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 March 31, 2020
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)	**81-3359409** (I.R.S. Employer Identification No.)
225 20th Street, Rock Island, Illinois (Address of principal executive offices)	**61201** (Zip Code)

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

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 ☐	Accelerated filer ☐
Non-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 ☒

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

The number of shares of the registrant's common stock outstanding as of May 8, 2020 was 3,303,708.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

ICC Holdings, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	As of	
	March 31, 2020 (Unaudited)	December 31, 2019
Assets		
Investments and cash:		
Fixed maturity securities (cost or amortized cost - $89,837,334 at 3/31/2020 and $88,348,415 at 12/31/2019)	$ 91,410,811	$ 92,087,572
Common stocks at fair value	10,752,130	14,448,773
Preferred stocks at fair value	1,393,890	—
Other invested assets	1,699,831	877,900
Property held for investment, at cost, net of accumulated depreciation of $362,934 at 3/31/2020 and $332,218 at 12/31/2019	4,351,571	4,353,713
Cash and cash equivalents	9,006,019	6,626,585
Total investments and cash	118,614,252	118,394,543
Accrued investment income	695,769	646,504
Premiums and reinsurance balances receivable, net of allowances for uncollectible amounts of $100,000 at 3/31/2020 and 12/31/2019	22,223,496	22,368,526
Ceded unearned premiums	806,586	822,818
Reinsurance balances recoverable on unpaid losses and settlement expenses, net of allowances for uncollectible amounts of $0 at 3/31/2020 and 12/31/2019	11,318,422	11,036,170
Federal income taxes	1,381,140	192,559
Deferred policy acquisition costs, net	5,380,565	5,269,256
Property and equipment, at cost, net of accumulated depreciation of $5,715,991 at 3/31/2020 and $5,619,706 at 12/31/2019	3,001,246	3,033,348
Other assets	1,135,653	1,239,794
Total assets	$ 164,557,129	$ 163,003,518
Liabilities and Equity		
Liabilities:		
Unpaid losses and settlement expenses	$ 58,273,656	$ 56,838,307
Unearned premiums	29,817,121	30,392,817
Reinsurance balances payable	352,675	374,998
Corporate debt	9,472,566	3,475,088
Accrued expenses	2,967,292	4,216,988
Income taxes - deferred	—	39,213
Other liabilities	903,432	1,324,273
Total liabilities	101,786,742	96,661,684
Equity:		
Common stock[1]	35,000	35,000
Treasury stock, at cost[2]	(3,047,109)	(3,146,576)
Additional paid-in capital	32,658,165	32,703,209
Accumulated other comprehensive earnings, net of tax	1,243,090	2,953,936
Retained earnings	34,635,454	36,608,750
Less: Unearned Employee Stock Ownership Plan shares at cost[3]	(2,754,213)	(2,812,485)
Total equity	62,770,387	66,341,834
Total liabilities and equity	$ 164,557,129	$ 163,003,518

[1]*Par value $0.01; authorized: 2020 - 10,000,000 shares and 2019 – 10,000,000 shares; issued: 2020 – 3,500,000 shares and 2019 – 3,500,000 shares; outstanding: 2020 - 3,028,287 and 2019 - 3,014,941 shares.*
[2]*2020 – 196,292 shares and 2019 – 203,811 shares*
[3]*2020 –275,421 shares and 2019 –281,248 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 March 31,	
	2020	2019
Net premiums earned	$ 13,013,989	$ 12,445,914
Net investment income	835,400	795,373
Net realized investment gains (losses)	95,632	(47,426)
Net unrealized (losses) gains on equity securities	(3,689,347)	1,840,418
Other income (loss)	50,198	(53,887)
Consolidated revenues	10,305,872	14,980,392
Losses and settlement expenses	7,842,082	9,607,290
Policy acquisition costs and other operating expenses	4,764,974	4,850,186
Interest expense on debt	35,328	32,014
General corporate expenses	174,421	143,161
Total expenses	12,816,805	14,632,651
(Loss) earnings before income taxes	(2,510,933)	347,741
Total income tax (benefit) expense	(537,637)	58,993
Net (loss) earnings	$ (1,973,296)	$ 288,748
Other comprehensive (loss) earnings, net of tax	(1,710,846)	1,474,209
Comprehensive (loss) earnings	$ (3,684,142)	$ 1,762,957
Earnings per share:		
Basic:		
Basic net (loss) earnings per share	$ (0.65)	$ 0.10
Diluted:		
Diluted net (loss) earnings per share	$ (0.65)	$ 0.10
Weighted average number of common shares outstanding:		
Basic	3,016,062	2,999,068
Diluted	3,020,458	3,000,770

See accompanying notes to consolidated financial statements.

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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, 2019	$ 35,000	$ (2,999,995)	$ (3,046,855)	$ 32,505,423	$ 33,680,702	$ (1,580,976)	$ 58,593,299
Cumulative-effect adjustment from ASU 2016-01[1]	—	—	—	—	(1,366,297)	1,366,297	—
Purchase of common stock	—	(1,400)	—	—	—	—	(1,400)
Net earnings	—	—	—	—	288,748	—	288,748
Other comprehensive loss, net of tax	—	—	—	—	—	1,474,209	1,474,209
Restricted stock unit expense	—	—	—	18,773	—	—	18,773
ESOP compensation expense	—	—	57,790	21,640	—	—	79,430
Balance, March 31, 2019	$ 35,000	$ (3,001,395)	$ (2,989,065)	$ 32,545,836	$ 32,603,153	$ 1,259,530	$ 60,453,059

[1]*See discussion of Accounting Standards Update 2016-01 adoption in 2019 10-K, Note 1 - Summary of Significant Accounting Policies*

	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
Net (loss)	—	—	—	—	(1,973,296)	—	(1,973,296)
Other comprehensive (loss), net of tax	—	—	—	—	—	(1,710,846)	(1,710,846)
Restricted stock unit expense	—	99,467	—	(62,540)	—	—	36,927
ESOP compensation expense	—	—	58,272	17,496	—	—	75,768
Balance, March 31, 2020	$ 35,000	$ (3,047,109)	$ (2,754,213)	$ 32,658,165	$ 34,635,454	$ 1,243,090	$ 62,770,387

See accompanying notes to consolidated financial statements.

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

	Three-Month Periods Ended March 31, 2020	2019
Cash flows from operating activities:		
Net (loss) earnings	$ (1,973,296)	$ 288,748
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities		
Net realized investment (losses) gains	(95,632)	47,426
Net unrealized losses (gains) on equity securities	3,689,347	(1,840,418)
Depreciation	167,079	199,126
Deferred income tax	(776,673)	375,879
Amortization of bond premium and discount	46,198	57,625
Stock-based compensation expense	112,695	98,203
Change in:		
Accrued investment income	(49,265)	(33,248)
Premiums and reinsurance balances receivable	145,030	(676,696)
Ceded unearned premiums	16,232	12,371
Reinsurance balances payable	(22,323)	3,551,227
Reinsurance balances recoverable	(282,252)	(8,372,725)
Deferred policy acquisition costs	(111,309)	3,718
Unpaid losses and settlement expenses	1,435,349	9,569,902
Unearned premiums	(575,696)	10,510
Accrued expenses	(1,249,696)	(1,965,886)
Current federal income tax	3,497	(152,343)
Other	(316,700)	(45,124)
Net cash provided by operating activities	162,585	1,128,295
Cash flows from investing activities:		
Purchases of:		
Fixed maturity securities, available-for-sale	(5,105,043)	(4,902,758)
Common stocks	(592,329)	(617,566)
Preferred stocks	(1,548,172)	—
Other invested assets	(821,500)	(104,000)
Property held for investment	(28,573)	(50)
Property and equipment	(108,096)	(75,726)
Proceeds from sales, maturities and calls of:		
Fixed maturity securities, available-for-sale	3,802,593	5,778,893
Common stocks	524,818	553,413
Preferred stocks	91,838	—
Property and equipment	3,835	5,268
Net cash (used in) provided by investing activities	(3,780,629)	637,474
Cash flows from financing activities:		
Proceeds from loans	6,000,000	—
Repayments of borrowed funds	(2,522)	—
Purchase of common stock	—	(1,400)
Net cash provided by (used in) financing activities	5,997,478	(1,400)
Net increase in cash and cash equivalents	2,379,434	1,764,369
Cash and cash equivalents at beginning of year	6,626,585	4,644,784
Cash and cash equivalents at end of period	$ 9,006,019	$ 6,409,153
Supplemental information:		
Federal income tax recovered	$ —	$ 164,543
Interest paid	35,300	—

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. ICC is an Illinois domiciled company.

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 Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Ohio, Pennsylvania, and Wisconsin and markets through independent agents. Approximately 26.5% and 29.6% of the premium is written in Illinois for the three months ended March 31, 2020 and 2019, respectively. The Company operates as a single 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, 2019 (the “2019 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 March 31, 2020, 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 2019 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 2019 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 March 31, 2020 and 2019, the Company recognized no impairments. Property and equipment are summarized as follows:

	As of	
	March 31, 2020	December 31, 2019
Automobiles	$ 521,010	$ 505,788
Furniture and fixtures	471,215	457,218
Computer equipment and software	3,855,126	3,823,416
Home office	3,869,886	3,866,632
Total cost	8,717,237	8,653,054
Accumulated depreciation	(5,715,991)	(5,619,706)
Net property and equipment	$ 3,001,246	$ 3,033,348

F. COMPREHENSIVE EARNINGS

Comprehensive (loss) earnings include net (loss) earnings 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 (loss) earnings, as shown in the consolidated statements of earnings and comprehensive earnings, is net of tax (benefit) expense of $(595,473) and $419,383 for the three months ended March 31, 2020 and 2019, respectively.

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

	Three-Month Periods Ended March 31,	
	2020	2019
Beginning balance	$ 2,953,936	$ (1,580,976)
Cumulative effect of adoption of ASU 2016-01	-	1,366,297
Adjusted beginning balance	2,953,936	(214,679)
Oher comprehensive (loss) earnings before reclassifications	(1,526,960)	1,436,742
Amount reclassified from accumulated other comprehensive (loss) earnings	(183,886)	37,467
Net current period other comprehensive (loss) earnings	(1,710,846)	1,474,209
Ending balance	$ 1,243,090	$ 1,259,530

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 March 31,					
	2020			2019		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Other comprehensive (loss) earnings, net of tax						
Unrealized gains and losses on investments:						
Unrealized holding (losses) gains arising during the period	$ (2,171,314)	$ 644,354	$ (1,526,960)	$ 1,866,085	$ (429,343)	$ 1,436,742
Reclassification adjustment for (gains) losses included in net earnings	(232,767)	48,881	(183,886)	47,426	(9,959)	37,467
Total other comprehensive (loss) earnings	$ (2,404,081)	$ 693,235	$ (1,710,846)	$ 1,913,511	$ (439,302)	$ 1,474,209

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 Three-Month Periods Ended March 31, 2020	2019	Affected Line Item in the Statement where Net Earnings is Presented
Unrealized (gains) losses on AFS investments:			
	$ (232,767)	$ 47,426	Net realized investment (gains) losses
	48,881	(9,959)	Income tax expense (benefit)
Total reclassification adjustment, net of tax	$ (183,886)	$ 37,467	

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 March 31, Proceeds	Gains	Losses	Net Realized Gains (Losses)
2020				
Fixed maturity securities	$ 3,802,593	$ 233,693	$ (926)	$ 232,767
Common stocks	524,818	47,126	(173,499)	(126,373)
Preferred stocks	91,838	—	(10,762)	(10,762)
2019				
Fixed maturity securities	$ 5,778,893	$ 25,589	$ (11,619)	$ 13,970
Common stocks	553,413	63,577	(124,973)	(61,396)

The amortized cost and estimated fair value of fixed income securities at March 31, 2020, by contractual maturity, are shown as follows:

	Amortized Cost	Fair Value
Due in one year or less	$ 3,228,198	$ 3,242,332
Due after one year through five years	18,003,293	18,394,229
Due after five years through 10 years	15,530,315	15,833,388
Due after 10 years	19,380,384	20,331,864
Asset and mortgage backed securities without a specific due date	33,479,339	33,387,560
Redeemable preferred stocks	215,805	221,438
Total fixed maturity securities	$ 89,837,334	$ 91,410,811

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

The following table is a schedule of cost or amortized cost and estimated fair values of investments in securities classified as available for sale at March 31, 2020 and December 31, 2019:

	Cost or Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
2020				
Fixed maturity securities:				
U.S. Treasury	$ 1,352,761	$ 1,392,031	$ 39,270	$ —
MBS/ABS/CMBS	33,479,339	33,387,560	585,105	(676,884)
Corporate	38,473,713	39,357,281	1,516,966	(633,398)
Municipal	16,315,716	17,052,501	827,188	(90,403)
Redeemable preferred stock	215,805	221,438	6,270	(637)
Total fixed maturity securities	$ 89,837,334	$ 91,410,811	$ 2,974,799	$ (1,401,322)

	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
2019				
Fixed maturity securities:				
U.S. Treasury	$ 800,462	$ 800,219	$ 684	$ (927)
MBS/ABS/CMBS	33,802,911	34,290,995	540,743	(52,659)
Corporate	39,442,202	41,915,103	2,482,378	(9,477)
Municipal	14,302,840	15,081,255	808,081	(29,666)
Total fixed maturity securities	$ 88,348,415	$ 92,087,572	$ 3,831,886	$ (92,729)

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 residential mortgage backed securities with fair values of $9,555,196 and $9,909,462 and commercial mortgage backed securities of $13,136,719 and $13,408,898 at March 31, 2020 and December 31, 2019, 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 March 31, 2020 and December 31, 2019. The tables segregate the securities based on type, noting the fair value, cost (or 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.

	March 31, 2020			December 31, 2019		
	< 12 Months	12 Months & Greater	Total	< 12 Months	12 Months & Greater	Total
Fixed Maturity Securities:						
U.S. Treasury						
Fair value	$ —	$ —	$ —	$ —	$ 699,391	$ 699,391
Amortized cost	—	—	—	—	700,318	700,318
Unrealized loss	—	—	—	—	(927)	(927)
MBS/ABS/CMBS						
Fair value	12,453,701	1,894,665	14,348,366	6,398,581	5,056,732	11,455,313
Amortized cost	12,969,112	2,056,138	15,025,250	6,420,488	5,087,484	11,507,972
Unrealized loss	(515,411)	(161,473)	(676,884)	(21,907)	(30,752)	(52,659)
Corporate						
Fair value	6,799,881	—	6,799,881	1,396,706	—	1,396,706
Amortized cost	7,433,279	—	7,433,279	1,406,183	—	1,406,183
Unrealized loss	(633,398)	—	(633,398)	(9,477)	—	(9,477)
Municipal						
Fair value	3,446,768	—	3,446,768	1,969,468	—	1,969,468
Amortized cost	3,537,171	—	3,537,171	1,999,134	—	1,999,134
Unrealized loss	(90,403)	—	(90,403)	(29,666)	—	(29,666)
Subtotal, fixed income						
Fair value	22,700,350	1,894,665	24,595,015	9,764,755	5,756,123	15,520,878
Amortized cost	23,939,562	2,056,138	25,995,700	9,825,805	5,787,802	15,613,607
Unrealized loss	(1,239,212)	$ (161,473)	$ (1,400,685)	$ (61,050)	$ (31,679)	$ (92,729)
Redeemable preferred stock						
Fair value	71,588	—	71,588	—	—	—
Cost	72,225	—	72,225	—	—	—
Unrealized loss	(637)	—	(637)	—	—	—
Total						
Fair value	22,771,938	1,894,665	24,666,603	9,764,755	5,756,123	15,520,878
Amortized cost	24,011,787	2,056,138	26,067,925	9,825,805	5,787,802	15,613,607
Unrealized loss	$ (1,239,849)	$ (161,473)	$ (1,401,322)	$ (61,050)	$ (31,679)	$ (92,729)

The fixed income portfolio contained 57 securities in an unrealized loss position as of March 31, 2020. Of these 57 securities, 4 have been in an unrealized loss position for 12 consecutive months or longer and represent $161,473 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 three months ended March 31, 2020. For all fixed income securities at a loss at March 31, 2020, 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 maturity. The fixed income securities in an unrealized loss position were not other-than-temporarily impaired at March 31, 2020 and December 31, 2019.

UNREALIZED GAINS AND LOSSES ON EQUITY SECURITIES

Net unrealized losses for the three months ended March 31, 2020 for equity securities held as of March 31, 2020 was $3,689,347. Net unrealized gains for the three months ended March 31, 2019 for equity securities held as of March 31, 2019 was $1,840,418.

Other Invested Assets

Other invested assets includes membership in the Federal Home Loan Bank of Chicago (FHLBC), which occurred in February 2018. Our 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 includes privately held investments of $305,000, and notes issued for $625,000 and $650,000 on July 30, 2019 and January 28, 2020, respectively. Both notes bear interest at 6.5%, and are amortized over 20 years with a balloon payment due July 30, 2029.

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. 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 March 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	$ 1,392,031	$ —	$ —	$ 1,392,031
MBS/ABS/CMBS	—	33,387,560	—	33,387,560
Corporate	—	39,357,281	—	39,357,281
Municipal	—	17,052,501	—	17,052,501
Redeemable preferred stocks	—	221,438	—	221,438
Total fixed maturity securities	1,392,031	90,018,780	—	91,410,811
Equity securities				
Common stocks	10,752,130	—	—	10,752,130
Perpetual preferred stocks	—	1,393,890	—	1,393,890
Total equity securities	10,752,130	1,393,890	—	12,146,020
Total marketable investments measured at fair value	$ 12,144,161	$ 91,412,670	$ —	$ 103,556,831

Assets measured at fair value on a recurring basis as of December 31, 2019, 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	$ 800,219	$ —	$ —	$ 800,219
MBS/ABS/CMBS	—	34,290,995	—	34,290,995
Corporate	—	41,915,103	—	41,915,103
Municipal	—	15,081,255	—	15,081,255
Total fixed maturity securities	800,219	91,287,353	—	92,087,572
Equity securities				
Common stocks	14,448,773	—	—	14,448,773
Total marketable investments measured at fair value	$ 15,248,992	$ 91,287,353	$ —	$ 106,536,345

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 March 31, 2020 and December 31, 2019. Additionally, there were no securities transferred in or out of Levels 1 or 2 during the three-month periods ended March 31, 2020 and 2019.

4. DEBT

Debt Obligation

ICC Holdings, Inc. secured a loan with American Bank & Trust 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.

The Company also has borrowing capacity up to approximately $33 million in the aggregate from its membership with FHLBC.

In March 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus (COVID-19) outbreak, which has led to a global health emergency. 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 and 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 the loan.

The total balance of the debt agreements at March 31, 2020 and December 31, 2019 was $9,472,566 and $3,475,088, respectively. The average interest rate on remaining debt was 2.2% as of March 31, 2020 and 3.7% as of December 31, 2019.

Revolving Line of Credit

We maintain a revolving line of credit with American Bank & Trust, which permits borrowing up to an aggregate principal amount of $1.75 million. This facility was initially entered into during 2013 and is renewed annually with a current expiration of August 5, 2020. The line of credit is 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 draws down on the line of credit. There was no interest paid on the line of credit during the three months ended March 31, 2020 and 2019. There are no financial covenants governing this agreement.

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 business, $500,000 for property, and $500,000 for workers' compensation, 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 March 31, 2020	Three-Month Periods Ended March 31, 2019
WRITTEN		
Direct	$ 14,794,534	$ 15,258,703
Reinsurance assumed	37,534	45,135
Reinsurance ceded	(2,377,544)	(2,835,043)
Net	$ 12,454,524	$ 12,468,795
EARNED		
Direct	$ 15,362,814	$ 15,237,955
Reinsurance assumed	44,950	55,376
Reinsurance ceded	(2,393,775)	(2,847,417)
Net	$ 13,013,989	$ 12,445,914
LOSS AND SETTLEMENT EXPENSES INCURRED		
Direct	$ 8,761,679	$ 14,716,353
Reinsurance assumed	26,518	46,306
Reinsurance ceded	(946,115)	(5,155,369)
Net	$ 7,842,082	$ 9,607,290

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6. UNPAID LOSSES AND SETTLEMENT EXPENSES

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

	For the Three-Months Ended March 31,	
(In thousands)	2020	2019
Unpaid losses and settlement expense - beginning of the period:		
Gross	$ 56,838	$ 51,447
Less: Ceded	11,036	6,736
Net	45,802	44,711
Increase in incurred losses and settlement expense:		
Current year	6,245	8,359
Prior years	1,597	1,248
Total incurred	7,842	9,607
Deduct: Loss and settlement expense payments for claims incurred:		
Current year	1,204	1,592
Prior years	5,484	6,818
Total paid	6,688	8,410
Net unpaid losses and settlement expense - end of the period	46,956	45,908
Plus: Reinsurance recoverable on unpaid losses	11,318	15,109
Gross unpaid losses and settlement expense - end of the period	$ 58,274	$ 61,017

Net unpaid losses and settlement expense increased $1,048,000, or 2.3%, in the three months ended March 31, 2020 as compared to the same period in 2019. For the three months ended March 31, 2020 and 2019, we experienced unfavorable development of $1,597,000 and $1,248,000, respectively. The 2020 increase in unfavorable development was primarily driven by the Business Owners Liability and Business Owners Property lines of business. Business Owners and Liquor Liability lines of business were the primary drivers of adverse development for the three months ended March 31, 2019.

7. INCOME TAXES

The Company's effective tax rate for the three month period ended March 31, 2020, was 21.4%, compared to 17.0% for the same period in 2019. Effective rates are dependent upon components of pretax earnings and the related tax effects.

Income tax expense for the three month periods ended March 31, 2020 and 2019, 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 tables:

	For the Three-Months Ended March 31,	
	2020	2019
Provision for income taxes at the statutory federal tax rates	$ (527,296)	$ 73,025
Increase (reduction) in taxes resulting from:		
Dividends received deduction	(6,535)	(9,763)
Tax-exempt interest income	(15,480)	(23,166)
Proration of tax-exempt interest and dividends received deduction	5,368	8,232
Officer life insurance, net	803	3,578
Nondeductible expenses	5,503	7,087
Total	$ (537,637)	$ 58,993

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 March 31, 2020 and December 31, 2019, the Company does not have any capital or operating loss carryforwards. Periods still subject to IRS audit include 2016 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 and expense is recorded. No contributions to the ESOP were made during the three months ended March 31, 2020 and 2019, 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 three months ended March 31, 2020, we recognized compensation expense of $75,768 related to 5,827 shares of our common stock that are committed to be released to participants' accounts at December 31, 2020. Of the 5,827 shares committed to be released, 1,985 shares were committed on March 31, 2020 and had no impact on the weighted average common shares outstanding for the three months ended March 31, 2020. For the three months ended March 31, 2019, we recognized compensation expense of $79,430 related to 5,779 shares of our common stock that were committed to be released to participants' accounts at December 31, 2019. Of the 5,779 shares committed to be released at December 31, 2019, 1,991 shares were committed on March 31, 2019 and had no impact on the weighted average common shares outstanding for the three and three months ended March 31, 2019.

RESTRICTED STOCK UNITS

Restricted stock units (RSUs) were granted for the first time in February 2018 with additional RSUs granted in March 2019 and April 2020. 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 1/3 over three years from the date of grant.

As of March 31, 2020, 13,071 and 11,700 RSUs have been granted at a fair market value of $13.70 and $15.10, respectively. We recognized $36,927 and $18,773 of expense on these units in the three months ended March 31, 2020 and March 31, 2019, respectively. Total unrecognized compensation expense relating to outstanding and unvested RSUs was $160,039 as of March 31, 2020, which will be recognized over the remainder of the three-year vesting periods.

9. SUBSEQUENT EVENTS

In April 2020, the Company submitted an application to Quad City Bank & Trust, which it approved, pursuant to the Small Business Association, which it approved, for a loan to be made in association with the federally authorized Paycheck Protection Program (Program). The approximate amount of such approved loan is $1.6 million. In accordance with the interim Department of Treasury regulations, portions of this loan amount utilized by the Company for qualifying business expenses as authorized by the Program may be eligible for forgiveness without debt relief income effect to the Company.

The Company obtained in May 2020 a $4.0 million loan from the Federal Home Loan Bank of Chicago (FHLBC) as a precautionary measure to increase its cash position and compensate for potential reductions in premium receivable collections as a result of the Company's announcement in March 2020 to temporarily suspend all insurance premium billing for 30 days.

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," "estimate," "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 2019 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;
- 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; 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.

In the following discussion and analysis of results of operations and financial condition, certain financial measures may be considered “non-GAAP financial measures” under Securities and Exchange Commission rules. These rules require supplemental explanation and reconciliation, which is provided in this Quarterly Report on Form 10-Q. Management uses the non-GAAP measures “losses and settlement expense ratio”, “expense ratio” and “combined ratio” in its evaluation of business and financial performance. These disclosures have limitations as an analytical tool, should not be viewed as a substitute for net earnings determined in accordance with GAAP, and should not be considered in isolation or as a substitute for analysis of the Company’s results as reported under GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Management believes that this non-GAAP supplemental information is helpful in understanding the Company’s ongoing operating results.

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 three months ended March 31, 2020, we had direct written premiums of $14,795,000, net premiums earned of $13,014,000, and net loss of $1,950,000. For the three months ended March 31, 2019, we had direct premiums written of $15,259,000, net premiums earned of $12,446,000, and net earnings of $289,000. At March 31, 2020, we had total assets of $164,558,000 and equity of $62,794,000. At December 31, 2019, we had total assets of $163,004,000 and equity of $66,342,000.

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 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, 2020, one-half of the premiums would be earned in 2020 and the other half would be earned in 2021.

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 maturity 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 maturity 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 unrealize 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 on equity securities were $3,689,000 for the three months ended March 31, 2020 and unrealized gains were $1,840,000 for the three months ended March 31, 2019. 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 non-GAAP financial measures that we believe are valuable in managing our business and for comparison to our peers. These non-GAAP 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 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, 2019.

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 that we would be temporarily suspending all insurance premium billing for 30 days.

Our premium growth 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.

Three Months Ended March 31, 2020 Compared to Three Months Ended March 31, 2019

The major components of operating revenues and net earnings are as follows:

(In thousands)	For the Three-Months Ended March 31, 2020	2019
Revenues		
Total premiums earned	$ 13,014	$ 12,446
Investment income, net of investment expense	835	795
Realized investment gains (losses), net	96	(47)
Net unrealized (losses) gains on equity securities	(3,689)	1,840
Other income (loss)	50	(54)
Total revenues	$ 10,306	$ 14,980
Summarized components of net earnings		
Underwriting income (loss)[1]	$ 407	$ (2,011)
Investment income, net of investment expense	835	795
Realized investment gains (losses), net	96	(47)
Net unrealized (losses) gains on equity securities	(3,689)	1,840
Other income (loss)	50	(54)
General corporate expenses	175	143
Interest expense	35	32
(Loss) earnings, before income taxes	(2,511)	348
Income tax (benefit) expense	(538)	59
Net (loss) earnings	$ (1,973)	$ 289
Total other comprehensive (loss) earnings	(1,711)	1,474
Comprehensive (loss) earnings	$ (3,684)	$ 1,763

[1]*Calculated by subtracting the sum of loss and settlement expenses (2020 - $7,842 and 2019 - $9,607) and policy and acquisition costs and other operating expenses (2020 - $4,765 and 2019 - $4,850) from net premiums earned (2020 - $13,014 and 2019 - $12,446).*

	For the Three-Months Ended March 31, 2020	2019
Non-GAAP Ratios:		
Losses and settlement expense ratio[1]	60.26%	77.19%
Expense ratio[2]	36.61%	38.97%
Combined ratio[3]	96.87%	116.16%

[1]*Calculated by dividing loss and settlement expenses by net premiums earned.*

[2]*Calculated by dividing the sum of policy acquisition costs and operating expenses by net earned premiums.*

[3]*The sum of the losses and settlement expense ratio and the expense ratio. A combined ratio of under 100% indicates an underwriting profit. A combined ratio over 100% indicates an underwriting loss.*

The following summarizes our results for the three months ended March 31, 2020 and 2019:

Premiums

Direct premiums written decreased by $464,000, or -3.0%, to $14,795,000 for the three months ended March 31, 2020 from $15,259,000 for the same period of 2019. Net written premium decreased by $14,000, or -0.1%, to $12,455,000 for the three months ended March 31, 2020 from $12,469,000 for the same period in 2019. Net premiums earned grew by $568,000, or 4.6%, in the three months ended March 31, 2020 as compared to the three months ended March 31, 2019, primarily due to increased rate and organic growth including the impact of recent geographical expansion efforts.

For the three months ended March 31, 2020, we ceded to reinsurers $2,394,000 of earned premiums, compared to $2,847,000 of earned premiums for the three months ended March 31, 2019. Ceded earned premiums as a percent of direct premiums written was 16.2% in the three months ended March 31, 2020, and 18.7% in the three months ended March 31, 2019.

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

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 $104,000 or 192.6% during the three months ended March 31, 2020 as a result of a decrease in premiums written off as compared to the same period in 2019.

Unpaid Losses and Settlement Expenses

The following table details our unpaid losses and settlement expenses.

	For the Three-Months Ended March 31,	
(In thousands)	2020	2019
Unpaid losses and settlement expense - beginning of the period:		
Gross	$ 56,838	$ 51,447
Less: Ceded	11,036	6,736
Net	45,802	44,711
Increase in incurred losses and settlement expense:		
Current year	6,245	8,359
Prior years	1,597	1,248
Total incurred	7,842	9,607
Deduct: Loss and settlement expense payments for claims incurred:		
Current year	1,204	1,592
Prior years	5,484	6,818
Total paid	6,688	8,410
Net unpaid losses and settlement expense - end of the period	46,956	45,908
Plus: Reinsurance recoverable on unpaid losses	11,318	15,109
Gross unpaid losses and settlement expense - end of the period	$ 58,274	$ 61,017

Net unpaid losses and settlement expense decreased $1,048,000, or 2.3%, in the three months ended March 31, 2020 as compared to the same period in 2019. For the three months ended March 31, 2020 and 2019, we experienced unfavorable development of $1,597,000 and $1,248,000, respectively. The 2020 increase in unfavorable development was primarily driven by the Business Owners Liability and Business Owners Property lines of business. Business Owners and Liquor Liability lines of business were the primary drivers of adverse development for the three months ended March 31, 2019.

Losses and Settlement Expenses

Losses and settlement expenses decreased by $1,765,000, or -18.4%, to $7,842,000 for the three months ended March 31, 2020, from $9,607,000 for the same period in 2019. Losses and settlement expenses decreased for the three months ended March 31, 2020, primarily due to higher property losses experienced during the three months ended March 31, 2019.

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 decreased by $85,000, or 1.8%, to $4,765,000 for the three months ended March 31, 2020 from $4,850,000 for the same period in 2019.

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 Corporate and Other.

Our expense ratio decreased by 236 basis points from 38.97% to 36.61% for the three months ended March 31, 2020 as compared to 2019. This decrease was primarily driven by an increase in earned premiums and minimal change in our underwriting 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 $32,000, or 22.4%, in the three months ended March 31, 2020 as compared to the same period in 2019.

Investment Income

Net investment income increased by $40,000, or 5.0%, to $835,000 for the three months ended March 31, 2020, as compared to $795,000 for the same period in 2019.

Interest Expense

Interest expense increased slightly to $35,000 for the three months ended March 31, 2020, from $32,000 for the same period during 2019. This increase is due to $3,000 in accrued interest expense for the $6 million FHLBC borrowing in March 2020.

Income Tax Expense

We reported income tax benefit of $538,000 and expense of $59,000 for the three months ended March 31, 2020 and 2019, respectively. The increase in income tax benefit in 2020 relates to a pretax loss for the three months ended March 31, 2020, compared to pretax earnings for the same period in 2019. Our effective tax rate for the three months ended March 31, 2020 was 21.4%, compared to 17.0% for the same period in 2019. Effective rates are dependent upon components of pretax (loss) or earnings and the related tax effects.

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

Financial Position

The major components of our assets and liabilities are as follows:

(In thousands)	As of March 31, 2020 (Unaudited)	As of December 31, 2019
Assets		
Investments and cash:		
Fixed maturity securities (amortized cost - $89,837 at 3/31/2020 and $88,348 at 12/31/2019)	$ 91,410	$ 92,087
Common stocks at fair value	10,752	14,449
Preferred stocks at fair value	1,394	—
Other invested assets	1,700	878
Property held for investment, at cost, net of accumulated depreciation of $363 at 3/31/2020 and $332 at 12/31/2019	4,352	4,354
Cash and cash equivalents	9,006	6,627
Total investments and cash	118,614	118,395
Accrued investment income	696	646
Premiums and reinsurance balances receivable, net of allowances for uncollectible amounts of $100 at 3/31/2020 and 12/31/2019	22,223	22,369
Ceded unearned premiums	807	823
Reinsurance balances recoverable on unpaid losses and settlement expenses, net of allowances for uncollectible amounts of $0 at 3/31/2020 and 12/31/2019	11,318	11,036
Federal income taxes	1,382	193
Deferred policy acquisition costs, net	5,381	5,269
Property and equipment, at cost, net of accumulated depreciation of $5,716 at 3/31/2020 and $5,620 at 12/31/2019	3,001	3,033
Other assets	1,135	1,240
Total assets	$ 164,557	$ 163,004
Liabilities and Equity		
Liabilities:		
Unpaid losses and settlement expenses	$ 58,274	$ 56,838
Unearned premiums	29,817	30,393
Reinsurance balances payable	353	375
Corporate debt	9,473	3,475
Accrued expenses	2,967	4,217
Income taxes - deferred	—	39
Other liabilities	903	1,325
Total liabilities	101,787	96,662
Equity:		
Common stock[1]	35	35
Treasury stock, at cost[2]	(3,047)	(3,147)
Additional paid-in capital	32,658	32,703
Accumulated other comprehensive earnings, net of tax	1,243	2,954
Retained earnings	34,635	36,609
Less: Unearned ESOP shares at cost[3]	(2,754)	(2,812)
Total equity	62,770	66,342
Total liabilities and equity	$ 164,557	$ 163,004

[1] *Par value $0.01; authorized: 2020 - 10,000 shares and 2019 – 10,000 shares; issued: 2020 – 3,500 shares and 2019 – 3,500 shares; outstanding: 2020 – 3,028 shares and 2019 – 3,015 shares.*
[2] *2020 – 196 shares and 2019 – 204 shares*
[3] *2020 – 275 shares and 2019 – 281 shares*

Unpaid Losses and Settlement Expense

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

(In thousands)	As of March 31, 2020	As of December 31, 2019
Case reserves	$ 24,811	$ 24,370
IBNR reserves	22,145	21,432
Net unpaid losses and settlement expense	46,956	45,802
Reinsurance recoverable on unpaid loss and settlement expense	11,318	11,036
Reserves for unpaid loss and settlement expense	$ 58,274	$ 56,838

As of March 31, 2020, the Company had received 717 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 March 31, 2020 and December 31, 2019.

As of March 31, 2020

(In thousands)	Case Reserves	IBNR Reserves	Total Reserves
Commercial liability	$ 18,195	$ 18,755	$ 36,950
Property	3,063	60	3,123
Other	3,553	3,330	6,883
Total net reserves	24,811	22,145	46,956
Reinsurance recoverables	4,163	7,155	11,318
Gross reserves	$ 28,974	$ 29,300	$ 58,274

As of December 31, 2019

				Actuarially Determined Range of Estimates	
(In thousands)	Case Reserves	IBNR Reserves	Total Reserves	Low	High
Commercial liability	$ 18,406	$ 18,249	$ 36,655		
Property	2,706	(178)	2,528		
Other	3,258	3,361	6,619		
Total net reserves	24,370	21,432	45,802	$ 41,371	$ 47,312
Reinsurance recoverables	4,488	6,548	11,036	11,067	15,046
Gross reserves	$ 28,858	$ 27,980	$ 56,838	$ 52,438	$ 62,358

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 three months ended March 31, 2020 and 2019, we experienced unfavorable development of $1,597,000 and $1,248,000, 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 2019 at $45,802,000. As of March 31, 2020, that reserve was re-estimated at $47,399,000, which is $1,597,000, or 3.5%, 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 (6.0)% to 7.5%. As shown in the table below, since 2015 the variance in our originally estimated accident year selections range from (4.1)% deficient to 9.4% redundant as of March 31, 2020.

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

	Accident Year Data				
(In thousands)	**2015**	**2016**	**2017**	**2018**	**2019**
As originally estimated	$ 24,293	$ 25,619	$ 29,801	$ 29,762	$ 33,563
As estimated at March 31, 2020	22,011	25,437	29,809	28,299	34,955
Net cumulative (deficiency) redundancy	$ 2,282	$ 183	$ (8)	$ 1,463	$ (1,392)
% (deficiency) redundancy	9.4%	0.7%	(0.0)%	4.9%	(4.1)%

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

	December 31, 2019	
(In thousands)	Aggregate Loss and Settlement Reserve	Percentage Change in Equity
Reserve Range for Unpaid Losses and Settlement Expense		
Low End	$ 41,371	5.3%
Recorded	45,802	0.0%
High End	47,312	(1.8)%

If the net loss and settlement expense reserves were recorded at the high end of the actuarially-determined range as of December 31, 2019, the loss and settlement expense reserves would increase by $0.4 million before taxes. This increase in reserves would have the effect of decreasing net earnings and equity as of December 31, 2019 by $0.3 million. If the loss and settlement expense reserves were recorded at the low end of the actuarially-determined range as of December 31, 2019, the net loss and settlement expense reserves at December 31, 2019 would be reduced by $5.6 million with corresponding increases in net earnings and equity of $4.4 million.

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 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:

	March 31, 2020					
	Less than 12 Months		12 Months or Longer		Total	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
MBS/ABS/CMBS	$ 12,453	$ (516)	$ 1,895	$ (161)	$ 14,348	$ (677)
Corporate	6,800	(633)	—	—	6,800	(633)
Municipal	3,447	(90)	—	—	3,447	(90)
Redeemable preferred stock	72	(1)	—	—	72	(1)
Total temporarily impaired fixed maturity securities	$ 22,772	$ (1,240)	$ 1,895	$ (161)	$ 24,667	$ (1,401)

(In thousands)	December 31, 2019 Less than 12 Months Fair Value	Unrealized Losses	12 Months or Longer Fair Value	Unrealized Losses	Total Fair Value	Unrealized Losses
U.S. Treasury	$ —	$ —	$ 699	$ (1)	$ 699	$ (1)
MBS/ABS/CMBS	6,399	(22)	5,057	(31)	11,456	(53)
Corporate	1,397	(9)	—	—	1,397	(9)
Municipal	1,969	(30)	—	—	1,969	(30)
Total temporarily impaired fixed maturity securities	$ 9,765	$ (61)	$ 5,756	$ (32)	$ 15,521	$ (93)

Corporate Bonds

The net unrealized gain in the Corporate bond portfolio decreased by about $1.6 million from a gain of $2,473,000 at the end of 2019 to a gain of $884,000 as of March 31, 2020. The share decrease in unrealized gain (loss) was driven by decidedly risk-off tone in the capital markets in March due to COVID-19. The average spread of the Corporate bond index widened over 270 bps in March 2020, generating negative excess return of over 1,100 bps. This move to wider spreads more than offset the benefits reaped from the drop in Treasury rates.

Municipal Bonds

The net unrealized gain in the Municipal portfolio fell from $778,000 at the end of 2019 to $737,000 at the end of March 2020, a decrease of $231,000. Municipal spreads widened during the quarter on COVID-19 concerns, but not as much as Corporates. As a result, most of the negative impact on Municipal prices from spreads widening was offset by the positive impact from Treasury rates dropping. The decrease in unrealized gains during the quarter was, therefore, driven by the fact that we realized about $330,000 in gains from the Municipal portfolio in early March 2020.

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 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 other-than-temporary impairment 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 other-than-temporary impairment (OTTI) will be recognized in earnings.

For the three months ended March 31, 2020, 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 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 March 31, 2020 and December 31, 2019, 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 three months ended March 31, 2020 and 2019 and for the year ended December 31, 2019, 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 March 31, 2020 and December 31, 2019, deferred acquisition costs and the related unearned premium reserves were as follows:

(In thousands)	March 31, 2020	December 31, 2019
Deferred acquisition costs	$ 5,381	$ 5,269
Unearned premium reserves	29,817	30,393

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 March 31, 2020 and December 31, 2019, we had no material unrecognized tax benefits or accrued interest and penalties. Federal tax years 2016 through current year are open for examination.

Other Assets

As of March 31, 2020 and December 31, 2019, other assets totaled $1,135,000 and $1,240,000, respectively. The other assets balances on the consolidated balance sheets are primarily composed of Corporate Owned Life Insurance asset value as well as prepaid fees.

Outstanding Debt

As of March 31, 2020 and December 31, 2019, outstanding debt balances totaled $9,473,000 and $3,475,000, respectively. The average rate on remaining debt was 2.2% and 3.7% as of March 31, 2020 and December 31, 2019, respectively.

Debt Obligation

ICC Holdings, Inc. secured a loan with American Bank & Trust 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.

The Company also has borrowing capacity up to approximately $33 million in the aggregate from its membership with FHLBC.

In March 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus (COVID-19) outbreak, which has led to a global health emergency. As part of the Company's response to COVID-19, the Company obtained in March 2020 a $6.0 million loan from the Federal Home Loan Bank of Chicago (FHLBC) as a precautionary measure to increase its cash position and 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 also obtained in May 2020 a $4.0 million loan from the FHLBC as an additional precautionary measure to increase its cash position and compensate for potential reductions in premium receivable collections as a result of the Company's announcement in March 2020 to temporarily suspend all insurance premium billing for 30 days. The Company pledged an additional $7.4 million of fixed income securities as collateral for both FHLBC loans.

Revolving Line of Credit

We also maintain a revolving line of credit with American Bank & Trust, which permits borrowing up to an aggregate principal amount of $1.75 million. This facility was initially entered into during 2013 and is renewed annually with a current expiration of August 5, 2020. The line of credit is 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 draws down on the line of credit. There were no borrowings outstanding and there was no interest paid on the line of credit during the three months ended March 31, 2020 and 2019. There are no financial covenants governing this agreement.

ESOP

In connection with our converstion 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, 2019.

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 and April 2020. The RSUs vest 1/3 over three years from 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 2019 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 decrease in cash used in investing activities during the three months ended March 31, 2020 compared to the same period in 2019 relates to purchases of both fixed maturity securities and preferred stocks. The increase in cash provided by financing activities during the three months ended March 31, 2020 compared to the same period in 2019 relates to a $6.0 million loan obtained from FHLBC during the first quarter of 2020. See *Note 4 – Debt* and *Note 9 – Subsequent Events* 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 three months ended March 31, 2020 and 2019 were as follows:

	Three Months Ended March 31,	
(In thousands)	**2020**	**2019**
Net cash provided by operating activities	$ 163	$ 1,128
Net cash (used in) provided by investing activities	(3,781)	637
Net cash provided by (used in) financing activities	5,997	(1)
Net increase in cash and cash equivalents	$ 2,379	$ 1,764

ICC Holdings, Inc.'s principal source of liquidity will be dividend payments and other fees received from ICC and its other subsidiaries. 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 2020 without the prior approval of the Illinois Department of Insurance is approximately $5.5 million based upon the insurance company's 2019 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.

The following table summarizes, as of March 31, 2020, our future payments under contractual obligations and estimated claims and claims related payments for continuing operations. As of March 31, 2020, the Company had received 717 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.

	Payments Due by Period				
(In thousands)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Estimated gross loss and settlement expense payments	$ 58,274	$ 20,050	$ 20,946	$ 11,742	$ 5,536
Debt obligations	10,107	154	3,852	6,101	—
Operating lease obligations	445	388	57	—	—
Total	$ 68,826	$ 20,592	$ 24,855	$ 17,843	$ 5,536

The timing of the amounts of the gross loss and loss adjustment expense payments is an estimate based on historical experience and the expectations of future payment patterns. However, the timing of these payments may vary from the amounts stated above.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital reserves.

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 March 31, 2020, was 8.30 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):

	March 31, 2020	
Hypothetical Change in Interest Rates *(In thousands)*	**Estimated Change in Fair Value**	**Fair Value**
200 basis point increase	$ (9,287)	$ 82,124
100 basis point increase	(4,854)	86,557
No change	—	91,411
100 basis point decrease	3,428	94,839
200 basis point decrease	4,735	96,146

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.

Impact of Inflation

Inflation increases our customers’ needs for property and casualty insurance coverage due to the increase in the value of the property covered and any potential liability exposure. Inflation also increases claims incurred by property and casualty insurers as property repairs, replacements and medical expenses increase. These cost increases reduce profit margins to the extent that rate increases are not implemented on an adequate and timely basis. We establish property and casualty insurance premiums levels before the amount of loss and loss expenses, or the extent to which inflation may impact these expenses, are known. Therefore, we attempt to anticipate the potential impact of inflation when establishing rates. Because inflation has remained relatively low in recent years, financial results have not been significantly affected by it.

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 of the SEC. 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 March 31, 2020, 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 March 31, 2020, 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 first quarter of 2020 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, 2019, and filed with the SEC on March 30, 2020.

The COVID-19 pandemic is adversely affecting, and will likely continue to adversely affect, our business, financial condition, liquidity, and results of operations.

The COVID-19 pandemic has negatively impacted the U.S. and global economy; disrupted U.S. and global supply chains; lowered equity market valuations; created significant volatility and disruption in financial markets; contributed to a decrease in the rates and yields on U.S. Treasury securities; resulted in ratings downgrades, credit deterioration, and defaults in many industries; increased demands on capital and liquidity; and increased unemployment levels and decreased consumer confidence. In addition, the pandemic has resulted in temporary closures of many businesses, especially bars and restaurants, and the institution of social distancing and sheltering in place requirements in many states and communities, including those in our footprint. The pandemic has caused us, and could continue to cause us, to recognize losses in our investment portfolios and increases in our allowance for losses. Furthermore, the pandemic could cause us to recognize impairment of our goodwill and our financial assets. Sustained adverse effects may also increase our cost of capital, prevent us from satisfying our minimum regulatory capital and surplus, or result in downgrades in our A.M. Best ratings. The extent to which the COVID-19 pandemic impacts our business, financial condition, liquidity, and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic, the continued effectiveness of our business continuity plan, the direct and indirect impact of the pandemic on our customers, colleagues, counterparties and service providers, and actions taken by governmental authorities and other third parties in response to the pandemic.

Governmental authorities have taken significant measures to provide economic assistance to individual households and businesses, stabilize the markets, and support economic growth. The success of these measures is unknown, and they may not be sufficient to fully mitigate the negative impact of the pandemic. Additionally, some measures, such as a suspension of insurance premium payments and the reduction in interest rates to near zero, may have a negative impact on our business, financial condition, liquidity, and results of operations. We also may become subject to legislative and/or regulatory action that retroactively mandates coverage for losses that our insurance policies were not intended or priced to cover, including business interruption claims, despite terms included in our policies to preclude coverage or that creates presumptions of compensability not otherwise present (including for example in workers' compensations exposures). Regulatory requirements could also impact pricing, risk selection and our rights and obligations with respect to our policies and insureds, including our ability to cancel policies, collect premiums, or requiring us to refund premiums in a manner not otherwise required. We also face an increased risk of litigation and governmental and regulatory scrutiny as a result of the effects of the pandemic on market and economic conditions and actions governmental authorities take in response to those conditions. These potential exposures include direct claims relating to COVID-19 (e.g., business interruption following a shelter in place order) and indirect exposures arising from an economic downturn.

The length of the pandemic and the effectiveness of the measures being put in place to address it are unknown. Until the effects of the pandemic subside, we expect continued requests for deferral of premium payments, reduced revenues in our businesses, and increased customer defaults. Furthermore, the U.S. economy is likely to experience a recession as a result of the pandemic, and our business could be materially and adversely affected by a prolonged recession. To the extent the pandemic adversely affects our business, financial condition, liquidity, or results of operations, it may also have the effect of heightening many of the other risks described in the section entitled “Risk Factors” in our 2019 Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q.

There is a high degree of uncertainty regarding the implementation and impact of the PPP. There can be no assurance as to whether we will be able to benefit from the proceeds received from the PPP loan.

In April 2020, we closed on a loan of $1.6 million under the PPP of the CARES Act, or the PPP loan, all or a portion of which may be forgiven dependent on our use of proceeds. The PPP loan matures in the second quarter of 2022 and bears interest at a rate of 1.0% per annum. Commencing the fourth quarter of 2020, we will begin making loan payments. All or a portion of the PPP loan may be forgiven by the SBA upon application by us beginning 60 days, but not later than 120 days, after loan approval and upon documentation of expenditures in accordance with the SBA's requirements. Under the CARES Act, loan forgiveness is available for the sum of documented payroll costs, covered rent payments, covered mortgage interest and covered utilities during the eight week period beginning on the date of loan approval. Not more than 25% of the forgiven amount may be for non-payroll costs. The amount of the PPP loan eligible to be forgiven will be reduced if our full-time headcount declines, or if salaries and wages for employees with salaries of $100,000 or less annually are reduced by more than 25%. We will be required to repay any portion of the outstanding principal that is not forgiven, along with accrued interest, in accordance with the amortization schedule described above, and we cannot provide any assurance that we will be eligible for loan forgiveness, that we will ultimately apply for forgiveness, or that any amount of the PPP loan will ultimately be forgiven by the SBA.

The PPP loan application required us to certify, among other things, that the current economic uncertainty made the PPP loan request necessary to support our ongoing operations. While we made this certification in good faith after analyzing, among other things, our financial situation and access to alternative forms of capital, and believe that we satisfied all eligibility criteria for the PPP loan and that our receipt of the PPP loan is consistent with the broad objectives of the PPP and the CARES Act, the certification described above does not contain any objective criteria as of this date and is subject to interpretation. In addition, the SBA has stated that it is unlikely that a public company with substantial market value and access to capital markets will be able to make the required certification in good faith. On May 13, 2020, the SBA updated its Frequently Asked Questions by adding Questions 46 and 47, which relate to how the SBA will review borrowers' required good-faith certification concerning the necessity of their loan request and extending the safe harbor deadline to May 18, 2020 to return proceeds. As a result of this guidance, the SBA, in consultation with the Department of the Treasury, established a safe harbor regarding the certification which provides that any borrower that, together with its affiliates, received loans under the PPP with an original principal amount of less than $2 million will be deemed to have made the required certification concerning the necessity of the loan request in good faith. Additionally, if the SBA determines in the course of its review that a borrower lacked adequate basis for the required certification concerning the necessity of the loan request, the SBA will seek repayment of the outstanding loan balance and will inform the lender that the borrower is not eligible for loan forgiveness. If the borrower repays the loan after receiving notification from the SBA, the SBA will not pursue administrative enforcement or referrals to other agencies based on its determination with respect to the certification concerning necessity of the loan request. However, the SBA did not provide any additional guidance regarding this certification regarding loan necessity. The lack of clarity as of the date of this Report regarding loan eligibility under the PPP has resulted in significant media coverage and controversy with respect to public companies applying for and receiving loans.

If, despite our good faith belief that we satisfied all eligibility requirements for the PPP loan, we are found to have been ineligible to receive the PPP loan or in violation of any of the laws or governmental regulations that apply to us in connection with the PPP loan, including the False Claims Act, and we do not, or are unable to, repay the outstanding balance of the PPP loan, we may be subject to penalties, including significant civil, criminal and administrative penalties. In the event that we seek forgiveness of all or a portion of the PPP loan, we will also be required to make certain certifications which will be subject to audit and review by governmental entities and could subject us to significant penalties and liabilities if found to be inaccurate, including under the False Claims Act. In addition, our receipt of the PPP loan may result in adverse publicity and damage to our reputation, and a review or audit by the SBA or other government entity or claims under the False Claims Act could consume significant financial and management resources. Any of these events could harm our business, results of operations and financial condition.

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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) (2)
January 1 - January 31, 2020	-	$ -	-	$ 2,853,409
February 1 - February 29, 2020	-	-	-	2,853,409
March 1 - March 31, 2020	-	-	-	2,853,409
Total	-	$ -	-	

(1) In September 2017, the Company announced the establishment of a $3.0 million share repurchase program, with no expiration date.

(2) 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	XBRL-Related Documents

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 May 15, 2020.

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)

Exhibit 31.1

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: May 15, 2020

/s/ Arron K. Sutherland

Arron K. Sutherland
Chief Executive Officer
(principal executive officer)

Exhibit 31.2

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: May 15, 2020

/s/ Michael R. Smith

Michael R. Smith
Chief Financial Officer
(principal financial officer)

Exhibit 32.1

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 March 31, 2020, 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: May 15, 2020

/s/Arron K. Sutherland

Arron K. Sutherland
Chief Executive Officer

Exhibit 32.2

**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 March 31, 2020 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: May 15, 2020

/s/ Michael R. Smith

Michael R. Smith
Chief Financial Officer