

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For transition period from _____ to _____.

Commission File Number: 001-38046

ICC Holdings, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of incorporation or organization)

225 20th Street, Rock Island, Illinois

(Address of principal executive offices)

81-3359409

(I.R.S. Employer Identification No.)

61201

(Zip Code)

(309) 793-1700

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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 November 8, 2019 was 3,299,379.

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

	As of	
	September 30, 2019	December 31, 2018
	(Unaudited)	
Assets		
Investments and cash:		
Fixed maturity securities (amortized cost - \$88,857,008 at 9/30/2019 and \$89,252,906 at 12/31/2018)	\$ 92,918,467	\$ 88,981,159
Common stocks (cost - \$13,235,053 at 9/30/2019 and \$13,572,713 at 12/31/2018)	13,330,075	11,843,223
Other invested assets	878,308	154,200
Property held for investment, at cost, net of accumulated depreciation of \$302,100 at 9/30/2019 and \$222,825 at 12/31/2018	3,839,390	3,586,273
Cash and cash equivalents	2,030,900	4,644,784
Total investments and cash	112,997,140	109,209,639
Accrued investment income	650,692	648,321
Premiums and reinsurance balances receivable, net of allowances for uncollectible amounts of \$50,000 at 9/30/2019 and 12/31/2018	23,252,325	21,404,344
Ceded unearned premiums	861,471	796,065
Reinsurance balances recoverable on unpaid losses and settlement expenses, net of allowances for uncollectible amounts of \$0 at 9/30/2019 and 12/31/2018	12,266,481	6,735,964
Federal income taxes	616,785	1,868,669
Deferred policy acquisition costs, net	5,525,395	5,247,188
Property and equipment, at cost, net of accumulated depreciation of \$5,564,730 at 9/30/2019 and \$5,099,090 at 12/31/2018	3,088,736	3,332,810
Other assets	2,212,641	1,040,193
Total assets	\$ 161,471,666	\$ 150,283,193
Liabilities and Equity		
Liabilities:		
Unpaid losses and settlement expenses	\$ 58,322,611	\$ 51,447,440
Unearned premiums	31,615,601	29,972,623
Reinsurance balances payable	95,991	993,004
Corporate debt	3,477,586	3,484,606
Accrued expenses	3,159,742	4,536,218
Other liabilities	1,858,174	1,256,003
Total liabilities	98,529,705	91,689,894
Equity:		
Common stock ¹	35,000	35,000
Treasury stock, at cost ²	(3,102,850)	(2,999,995)
Additional paid-in capital	32,641,488	32,505,423
Accumulated other comprehensive earnings (loss), net of tax	3,208,554	(1,580,976)
Retained earnings	33,031,328	33,680,702
Less: Unearned Employee Stock Ownership Plan shares at cost ³	(2,871,559)	(3,046,855)
Total equity	62,941,961	58,593,299
Total liabilities and equity	\$ 161,471,666	\$ 150,283,193

¹Par value \$0.01; authorized: 2019 - 10,000,000 shares and 2018 - 10,000,000 shares; issued: 2019 - 3,500,000 shares and 2018 - 3,500,000 shares; outstanding: 2019 - 3,012,223 and 2018 - 2,992,734 shares.

²2019 - 200,621 shares and 2018 - 196,721 shares

³2019 - 287,156 shares and 2018 - 304,685 shares

See accompanying notes to consolidated financial statements.

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

	For the Three-Months Ended	
	September 30,	
	2019	2018
Net premiums earned	\$ 13,679,746	\$ 12,137,690
Net investment income	811,462	735,683
Net realized investment gains	141,481	15,029
Net unrealized losses on equity securities	(7,603)	—
Other (loss) income	(112,763)	74,051
Consolidated revenues	14,512,323	12,962,453
Losses and settlement expenses	9,609,347	8,611,573
Policy acquisition costs and other operating expenses	4,733,206	4,475,659
Interest expense on debt	32,458	32,553
General corporate expenses	164,378	128,803
Total expenses	14,539,389	13,248,588
Loss before income taxes	(27,066)	(286,135)
Total income tax benefit	(13,150)	(77,569)
Net loss	\$ (13,916)	\$ (208,566)
Other comprehensive earnings, net of tax	703,220	213,059
Comprehensive earnings	\$ 689,304	\$ 4,493
Earnings per share:		
Basic:		
Basic net loss per share	\$ (0.00)	\$ (0.07)
Diluted:		
Diluted net loss per share	\$ (0.00)	\$ (0.07)
Weighted average number of common shares outstanding:		
Basic	3,011,034	3,135,277
Diluted	3,015,038	3,136,764

See accompanying notes to consolidated financial statements.

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

	For the Nine-Months Ended	
	September 30,	
	2019	2018
Net premiums earned	\$ 39,219,882	\$ 34,919,705
Net investment income	2,406,965	2,124,059
Net realized investment gains	741,123	1,087,229
Net unrealized gains on equity securities	1,716,124	—
Other (loss) income	(43,838)	130,222
Consolidated revenues	44,040,256	38,261,215
Losses and settlement expenses	28,117,369	24,398,009
Policy acquisition costs and other operating expenses	14,541,986	13,089,081
Interest expense on debt	96,353	108,335
General corporate expenses	444,829	398,859
Total expenses	43,200,537	37,994,284
Earnings before income taxes	839,719	266,931
Total income tax expense	122,796	8,209
Net earnings	\$ 716,923	\$ 258,722
Other comprehensive earnings (loss), net of tax	3,423,233	(2,389,414)
Comprehensive earnings (loss)	\$ 4,140,156	\$ (2,130,692)
Earnings per share:		
Basic:		
Basic net earnings per share	\$ 0.24	\$ 0.08
Diluted:		
Diluted net earnings per share	\$ 0.24	\$ 0.08
Weighted average number of common shares outstanding:		
Basic	3,004,887	3,165,239
Diluted	3,008,891	3,166,726

See accompanying notes to consolidated financial statements.

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

	Common Stock	Treasury Stock	Unearned ESOP	Additional paid-in capital	Retained earnings	Accumulated other comprehensive earnings (loss)	Total equity
Balance, January 1, 2018	\$ 35,000	\$ —	\$(3,281,220)	\$ 32,333,290	\$32,787,406	\$ 2,227,069	\$64,101,545
Purchase of common stock	—	(2,999,995)	—	—	—	—	(2,999,995)
Net earnings	—	—	—	—	258,722	—	258,722
Other comprehensive loss, net of tax	—	—	—	—	—	(2,389,414)	(2,389,414)
Restricted stock unit expense	—	—	—	35,818	—	—	35,818
ESOP shares released	—	—	175,778	95,970	—	—	271,748
Balance, September 30, 2018	\$ 35,000	\$(2,999,995)	\$(3,105,442)	\$ 32,465,078	\$33,046,128	\$ (162,345)	\$59,278,424

	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	—	(102,855)	—	—	—	—	(102,855)
Net earnings	—	—	—	—	716,923	—	716,923
Other comprehensive earnings, net of tax	—	—	—	—	—	3,423,233	3,423,233
Restricted stock unit expense	—	—	—	78,226	—	—	78,226
ESOP shares released	—	—	175,296	57,839	—	—	233,135
Balance, September 30, 2019	\$ 35,000	\$(3,102,850)	\$(2,871,559)	\$ 32,641,488	\$33,031,328	\$ 3,208,554	\$62,941,961

¹See discussion of Accounting Standards Update 2016-01 adoption in Note 1 - Summary of Significant Accounting Policies

See accompanying notes to consolidated financial statements.

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

	Nine-Month Periods Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Net earnings	\$ 716,923	\$ 258,722
Adjustments to reconcile net earnings to net cash provided by operating activities		
Net realized investment gains	(741,123)	(1,087,229)
Net unrealized gains on equity securities	(1,716,124)	—
Depreciation	613,916	519,471
Deferred income tax	360,009	4,101
Amortization of bond premium and discount	172,691	239,029
Stock-based compensation expense	311,361	307,566
Change in:		
Accrued investment income	(2,371)	27,598
Premiums and reinsurance balances receivable	(1,847,981)	(2,883,819)
Ceded unearned premiums	(65,406)	(430,781)
Reinsurance balances payable	(897,013)	908,323
Reinsurance balances recoverable	(5,530,517)	550,567
Deferred policy acquisition costs	(278,207)	(911,348)
Unpaid losses and settlement expenses	6,875,171	3,139,319
Unearned premiums	1,642,978	3,822,745
Accrued expenses	(1,376,476)	(548,197)
Current federal income tax	(18,097)	(9,086)
Other	(570,277)	(598,682)
Net cash (used in) provided by operating activities	(2,350,543)	3,308,299
Cash flows from investing activities:		
Purchases of:		
Fixed maturity securities, available-for-sale	(19,060,848)	(12,181,365)
Common stocks	(5,252,095)	(13,932,332)
Preferred stocks	—	(140,925)
Other invested assets	(738,300)	(39,200)
Property held for investment	(332,393)	(374,409)
Property and equipment	(321,704)	(444,603)
Proceeds from sales, maturities and calls of:		
Fixed maturity securities, available-for-sale	19,522,461	10,181,569
Common stocks	5,998,276	9,367,763
Preferred stocks	—	3,927,722
Property and equipment	31,137	5,854
Net cash used in investing activities	(153,466)	(3,629,926)
Cash flows from financing activities:		
Repayments of borrowed funds	(7,020)	(852,191)
Purchase of common stock	(102,855)	(2,999,995)
Net cash used in financing activities	(109,875)	(3,852,186)
Net decrease in cash and cash equivalents	(2,613,884)	(4,173,813)
Cash and cash equivalents at beginning of year	4,644,784	6,876,519
Cash and cash equivalents at end of period	\$ 2,030,900	\$ 2,702,706
Supplemental information:		
Federal income tax recovered	\$ 164,543	\$ —
Interest paid	96,700	140,881

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., an inactive insurance agency; 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 22.3% and 28.0% of the premium is written in Illinois for the three months ended September 30, 2019 and 2018, respectively. For the nine months ended September 30, 2019 and 2018, approximately 25.8% and 29.7% of the premium is written in Illinois, 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, 2018 (the “2018 10-K”). Management believes that the disclosures are adequate to make the information presented not misleading, and all normal and recurring adjustments necessary to present fairly the financial position at September 30, 2019, 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 2018 10-K.

D. ADOPTED ACCOUNTING PRONOUNCEMENTS

Revenue Recognition (ASU 2017-13, ASU 2016-20, ASU 2016-12, ASU 2016-11, ASU 2016-10, ASU 2016-08, ASU 2015-14 and ASU 2014-09) – This update supersedes the revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. We adopted these updates effective January 1, 2019. All contracts within the scope of Topic 944, Financial Services – Insurance, investment income, investment related gains and losses and equity in earnings of unconsolidated investees are outside the scope of this ASU. As such, the adoption did not have a material effect on our consolidated financial statements.

Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments (ASU 2016-15) – This guidance addresses eight specific cash flow issues with the objective of reducing existing diversity in practice. We adopted this update effective January 1, 2019, and the adoption did not have a material effect on our consolidated financial statements.

Financial Instruments – Recognition and Measurement (ASU 2016-01) – This guidance affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements of

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financial instruments. This update requires equity investments to be measured at fair value with subsequent changes recognized in net income, except for those accounted for under the equity method or requiring consolidation. Prior to the effective date of this update, changes in fair value related to available-for-sale (AFS) equity securities were recognized in OCI. We adopted this update effective January 1, 2019. Upon adoption, we recognized a cumulative-effect decrease to beginning retained earnings of \$1.4 million and a corresponding increase to accumulated other comprehensive income (AOCI).

E. 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 2018 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.

F. PROPERTY AND EQUIPMENT

Annually, the Company reviews the major asset classes of property and equipment held for impairment. For the periods ended September 30, 2019 and 2018, the Company recognized no impairments. Property and equipment are summarized as follows:

	As of	
	September 30, 2019	December 31, 2018
Automobiles	\$ 600,117	\$ 603,046
Furniture and fixtures	450,834	436,568
Computer equipment and software	3,735,883	3,542,339
Home office	3,866,632	3,849,947
Total cost	8,653,466	8,431,900
Accumulated depreciation	(5,564,730)	(5,099,090)
Net property and equipment	<u>\$ 3,088,736</u>	<u>\$ 3,332,810</u>

G. **COMPREHENSIVE EARNINGS**

Comprehensive earnings (loss) include net earnings (loss) plus the change in unrealized gains and 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.

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

	Three-Month Periods Ended September 30,					
	2019			2018		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Other comprehensive earnings (loss), net of tax						
Unrealized gains and losses on investments:						
Unrealized holding (losses) gains arising during the period	\$ 890,152	\$ (116,415)	\$ 773,737	\$ 284,725	\$ (59,794)	\$ 224,931
Reclassification adjustment for (gains) losses included in net earnings	(89,262)	18,745	(70,517)	(15,029)	3,157	(11,872)
Total other comprehensive (loss) earnings	\$ 800,890	\$ (97,670)	\$ 703,220	\$ 269,696	\$ (56,637)	\$ 213,059

	Nine-Month Periods Ended September 30,					
	2019			2018		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Other comprehensive earnings (loss), net of tax						
Unrealized gains and losses on AFS investments:						
Unrealized holding gains (losses) arising during the period	\$ 4,333,205	\$ (721,632)	\$ 3,611,573	\$ (1,937,344)	\$ 406,840	\$ (1,530,504)
Reclassification adjustment for (gains) losses included in net earnings	(238,405)	50,065	(188,340)	(1,087,229)	228,319	(858,910)
Total other comprehensive earnings (loss)	\$ 4,094,800	\$ (671,567)	\$ 3,423,233	\$ (3,024,573)	\$ 635,159	\$ (2,389,414)

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

Details about Accumulated Other Comprehensive Earnings Component	Amounts Reclassified from Accumulated Other Comprehensive Earnings				Affected Line Item in the Statement where Net Earnings is Presented
	Three-Month Periods Ended September 30,		Nine-Month Period Ended September 30,		
	2019	2018	2019	2018	
Unrealized (gains) losses on AFS investments:					
	\$ (89,262)	\$ (15,029)	\$ (238,405)	\$ (1,087,229)	Net realized investment (gains) losses
	18,745	3,157	50,065	228,319	Income tax expense
Total reclassification adjustment, net of tax	\$ (70,517)	\$ (11,872)	\$ (188,340)	\$ (858,910)	

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 available-for-sale fixed maturity and equity securities and the related gross realized gains and losses.

	For the Three-Months Ended September 30,			
	Proceeds	Gains	Losses	Net Realized Gains (Losses)
2019				
Fixed maturity securities	\$ 5,771,988	\$ 99,445	\$ (10,183)	\$ 89,262
Common stocks	1,320,803	185,319	(133,100)	52,219
2018				
Fixed maturity securities	\$ 3,512,293	\$ 45,130	\$ (30,165)	\$ 14,965
Common stocks	533,388	61,330	(60,591)	739
Preferred stocks	66,000	—	(675)	(675)

	For the Nine-Months Ended September 30,			
	Proceeds	Gains	Losses	Net Realized Gains
2019				
Fixed maturity securities	\$ 19,522,461	\$ 264,737	\$ (26,332)	\$ 238,405
Common stocks	5,998,276	960,420	(457,702)	502,718
2018				
Fixed maturity securities	\$ 10,181,569	\$ 97,917	\$ (56,280)	\$ 41,637
Common stocks	9,367,763	1,164,192	(122,833)	1,041,359
Preferred stocks	3,927,722	86,862	(82,629)	4,233

The amortized cost and estimated fair value of fixed income securities at September 30, 2019, by contractual maturity, are shown as follows:

	Amortized Cost	Fair Value
Due in one year or less	\$ 3,706,721	\$ 3,724,171
Due after one year through five years	20,527,932	21,357,177
Due after five years through 10 years	14,516,310	15,749,391
Due after 10 years	13,833,858	15,217,981
Asset and mortgage backed securities without a specific due date	36,272,187	36,869,747
Total fixed maturity securities	<u>\$ 88,857,008</u>	<u>\$ 92,918,467</u>

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

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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 September 30, 2019 and December 31, 2018:

	Cost or Amortized Cost	Fair Value	Gross Unrealized	
			Gains	Losses
2019				
Fixed maturity securities:				
U.S. Treasury	\$ 1,349,993	\$ 1,347,742	\$ 761	\$ (3,012)
MBS/ABS/CMBS	36,272,188	36,869,747	655,901	(58,342)
Corporate	40,936,728	43,509,784	2,576,595	(3,539)
Municipal	10,298,099	11,191,194	893,095	—
Total AFS securities	<u>\$ 88,857,008</u>	<u>\$ 92,918,467</u>	<u>\$ 4,126,352</u>	<u>\$ (64,893)</u>
2018				
Fixed maturity securities:				
U.S. Treasury	\$ 1,348,575	\$ 1,328,925	\$ —	\$ (19,650)
MBS/ABS/CMBS	34,372,133	33,799,024	33,955	(607,064)
Corporate	37,383,903	37,366,690	376,029	(393,242)
Municipal	16,148,295	16,486,520	398,569	(60,344)
Total fixed maturity securities	89,252,906	88,981,159	808,553	(1,080,300)
Equity securities:				
Common stocks	13,572,713	11,843,223	406,812	(2,136,302)
Total equity securities ¹	13,572,713	11,843,223	406,812	(2,136,302)
Total AFS securities	<u>\$ 102,825,619</u>	<u>\$ 100,824,382</u>	<u>\$ 1,215,365</u>	<u>\$ (3,216,602)</u>

¹Effective January 1, 2019, the Company adopted ASU No. 2016-01. As a result, equity securities are no longer classified as available-for-sale. Prior periods have not been recast to conform to the current presentation.

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 \$13,386,554 and \$13,696,585 and commercial mortgage backed securities of \$12,545,859 and \$10,126,352 at September 30, 2019 and December 31, 2018, respectively.

ANALYSIS

The following tables are also used as part of the impairment analysis and displays the total value of securities that were in an unrealized loss position as of September 30, 2019, and December 31, 2018. 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.

	September 30, 2019		
	< 12 Months	12 Months & Greater	Total
Fixed Maturity Securities:			
U.S. Treasury			
Fair value	\$ —	\$ 1,246,820	\$ 1,246,820
Cost or amortized cost	—	1,249,832	1,249,832
Unrealized loss	—	(3,012)	(3,012)
MBS/ABS/CMBS			
Fair value	4,940,313	4,706,813	9,647,126
Cost or amortized cost	4,947,399	4,758,069	9,705,468
Unrealized loss	(7,086)	(51,256)	(58,342)
Corporate			
Fair value	1,005,982	—	1,005,982
Cost or amortized cost	1,009,521	—	1,009,521
Unrealized loss	(3,539)	—	(3,539)
Total debt securities available for sale			
Fair value	5,946,295	5,953,633	11,899,928
Cost or amortized cost	5,956,920	6,007,901	11,964,821
Unrealized loss	(10,625)	(54,268)	(64,893)
December 31, 2018			
	< 12 Months	12 Months & Greater	Total
U.S. Treasury			
Fair value	\$ —	\$ 1,328,925	\$ 1,328,925
Cost or amortized cost	—	1,348,575	1,348,575
Unrealized loss	—	(19,650)	(19,650)
MBS/ABS/CMBS			
Fair value	16,890,857	11,956,493	28,847,350
Cost or amortized cost	17,039,357	12,415,057	29,454,414
Unrealized loss	(148,500)	(458,564)	(607,064)
Corporate			
Fair value	14,304,322	5,745,289	20,049,611
Cost or amortized cost	14,550,153	5,892,700	20,442,853
Unrealized loss	(245,831)	(147,411)	(393,242)
Municipal			
Fair value	3,069,720	838,980	3,908,700
Cost or amortized cost	3,100,036	869,008	3,969,044
Unrealized loss	(30,316)	(30,028)	(60,344)
Subtotal, fixed income			
Fair value	34,264,899	19,869,687	54,134,586
Cost or amortized cost	34,689,546	20,525,340	55,214,886
Unrealized loss	(424,647)	(655,653)	(1,080,300)
Common stock¹			
Fair value	8,187,764	—	8,187,764
Cost or amortized cost	10,324,066	—	10,324,066
Unrealized loss	(2,136,302)	—	(2,136,302)
Total			
Fair value	42,452,663	19,869,687	62,322,350
Cost or amortized cost	45,013,612	20,525,340	65,538,952
Unrealized loss	\$ (2,560,949)	\$ (655,653)	\$ (3,216,602)

¹Effective January 1, 2019, the Company adopted ASU No. 2016-01. As a result, equity securities are no longer classified as available-for-sale. Prior periods have not been recast to conform to the current presentation.

As of December 31, 2018, the Company held 200 equity securities that were in unrealized loss positions. Of these 200 securities, none were in an unrealized loss position for 12 consecutive months or longer prior to December 31, 2018.

The fixed income portfolio contained 31 securities in an unrealized loss position as of September 30, 2019. Of these 31 securities, 19 have been in an unrealized loss position for 12 consecutive months or longer and represent \$54,268 in unrealized losses. All fixed income securities in the investment portfolio continue to pay the expected coupon payments under the contractual terms of the securities. Credit-related impairments on fixed income securities that we do not plan to sell, and for which we are not more likely than not to be required to sell, are recognized in net earnings. Any non-credit related impairment is recognized in comprehensive earnings. Based on management's analysis, the fixed income portfolio is of a high credit quality and it is believed it will recover the amortized cost basis of the fixed income securities. Management monitors the credit quality of the fixed income investments to assess if it is probable that the Company will receive its contractual or estimated cash flows in the form of principal and interest. There were no other-than-temporary impairment losses recognized in net earnings during the first nine months ended September 30, 2019 and no other-than-temporary impairment losses recognized in net earnings for the same period of 2018. For all fixed income securities at a loss at September 30, 2019, 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 September 30, 2019 and December 31, 2018.

UNREALIZED GAINS AND LOSSES ON EQUITY SECURITIES

The portion of net unrealized losses for the three months ended September 30, 2019 for equity securities held as of September 30, 2019 was \$7,603. The portion of net unrealized gains for the nine months ended September 30, 2019 for equity securities held as of September 30, 2019 was \$1,716,124.

Other Invested Assets

Other invested assets include privately held investments, including membership in the Federal Home Loan Bank of Chicago (FHLBC), which occurred in February 2018, and a promissory note with the option to borrow up to \$1,275,000. The Company funded \$625,000 on July 30, 2019. The note bears interest at 6.5%, and is amortized over 20 years with a balloon payment due July 30, 2029. 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. As of September 30, 2019, there were no investments pledged as collateral with the FHLBC. There may be investments pledged as collateral with the FHLBC to ensure timely access to the secured lending facility that ownership of FHLBC stock provides. As of and during the nine month periods ending September 30, 2019, there were no outstanding borrowings with the FHLBC.

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

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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 September 30, 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	\$ 1,347,742	\$ —	\$ —	\$ 1,347,742
MBS/ABS/CMBS	—	36,869,747	—	36,869,747
Corporate	—	43,509,784	—	43,509,784
Municipal	—	11,191,194	—	11,191,194
Total fixed maturity securities	1,347,742	91,570,725	—	92,918,467
Equity securities				
Common stocks	13,330,075	—	—	13,330,075
Total marketable investments measured at fair value	\$ 14,677,817	\$ 91,570,725	\$ —	\$ 106,248,542

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Assets measured at fair value on a recurring basis as of December 31, 2018, 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	\$ 1,328,925	\$ —	\$ —	\$ 1,328,925
MBS/ABS/CMBS	—	33,799,024	—	33,799,024
Corporate	—	37,366,690	—	37,366,690
Municipal	—	16,486,520	—	16,486,520
Total fixed maturity securities	1,328,925	87,652,234	—	88,981,159
Equity securities				
Common stocks	11,843,223	—	—	11,843,223
Total marketable investments measured at fair value	\$ 13,172,148	\$ 87,652,234	\$ —	\$ 100,824,382

As noted in the previous tables, the Company did not have any assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of September 30, 2019 and December 31, 2018. Additionally, there were no securities transferred in or out of Levels 1 or 2 during the nine-month periods ended September 30, 2019 and 2018.

4. DEBT

As of September 30, 2019 and December 31, 2018, outstanding debt balances totaled \$3,477,586 and \$3,484,606, respectively. The average interest rate on remaining debt was 3.7% as of September 30, 2019 and as of December 31, 2018.

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 total balance of the debt agreements at September 30, 2019 and December 31, 2018 was \$3,477,586 and \$3,484,606, respectively.

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 nine months ended September 30, 2019 and 2018. 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 September 30,	
	2019	2018
WRITTEN		
Direct	\$ 16,305,222	\$ 16,170,176
Reinsurance assumed	70,200	16,199
Reinsurance ceded	(2,410,170)	(2,988,813)
Net	<u>\$ 13,965,252</u>	<u>\$ 13,197,562</u>
EARNED		
Direct	\$ 16,007,232	\$ 15,088,986
Reinsurance assumed	64,863	17,500
Reinsurance ceded	(2,392,349)	(2,968,796)
Net	<u>\$ 13,679,746</u>	<u>\$ 12,137,690</u>
LOSS AND SETTLEMENT EXPENSES INCURRED		
Direct	\$ 13,034,216	\$ 10,513,847
Reinsurance assumed	36,297	36,653
Reinsurance ceded	(3,461,166)	(1,938,927)
Net	<u>\$ 9,609,347</u>	<u>\$ 8,611,573</u>
	Nine-Month Periods Ended September 30,	
	2019	2018
WRITTEN		
Direct	\$ 48,349,466	\$ 46,582,507
Reinsurance assumed	178,446	108,686
Reinsurance ceded	(7,730,458)	(8,379,524)
Net	<u>\$ 40,797,454</u>	<u>\$ 38,311,669</u>
EARNED		
Direct	\$ 46,710,351	\$ 42,751,784
Reinsurance assumed	174,583	116,663
Reinsurance ceded	(7,665,052)	(7,948,742)
Net	<u>\$ 39,219,882</u>	<u>\$ 34,919,705</u>
LOSSES AND SETTLEMENT EXPENSES INCURRED		
Direct	\$ 37,778,378	\$ 29,111,003
Reinsurance assumed	119,498	71,410
Reinsurance ceded	(9,780,507)	(4,784,404)
Net	<u>\$ 28,117,369</u>	<u>\$ 24,398,009</u>

6. UNPAID LOSSES AND SETTLEMENT EXPENSES

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

<i>(In thousands)</i>	For the Three-Months Ended September 30,	
	2019	2018
Unpaid losses and settlement expense - beginning of the period:		
Gross	\$ 61,264	\$ 51,388
Less: Ceded	13,974	8,288
Net	47,290	43,100
Increase in incurred losses and settlement expense:		
Current year	9,092	8,324
Prior years	517	288
Total incurred	9,609	8,612
Deduct: Loss and settlement expense payments for claims incurred:		
Current year	6,064	3,613
Prior years	4,778	3,365
Total paid	10,842	6,978
Net unpaid losses and settlement expense - end of the period	46,057	44,734
Plus: Reinsurance recoverable on unpaid losses	12,266	9,479
Gross unpaid losses and settlement expense - end of the period	<u>\$ 58,323</u>	<u>\$ 54,213</u>

<i>(In thousands)</i>	For the Nine-Months Ended September 30,	
	2019	2018
Unpaid losses and settlement expense - beginning of the period:		
Gross	\$ 51,447	\$ 51,074
Less: Ceded	6,736	10,030
Net	44,711	41,044
Increase in incurred losses and settlement expense:		
Current year	25,779	22,587
Prior years	2,338	1,811
Total incurred	28,117	24,398
Deduct: Loss and settlement expense payments for claims incurred:		
Current year	10,455	7,511
Prior years	16,316	13,197
Total paid	26,771	20,708
Net unpaid losses and settlement expense - end of the period	46,057	44,734
Plus: Reinsurance recoverable on unpaid losses	12,266	9,479
Gross unpaid losses and settlement expense - end of the period	<u>\$ 58,323</u>	<u>\$ 54,213</u>

Net unpaid losses and settlement expense increased \$1,323,000, or 3.0%, in the nine months ended September 30, 2019 as compared to the same period in 2018. For the nine months ended September 30, 2019 and 2018, we experienced unfavorable development of \$2,338,000 and \$1,811,000, respectively. The 2019 increase in unfavorable development was primarily driven by the Liquor Liability and Business Owners Liability lines of business. We experienced favorable development on Workers' Compensation, Umbrella Liability, and Business Owners Property lines of business for the nine months ended September 30, 2019. Business Owners and Workers' Compensation Liability lines of business were the drivers of adverse development while we experienced favorable development on the Liquor Liability and the Umbrella Liability lines of business for the nine months ended September 30, 2018.

7. INCOME TAXES

The Company's effective tax rate for the nine-month period ended September 30, 2019, was 14.6%, compared to 3.1% for the same period in 2018. Effective rates are dependent upon components of pretax earnings and the related tax effects.

Income tax expense for the three and nine-month periods ended September 30, 2019 and 2018, 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	
	September 30,	
	2019	2018
Provision for income taxes at the statutory federal tax rates	\$ (5,684)	\$ (60,088)
Increase (reduction) in taxes resulting from:		
Dividends received deduction	(8,955)	(8,951)
Tax-exempt interest income	(16,433)	(32,002)
Proration of tax-exempt interest and dividends received deduction	5,939	10,192
Officer life insurance, net	3,579	3,579
Nondeductible expenses	8,404	12,439
Prior year true-ups and other	—	(2,738)
Total	\$ (13,150)	\$ (77,569)

	For the Nine-Months Ended	
	September 30,	
	2019	2018
Provision for income taxes at the statutory federal tax rates	\$ 176,341	\$ 56,056
Increase (reduction) in taxes resulting from:		
Dividends received deduction	(28,482)	(26,852)
Tax-exempt interest income	(60,249)	(101,894)
Proration of tax-exempt interest and dividends received deduction	21,775	31,684
Officer life insurance, net	(11,039)	10,386
Nondeductible expenses	24,450	36,608
Prior year true-up and other	—	2,221
Total	\$ 122,796	\$ 8,209

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

As of September 30, 2019 and December 31, 2018, the Company does not have any capital or operating loss carryforwards. Periods still subject to IRS audit include 2015 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 nine months ended September 30, 2019 and 2018, respectively.

A compensation expense charge is booked monthly during each year for the shares committed to be allocated to participants that year, determined with reference to the fair market value of our stock at the time the commitment to allocate the shares is accrued and recognized. For the nine months ended September 30, 2019, we recognized compensation expense of \$242,788 related to 17,530 shares of our common stock that are committed to be released to participants' accounts at December 31, 2019. Of the 17,530 shares committed to be released, 1,926 shares were committed on September 30, 2019 and had no impact on the weighted average common shares outstanding for the nine months ended September 30, 2019. For the nine months ended September 30, 2018, we recognized compensation expense of \$271,747 related to 17,577 shares of our common stock that were committed to be released to participants' accounts at December 31, 2018. Of the 17,577 shares committed to be released at December 31, 2018, 1,932 shares were committed on September 30, 2018 and had no impact on the weighted average common shares outstanding for the three and nine months ended September 30, 2018.

RESTRICTED STOCK UNITS

RSUs were granted for the first time in February 2018 with additional RSUs being granted in March 2019. 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 September 30, 2019, 13,071 and 11,700 RSUs have been granted at a fair market value of \$13.70 and \$15.10, respectively. We recognized \$78,226 and \$35,818 of expense on these units in the nine months ended September 30, 2019 and 2018, respectively. Total unrecognized compensation expense relating to outstanding and unvested RSUs was \$226,856 as of September 30, 2019, which will be recognized over the remainder of the three-year vesting periods.

9. RELATED PARTY

Mr. John R. Klockau, a director of the Company, is a claims consultant and was paid \$6,455 and \$10,560 as of September 30, 2019 and 2018, respectively, related to his services to the Company.

Mr. Scott T. Burgess is a director of the Company and a Senior Managing Director of Griffin Financial Group (Griffin). Mr. Burgess was paid \$2,941, and \$3,355 during the nine months ended September 30, 2019 and 2018, respectively for travel reimbursement costs. Griffin and Stevens & Lee are affiliated. Stevens & Lee is a full-service law firm that was paid \$27,500 and \$85,841 during the nine months ended September 30, 2019 and 2018, respectively.

10. SUBSEQUENT EVENTS

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

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 2018 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;
- 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.

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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 conversion, ICC became a wholly owned subsidiary of ICC Holdings, Inc. The consolidated financial statements of ICC prior to the conversion became the consolidated financial statements of ICC Holdings, Inc. upon completion of the conversion.

For the nine months ended September 30, 2019, we had direct written premiums of \$48,349,000, net premiums earned of \$39,220,000, and net earnings of \$717,000. For the nine months ended September 30, 2018, we had direct premiums written of \$46,583,000, net premiums earned of \$34,920,000, and net earnings of \$259,000. At September 30, 2019, we had total assets of \$161,472,000 and equity of \$62,942,000. At December 31, 2018, we had total assets of \$150,283,000 and equity of \$58,593,000.

We are an “emerging growth company” as defined in the JOBS Act and 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, 2019, one-half of the premiums would be earned in 2019 and the other half would be earned in 2020.

Net investment income, net realized gains (losses) on investments, and net unrealized gains (losses) on equity securities

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 adopted ASU 2016-01 effective January 1, 2019. With the adoption of this accounting pronouncement, we now recognize in earnings unrealized gains and (losses) on equity securities when our equity securities are trading at an amount greater than or less than their cost, respectively. Unrealized gains on equity securities were \$1,716,000 for the nine months ended September 30, 2019. See discussion of the adoption of ASU 2016-01 in *Note 1 – Summary of Significant Accounting Policies*. 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 income (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 losses and settlement expense 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 losses and settlement expense ratio measures losses and settlement expense for insured events occurring during a particular year and the change in incurred losses 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 other operating expenses from earned premiums. Each of these items is presented as a caption in our statements of operations.

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 income. 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, 2018.

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.

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.

Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

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

(In thousands)	For the Nine-Months Ended September 30,	
	2019	2018
Revenues		
Total premiums earned	\$ 39,220	\$ 34,920
Investment income, net of investment expense	2,407	2,124
Realized investment gains, net	741	1,087
Net unrealized gains on equity securities	1,716	-
Other (loss) income	(44)	130
Total revenues	\$ 44,040	\$ 38,261
Summarized components of net earnings		
Underwriting (loss) ¹	\$ (3,439)	\$ (2,567)
Investment income, net of investment expense	2,407	2,124
Realized investment gains, net	741	1,087
Net unrealized gains on equity securities	1,716	-
Other (loss) income	(44)	130
General corporate expenses	445	399
Interest expense	96	108
Earnings, before income taxes	840	267
Income tax expense	123	8
Net earnings	\$ 717	\$ 259
Total other comprehensive earnings (loss)	3,423	(2,389)
Comprehensive earnings (loss)	\$ 4,140	\$ (2,130)

¹Calculated by subtracting the sum of loss and settlement expenses (2019 -\$28,117 and 2018 -\$24,398) and policy and acquisition costs and other operating expenses (2019 - \$14,542 and 2018 - \$13,089) from net premiums earned (2019 -\$39,220 and 2018 - \$34,920).

	For the Nine-Months Ended September 30,	
	2019	2018
Non-GAAP Ratios:		
Losses and settlement expense ratio ¹	71.69%	69.87%
Expense ratio ²	37.08%	37.48%
Combined ratio ³	108.77%	107.35%

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

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

³The 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 nine months ended September 30, 2019 and 2018:

Premiums

Direct premiums written grew by \$1,766,000, or 3.8%, to \$48,349,000 for the nine months ended September 30, 2019 from \$46,583,000 for the same period of 2018. Net written premium grew by \$2,485,000, or 6.5%, to \$40,797,000 for the nine months ended September 30, 2019 from \$38,312,000 for the same period in 2018. Net premiums earned grew by \$4,300,000, or 12.3%, in the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018, primarily due to increased rate and organic growth including the impact of recent geographical expansion efforts.

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For the nine months ended September 30, 2019, we ceded to reinsurers \$7,665,000 of earned premiums, compared to \$7,949,000 of earned premiums for the nine months ended September 30, 2018. Ceded earned premiums as a percent of direct premiums written was 15.9% in the nine months ended September 30, 2019, and 17.1% in the nine months ended September 30, 2018.

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. Another component of other income was historically attributable to sales made by the Company's subsidiary, Estrella Innovative Solutions, Inc. Other income decreased by \$174,000 or 133.8% during the nine months ended September 30, 2019 as a result of an increase in premiums written off in the nine months ended September 30, 2019, as compared to the same period in 2018.

Unpaid Losses and Settlement Expenses

The following table details our unpaid losses and settlement expenses.

<i>(In thousands)</i>	For the Nine-Months Ended	
	September 30,	
	2019	2018
Unpaid losses and settlement expense - beginning of the period:		
Gross	\$ 51,447	\$ 51,074
Less: Ceded	6,736	10,030
Net	44,711	41,044
Increase in incurred losses and settlement expense:		
Current year	25,779	22,587
Prior years	2,338	1,811
Total incurred	28,117	24,398
Deduct: Loss and settlement expense payments for claims incurred:		
Current year	10,455	7,511
Prior years	16,316	13,197
Total paid	26,771	20,708
Net unpaid losses and settlement expense - end of the period	46,057	44,734
Plus: Reinsurance recoverable on unpaid losses	12,266	9,479
Gross unpaid losses and settlement expense - end of the period	\$ 58,323	\$ 54,213

Net unpaid losses and settlement expense increased \$1,323,000, or 3.0%, in the nine months ended September 30, 2019 as compared to the same period in 2018. For the nine months ended September 30, 2019 and 2018, we experienced unfavorable development of \$2,338,000 and \$1,811,000, respectively. The 2019 increase in unfavorable development was primarily driven by the Liquor Liability and Business Owners Liability lines of business. We experienced favorable development on Workers' Compensation, Umbrella Liability, and Business Owners Property lines of business for the nine months ended September 30, 2019. Business Owners and Workers' Compensation Liability lines of business were the drivers of adverse development while we experienced favorable development on the Liquor Liability and the Umbrella Liability lines of business for the nine months ended September 30, 2018.

Losses and Settlement Expenses

Losses and settlement expenses increased by \$3,719,000, or 15.2%, to \$28,117,000 for the nine months ended September 30, 2019, from \$24,398,000 for the same period in 2018. Losses and settlement expenses increased for the nine months ended September 30, 2019, primarily due to an increase in property losses.

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

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control salaries, as well as audit and legal expenses. Policy acquisition costs and other operating expenses increased by \$1,453,000, or 11.1%, to \$14,542,000 for the nine months ended September 30, 2019 from \$13,089,000 for the same period in 2018. The primary driver is related to restructuring 2019 reinsurance contracts to eliminate all ceding commissions on primary excess of loss contracts. The change increased the Company's overall net earned premiums by the same amount.

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 40 basis points from 37.48% to 37.08% for the nine months ended September 30, 2019 as compared to 2018.

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 \$46,000, or 11.5%, in the nine months ended September 30, 2019 as compared to the same period in 2018.

Investment Income

Net investment income increased by \$283,000, or 13.3%, to \$2,407,000 for the September 30, 2019, as compared to \$2,124,000 for the same period in 2018, driven by a combination of increased book yield and an increase in net asset value for much of the period.

Interest Expense

Interest expense decreased to \$96,000 for the nine months ended September 30, 2019 from \$108,000 for the same period during 2018. This 11.1% decrease year over year reflects the impact of the Company prepaying the balances of financial sale leaseback transactions during the first quarter of 2018. See *Financial Position – Debt Obligations*.

Income Tax Expense

We reported income tax expense of \$123,000 and \$8,000 for the nine months ended September 30, 2019 and 2018, respectively. The increase in income tax expense in 2019 relates to higher levels of pretax earnings for the nine months ended September 30, 2019 compared to the same period in 2018. Our effective tax rate for the nine months ended September 30, 2019 was 14.6%, compared to 3.1% for the same period in 2018. Effective rates are dependent upon components of pretax earnings and the related tax effects.

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

Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018

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

(In thousands)	For the Three-Months Ended September 30,	
	2019	2018
Revenues		
Total premiums earned	\$ 13,680	\$ 12,138
Investment income, net of investment expense	811	736
Realized investment gains, net	141	15
Net unrealized gains on equity securities	(8)	-
Other (loss) income	(112)	74
Total revenues	<u>\$ 14,512</u>	<u>\$ 12,963</u>
Summarized components of net earnings (loss)		
Underwriting (loss) ¹	\$ (662)	\$ (950)
Investment income, net of investment expense	811	736
Realized investment gains, net	141	15
Net unrealized gains on equity securities	(8)	-
Other income	(112)	74
General corporate expenses	164	128
Interest expense	32	33
Loss, before income taxes	(26)	(286)
Income tax benefit	(13)	(78)
Net loss	<u>\$ (13)</u>	<u>\$ (208)</u>
Total other comprehensive earnings	703	213
Comprehensive earnings	<u>\$ 690</u>	<u>\$ 5</u>

¹Calculated by subtracting the sum of loss and settlement expenses (2019 - \$9,609 and 2018 - \$8,612) and policy and acquisition costs and other operating expenses (2019 - \$4,733 and 2018 - \$4,476) from net premiums earned (2019 - \$13,680 and 2018 - \$12,138).

Non-GAAP Ratios:	For the Three-Months Ended September 30,	
	2019	2018
Losses and settlement expense ratio ¹	70.24%	70.95%
Expense ratio ²	34.60%	36.88%
Combined ratio ³	104.84%	107.83%

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

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

³The 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 September 30, 2019 and 2018:

Premiums

Direct premiums written grew by \$134,000, or 0.8%, to \$16,305,000 for the three months ended September 30, 2019, from \$16,171,000 for the same period of 2018. Net written premium grew by \$767,000, or 5.8%, to \$13,965,000 for the three months ended September 30, 2019, from \$13,198,000 for the same period in 2018. Net premiums earned grew by \$1,542,000, or 12.7%, to \$13,680,000 for the three months ended September 30, 2019, as compared to \$12,138,000 for the same period of 2018, primarily due to increased rate and organic growth including the impact of recent geographical expansion efforts.

For the three months ended September 30, 2019, we ceded to reinsurers \$2,392,000 of earned premiums, compared to \$2,969,000 of earned premiums for the three months ended September 30, 2018. Ceded earned premiums as a percent of direct premiums written was 14.7% in the three months ended September 30, 2019, and 18.4% in the three months ended September 30, 2018.

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. Another component of other income was historically attributable to sales made by the Company's subsidiary, Estrella Innovative Solutions, Inc. Other income decreased by \$186,000 for the three months ended September 30, 2019, as a result of an increase in premiums written off.

Losses and Settlement Expenses

Losses and settlement expenses increased by \$997,000, or 11.6%, to \$9,609,000 for the three months ended September 30, 2019, from \$8,612,000 for the same period in 2018. Losses and settlement expenses increased for the three months ended September 30, 2019, primarily due to an increase in property losses.

Policy Acquisition Costs and Other Operating Expenses and the Expense Ratio

Policy acquisition costs are costs we incur to issue policies, which include commissions, premium taxes, underwriting reports, and underwriter compensation costs. The Company offsets the direct commissions it pays with ceded commissions it receives from reinsurers. Other operating expenses consist primarily of information technology costs, accounting and internal control salaries, as well as audit and legal expenses. Policy acquisition costs and other operating expenses increased by \$257,000, or 5.7%, to \$4,733,000 for the three months ended September 30, 2019, from \$4,476,000 for the same period in 2018. The primary driver related to restructuring 2019 reinsurance contracts to eliminate all ceding commissions on primary excess of loss contracts. The change increased the Company's overall net earned premiums by the same amount.

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 228 basis points from 36.88% to 34.60% for the three months ended September 30, 2019 as compared to 2018.

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 \$36,000, or 28.1%, in the three months ended September 30, 2019 as compared to the same period in 2018.

Investment Income

Net investment income increased by \$75,000, or 10.2%, to \$811,000 for the three months ended September 30, 2019, as compared to \$736,000 for the same period in 2018, driven by a combination of increased book yield, and an increase in net asset value for much of the period.

Interest Expense

Interest expense decreased slightly to \$32,000 for the three months ended September 30, 2019 from \$33,000 for the same period during 2018.

Income Tax Expense

We reported income tax benefit of \$13,000 and \$78,000 for the three months ended September 30, 2019 and 2018, respectively. The decrease in income tax benefit in 2019 relates to higher levels of pretax earnings for the three months ended September 30, 2019 compared to the same period in 2018. Our effective tax rate for the three months ended September 30, 2019 was 48.6%, compared to 27.1% for the same period in 2018. Effective rates are dependent upon components of pretax 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:

	As of	
	September 30, 2019	December 31, 2018
(In thousands)		
Assets		
Investments and cash:		
Available for sale securities, at fair value		
Fixed maturity securities (amortized cost - \$88,857 at 9/30/2019 and \$89,253 at 12/31/2018)	\$ 92,919	\$ 88,981
Common Stocks (cost - \$13,235 at 9/30/2019 and \$13,573 at 12/31/2018)	13,330	11,844
Other invested assets	878	154
Property held for investment, at cost, net of accumulated depreciation of \$302 at 9/30/2019 and \$223 at 12/31/2018	3,839	3,586
Cash and cash equivalents	2,031	4,645
Total investments and cash	112,997	109,210
Accrued investment income	651	648
Premiums and reinsurance balances receivable, net of allowances for uncollectible amounts of \$50 at 9/30/2019 and 12/31/2018	23,252	21,404
Ceded unearned premiums	862	796
Reinsurance balances recoverable on unpaid losses and settlement expenses, net of allowances for uncollectible amounts of \$0 at 9/30/2019 and 12/31/2018	12,266	6,736
Federal income taxes	617	1,868
Deferred policy acquisition costs, net	5,525	5,247
Property and equipment, at cost, net of accumulated depreciation of \$5,565 at 9/30/2019 and \$5,099 at 12/31/2018	3,089	3,333
Other assets	2,213	1,041
Total assets	\$ 161,472	\$ 150,283
Liabilities and Equity		
Liabilities:		
Unpaid losses and settlement expenses	\$ 58,323	\$ 51,447
Unearned premiums	31,616	29,973
Reinsurance balances payable	96	993
Corporate debt	3,477	3,485
Accrued expenses	3,160	4,536
Other liabilities	1,858	1,256
Total liabilities	98,530	91,690
Equity:		
Common stock ¹	35	35
Treasury stock, at cost ²	(3,103)	(3,000)
Additional paid-in capital	32,642	32,505
Accumulated other comprehensive earnings (loss), net of tax	3,209	(1,581)
Retained earnings	33,031	33,681
Less: Unearned ESOP shares at cost ³	(2,872)	(3,047)
Total equity	62,942	58,593
Total liabilities and equity	\$ 161,472	\$ 150,283

¹ Par value \$0.01; authorized: 2019 - 10,000 shares and 2018 – 10,000 shares; issued: 2019 - 3,500 shares and 2018 – 3,500 shares; outstanding: 2019 – 3,012 shares and 2018 – 2,993 shares.

²2019 – 201 shares and 2018 – 197 shares

³2019 – 287 shares and 2018 – 305 shares

Unpaid Losses and LAE

Our reserves for unpaid loss and LAE are summarized below:

<i>(In thousands)</i>	As of September 30, 2019	As of December 31, 2018
Case reserves	\$ 24,869	\$ 23,500
IBNR reserves	21,188	21,211
Net unpaid losses and settlement expense	46,057	44,711
Reinsurance recoverable on unpaid loss and settlement expense	12,266	6,736
Reserves for unpaid loss and settlement expense	<u>\$ 58,323</u>	<u>\$ 51,447</u>

Actuarial Ranges

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

The following table provides case and IBNR reserves for losses and loss adjustment expenses as of September 30, 2019 and December 31, 2018.

As of September 30, 2019

<i>(In thousands)</i>	Case Reserves	IBNR Reserves	Total Reserves
Commercial liability	\$ 18,213	\$ 18,003	\$ 36,216
Property	3,622	(235)	3,387
Other	3,034	3,420	6,454
Total net reserves	24,869	21,188	46,057
Reinsurance recoverables	5,694	6,572	12,266
Gross reserves	<u>\$ 30,563</u>	<u>\$ 27,760</u>	<u>\$ 58,323</u>

As of December 31, 2018

<i>(In thousands)</i>	Case Reserves	IBNR Reserves	Total Reserves	Actuarially Determined Range of Estimates	
				Low	High
Commercial liability	\$ 17,767	\$ 17,604	\$ 35,371		
Property	3,097	92	3,189		
Other	2,636	3,515	6,151		
Total net reserves	23,500	21,211	44,711	\$ 39,716	\$ 45,420
Reinsurance recoverables	3,324	3,412	6,736	5,076	7,362
Gross reserves	<u>\$ 26,824</u>	<u>\$ 24,623</u>	<u>\$ 51,447</u>	<u>\$ 44,792</u>	<u>\$ 52,782</u>

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

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

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

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

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

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

The estimation process for determining the liability for unpaid loss and settlement expense inherently results in adjustments each year for claims incurred (but not paid) in preceding years. Negative amounts reported for claims incurred related to prior years are a result of claims being settled for amounts less than originally estimated (favorable development). Positive amounts reported for claims incurred related to prior years are a result of claims being settled for amounts greater than originally estimated (unfavorable development). For the nine months ended September 30, 2019 and 2018, we experienced unfavorable development of \$2,338,000 and \$1,811,000, 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 2018 at \$44,711,000. As of September 30, 2019, that reserve was re-estimated at \$47,049,000, which is \$2,338,000, or 5.2%, 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 2014 the variance in our originally estimated accident year selections range from (11.5)% deficient to 7.5% redundant as of September 30, 2019.

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

(In thousands)	Accident Year Data				
	2014	2015	2016	2017	2018
As originally estimated	\$ 22,267	\$ 24,293	\$ 25,619	\$ 29,801	\$ 29,762
As estimated at September 30, 2019	24,834	22,469	25,594	30,162	28,938
Net cumulative (deficiency) redundancy	\$ (2,567)	\$ 1,824	\$ 26	\$ (361)	\$ 823
% (deficiency) redundancy	(11.5)%	7.5%	0.1%	(1.2)%	2.8%

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

(In thousands)	December 31, 2018	
	Aggregate Loss and Settlement Reserve	Percentage Change in Equity
Reserve Range for Unpaid Losses and Settlement Expense		
Low End	\$ 39,716	6.7%
Recorded	44,711	0.0%
High End	45,420	(1.0)%

If the net loss and settlement expense reserves were recorded at the high end of the actuarially-determined range as of December 31, 2018, the loss and settlement expense reserves would increase by \$0.7 million before taxes. This increase in reserves would have the effect of decreasing net income and equity as of December 31, 2018 by \$0.6 million. If the loss and settlement expense reserves were recorded at the low end of the actuarially-determined range, the net loss and settlement expense reserves at December 31, 2018 would be reduced by \$5.0 million with corresponding increases in net income and equity of \$3.9 million.

Investments

Our investments are primarily composed of fixed maturity debt securities and common stock equity securities. We carry our equity securities at fair value and categorize all our debt securities as available-for-sale, 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 available-for-sale securities, net of applicable income taxes, are reflected directly in equity as a component of comprehensive income (loss) and, accordingly, have no effect on net income (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:

(In thousands)	September 30, 2019					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury	\$ —	\$ —	\$ 1,247	\$ (3)	\$ 1,247	\$ (3)
MBS/ABS/CMBS	4,940	(7)	4,707	(51)	9,647	(58)
Corporate	1,006	(4)	—	—	1,006	(4)
Municipal	—	—	—	—	—	—
Total temporarily impaired debt securities available for sale	\$ 5,946	\$ (11)	\$ 5,954	\$ (54)	\$ 11,900	\$ (65)

(In thousands)	December 31, 2018					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury	\$ —	\$ —	\$ 1,329	\$ (20)	\$ 1,329	\$ (20)
MBS/ABS/CMBS	16,891	(149)	11,956	(459)	28,847	(608)
Corporate	14,304	(246)	5,745	(147)	20,049	(393)
Municipal	3,070	(30)	839	(30)	3,909	(60)
Total fixed maturities	34,265	(425)	19,869	(656)	54,134	(1,081)
Common stocks ¹	8,188	(2,136)	—	—	8,188	(2,136)
Total temporarily impaired available for sale securities	\$ 42,453	\$ (2,561)	\$ 19,869	\$ (656)	\$ 62,322	\$ (3,217)

¹Effective January 1, 2019, the Company adopted ASU No. 2016-01. As a result, equity securities are no longer classified as available-for-sale. Prior periods have not been recast to conform to the current presentation.

Corporate Bonds

The net unrealized gain in the corporate bond portfolio increased about \$500,000 from \$2,064,202 at the end of the second quarter to \$2,573,057 at the end of the third quarter. This move higher was driven by the drop in Treasury rates (10 year rate down 34 basis points) which drove up prices on Corporate bonds.

Municipal Bonds

As of September 30, 2019 and December 31, 2018, municipal bonds totaled \$11,191,194 and \$16,486,520, respectively with net unrealized gains of \$893,095 and \$338,225, respectively. The increase was driven by the fact that US Treasury rates decreased significantly during the quarter (10-year US Treasury rate down 34 basis points for the third quarter alone), driving prices on Municipals higher.

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 will be recognized in earnings.

For the nine months ended September 30, 2019, the Company did not take an impairment charge on any of its security holdings. Adverse investment market conditions, or poor operating results of underlying investments, could result in impairment charges in the future.

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

Should the independent pricing service be unable to provide a fair value estimate, we would attempt to obtain a non-binding fair value estimate from a number of broker-dealers and review this estimate in conjunction with a fair value estimate reported by an independent business news service or other sources. In instances where only one broker-dealer provides a fair value for a fixed maturity security, we use that estimate. In instances where we can obtain fair value estimates from more than one

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broker-dealer, we would review the range of estimates and would select the most appropriate value based on the facts and circumstances. Should neither the independent pricing service nor a broker-dealer provide a fair value estimate, we would develop a fair value estimate based on cash flow analyses and other valuation techniques that utilize certain unobservable inputs. Accordingly, we would classify such a security as a Level 3 investment.

The fair value estimates of our investments provided by the independent pricing service at September 30, 2019 and December 31, 2018, respectively, were utilized, among other resources, in reaching a conclusion as to the fair value of our investments.

Management reviews the reasonableness of the pricing provided by the independent pricing service by employing various analytical procedures. We review all securities to identify recent downgrades, significant changes in pricing, and pricing anomalies on individual securities relative to other similar securities. This will include looking for relative consistency across securities in common sectors, durations, and credit ratings. This review will also include all fixed maturity securities rated lower than "A" by Moody's or S&P. If, after this review, management does not believe the pricing for any security is a reasonable estimate of fair value, then it will seek to resolve the discrepancy through discussions with the pricing service. In our review, we did not identify any such discrepancies for the nine months ended September 30, 2019 and 2018 and for the year ended December 31, 2018, and no adjustments were made to the estimates provided by the pricing service. The classification within the fair value hierarchy of Accounting Standards Codification (ASC) Topic 820, Fair Value Measurement, is then confirmed based on the final conclusions from the pricing review.

Deferred Policy Acquisition Costs

Certain acquisition costs consisting of direct and ceded commissions, premium taxes and certain other direct underwriting expenses that vary with and are primarily related to the production of business are deferred and amortized over the effective period of the related insurance policies as the underlying policy premiums are earned. At September 30, 2019 and December 31, 2018, deferred acquisition costs and the related unearned premium reserves were as follows:

(In thousands)	September 30, 2019		December 31, 2018	
Deferred acquisition costs	\$	5,525	\$	5,247
Unearned premium reserves		31,616		29,973

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

Income Taxes

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

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

As of September 30, 2019 and December 31, 2018, we had no material unrecognized tax benefits or accrued interest and penalties. Federal tax years 2015 through current year are open for examination.

Other Assets

As of September 30, 2019 and December 31, 2018 other assets totaled \$2,213,000 and \$1,041,000, 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. The balance as of September 30, 2019 as includes \$1,000,000 for investment securities in transit.

Outstanding Debt

As of September 30, 2019 and December 31, 2018, outstanding debt balances totaled \$3,478,000 and \$3,485,000, respectively. The average rate on remaining debt was 3.7% as of September 30, 2019 and as of December 31, 2018.

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 total balance of the debt agreements at September 30, 2019 and December 31, 2018 was \$3,478,000 and \$3,485,000, respectively.

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 nine months ended September 30, 2019 and 2018. There are no financial covenants governing this agreement.

ESOP

In connection with the 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 will make 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, 2018.

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. 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 2018 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 financing activities during the nine months ended September 30, 2019 compared to the same period in 2018 relates to early extinguishment of debt which occurred during the first quarter of 2018. See *Note 4 – Debt* of this Form 10-Q for more information.

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

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Cash flows from continuing operations for the nine months ended September 30, 2019 and 2018 were as follows:

<i>(In thousands)</i>	Nine Months Ended September 30,	
	2019	2018
Net cash (used in) provided by operating activities	\$ (2,351)	\$ 3,308
Net cash used in investing activities	(153)	(3,630)
Net cash used in financing activities	(110)	(3,852)
Net decrease in cash and cash equivalents	\$ (2,614)	\$ (4,174)

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 2019 without the prior approval of the Illinois Department of Insurance is approximately \$5.1 million based upon the insurance company's 2018 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.

Additionally, our insurance company, ICC, became a member of the FHLBC in February 2018. Membership in the Federal Home Loan Bank System provides ICC access to an additional source of liquidity via a secured lending facility. Our membership allows each insurance subsidiary to determine tenor and structure at the time of borrowing. As of and during the nine-month periods ended September 30, 2019, there were no outstanding borrowing amounts with the FHLBC.

The following table summarizes, as of September 30, 2019, our future payments under contractual obligations and estimated claims and claims related payments for continuing operations.

<i>(In thousands)</i>	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Estimated gross loss and settlement expense payments	\$ 58,323	\$ 18,893	\$ 21,471	\$ 12,060	\$ 5,899
Debt obligations	3,902	138	3,764	—	—
Operating lease obligations	84	41	42	—	—
Total	\$ 62,309	\$ 19,072	\$ 25,277	\$ 12,060	\$ 5,899

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 September 30, 2019, was 7.05 years. Our debt securities investments include U.S. government bonds, securities issued by government agencies, obligations of state and local governments and governmental authorities, and corporate bonds, most of which are exposed to changes in prevailing interest rates and which may experience moderate fluctuations in fair value resulting from changes in interest rates. We carry these investments as available for sale. This allows us to manage our exposure to risks associated with interest rate fluctuations through active review of our investment portfolio by our management and board of directors and consultation with our third party investment manager.

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

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

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

Hypothetical Change in Interest Rates (In thousands)	September 30, 2019	
	Estimated Change in Fair Value	Fair Value
200 basis point increase	\$ (8,140)	\$ 84,778
100 basis point increase	(4,163)	88,755
No change	—	92,918
100 basis point decrease	4,256	97,174
200 basis point decrease	7,601	100,519

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 September 30, 2019, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that as of September 30, 2019, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) identified during the third quarter of 2019 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

There were no material changes to report.

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)
July 1 – July 31, 2019	—	\$ —	—	\$ 2,950,875
August 1 – August 31, 2019	2,500	13.63	34,075	\$ 2,916,800
September 1 – September 30, 2019	1,400	14.04	19,656	\$ 2,897,144
Total	3,900	\$ 13.78	53,731	

(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

<u>Exhibit Number</u>	<u>Description</u>
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 November 13, 2019.

ICC HOLDINGS, INC.

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

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

CHIEF EXECUTIVE OFFICER'S 302 CERTIFICATION

I, Arron K. Sutherland, certify that:

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

Date: November 13, 2019

/s/ Arron K. Sutherland

Arron K. Sutherland

Chief Executive Officer

(principal executive officer)

CHIEF FINANCIAL OFFICER'S 302 CERTIFICATION

I, Michael R. Smith, certify that:

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

Date: November 13, 2019

/s/ Michael R. Smith

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

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

In connection with the Quarterly Report of ICC Holdings, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Arron K. Sutherland, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 13, 2019

/s/Arron K. Sutherland

Arron K. Sutherland
Chief Executive Officer

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

In connection with the Quarterly Report of ICC Holdings, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael R. Smith, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 13, 2019

/s/ Michael R. Smith

Michael R. Smith

Chief Financial Officer
