratio, the greater the impact on surplus should pricing prove inadequate.

Underwriting income (loss)

Underwriting income (loss) measures the pre-tax profitability of our insurance operations. It is derived by subtracting losses and settlement expense, amortization of deferred policy acquisition costs, and underwriting and administrative expenses from net earned premiums. Each of these items is presented as a caption in our statements of earnings.

Net earnings (loss) and return on average equity

We use net earnings (loss) to measure our profit and return on average equity to measure our effectiveness in utilizing equity to generate net earnings. In determining return on average equity for a given year, net earnings (loss) is divided by the average of the beginning and ending equity for that year.

Critical Accounting Policies

The accounting policies and estimates considered by management to be critically important in the preparation and understanding of the Company's financial statements and related disclosures are presented in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Results of Operations

Our results of operations are influenced by factors affecting the property and casualty insurance industry in general. The operating results of the United States property and casualty insurance industry are subject to significant variations due to competition, weather, catastrophic events, regulation, general economic conditions, judicial trends, fluctuations in interest rates and other changes in the investment environment. In response to the ongoing novel coronavirus (COVID-19) pandemic, in March 2020, we announced a temporary suspense of all insurance premium billing for 30 days, and, by August 2020 normal billing had resumed in all states in which we operate.

Our premium and underwriting results have been, and continue to be, influenced by market conditions. Pricing in the property and casualty insurance industry historically has been cyclical. During a soft market cycle, price competition is more significant than during a hard market cycle and makes it difficult to attract and retain properly priced commercial business. A hard market typically has a positive effect on premium growth.

The following summarizes our results for the nine months ended September 30, 2021 and 2020:

Premiums

Direct premiums written grew by \$7,805,000, or 17.6%, to \$52,045,000 for the nine months ended September 30, 2021 from \$44,240,000 for the same period of 2020. Net written premium increased by \$7,463,000, or 20.5%, to \$43,896,000 for the nine months ended September 30, 2021 from \$36,433,000 for the same period in 2020. Net premiums earned grew by \$1,939,000, or 5.3%, in the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020, primarily due to continued relaxation of state mandated shutdowns of restaurants and taverns within our markets in the current year.

For the nine months ended September 30, 2021, we ceded to reinsurers \$8,087,000 of earned premiums, compared to \$7,905,000 of earned premiums for the nine months ended September 30, 2020. Ceded earned premiums as a percent of direct premiums written decreased to 15.5% from 17.9% for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020.

Premiums are earned ratably over the term of the policy whereas written premiums are reflected on the effective date of the policy.

Investment Income

Net investment income decreased by \$236,000, or 8.9%, to \$2,409,000 for the nine months ended September 30, 2021, as compared to \$2,645,000 for the same period in 2020 as a result of a decrease in our bond portfolio's investment income which is sensitive to the changes in interest rates.

Other Income

Other income is derived from policies we write and represents additional charges to policyholders for services outside of the premium charge, such as installment billing or policy issuance costs. Other income increased by \$114,000 or 137.3% during the nine months ended September 30, 2021 as a result of fewer premium write offs and higher gains on the sale of non-investment assets as compared to the same period in 2020.

Unpaid Losses and Settlement Expenses

The following table details our unpaid losses and settlement expenses.

<i>(In thousands)</i>	For the Nine-Months Ended	
	September 30,	
	2021	2020
Unpaid losses and settlement expense - beginning of the period:		
Gross	\$ 61,576	\$ 56,838
Less: Ceded	13,020	11,036
Net	48,556	45,802
Increase in incurred losses and settlement expense:		
Current year	23,818	23,838
Prior years	1,464	2,076
Total incurred	25,282	25,914
Deduct: Loss and settlement expense payments for claims incurred:		
Current year	10,195	10,534
Prior years	16,829	13,083
Total paid	27,024	23,617
Net unpaid losses and settlement expense - end of the period	46,815	48,099
Plus: Reinsurance recoverable on unpaid losses	14,476	13,844
Gross unpaid losses and settlement expense - end of the period	\$ 61,291	\$ 61,943

Net unpaid losses and settlement expense decreased by \$1,284,500, or 2.7%, in the nine months ended September 30, 2021 as compared to the same period in 2020. For the nine months ended September 30, 2021 and 2020, we experienced unfavorable development of \$1,464,000 and \$2,076,000, respectively. The unfavorable development for the nine months ended September 30, 2021 was primarily driven by the Business Owners Liability and Business Owners Property lines of business.

[Table of Contents](#)

Similarly, Business Owners Liability and Business Owners Property lines of business were the primary drivers of adverse development for the nine months ended September 30, 2020.

Losses and Settlement Expenses

Losses and settlement expenses decreased by \$632,000, or 2.4%, to \$25,282,000 for the nine months ended September 30, 2021, from \$25,914,000 for the same period in 2020. This change in losses and settlement expenses reflects a more positive claims experience than the prior year which included civil unrest claims.

Policy Acquisition Costs and Other Operating Expenses and the Expense Ratio

Policy acquisition costs are costs we incur to issue policies, which include commissions, premium taxes, underwriting reports, and underwriter compensation costs. The Company offsets the direct commissions it pays with ceded commissions it receives from reinsurers. Other operating expenses consist primarily of information technology costs, accounting and internal control salaries, as well as audit and legal expenses. Policy acquisition costs and other operating expenses increased by \$1,215,000, or 8.8%, to \$14,957,000 for the nine months ended September 30, 2021 from \$13,742,000 for the same period in 2020.

Our expense ratio is calculated by dividing the sum of policy acquisition costs and operating expenses by net earned premiums. We use the expense ratio to evaluate the operating efficiency of our consolidated operations. Costs that cannot be readily identifiable as a direct cost of a product line remain in general corporate expenses.

Our expense ratio increased by 127 basis points from 37.22% to 38.49% for the nine months ended September 30, 2021 as compared to the same period in 2020. The primary driver for this change was an increase in contingent commission expenses.

General Corporate Expenses

General corporate expenses consist primarily of occupancy costs, such as rent and utilities. These costs are largely fixed and, therefore, do not vary significantly with premium volume but do vary with the Company's changes in properties held for investment. Our general corporate expenses increased by \$60,000, or 12.7%, in the nine months ended September 30, 2021 as compared to the same period in 2020.

Interest Expense

Interest expense increased to \$174,000 for the nine months ended September 30, 2021 from \$151,000 for the same period during 2020 and reflects a full nine months of interest for the \$6.0 million FHLBC borrowing agreement entered into in March 2020 and five months of interest for the \$4.0 million FHLBC loan entered into in May 2021.

Income Tax Expense

We reported income tax expense of \$591,000 and income tax benefit of \$241,000 for the nine months ended September 30, 2021 and 2020, respectively. The increase in income tax expense in 2021 relates to pretax earnings for the nine months ended September 30, 2021 compared to a pretax loss for the same period in 2020. Our effective tax rate for the nine months ended September 30, 2021 was 21.6%, compared to 23.4% for the same period in 2020. Effective rates are dependent upon components of pretax earnings and losses and the related tax effects.

The Company has not established a valuation allowance against any of the net deferred tax assets.

The following summarizes our results for the three months ended September 30, 2021 and 2020:

Premiums

Direct premiums written grew by \$3,823,000, or 26.3%, to \$18,357,000 for the three months ended September 30, 2021 from \$14,534,000 for the same period of 2020. Net written premium grew by \$3,329,000, or 27.2%, to \$15,586,000 for the three months ended September 30, 2021 from \$12,257,000 for the same period in 2020. Net premiums earned grew by \$1,546,000, or 12.3%, in the three months ended September 30, 2021 as compared to the three months ended September 30, 2020, primarily due to targeted premium growth in addition to the ongoing relaxation of state mandated shutdowns of restaurants and taverns within our markets.

For the three months ended September 30, 2021, we ceded to reinsurers \$2,798,000 of earned premiums, compared to \$2,344,000 of earned premiums for the three months ended September 30, 2020. Ceded earned premiums as a percent of direct

premiums written for the three months ended September 30, 2021 decreased to 15.2% from 16.1% for the three months ended September 30, 2020.

Premiums are earned ratably over the term of the policy whereas written premiums are reflected on the effective date of the policy.

Investment Income

Net investment income decreased by \$77,000, or 8.5%, to \$824,000 for the three months ended September 30, 2021, as compared to \$901,000 for the same period in 2020 as a result of a decrease in our bond portfolio's investment income which is sensitive to the changes in interest rates.

Other Income

Other income is derived from policies we write and represents additional charges to policyholders for services outside of the premium charge, such as installment billing or policy issuance costs. Other income increased by \$96,000 or 266.7% during the three months ended September 30, 2021 as a result of fewer premium write offs as compared to the same period in 2020.

Losses and Settlement Expenses

Losses and settlement expenses decreased by \$48,000, or 0.5%, to \$8,815,000 for the three months ended September 30, 2021, from \$8,863,000 for the same period in 2020. Losses and settlement expenses decreased slightly for the three months ended September 30, 2021 due to the combination of generally more favorable claims experience and the absence of prior year's civil unrest claims.

Policy Acquisition Costs and Other Operating Expenses and the Expense Ratio

Policy acquisition costs are costs we incur to issue policies, which include commissions, premium taxes, underwriting reports, and underwriter compensation costs. The Company offsets the direct commissions it pays with ceded commissions it receives from reinsurers. Other operating expenses consist primarily of information technology costs, accounting and internal control salaries, as well as audit and legal expenses. Policy acquisition costs and other operating expenses increased by \$721,000, or 15.3%, to \$5,443,000 for the three months ended September 30, 2021 from \$4,722,000 for the same period in 2020.

Our expense ratio is calculated by dividing the sum of policy acquisition costs and operating expenses by net earned premiums. We use the expense ratio to evaluate the operating efficiency of our consolidated operations. Costs that cannot be readily identifiable as a direct cost of a product line remain in general corporate expenses.

Our expense ratio increased by 98 basis points from 37.68% to 38.66% for the three months ended September 30, 2021 as compared to the same period in 2020. The primary driver for this change was an increase in contingent commission expenses.

General Corporate Expenses

General corporate expenses consist primarily of occupancy costs, such as rent and utilities. These costs are largely fixed and, therefore, do not vary significantly with premium volume but do vary with the Company's changes in properties held for investment. Our general corporate expenses decreased by \$2,000, or 1.2%, in the three months ended September 30, 2021 as compared to the same period in 2020.

Interest Expense

Interest expense increased to \$62,000 for the three months ended September 30, 2021 from \$59,000 for the same period during 2020 and reflects three months of interest for the \$6.0 million FHLBC borrowing agreement entered into in March 2020 and three months of interest for the \$4.0 million FHLBC loan entered into in May 2021.

Income Tax Expense

We reported income tax expense of \$123,000 and \$100,000 for the three months ended September 30, 2021 and 2020, respectively. The increase in income tax expense in 2021 relates to higher pretax earnings for the three months ended September 30, 2021 compared to the pretax earnings for the same period in 2020. Our effective tax rate for the three months ended September 30, 2021 was 22.4%, compared to 19.8% for the same period in 2020. Effective rates are dependent upon components of pretax earnings and losses and the related tax effects.

The Company has not established a valuation allowance against any of the net deferred tax assets.

Financial Position

The following summarizes our financial position as of September 30, 2021 and December 31, 2020:

Unpaid Losses and Settlement Expense

Our reserves for unpaid loss and settlement expense are summarized below:

<i>(In thousands)</i>	As of September 30, 2021		As of December 31, 2020	
Case reserves	\$	26,604	\$	27,901
IBNR reserves		20,211		20,655
Net unpaid losses and settlement expense		46,815		48,556
Reinsurance recoverable on unpaid loss and settlement expense		14,476		13,020
Reserves for unpaid loss and settlement expense	\$	<u>61,291</u>	\$	<u>61,576</u>

As of September 30, 2021, the Company has received 1,296 claims for business interruption related to COVID-19. Based on policy language, the Company does not anticipate that coverage will be triggered for these property claims requiring loss payment.

Actuarial Ranges

The selection of the ultimate loss is based on information unique to each line of business and accident year and the judgment and expertise of our actuary and management.

The following table provides case and IBNR reserves for losses and loss adjustment expenses as of September 30, 2021 and December 31, 2020.

As of September 30, 2021

<i>(In thousands)</i>	Case Reserves		IBNR Reserves		Total Reserves	
Commercial liability	\$	18,429	\$	17,591	\$	36,020
Property		4,130		(423)		3,707
Other		4,045		3,043		7,088
Total net reserves		26,604		20,211		46,815
Reinsurance recoverables		5,278		9,198		14,476
Gross reserves	\$	<u>31,882</u>	\$	<u>29,409</u>	\$	<u>61,291</u>

As of December 31, 2020

<i>(In thousands)</i>	Case Reserves	IBNR Reserves	Total Reserves	Actuarially Determined Range of Estimates	
				Low	High
Commercial liability	\$ 19,019	\$ 17,661	\$ 36,680		
Property	4,075	(39)	4,036		
Other	4,807	3,033	7,840		
Total net reserves	27,901	20,655	48,556	\$ 42,860	\$ 50,780
Reinsurance recoverables	5,281	7,739	13,020	10,962	14,742
Gross reserves	\$ 33,182	\$ 28,394	\$ 61,576	\$ 53,822	\$ 65,522

Our actuary determined a range of reasonable reserve estimates which reflect the uncertainty inherent in the loss reserve process. This range does not represent the range of all possible outcomes. We believe that the actuarially determined ranges represent reasonably likely changes in the loss and settlement expense estimates, however actual results could differ significantly from these estimates. The range was determined by line of business and accident year after a review of the output generated by the various actuarial methods utilized. The actuary reviewed the variance around the select loss reserve estimates for each of the actuarial methods and selected reasonable low and high estimates based on his knowledge and judgment. In making these judgments the actuary typically assumed, based on his experience, that the larger the reserve the less volatility

and that property reserves would exhibit less volatility than casualty reserves. In addition, when selecting these low and high estimates, the actuary considered:

- historical industry development experience in our business line;
- historical company development experience;
- the impact of court decisions on insurance coverage issues, which can impact the ultimate cost of settling claims;
- changes in our internal claims processing policies and procedures; and
- trends and risks in claim costs, such as risk that medical cost inflation could increase.

Our actuary is required to exercise a considerable degree of judgment in the evaluation of all of these and other factors in the analysis of our loss and settlement expense reserves, and related range of anticipated losses. Because of the level of uncertainty impacting the estimation process, it is reasonably possible that different actuaries would arrive at different conclusions. The method of determining the reserve range has not changed and the reserve range generated by our actuary is consistent with the observed development of our loss reserves over the last few years.

The width of the range in reserves arises primarily because specific losses may not be known and reported for some period and the ultimate losses paid and loss adjustment expenses incurred with respect to known losses may be larger than currently estimated. The ultimate frequency or severity of these claims can be very different than the assumptions we used in our estimation of ultimate reserves for these exposures.

Specifically, the following factors could impact the frequency and severity of claims, and therefore, the ultimate amount of loss and settlement expense paid:

- the rate of increase in labor costs, medical costs, and material costs that underlie insured risks;
- development of risk associated with our expanding producer relationships and our growth in new states or states where we currently have small market share; and
- impact of changes in laws or regulations.

The estimation process for determining the liability for unpaid loss and settlement expense inherently results in adjustments each year for claims incurred (but not paid) in preceding years. Negative amounts reported for claims incurred related to prior years are a result of claims being settled for amounts less than originally estimated (favorable development). Positive amounts reported for claims incurred related to prior years are a result of claims being settled for amounts greater than originally estimated (unfavorable development). For the nine months ended September 30, 2021 and 2020, we experienced unfavorable development of \$1,464,000 and \$2,076,000, respectively.

Potential for variability in our reserves is evidenced by this development. As further illustration of reserve variability, we initially estimated unpaid loss and settlement expense net of reinsurance at the end of 2020 at \$48,556,000. As of September 30, 2021, that reserve was re-estimated at \$50,020,000, which is \$1,464,000, or 3.0%, higher than the initial estimate.

The estimation of our reserves is based on several actuarial methods, each of which incorporates many quantitative assumptions. The judgment of the actuary plays an important role in selecting among various loss development factors and selecting the appropriate method, or combination of methods, to use for a given accident year. The ranges presented above represent the expected variability around the actuarially determined central estimate. The total range around our actuarially determined estimate varies from (8.4)% to 8.5%. As shown in the table below, since 2016, the variance in our originally estimated accident year selections range from (4.8)% deficient to 6.6% redundant as of September 30, 2021.

Recent Variabilities of Incurred Losses and Settlement Expense, Net of Reinsurance

<i>(In thousands)</i>	Accident Year Data				
	2016	2017	2018	2019	2020
As originally estimated	\$ 25,619	\$ 29,801	\$ 29,762	\$ 33,563	\$ 31,356
As estimated at September 30, 2021	26,840	30,925	28,159	34,864	29,277
Net cumulative (deficiency) redundancy	<u>\$ (1,221)</u>	<u>\$ (1,124)</u>	<u>\$ 1,603</u>	<u>\$ (1,301)</u>	<u>\$ 2,079</u>
% (deficiency) redundancy	(4.8)%	(3.8)%	5.4%	(3.9)%	6.6%

The table below summarizes the impact on equity, net of tax, from changes in estimates of net unpaid loss and settlement expense:

	December 31, 2020	
	Aggregate Loss and Settlement Reserve	Percentage Change in Equity
<i>(In thousands)</i>		
Reserve Range for Unpaid Losses and Settlement Expense		
Low End	\$ 42,860	6.2%
Recorded	48,556	0.0%
High End	50,780	(2.4)%

If the net loss and settlement expense reserves were recorded at the high end of the actuarially determined range as of December 31, 2020, the loss and settlement expense reserves would increase by \$2,224,000 before taxes. This increase in reserves would have the effect of decreasing net earnings and equity as of December 31, 2020 by \$1,757,000. If the loss and settlement expense reserves were recorded at the low end of the actuarially-determined range as of December 31, 2020, the net loss and settlement expense reserves at December 31, 2020 would be reduced by \$5,696,000 with corresponding increases in net earnings and equity of \$4,500,000.

Investments

Our investments are primarily composed of fixed maturity debt securities and both common and preferred stock equity securities. We categorize all our debt securities as available-for-sale (AFS), which are carried at fair value as determined by management based upon quoted market prices when available. If a quoted market price is not available, fair value is estimated using a secondary pricing source or using quoted market prices of similar securities. Changes in unrealized investment gains or losses on our AFS securities, net of applicable income taxes, are reflected directly in equity as a component of comprehensive earnings (loss) and, accordingly, have no effect on net earnings (loss). Equity securities are carried at fair value with subsequent changes in fair value recorded in net earnings (loss). Investment income is recognized when earned, and capital gains and losses are recognized when investments are sold, or other-than-temporarily impaired.

The fair value and unrealized losses for our securities that were temporarily impaired are as follows:

	September 30, 2021					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<i>(In thousands)</i>						
U.S. Treasury	\$ 396	\$ (5)	\$ 295	\$ (5)	\$ 691	\$ (10)
MBS/ABS/CMBS	15,000	(171)	1,118	(61)	16,118	(232)
Corporate	5,920	(143)	—	—	5,920	(143)
Municipal	3,311	(48)	—	—	3,311	(48)
Total temporarily impaired fixed maturity securities	\$ 24,627	\$ (367)	\$ 1,413	\$ (66)	\$ 26,040	\$ (433)

	December 31, 2020					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<i>(In thousands)</i>						
U.S. Treasury	\$ 299	\$ (1)	\$ —	\$ —	\$ 299	\$ (1)
MBS/ABS/CMBS	7,120	(116)	2,010	(17)	9,130	(133)
Corporate	1,740	(35)	—	—	1,740	(35)
Municipal	757	(16)	—	—	757	(16)
Total temporarily impaired fixed maturity securities	\$ 9,916	\$ (168)	\$ 2,010	\$ (17)	\$ 11,926	\$ (185)

Corporate Bonds

The net unrealized gain in the Corporate bond portfolio decreased by about \$1.5 million from a gain of \$4,394,000 at the end of 2020 to a gain of \$2,912,000 as of September 30, 2021. The decline in the unrealized gain position was driven solely by the increase in Treasury rates. The five-year US Treasury rate, as an example, increased from 0.36% to 0.97% during the first nine months of the year which caused prices on bonds to fall.

Municipal Bonds

The net unrealized gain in the Municipal portfolio decreased by about \$0.24 million from a gain of \$1,300,000 at the end of 2020 to a gain of \$1,061,000 as of September 30, 2021. Like Corporates, Municipal prices declined as Treasury rates rose in the first nine months of the year. However, unlike Corporates, spreads have tightened throughout the year in Municipals which offset most of the weakness from Treasuries.

We monitor our investment portfolio and review securities that have experienced a decline in fair value below cost to evaluate whether the decline is other than temporary. When assessing whether the amortized cost basis of the security will be recovered, we compare the present value of the cash flows likely to be collected, based on an evaluation of all available information relevant to the collectability of the security, to the amortized cost basis of the security. The shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis is referred to as the "credit loss." If there is a credit loss, the impairment is other-than-temporary. If we identify that an other-than-temporary impairment (OTTI) loss has occurred, we then determine whether we intend to sell the security, or if it is more likely than not that we will be required to sell the security prior to recovering the amortized cost basis less any current-period credit losses. If we determine that we do not intend to sell, and it is not more likely than not that we will be required to sell the security, the amount of the impairment loss related to the credit loss will be recorded in earnings, and the remaining portion of the OTTI loss will be recognized in other comprehensive income (loss), net of tax. If we determine that we intend to sell the security, or that it is more likely than not that we will be required to sell the security prior to recovering its amortized cost basis less any current-period credit losses, the full amount of the OTTI will be recognized in earnings.

For the nine months ended September 30, 2021, the Company did not take an impairment charge on any of its security holdings. Adverse investment market conditions, or poor operating results of underlying investments, could result in impairment charges in the future.

We use quoted values and other data provided by independent pricing services in our process for determining fair values of our investments. The evaluations of such pricing services represent an exit price and a good faith opinion as to what a buyer in the marketplace would pay for a security in a current sale. This pricing service provides us with one quote per instrument. For fixed maturity securities that have quoted prices in active markets, market quotations are provided. For fixed maturity securities that do not trade daily, the independent pricing service prepares estimates of fair value using a wide array of observable inputs including relevant market information, benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. The observable market inputs that our independent pricing service utilizes may include (listed in order of priority for use) benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, market bids/offers, and other reference data on markets, industry, and the economy. Additionally, the independent pricing service uses an option adjusted spread model to develop prepayment and interest rate scenarios. The pricing service did not use broker quotes in determining fair values of our investments.

Should the independent pricing service be unable to provide a fair value estimate, we would attempt to obtain a non-binding fair value estimate from a number of broker-dealers and review this estimate in conjunction with a fair value estimate reported by an independent business news service or other sources. In instances where only one broker-dealer provides a fair value for a fixed maturity security, we use that estimate. In instances where we can obtain fair value estimates from more than one broker-dealer, we would review the range of estimates and would select the most appropriate value based on the facts and circumstances. Should neither the independent pricing service nor a broker-dealer provide a fair value estimate, we would develop a fair value estimate based on cash flow analyses and other valuation techniques that utilize certain unobservable inputs. Accordingly, we would classify such a security as a Level 3 investment.

The fair value estimates of our investments provided by the independent pricing service at September 30, 2021 and December 31, 2020, respectively, were utilized, among other resources, in reaching a conclusion as to the fair value of our investments.

Management reviews the reasonableness of the pricing provided by the independent pricing service by employing various analytical procedures. We review all securities to identify recent downgrades, significant changes in pricing, and pricing anomalies on individual securities relative to other similar securities. This will include looking for relative consistency across securities in common sectors, durations, and credit ratings. This review will also include all fixed maturity securities rated lower than "A" by Moody's or S&P. If, after this review, management does not believe the pricing for any security is a reasonable estimate of fair value, then it will seek to resolve the discrepancy through discussions with the pricing service. In our review, we did not identify any such discrepancies for the nine months ended September 30, 2021 and 2020 and for the year ended December 31, 2020, and no adjustments were made to the estimates provided by the pricing service. The classification within the fair value hierarchy of Accounting Standards Codification (ASC) Topic 820, Fair Value Measurement, is then confirmed based on the final conclusions from the pricing review.

Deferred Policy Acquisition Costs

Certain acquisition costs consisting of direct and ceded commissions, premium taxes and certain other direct underwriting expenses that vary with and are primarily related to the production of business are deferred and amortized over the effective period of the related insurance policies as the underlying policy premiums are earned. At September 30, 2021 and December 31, 2020, deferred acquisition costs and the related unearned premium reserves were as follows:

(In thousands)	September 30, 2021		December 31, 2020	
Deferred acquisition costs	\$	6,284	\$	5,430
Unearned premium reserves		34,921		29,789

The method followed in computing deferred acquisition costs limits the amount of deferred costs to their estimated realizable value, which gives effect to the premium to be earned, related investment income, loss and loss adjustment expenses, and certain other costs expected to be incurred as the premium is earned. Future changes in estimates, the most significant of which is expected loss and loss adjustment expenses, may require adjustments to deferred policy acquisition costs. If the estimation of net realizable value indicates that the deferred acquisition costs are not recoverable, they would be written off.

Income Taxes

We use the asset and liability method of accounting for income taxes. Deferred income taxes arise from the recognition of temporary differences between financial statement carrying amounts and the tax bases of our assets and liabilities. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. The effect of a change in tax rates is recognized in the period of the enactment date.

We exercise significant judgment in evaluating the amount and timing of recognition of the resulting tax liabilities and assets. These judgments require us to make projections of future taxable income. The judgments and estimates we make in determining our deferred tax assets, which are inherently subjective, are reviewed on a continual basis as regulatory and business factors change. Any reduction in estimated future taxable income may require us to record an additional valuation allowance against our deferred tax assets.

As of September 30, 2021 and December 31, 2020, we had no material unrecognized tax benefits or accrued interest and penalties. Federal tax years 2017 through the current year are open for examination.

Other Assets

As of September 30, 2021 and December 31, 2020, other assets totaled \$1,202,000 and \$1,308,000, respectively. The decrease in other assets primarily relates to a decrease in prepaid fees. Included in the other assets balance is the cash surrender value of corporate owned life insurance policies on Arron K. Sutherland, President and Chief Executive Officer, and Norman D. Schmeichel, Vice President – Chief Information Officer.

Outstanding Debt

As of September 30, 2021 and December 31, 2020, outstanding debt balances totaled \$18,458,000 and \$13,466,000, respectively. The average rate on remaining debt was 1.3% and 1.6% as of September 30, 2021 and December 31, 2020, respectively.

Debt Obligation

ICC Holdings, Inc. secured a loan with a commercial bank in March 2017 in the amount of \$3,500,000 and used the proceeds to repay ICC for the money borrowed by the ESOP. The term of the loan is five years bearing interest at 3.65%. The Company pledged stock and \$1.0 million of marketable assets as collateral for the loan.

In response to COVID-19, the Company obtained in March 2020 and May 2020 a \$6.0 million and \$4.0 million loan, respectively, from the FHLBC as a precautionary measure to increase its cash position, to provide increased liquidity, and to compensate for potential reductions in premium receivable collections. The Company's \$4.0 million loan matured on May 3, 2021 and, on this date, a new \$4.0 million FHLBC loan became effective. In addition, the Company entered into a one-year, \$5.0 million FHLBC loan on May 28, 2021. See *Note 4 – Debt* of this Form 10-Q for more information.

Revolving Line of Credit

We maintain a revolving line of credit with a commercial bank, which permits borrowing up to an aggregate principal amount of \$2.0 million. Effective August 2020, the Company replaced its expired line of credit with a \$2.0 million revolving

[Table of Contents](#)

line of credit, which renews annually and has a current expiration date of July 2022. This new line of credit is priced at Prime plus 0.5%. The Company pledged \$2.0 million of business assets in the event the Company draws down on the line of credit. There are no financial covenants governing this agreement.

There were no borrowings outstanding and there was no interest paid on the line of credit during the nine months ended September 30, 2021.

Other Liabilities

As of September 30, 2021 and December 31, 2020 other liabilities totaled \$878,000 and \$1,291,000, respectively. The decrease in other liabilities relates primarily to \$210,000 of investment purchases that were pending settlement as of year-end December 31, 2020.

ESOP

In connection with our conversion and public offering, the ESOP financed the purchase of 10.0% of the common stock issued in the offering for \$3,500,000 with the proceeds of a loan from ICC prior to the expiration of the offering. ICC makes annual contributions to the ESOP sufficient to repay that loan. See *Note 8 – Employee Benefits* of this Form 10-Q as well as the “Management — Benefit Plans and Employment Agreements — Employee Stock Ownership Plan” section of the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

Stock-based Incentive Plan

Under the ICC Holdings, Inc. 2016 Equity Incentive Plan, we reserved for issuance a total of 490,000 shares of common stock. Of this amount, 350,000 shares of common stock may be granted in the form of restricted stock and stock-settled restricted stock unit awards, and 140,000 shares of common stock may be granted in the form of stock options under the stock-based incentive plan. The grant-date fair value of any common stock used for restricted stock and restricted stock unit awards will represent unearned compensation. As we accrue compensation expense to reflect the vesting of such shares, unearned compensation will be reduced accordingly. We compute compensation expense at the time stock units are awarded based on the fair value of such options on the date they are granted. This compensation expense is recognized over the appropriate service period. Restricted stock units (RSUs) were granted for the first time in February 2018 with additional RSUs granted in March 2019, April 2020 and April 2021. The RSUs vest one third over three years from the first anniversary of the date of grant. See *Note 8 – Employee Benefits* of this Form 10-Q as well as the “Management — Benefit Plans and Employment Agreements” section of the Company’s 2020 Annual Report on Form 10-K.

Liquidity and Capital Resources

We generate sufficient funds from our operations and maintain a high degree of liquidity in our investment portfolio to meet the demands of claim settlements and operating expenses. The primary sources of funds are premium collections, investment earnings and maturing investments. The increase in cash used in investing activities during the nine months ended September 30, 2021 compared to the same period in 2020 relates primarily to purchases of common stocks. The decrease in cash provided by financing activities during the nine months ended September 30, 2021 compared to the same period in 2020 relates to a \$6.0 million loan obtained from FHLBC during the first three months of 2020. See *Note 4 – Debt* of this Form 10-Q for more information.

We maintain investment and reinsurance programs that are intended to provide sufficient funds to meet our obligations without forced sales of investments. We maintain a portion of our investment portfolio in relatively short-term and highly liquid assets to ensure the availability of funds.

Cash flows from continuing operations for the nine months ended September 30, 2021 and 2020 were as follows:

<i>(In thousands)</i>	Nine-Months Ended September 30,	
	2021	2020
Net cash provided by (used in) operating activities	\$ 2,644	\$ (413)
Net cash used in investing activities	(11,492)	(11,128)
Net cash provided by financing activities	4,889	11,513
Net decrease in cash and cash equivalents	<u>\$ (3,959)</u>	<u>\$ (28)</u>

ICC Holdings, Inc.’s principal source of liquidity is dividend payments and other fees received from ICC, Beverage Insurance Agency Inc., and ICC Realty, LLC. ICC is restricted by the insurance laws of Illinois as to the amount of dividends or other distributions it may pay to us. Under Illinois law, there is a maximum amount that may be paid by ICC during any

twelve-month period. ICC may pay dividends to us after notice to, but without prior approval of the Illinois Department of Insurance in an amount “not to exceed” the greater of (i) 10% of the surplus as regards policyholders of ICC as reported on its most recent annual statement filed with the Illinois Department of Insurance, or (ii) the statutory net income of ICC for the period covered by such annual statement. Dividends in excess of this amount are considered “extraordinary” and are subject to the approval of the Illinois Department of Insurance.

The amount available for payment of dividends from ICC in 2021 without the prior approval of the Illinois Department of Insurance is approximately \$5.9 million based upon the insurance company’s 2020 annual statement. Prior to its payment of any dividend, ICC is required to provide notice of the dividend to the Illinois Department of Insurance. This notice must be provided to the Illinois Department of Insurance 30 days prior to the payment of an extraordinary dividend and 10 days prior to the payment of an ordinary dividend. The Illinois Department of Insurance has the power to limit or prohibit dividend payments if ICC is in violation of any law or regulation. These restrictions or any subsequently imposed restrictions may affect our future liquidity. ICC paid dividends of \$800,000 and \$500,000 to ICC Holdings, Inc. in April 2021 and March 2020, respectively.

As of September 30, 2021, the Company has received 1,296 claims for business interruption related to COVID-19. This count has not changed since the period ended March 31, 2021. Based on policy language, the Company does not anticipate that coverage will be triggered for these property claims requiring loss payment.

The actual timing of gross loss and loss adjustment expense payments is unknown and therefore timing estimates are based on historical experience and the expectations of future payment patterns.

Item 3. Quantitative and Qualitative Information about Market Risk

Market Risk

Market risk is the risk that we will incur losses due to adverse changes in the fair value of financial instruments. We have exposure to three principal types of market risk through our investment activities: interest rate risk, credit risk and equity risk. Our primary market risk exposure is to changes in interest rates. We have not entered, and do not plan to enter, into any derivative financial instruments for hedging, trading or speculative purposes.

Interest Rate Risk

Interest rate risk is the risk that we will incur economic losses due to adverse changes in interest rates. Our exposure to interest rate changes primarily results from our significant holdings of fixed rate investments. Fluctuations in interest rates have a direct impact on the fair value of these securities.

The average maturity of the debt securities in our investment portfolio at September 30, 2021, was 8.42 years. Our debt securities investments include U.S. government bonds, securities issued by government agencies, obligations of state and local governments and governmental authorities, and corporate bonds, most of which are exposed to changes in prevailing interest rates and which may experience moderate fluctuations in fair value resulting from changes in interest rates. We carry these investments as available for sale. This allows us to manage our exposure to risks associated with interest rate fluctuations through active review of our investment portfolio by our management and board of directors and consultation with our third-party investment manager.

Fluctuations in near-term interest rates could have an impact on our results of operations and cash flows. Certain of these securities may have call features. In a declining interest rate environment these securities may be called by their issuer and replaced with securities bearing lower interest rates. If we are required to sell these securities in a rising interest rate environment, we may recognize losses.

As a general matter, we attempt to match the durations of our assets with the durations of our liabilities. Our investment objectives include maintaining adequate liquidity to meet our operational needs, optimizing our after-tax investment income, and our after-tax total return, all of which are subject to our tolerance for risk.

The table below shows the interest rate sensitivity of our fixed maturity investments measured in terms of fair value (which is equal to the carrying value for all our investment securities that are subject to interest rate changes):

Hypothetical Change in Interest Rates <i>(In thousands)</i>	September 30, 2021	
	Estimated Change in Fair Value	Fair Value
200 basis point increase	\$ (10,668)	\$ 97,854
100 basis point increase	(5,513)	103,009
No change	—	108,522
100 basis point decrease ¹	4,504	113,026
200 basis point decrease ¹	7,401	115,923

¹Assumes US rates are floored at 0%.

Credit Risk

Credit risk is the potential economic loss principally arising from adverse changes in the financial condition of a specific debt issuer. We address this risk by investing primarily in fixed maturity securities that are rated investment grade and at least 70% of our investment securities must be rated at least “A” by Moody’s or an equivalent rating quality. We also independently, and through our independent third-party investment manager, monitor the financial condition of all of the issuers of fixed maturity securities in the portfolio. To limit our exposure to risk, we employ diversification rules that limit the credit exposure to any single issuer or asset class.

Equity Risk

Equity price risk is the risk that we will incur economic losses due to adverse changes in equity prices.

Item 4. Controls and Procedures

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) that are designed to ensure that required information is recorded, processed, summarized and reported within the required timeframe as specified in the SEC’s rules and forms. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed is accumulated and communicated to the Company’s management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

In connection with the preparation of this Quarterly Report on Form 10-Q, we carried out an evaluation under the supervision of and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, as of September 30, 2021, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that as of September 30, 2021, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) identified during the third quarter of 2021 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

There were no material changes to report.

Item 1A. Risk Factors

A description of the risks associated with our business, financial conditions and results of operations is set forth in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table summarizes repurchases of common stock pursuant to share repurchase programs authorized by the Board of Directors.

Purchases of Equity Securities				
Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may be purchased under the plans or programs (1)
July 1 – July 31, 2021	257	\$ 15.90	257	\$ 2,691,690
August 1 – August 31, 2021	2	16.00	2	\$ 2,691,658
September 1 – September 30, 2021	403	17.06	403	\$ 2,684,783
Total	662	\$ 16.27	662	

- (1) In August 2018, the Company announced the establishment of a \$3.0 million share repurchase program, with no expiration date. The authorization is in addition to the existing share repurchase program.

Item 3. Default Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit Number	Description
3.1	Form of Amended and Restated Articles of Incorporation of ICC Holdings, Inc. (incorporated by reference to Exhibit 3.1 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (File No. 333-214081) filed on December 23, 2016)
3.2	Form of Amended and Restated Bylaws of ICC Holdings, Inc. (incorporated by reference to Exhibit 3.2 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (File No. 333-214081) filed on December 23, 2016)
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Inline XBRL (iXBRL) Documents attached as Exhibit 101
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 12, 2021.

ICC HOLDINGS, INC.

By: /s/ Arron K. Sutherland
Arron K. Sutherland
President, Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ Michael R. Smith
Michael R. Smith
Chief Financial Officer
(Principal Financial and Accounting Officer)

CHIEF EXECUTIVE OFFICER'S 302 CERTIFICATION

I, Arron K. Sutherland, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ICC Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2021

/s/ Arron K. Sutherland

Arron K. Sutherland

Chief Executive Officer
(principal executive officer)

CHIEF FINANCIAL OFFICER'S 302 CERTIFICATION

I, Michael R. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ICC Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2021

/s/ Michael R. Smith

Michael R. Smith

Chief Financial Officer
(principal financial officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of ICC Holdings, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Arron K. Sutherland, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2021

/s/Arron K. Sutherland

Arron K. Sutherland

Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of ICC Holdings, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael R. Smith, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2021

/s/ Michael R. Smith

Michael R. Smith

Chief Financial Officer
