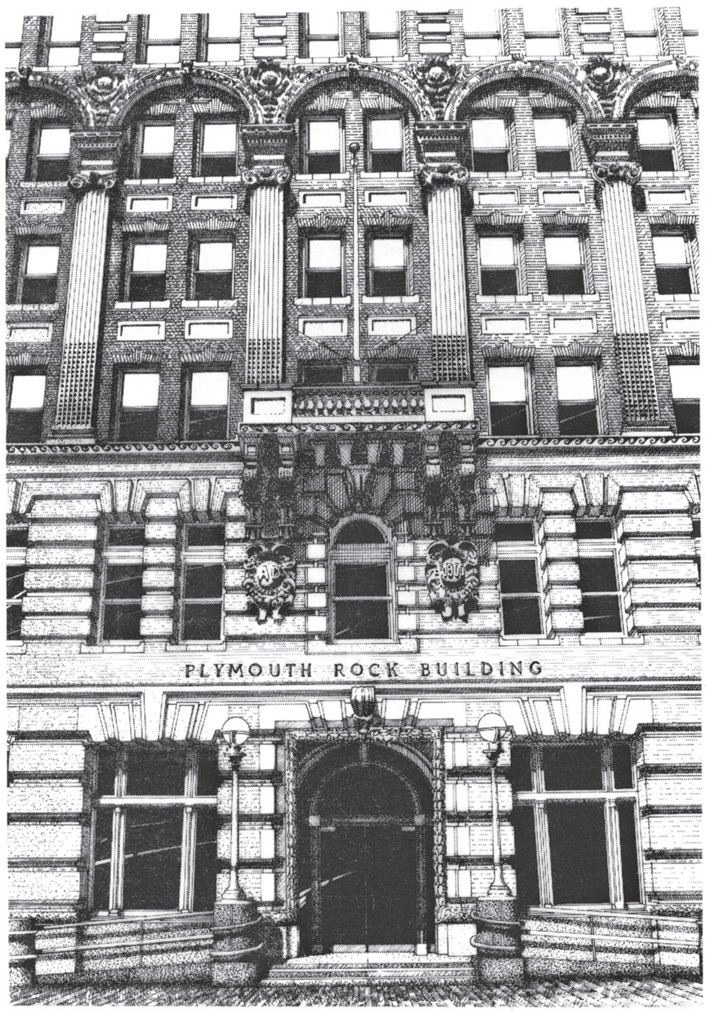
The Plymouth Rock Company



2024 Annual Report

The Plymouth Rock Company
695 Atlantic Avenue
Boston, Massachusetts 02111

Chairman's Letter

February 8, 2025

To Our Shareholders:

It could have been a contender. Our 2024 year might have set a profit record -- but instead it provided no more than ordinary returns. I can take a good measure of the blame for the gap. With my old friend and partner Jim Bailey having partially retired from his investment duties here, I play an expanded role at our investment committee, where we made the call to hold on to a couple of troubled equity positions. The worst-performing of these, Intel, cost our portfolio's market value $85 million, as the whole world watched its stock price wither month by month. The insurance side of the Plymouth Rock story for 2024 was favorable, buoyed by improved underwriting results in all three of our operating groups. The overall combined ratio for the year of 100.4% was much more acceptable than the 106% we reported for 2023. Andy McElwee and I are setting admittedly challenging goals for lower ratios in the future, but, with normalized investment returns, a combined ratio like this past year's can produce a respectable return on equity capital for our enterprise. This past year, with lower investment gains, the return on equity for the Plymouth Rock family of companies was 10%.

Andy and I are used to concentrating every year on underwriting and investment results, but this past year threw us an unaccustomed task on the personnel side as well. Two of our three operating group chiefs left us in the spring. Our Independent Agency Group president was recruited to an international insurance company and our Direct Group leader left us to join a specialty carrier. That's the downside of being known in the industry for unusually strong executives. In both cases their new roles offered heavily remote working environments. I wondered if this was an influence on the decisions, but both exiting executives reassured us that remote work was not a principal lure. We, as you well know, insist on in-office work – five days a week on site for officers and four days for most everyone else. Andy and I were not happy to see either of the departing officers leave, but both left behind strong benches, and we have not been seriously injured by their partings. We filled the position of president in our Independent Agency Group by internal promotion during 2024. A new Direct Group leader with a remarkable background at a major-league competitor will join us later this month. That unit, up to now, has been perking along under the guidance of a competent interim leader.

Consolidated comprehensive income for the year was $153 million, as compared with $253 million in the prior year. Our shareholder-owned company earned almost $123 million in comprehensive income versus $198 million a year earlier. Some of the year's profit was the consequence of a predictably improved industry environment. Premium increases always tend to lag an inflationary surge, and this provides a compensating benefit when inflation later cools. The industrywide tailwinds in our case were supplemented by loss and expense ratio improvements of our own making in all the groups. Growth in our premium revenues was 15%, allowing us to end the year with about $2.3 billion of annual premiums in force. Consolidated equity rose by 2.6%, after dividends paid, to give us a closing enterprise book value of $1.6 billion. The 40-year compounded rate of return on shareholder book value, adjusted for dividends, now stands at 18%. The shareholder entity's 2024 return was 13%.

Front-page placement this year belongs to our Home Group, which has experienced the greatest performance shortfall of our three operating units in the last few years. Inadequate prices and insufficient use of underwriting tools employed when our homeowners line commenced its period of rapid expansion have plagued it ever since. The good news is that the volume managed by our Home Group has risen from $75 million in 2015 to over $400 million today. The bad news is that its combined ratio (claims and expenses to premiums) has been wholly unsatisfactory for five years in a row now; it peaked (we hope) at a nasty 118% in 2021. The cumulative underwriting loss suffered in the Home Group over that period has exceeded $140 million. A year ago I predicted solid improvement in 2024 as we aggressively raised rates and tightened underwriting standards. Last year's budget called for an improvement of eight points to 108% and we successfully beat that mark by over a point. None of us considers the Home Group yet out of the woods, but we may finally have paid the piper for the errors in the initial growth burst. There is no reason to expect a recurrence of double-digit underwriting losses in that line absent extreme natural catastrophes.

The curative measures taken are not without adverse consequences, of course. We had to urge regulatory authorities to permit adjustments that tested the limits of their comfort zones, and we have doubtlessly sacrificed a measure of heft from our storehouse of customer and agent goodwill. We must accept, moreover, that the new strictures will restrain unit growth for a while, though many of our competitors face a similar problem. We are reconciled to this reality. Plymouth Rock has always paid more attention to its bottom line than the top line, so our primary emphasis is on reaching our profit targets as soon as possible, even if that means a temporary slowdown in growth. We have always told our officers to remember this quip: first prize is for growth and profitability, second prize is for profitability without growth ... and there is no third prize. We are cautiously optimistic that we will achieve profitability with moderate growth in the Home Group in 2025. The ingredients -- adequate rates, sensible underwriting rules, and a strong team -- are, at long last, all in place now.

The Independent Agency Group, our largest business segment by a good measure, has a new leader. Ethan Tarby, for three years its respected marketing chief and the group's interim CEO for most of 2024, is now that group's president. His team took volume up 23% to $1.3 billion during this past year and, more important, pushed the combined ratio below the much spotlighted 100% marker by nearly a point. While Andy and I would ideally like to see a combined ratio for the group a few points lower still, this recent result is a welcome reversal of an unfavorable recent trend. Although our Independent Agency Group results were never embarrassing by industry standards, I have long thought there was opportunity for improvement. Lately, the group's expense ratio has decreased nicely, and there is every reason to believe the gains are durable. Considering growth and the combined ratio together, I can rate the 2024 results as quite satisfactory.

Powering the favorable results with respect to both scale and profitability is Massachusetts, our home and headquarters state. We have over a half-billion dollars' worth of independent agent auto premium there. The results in New Jersey, our other state with a large and mature market share, were also satisfactory. That's fortunate since the Bay State and the Garden State together represent more than three-fourths of our total independent agent business. Looking to the smaller states, New Hampshire remains a reliable contributor while Connecticut returns continue to be inadequate and call out for attention. Neither of these smaller states is likely to provide Plymouth Rock with a cornucopia of future growth, but we should be grateful for our incremental New Hampshire profits and pay more mind to our counterpoint losses in Connecticut. New York and Pennsylvania provide the paths to seriously increased scale for our enterprise. I would love to see our market shares in these states someday match our shares in Massachusetts and New Jersey. In both of the new states, our folks have worked extra hard to establish close and mutually respectful relationships with regulatory agencies we have only recently come to know. This has led us toward fairly complete corrections of newcomer inadequacies in pricing and imprecise risk segmentation in both jurisdictions. As recently approved premium levels work their way onto our books throughout 2025, we expect both states to enjoy profits and to see an expanded eagerness on our part to acquire additional market share. Commercial automobile insurance enjoyed another strong year for us. And Pilgrim, our Steady-Eddie third-party administrator for residual market business, increased its volume by 65% to a new scale record and produced a record profit contribution for the group.

If all goes as Andy and I are hoping, we will be a substantially larger company in a few years. The Independent Agency Group has potential to be a continuing growth engine as long as it keeps our agents convinced that we are an unusually high-service carrier. The Home Group has a doubled opportunity to expand -- by attracting first-time customers in New York and Pennsylvania and pairing their products with our existing auto policies in the more mature states. The grand slam of growth possibilities, in both difficulty and payoff, however, resides with the Direct Group. That is why we are so happy to welcome Greg Kalinsky as the group's new president. Greg earned his spurs over his 37 years working at GEICO, starting in the mailroom and eventually becoming GEICO's Executive Vice President with responsibility for managing all aspects of a $40 billion book of direct business.

The Direct Group has three business sources: Legacy business we purchased from Prudential in 2003; Partner business, encompassing new business from other carriers, super-agents, affinity groups, and aggregators; and what we call Core Direct business because it involves no relationship with an intermediary. The average tenure of a customer in the Legacy book, which represents aggregate premiums written of $140 million, is now at least 21 years. It is no surprise that these stable, seasoned New Jersey policyholders are a highly responsible, and thus quite profitable, group of drivers. Although this book of business gradually suffers attrition, we hope the decline will be very slow. We urge all of our Legacy policyholders to adopt the lifestyle and longevity habits of Jimmy Carter and Henry Kissinger.

The Partner segment of the Direct Group's volume, including new business from Prudential, is about twice as large as the Legacy book. It was a loser in profit terms for quite a while, but our team has cleaned it up effectively, and its new business performs better than a year ago by double digits. Our always-valuable Teachers product, meanwhile, has grown to nearly $60 million in scale. It takes discipline to find the treasures in business turned away by our competitors, which may mean that growth in that element of the Partner channel may never be explosive. The potential jewel in the Direct Group's crown is its direct-to-the-consumer business, our Core Direct book. Our Core Direct customers are acquired in a manner similar to the direct response business done by the giants of the field, GEICO and Progressive. We now write just over $100 million in annual Core Direct premiums, up by 6% over last year. Potential there is unlimited. Our aim is to grow those premiums exponentially, but we do not underestimate the task of competing with carriers that can spend billions on advertising.

The Core Direct business can be best understood by focusing on three controlling parameters: the average cost of acquiring a new customer, the combined loss and general expense ratio, and the number of years that a customer remains with us. Optimizing all three parameters at once is no easy chore. It is easy to get bad customers cheaply. It's also relatively easy and cheap to get decent customers who won't stay long enough to cover their acquisition costs. To acquire good drivers with high renewal persistency at an affordable acquisition cost is not easy, but that is exactly what the Direct Group needs to do. Our approach leans toward the use of telematics, offering unusually attractive prices to customers willing to have their care behind the wheel monitored. We believe this is the way of the future for auto insurance and we are energized by striving to expand its frontiers. At the same time, Andy and I are of frugal DNA. We are not so excited as to overspend, and we haven't. The Direct Group's overall combined ratio for 2024 rounds to 99%, its first underwriting profit in four years.

Our equity investment performance can be labeled as merely sub-par in absolute terms but it was starkly dismal in relative terms. We held at yearend about $1.75 billion worth of common stocks, having earned a common stock return for the year of only 7%. Had we simply owned, or mirrored, the Standard & Poor's index, the increase in market value of our equities this year would have been 22%. The total portfolio value would then have approximated $2 billion. The lion's share of the shortfall can be attributed to two under-performing stocks: CVS which fell in price by just over 40% and Intel which plunged by nearly 60%. You will doubtlessly ask yourselves why we held these two stocks through the year and why we still own them. Each has its own story, of course. CVS suffered setbacks galore throughout the year – a rebuff to its California Caremark business, ongoing fraud and opioid accusations, threats to its vaccination revenues, allegations of non-compliance with the Dobbs decision and HIPAA, various systemic uncertainties shared by the entire health insurance industry, an abrupt CEO replacement, and more. Our investment philosophy, though, has led us often to favor positions in companies with short-term problems and promising ten-year success prospects. To decide to sell our CVS holdings now, we would have to conclude that CVS is not primed for a comeback. Yet it remains the national leader in the pharmacy business, which we hold to be a fundamental and irreplaceable component of our economy, especially with an aging population and a national culture that demands treatments for all that ails us. We agree with CVS leadership, moreover, that a trusted pharmacy can effectively provide basic clinical services as well as selling pills and other physical products. While the future of the health insurance segment of the business is hard to divine, we are not inclined for now to take our losses and sell at a valuation so depressed by the company's immediate issues.

Intel is a far closer call. On one hand, there is no question it has fallen way behind TSMC in the silicon chip foundry business and behind NVIDIA in intelligent chip design. It should never have allowed this to happen. Experts tell us it will take Intel the better part of a decade to catch up, if in fact it ever can. History, moreover, suggests that the corporate giants in every field have no permanent grip on their prominence. The list of the largest U.S. companies when I was young bears little resemblance to today's rollcall of titans. On the other hand, many of the falls from Olympus occurred because the industries the giants had served were degraded or gravely disrupted. The chip industry is still a rising component of the world economy and, just as telling, Intel is an important strategic asset of the United States. It is hard to imagine that our country will not insist on maintaining a massive chip production capacity. Assuming this is so, a bet on Intel is a wager that startups cannot replace it at the massive scale required. What is more, if it appears that the reunification of Taiwan with the mainland is on the horizon, amplification of the calls for secure domestic production capacity will surely follow. Finally, we mustn't forget that the market view of Intel is anything but stable. In 2023, Intel was among our best performing stocks, nearly doubling in value. The central question for us as investors is whether today's widespread pessimism is justified or an exaggerated over-reaction, which would make the crash in Intel's price sound more like an opportunity knocking than a death knell. After all, you make more money in the equity markets by betting correctly against consensus views than by following them. Intel remains a winner for Plymouth Rock over our full holding period. Our investment team debates Intel's current merits and challenges constantly, and, at least as of today, we have not brought ourselves to the point of giving up on it.

We are implementing some broader portfolio strategy changes as well, which will result in a visible shift in our overall portfolio composition. We have begun to buy sectoral Exchange Traded Funds to complement our individual stock picks. This is in line with our 2023 conclusion that current levels of vulnerability to individual stock price fluctuations have become a suboptimal match to our plans for accelerated growth in our new states. Put another way, our heightened growth rate has reduced the overcapitalization that previously allowed for a super-concentrated stock portfolio. We have no inclination to restrain growth, so we decided on more closely tracking the S&P as a simple way to mimic a more diversified portfolio. This should give a measure of comfort to our regulators and rating agencies. On the other hand, we surely don't want to be passive and abandon stock picking entirely. This past year's two misjudgments notwithstanding, our 31-year investment track record suggests that we are pretty good at it. Plymouth Rock's long-sighted, buy-and-hold strategy has worked too well for us to give it up. Your company's portfolio has returned 11.4% annually compounded since 1993 while the S&P index over the same period has returned 10.5%. Few hedge funds and not many famed investors can claim to have matched, let alone beaten, the S&P over such a long period of time. Accordingly, we have settled on a middle ground, a half-way solution that will have us tracking the S&P somewhat more closely than in the past but still aiming to beat the index with individual stock selections.

We are also going to shift our portfolio composition, with similar reasoning, a bit more toward fixed-income. You can doubtlessly recall my rants over the years against bond investments. I still don't understand how the majority of carriers in our industry became wedded to investing over 70% of their assets in fixed-income instruments. But the spread in available returns is now a great deal less than it used to be. Just a few years back, we could observe that the 100-year annual return on stocks, the 50-year return, and the 25-year return were all in the neighborhood of 10% while bonds of moderate duration were yielding less than 2%. With 800 basis points as an anticipated premium for holding equities, our preference for stocks was unshakable. And it helped build our company's strong capital base. Now, however, we are earning about 5% in bonds, and I am far from certain that the next hundred years of domestic stock returns will hit the double digits again. The 20th century was very much an American century. The United States rose to become the strongest country on the globe, economically and militarily, after World War I. World War II cemented our position of worldwide economic supremacy by devastating virtually all of our rivals. We barely had to share the world with anyone. Now, however, it is readily apparent that we will need to share the world's markets. The future is unlikely to see an expected spread between stocks and bonds of anything like 800 basis points. With lower stock rewards envisioned and higher bond rewards already in place, and considering the favorable rating agency treatment of bonds, the case for a more balanced portfolio has strengthened. Consistent with our desire to support more growth, you should expect to see the percentage of our portfolio invested in fixed-income rise -- though not nearly to the level our competitors seem to like. We will make this adjustment cautiously during the present year.

There is little to report with respect to our real estate. We have established the stable ownership position with respect to office space we have long sought. Our space needs in the present and in the foreseeable future are locked in comfortably. The occupancy costs are reasonable; the teams that work in our buildings tell us they like their surroundings; and we owe nary a penny of bank mortgages. Perhaps more important, Andy and I are completely relieved of all the distraction and worries that pop up every time office leases expire. We like being permanent owners, and thus we expect to remain neither buyers nor sellers of real estate indefinitely.

Last year's letter struck a less-than-cheerful tone with respect to our political climate and prospects for world peace. The facts have not improved. So my emphasis this year will be on what we might wish for in 2025 to provide us some relief. Domestically, our foremost hope should be that the gyroscopic stability provided by our remarkable Constitution will get us through the experience of a house divided, a division unparalleled in degree since the days of Abraham Lincoln. I have faith that most Americans would welcome a reduction in the extremes of racial and identity rhetoric that have tended to split us rather than unite us. We should also wish for action on a few more specific fronts. We can hope to see a bipartisan border law that balances tighter entry control with compassion. Our health care system, whose aggregate costs are plainly out of step with outcomes, could use a fresh look. While our educational quality at the university level is unmatched, the richest nation in the history of the world can surely do a better job on grade school education. The same is just as true for infrastructure. And let's hope that shrill voices in both parties stop insisting that deficits don't matter. Of course they do, especially when debts are owed to other countries.

On the foreign policy front, we can hope our leaders will channel some wise advice from past presidents. Perhaps they will take more seriously the Shanghai Communiqué language approved by Richard Nixon and pair that with Jimmy Carter's 2018 affirmation that "the most important bilateral relationship in the world is between the United States and China". A peaceful resolution to the Taiwan issue would grant some welcome relief to the entire world as well as the direct parties. Our leaders should recall Dwight Eisenhower's warning us about the Military-Industrial Complex and accordingly restrain the flood of arms sales throughout the world. With respect to the situation in Ukraine, they should heed John F. Kennedy's insistence that "...nuclear powers must avert those confrontations which bring an adversary to a choice of either humiliating retreat or a nuclear war." They could even reprise the wish that Ronald Reagan communicated to his Secretary of State when he wrote "Why wait until the end of the century for a world free of nuclear weapons?" And, if our leadership is to be a genuine blessing in this world, we should spare no effort to facilitate peace in the Middle East. There's much to be accomplished if nations work together to address planetary issues such as climate change and the acceleration of wealth inequality, even as we compete with one another for economic success. Let's hope this is a time to see that more clearly.

Bringing this down to earth, I see no reason for Plymouth Rock not to continue its commitment to investment in shares of American corporations. Surely there will be stock market fluctuations to be endured, but the U.S. economy is fundamentally strong and we remain the most creative nation on Earth with respect to science and technology. Our cultural allowance for criticism of political and business bosses, and for unceasing challenges to outdated ways, is our enduring secret sauce.

We are entering a new year feeling good about its tidings for Plymouth Rock. An old Russian proverb advises that living a life is not as easy as walking across a field. This maxim applies to corporate lives as well as human lives, so we are far from smug. Bad stuff happens. Still, Plymouth Rock has just celebrated its fortieth year in business with extra-special holiday parties, and anniversaries like this one inevitably invite reflection. Your company has thrived and prospered beyond any of our initial expectations, and its staffing, reputation, and positioning give it a stronger feel today than in any of those past forty years. Andy and I cannot promise you a copious 2025, but -- even money -- we would bet on it.

James M. Stone

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Report of Independent Auditors

To the Board of Directors of The Plymouth Rock Company

Opinion

We have audited the accompanying consolidated financial statements of The Plymouth Rock Company and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

PricewaterhouseCoopers LLP, 101 Seaport Blvd, Suite 500, Boston, MA 02210
T: (215) 694 6406, www.pwc.com/us

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Chairman's Letter, but does not include the consolidated financial statements and our auditors' reports thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

Boston, Massachusetts
March 11, 2025

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED BALANCE SHEETS

December 31, 2024 and 2023
(dollars in thousands)

Assets	2024	2023
The Plymouth Rock Company and Subsidiaries		
Cash and cash equivalents	$ 50,260	$ 13,468
Investment securities	1,623,570	1,510,288
Accrued investment income	7,241	4,769
Premiums receivable	301,744	251,225
Ceded unearned premium reserves	61,051	40,349
Deferred acquisition costs	81,969	72,006
Amounts receivable from reinsurers and pools	110,311	97,237
Amounts due from service clients	13,676	11,750
Prepaid expenses, agent loans, and deposits	13,247	13,888
Real estate	173,759	175,903
Fixed assets	59,945	53,840
Income tax recoverable	14,315	11,394
Goodwill and intangible assets	6,394	4,136
Other assets	8,629	6,255
Subtotal	2,526,111	2,266,508
Palisades Reciprocal Group		
Cash and cash equivalents	29,627	5,417
Investment securities	1,691,081	1,629,010
Accrued investment income	11,269	9,519
Premiums receivable	205,955	198,213
Ceded unearned premium reserves	6,339	5,781
Deferred acquisition costs	42,676	41,858
Amounts receivable from reinsurers and pools	28,653	29,485
Income tax recoverable	9,752	5,893
Goodwill and intangible assets	11,512	10,291
Other assets	7,286	5,996
Subtotal	2,044,150	1,941,463
Total assets	$4,570,261	$4,207,971

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED BALANCE SHEETS

December 31, 2024 and 2023
(dollars in thousands)

Liabilities	2024	2023
The Plymouth Rock Company and Subsidiaries		
Claim and claim adjustment expense reserves	$ 580,766	$ 479,137
Unearned premium reserves	608,409	497,833
Advance premiums	15,703	12,497
Commissions payable and accrued liabilities	173,162	163,237
Amounts payable to reinsurers	34,191	22,450
Unearned service fees	16,827	10,256
Deferred income taxes	71,516	68,747
Real estate liabilities	6,920	7,172
Other liabilities	1,884	2,968
Subtotal	1,509,378	1,264,297
Palisades Reciprocal Group		
Claim and claim adjustment expense reserves	840,842	807,334
Unearned premium reserves	458,344	435,292
Advance premiums	12,896	10,518
Commissions payable and accrued liabilities	63,725	62,973
Amounts payable to reinsurers	2,010	1,296
Deferred income taxes	58,702	43,288
Other liabilities	2,884	1,897
Subtotal	1,439,403	1,362,598
Total liabilities	2,948,781	2,626,895
Equity		
The Plymouth Rock Company and Subsidiaries		
Common stock and paid-in capital	500	680
Retained earnings	946,305	937,155
Net unrealized gain/(loss) on investments	(1,434)	(2,974)
The Plymouth Rock Company stockholders' equity	945,371	934,861
Palisades Reciprocal Group		
Retained earnings	677,924	653,361
Net unrealized gain/(loss) on investments	(1,815)	(7,146)
Palisades Reciprocal Group equity	676,109	646,215
Total liabilities and equity	$4,570,261	$4,207,971

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2024 and 2023
(dollars in thousands)

	2024		
Revenues	PRC and Subsidiaries	Palisades Reciprocal Group	Fully Consolidated
Premiums earned in underwriting activities	$ 958,989	$1,006,488	$1,965,477
Fees earned from service activities	267,963	2,659	270,622
Investment income and capital gains	79,826	23,666	103,492
Subtotal	1,306,778	1,032,813	2,339,591
Less: Intra-group transactions			256,972
Total revenues before unrealized gains on equity securities			2,082,619
Expenses			
Claims and claim adjustment expenses	711,944	774,878	1,486,822
Policy acquisition, underwriting, and general expenses	250,748	293,241	543,989
Service activity expenses	212,204	2,886	215,090
Subtotal	1,174,896	1,071,005	2,245,901
Less: Intra-group transactions			256,972
Total expenses			1,988,929
Income before taxes and unrealized gains on equity securities	131,882	(38,192)	93,690
Income taxes	27,600	(8,786)	18,814
Net income before unrealized gains on equity securities	104,282	(29,406)	74,876
Change in unrealized gain/(loss) on equity securities, net of tax	17,512	53,969	71,481
Net income	121,794	24,563	146,357
Other comprehensive income, net of tax:			
Unrealized gain on investments during year	1,540	5,331	6,871
Comprehensive income	$ 123,334	$ 29,894	$ 153,228

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2024 and 2023
(dollars in thousands, except per share data)

	2023		
Revenues	PRC and Subsidiaries	Palisades Reciprocal Group	Fully Consolidated
Premiums earned in underwriting activities	$ 770,227	$ 933,947	$1,704,174
Fees earned from service activities	245,505	2,406	247,911
Investment income and capital gains	27,802	157,620	185,422
Subtotal	1,043,534	1,093,973	2,137,507
Less: Intra-group transactions			237,030
Total revenues before unrealized gains on equity securities			1,900,477
Expenses			
Claims and claim adjustment expenses	592,095	759,360	1,351,455
Policy acquisition, underwriting, and general expenses	209,822	285,444	495,266
Service activity expenses	199,761	1,875	201,636
Subtotal	1,001,678	1,046,679	2,048,357
Less: Intra-group transactions			237,030
Total expenses			1,811,327
Income before taxes and unrealized gains on equity securities	41,856	47,294	89,150
Income taxes	5,638	8,919	14,557
Net income before unrealized gains on equity securities	36,218	38,375	74,593
Change in unrealized gains on equity securities, net of tax	151,195	(7,024)	144,171
Net income	187,413	31,351	218,764
Other comprehensive income, net of tax:			
Unrealized gain/(loss) on investments during year	10,819	23,110	33,929
Comprehensive income	$ 198,232	$ 54,461	$ 252,693

The Plymouth Rock Company and Subsidiaries - Per share data

	2024	2023
Weighted average common shares outstanding	120,274	124,041
Net income before unrealized gains on equity securities per share	$ 867.04	$ 291.99
Net income per share	$1,012.64	$1,510.90
Comprehensive income per share	$1,025.44	$1,598.13
Common shares outstanding at end of year	119,567	124,041
Common stockholders' equity per share	$7,906.62	$7,536.71

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2024 and 2023
(dollars in thousands)

Cash flows from operating activities	2024	2023
The Plymouth Rock Company and Subsidiaries		
Gross premiums collected	$1,165,890	$ 908,114
Reinsurance premiums paid	(152,326)	(98,294)
Finance charges collected	7,369	6,731
Fees and commissions collected	273,080	250,302
Investment income and capital gains received	74,912	24,561
Gross claims and claim expenses paid	(688,796)	(633,874)
Reinsured claims and claim expenses collected	62,557	51,789
Policy acquisition, underwriting, and general expenses paid	(232,926)	(217,025)
Income taxes paid	(32,392)	(20,712)
Service activity expenses paid	(200,144)	(169,353)
Net cash provided by operating activities	277,224	102,239
Palisades Reciprocal Group		
Gross premiums collected	1,090,586	1,004,916
Reinsurance premiums paid	(68,945)	(56,597)
Finance charges collected	2,308	2,388
Fees and commissions collected	2,659	2,394
Investment income and capital gains received	30,881	163,299
Gross claims and claim expenses paid	(747,871)	(751,162)
Reinsured claims and claim expenses collected	8,442	14,231
Policy acquisition, underwriting, and general expenses paid	(313,905)	(297,498)
Income taxes recovered and paid	4,694	8,757
Service activity expenses paid	(2,886)	(1,875)
Net cash provided by operating activities	5,963	88,853
Total net cash provided by operating activities	$ 283,187	$ 191,092

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2024 and 2023
(dollars in thousands)

Cash flows from financing activities	2024	2023
The Plymouth Rock Company and Subsidiaries		
Intergroup secured loans	$ (5,670)	$ (1,601)
Repurchase of common stock	(77,167)	-0-
Tax impacts of stock-based compensation	(2,506)	-0-
Dividends to stockholders	(33,884)	(31,526)
Net cash used in financing activities	(119,227)	(33,127)
Palisades Reciprocal Group		
Intergroup secured loans	5,670	1,601
Net cash used in financing activities	5,670	1,601
Net cash provided by:		
The Plymouth Rock Company and Subsidiaries	$ 157,997	$ 69,112
Palisades Reciprocal Group	$ 11,633	$ 90,454
Total	$ 169,630	$ 159,566
Investment of net cash provided		
The Plymouth Rock Company and Subsidiaries		
Change in cash and cash equivalents	$ 36,792	$ (9,117)
Net investment activity	84,227	41,752
Net real estate activity	5,794	10,267
Purchase of intangible assets	549	-0-
Purchase of fixed assets	30,635	26,210
Net cash provided by investing activities	$ 157,997	$ 69,112
Palisades Reciprocal Group		
Change in cash and cash equivalents	$ 24,210	$ (5,872)
Net investment activity	(13,028)	96,326
Purchase of intangible assets	451	-0-
Net cash provided by investing activities	$ 11,633	$ 90,454
Total net cash invested	$ 169,630	$ 159,566

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2024 and 2023
(dollars in thousands)

The Plymouth Rock Company and Subsidiaries	Common Stock and Paid-in Capital	Retained Earnings	Net Unrealized Gain/(Loss) on Investments	Total Stockholders' Equity
December 31, 2022	$ 12	$ 781,268	$ (13,793)	$ 767,487
Comprehensive income	-0-	187,413	10,819	198,232
Stock-based compensation	668	-0-	-0-	668
Dividends to stockholders	-0-	(31,526)	-0-	(31,526)
December 31, 2023	$ 680	$ 937,155	$ (2,974)	$ 934,861
Comprehensive income	-0-	121,794	1,540	123,334
Stock-based compensation	610	(2,383)	-0-	(1,773)
Dividends to stockholders	-0-	(33,884)	-0-	(33,884)
Repurchase of common stock	(790)	(76,377)	-0-	(77,167)
December 31, 2024	$ 500	$ 946,305	$ (1,434)	$ 945,371

Palisades Reciprocal Group	Common Stock and Paid-in Capital	Retained Earnings	Net Unrealized Gain/(Loss) on Investments	Total Equity
December 31, 2022	$ -0-	$ 622,010	$ (30,256)	$ 591,754
Comprehensive income	-0-	31,351	23,110	54,461
December 31, 2023	$ -0-	$ 653,361	$ (7,146)	$ 646,215
Comprehensive income	-0-	24,563	5,331	29,894
December 31, 2024	$ -0-	$ 677,924	$ (1,815)	$ 676,109

Fully Consolidated Equity	Common Stock and Paid-in Capital	Retained Earnings	Net Unrealized Gain/(Loss) on Investments	Total Equity
December 31, 2022	$ 12	$1,403,278	$ (44,049)	$1,359,241
December 31, 2023	680	1,590,516	(10,120)	1,581,076
December 31, 2024	500	1,624,229	(3,249)	1,621,480

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

THE PLYMOUTH ROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations

The Plymouth Rock Company is a privately held company that was founded in 1982 and has been headquartered in Boston, Massachusetts since its inception. Its primary business is the ownership and management of property and casualty insurance companies, specializing in coverage for personal automobiles and homes. The Plymouth Rock Company, through a number of subsidiaries, operates and manages insurance companies in Massachusetts, New York, New Hampshire, Connecticut, New Jersey and Pennsylvania, and provides various insurance and investment management services for insurance entities in those states and elsewhere in the United States. The Plymouth Rock Company and its wholly owned subsidiaries are generally referred to in these financial statements as "The Plymouth Rock Company and Subsidiaries."

Among The Plymouth Rock Company's largest businesses is the management of a reciprocal insurance group, which is conducted through a subsidiary. The members of that reciprocal group of companies, which are referred to in these financial statements as the "Palisades Reciprocal Group," are not owned by The Plymouth Rock Company. They are operated in accordance with New Jersey statutes and regulations applicable to reciprocal and stock insurers. The Palisades Reciprocal Group includes Palisades Safety and Insurance Association, a New Jersey reciprocal insurance exchange, and several subsidiaries, all of which are domiciled in New Jersey and which operate in New Jersey, New York, Pennsylvania and Connecticut. A management company, which is included in The Plymouth Rock Company and Subsidiaries in these financial statements, provides executive management, accounting, marketing, underwriting, and claim adjustment services in exchange for management fees to ten insurers listed below and to three smaller subsidiaries, all of which are included in the Palisades Reciprocal Group. This subsidiary of The Plymouth Rock Company, Plymouth Rock Management Company of New Jersey, provides services to Palisades Safety and Insurance Association, Palisades Insurance Company, Palisades Property and Casualty Insurance Company, High Point Preferred Insurance Company, High Point Safety and Insurance Company, High Point Property and Casualty Insurance Company, Twin Lights Insurance Company, Teachers Auto Insurance Company of New Jersey, AtHome Insurance Company and Rider Insurance Company. The Plymouth Rock Company also has subsidiaries that provide various insurance and investment management services to the Palisades Reciprocal Group in exchange for negotiated fees.

1. Nature of Operations, continued

The Plymouth Rock Company's financial statements consolidate the results of the members of the Palisades Reciprocal Group. The Plymouth Rock Company and Subsidiaries have provided capital to the Palisades Reciprocal Group in the form of surplus notes and preferred stock of $18.6 million at both December 31, 2024 and 2023. This accounts for 2.8 percent and 2.9 percent, of the equity of the Palisades Reciprocal Group at December 31, 2024 and 2023, respectively. As these surplus notes and preferred stock features are not typical of an ordinary service arrangement, it is appropriate for The Plymouth Rock Company and Subsidiaries to consolidate the results of the Palisades Reciprocal Group. The Plymouth Rock Company and Subsidiaries do not bear direct risk or earn direct rewards on the basis of the performance of the Palisades Reciprocal Group. The results are presented in a consolidated manner despite fundamental legal and regulatory distinctions between The Plymouth Rock Company and Subsidiaries on the one hand and the Palisades Reciprocal Group on the other. For ease of reference, The Plymouth Rock Company and Subsidiaries and the Palisades Reciprocal Group are referred to in the Chairman's letter together as "Plymouth Rock."

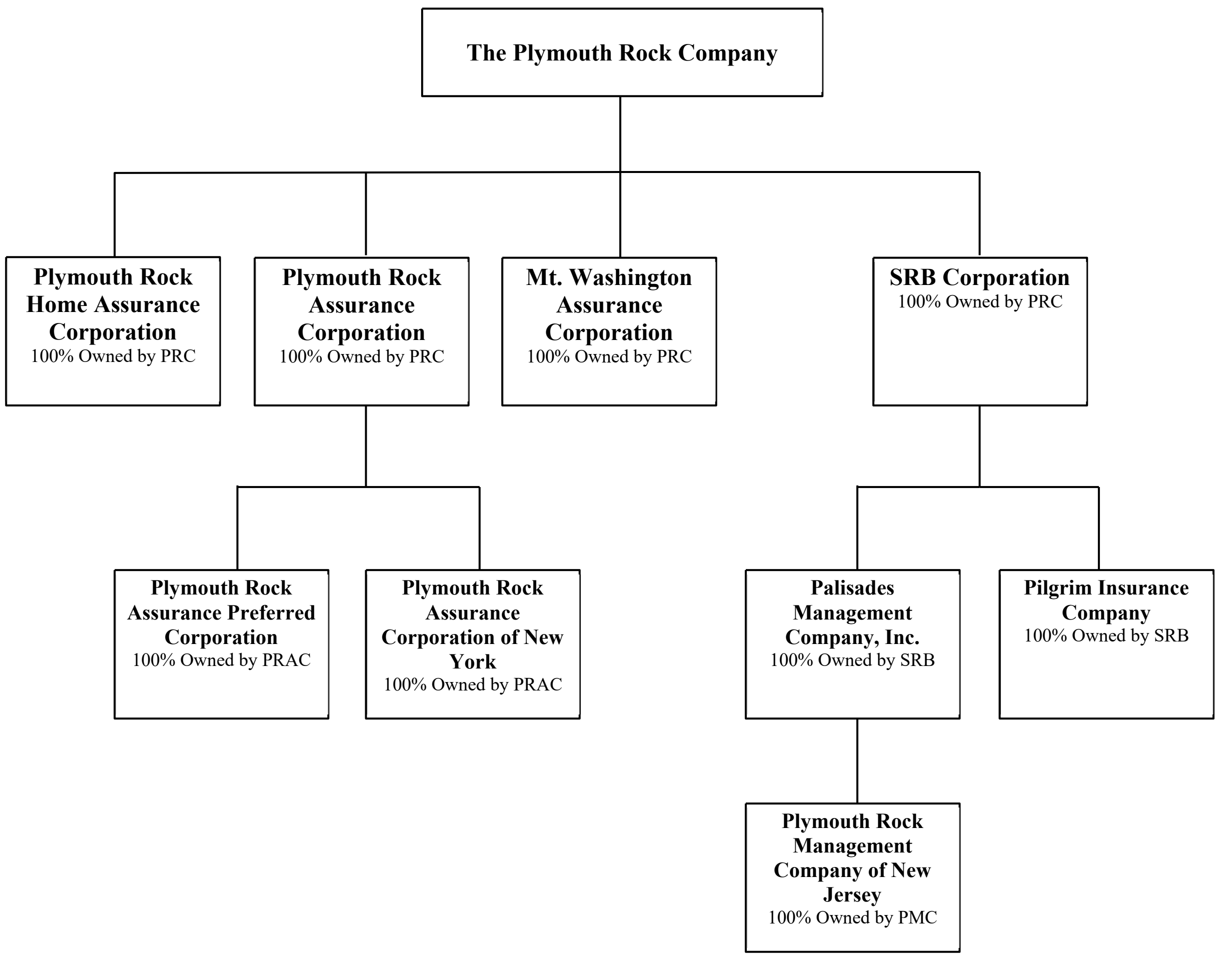
The Independent Agency Group, the Direct Group, and the Home Insurance Group are not legal entities. These names are used for convenience internally, in the Chairman's letter, and in marketing and certain other communications to refer to groupings by line and distribution channel of the property and casualty insurance sold or serviced in multiple states through legally separate underwriting and managed insurance companies. The use of the word "group" does not necessarily imply any legal association, intercompany contract, guaranty or pooling arrangement. Each underwriting and managed insurance company is a separate legal entity that is financially responsible only for its own insurance products and actual coverage is subject to the language of the policies as issued by each separate company.

THE PLYMOUTH ROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Organization of The Plymouth Rock Company and Subsidiaries

The corporate and ownership structure of The Plymouth Rock Company and principal subsidiaries is shown in the following chart:

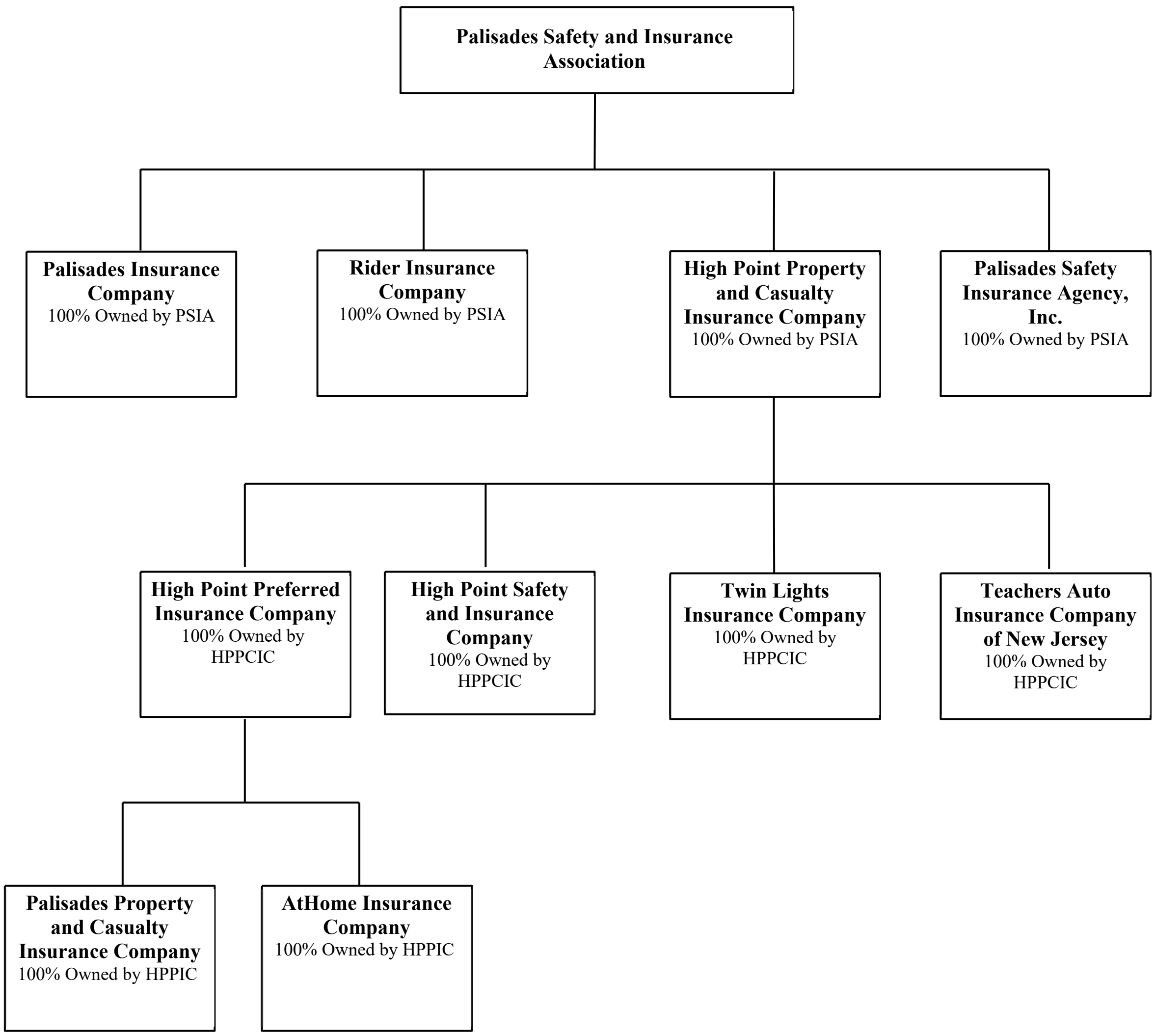


2. Organization of The Plymouth Rock Company and Subsidiaries, continued

Other subsidiaries include 711 Atlantic Avenue Company, LLC and 695 Atlantic Avenue Company, L.L.C., which own real estate and are wholly owned subsidiaries of The Plymouth Rock Company; Bunker Hill Insurance Casualty Company, Bunker Hill Property Insurance Company, Bunker Hill Preferred Insurance Company, and Bunker Hill Insurance Company, which are wholly owned subsidiaries of Plymouth Rock Home Assurance Corporation; Shared Technology Services Group LLC, which is a wholly owned subsidiary of Plymouth Rock Assurance Corporation; Encharter Insurance, LLC (Massachusetts) and Encharter Insurance, LLC (Connecticut), which are wholly owned subsidiaries of SRB Corporation; High Point Brokerage Company, Inc., which is a wholly owned subsidiary of Palisades Management Company, Inc.; 581 Main Street LLC, which owns real estate and is a wholly owned subsidiary of Plymouth Rock Management Company of New Jersey; and Pilgrim Risk Management LLC, which is a wholly owned subsidiary of Pilgrim Insurance Company.

3. Organization of the Palisades Reciprocal Group

The corporate and ownership structure of the Palisades Reciprocal Group is shown in the following chart:



4. Summary of Significant Accounting Policies

A. Principles of Consolidation

The consolidated financial statements include the accounts of The Plymouth Rock Company and Subsidiaries as well as those of the Palisades Reciprocal Group. Significant accounts and transactions among companies within each of the two groups, as well as those between the groups, have been eliminated upon consolidation. The assets of The Plymouth Rock Company and Subsidiaries have been reduced by amounts due for services provided to the Palisades Reciprocal Group and by the value of certain surplus notes and preferred stock investments in the Palisades Reciprocal Group. The liabilities of The Plymouth Rock Company and Subsidiaries have been reduced by the amount of service fee revenue from the Palisades Reciprocal Group that has not yet been earned as of the balance sheet date. Each of the reductions to the balance sheets of The Plymouth Rock Company and Subsidiaries requires a corresponding reduction on the Palisades Reciprocal Group balance sheets. Therefore, while total assets equal the sum of total liabilities and equity, this equation will not hold within the separate groups presented in the balance sheets.

B. Stock-Based Compensation

Expenses for stock-based employee compensation plans are recorded at their fair value on the basis of an annual independent appraisal. The term “fair value” used here and throughout the notes to the consolidated financial statements means the value at which a transaction would be expected to occur between a willing buyer and seller.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These judgments affect the amounts of assets, liabilities, revenues and expenses reported in the consolidated financial statements and the disclosure of contingent assets and liabilities in the footnotes. Actual results could differ from those estimates.

4. Summary of Significant Accounting Policies, continued

D. Cash and Investments

For both The Plymouth Rock Company and Subsidiaries and the Palisades Reciprocal Group, all fixed income investments with maturity dates no longer than 90 days from the date of acquisition are included in "Investment securities," rather than "Cash and cash equivalents," in the balance sheets. The Plymouth Rock Company and Subsidiaries had a balance of outstanding checks within accrued liabilities of $31.8 million and $27.4 million at December 31, 2024 and 2023, respectively. Liabilities for outstanding checks for the Palisades Reciprocal Group were $32.3 million and $30.3 million at December 31, 2024 and 2023, respectively.

Marketable fixed income and equity securities are carried at their market values. The calculation of gain or loss on the sale of marketable securities is based on specific identification at the time of sale. Changes in the fair value of marketable equity securities available for sale, after deduction of applicable deferred income taxes, are credited or charged directly to net income and affect equity through retained earnings. Changes in the fair value of marketable fixed income securities are credited or charged directly to equity through net unrealized capital gain or loss and not credited or charged directly to net income.

Foreign equity securities are subject to fluctuations in foreign exchange rates. Changes in foreign exchange rates are recorded directly to stockholders' equity through net unrealized capital gain or loss. The Plymouth Rock Company and Subsidiaries recorded a cumulative loss, before applicable taxes, of $494,000 as of December 31, 2023 from foreign exchange rate changes. There were no foreign equity securities held as of December 31, 2024.

Where a decline in the value of a marketable security is deemed other-than-temporary, the value of the security is written down to its fair value. Any portion of the decline in value of a marketable fixed income security attributable to credit quality is reported as a component of net realized losses, while any portion attributable to other factors, such as fluctuations in interest rates, is reported as a component of other comprehensive income. Since unrealized losses are a component of stockholders' equity, the recognition of other-than-temporary impairment losses has no effect on total comprehensive income or stockholders' equity.

Alternative equity investments are valued using the equity method with all changes in value included in net income. The values of these holdings are generally determined by the managers of the investment vehicles on the basis of information reported to them as well as their assessments of the underlying investments.

4. Summary of Significant Accounting Policies, continued

E. Deferred Acquisition Costs

Commissions and premium taxes are deferred and amortized pro rata over the contract periods in which the related premiums are earned. All amounts deferred as of December 31 are charged to operations in the following year as the related premiums are earned. Deferred acquisition costs are presented net of an equivalent amount of deferred commission income on ceded reinsurance, with any deferred ceding commission income in excess of the deferred acquisition costs recorded as a liability. The amortization of deferred acquisition costs and deferred ceding commission income, including any excess portion, are presented on a net basis as policy acquisition expense on the statements of comprehensive income. Net amortization associated with these deferred costs for The Plymouth Rock Company and Subsidiaries for 2024 and 2023 was $150.3 million and $122.3 million, respectively, while the net amortization for the Palisades Reciprocal Group for 2024 and 2023 was $109.6 million and $101.5 million, respectively.

F. Recognition of Premium Revenues

Insurance premiums written are earned on a daily basis over the terms of the policies. Unearned premiums represent amounts that are applicable to the unexpired terms of policies in force.

Premiums receivable are net of reserves for doubtful collections. The reserves for doubtful collections for The Plymouth Rock Company and Subsidiaries were $3.1 million and $2.1 million at December 31, 2024 and 2023, respectively. The reserves for doubtful collections of the Palisades Reciprocal Group at December 31, 2024 and 2023 were $3.6 million and $4.4 million, respectively.

G. Recognition of Fees Earned from Service Activities

The Plymouth Rock Company and Subsidiaries earn management fees from the Palisades Reciprocal Group and other unaffiliated companies for providing sales, underwriting, policy issuance, claim adjusting, accounting, and other insurance-related services. Fees from service activities are earned over the applicable policy terms. In addition, The Plymouth Rock Company and Subsidiaries earn investment management fees from the Palisades Reciprocal Group. In 2024 and 2023, fees earned of $257.0 million and $237.0 million, respectively, from the Palisades Reciprocal Group were eliminated upon consolidation. The balance sheet item “other liabilities” includes balances owed to insurers for which Pilgrim Insurance Company provides services.

4. Summary of Significant Accounting Policies, continued

H. Amortization of Goodwill and Intangible Assets

The Plymouth Rock Company and Subsidiaries and the Palisades Reciprocal Group each carry goodwill arising from past acquisitions. This goodwill represents the excess of the purchase price over the estimated fair value of net assets acquired. Goodwill is not amortized but instead is reviewed for impairment whenever an event occurs indicating that impairment is likely.

Past acquisitions have resulted in intangible assets for both The Plymouth Rock Company and Subsidiaries and the Palisades Reciprocal Group. Intangible assets are separated into two categories. Intangible assets with indefinite lives are not amortized and are subject to annual impairment testing. Intangible assets with finite lives are amortized using the straight-line method over the estimated useful lives of the assets.

No impairment of the goodwill or intangible assets with indefinite lives of either The Plymouth Rock Company and Subsidiaries or the Palisades Reciprocal Group was recorded in either 2024 or 2023.

I. Real Estate and Fixed Assets

Real estate and fixed assets are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are principally recognized on the straight-line method over the estimated useful lives or the applicable lease terms. Real estate holdings are evaluated for impairment annually.

5. Segment Reporting

Business is primarily managed in three operating groups: Independent Agency Group, Direct Group, and Home Insurance Group. As discussed in Note 1, the use of these group names is solely for internal convenience and has no legal significance. Premiums and key metrics by group for 2024 and 2023 were as follows:

(dollars in thousands)

Gross premiums written and managed:	2024	2023
Independent Agency Group	$1,346,786	$1,094,110
Direct Group	531,403	524,882
Home Insurance Group	400,736	358,966
Total	$2,278,925	$1,977,958
Premiums earned in underwriting activities:		
Independent Agency Group	$1,151,681	$ 929,230
Direct Group	520,223	502,266
Home Insurance Group	293,573	272,678
Total	$1,965,477	$1,704,174
Statistical metrics:		
Independent Agency Group:		
Policies in force	518,400	478,984
Net loss ratio	66.1%	66.1%
Net combined ratio	99.3%	102.1%
Direct Group:		
Policies in force	211,290	237,936
Net loss ratio	64.9%	70.3%
Net combined ratio	99.3%	106.2%
Home Insurance Group:		
Policies in force	268,851	275,246
Net loss ratio	56.4%	64.6%
Net combined ratio	106.6%	116.5%

6. Income Taxes

Income taxes on the statements of comprehensive income for 2024 and 2023 consist of:

(dollars in thousands)	2024	2023
The Plymouth Rock Company and Subsidiaries	$ 31,948	$ 46,409
Palisades Reciprocal Group	5,560	7,052
Total	$ 37,508	$ 53,461

The Plymouth Rock Company and Subsidiaries and the Palisades Reciprocal Group file separate consolidated federal income tax returns. The provisions for income taxes are based on income reported in the financial statements.

Deferred income taxes arise when there are differences between reported income and taxable income. The realization of deferred tax assets requires sufficient taxable income in either the allowable carryback or carryforward periods. On the basis of recent profitable results and projected future profitability, it is more likely than not that there will be sufficient future taxable income at both The Plymouth Rock Company and Subsidiaries and the Palisades Reciprocal Group to realize all deferred tax assets, with the exception of federal net operating loss carryforwards acquired with Rider Insurance Company and certain state net operating loss carryforwards belonging to The Plymouth Rock Company.

Rider Insurance Company, which is included in the Palisades Reciprocal Group, has federal net operating loss carryforwards that begin to expire at the end of 2031 and are limited under Internal Revenue Code Section 382. Palisades Reciprocal Group is expected to only be able to apply net operating loss carryforwards to $58,000 of income before taxes on an annual basis. Therefore, the Company has established a valuation allowance of $4.7 million at both December 31, 2024 and 2023, in light of this limitation. There were no other federal net operating loss carryforwards available as of December 31, 2024 or 2023.

The Plymouth Rock Company had state net operating loss carryforwards at each of December 31, 2024 and 2023. A portion of these were used in each of 2024 and 2023; however, it is unlikely that these carryforwards, which begin to expire at the end of 2028, will be fully utilized. Therefore, the Company has established a valuation allowance of $203,000 and $237,000 as of December 31, 2024 and 2023, respectively.

6. Income Taxes, continued

There are no tax positions of questionable merit that require a reserve for potential disallowance. As of December 31, 2024, neither The Plymouth Rock Company and Subsidiaries nor the Palisades Reciprocal Group was subject to federal or state examinations for tax years prior to 2021. As of December 31, 2024, The Plymouth Rock Company and Subsidiaries had an examination in progress with the State of New Jersey for the 2020 through 2022 tax years.

The Plymouth Rock Company and Subsidiaries

Income taxes on the statements of comprehensive income for 2024 and 2023 consist of:

(dollars in thousands)	2024	2023
Current year federal income taxes	$ 26,662	$ 10,356
Current year state income taxes	2,666	1,575
Current year foreign income taxes	142	643
Change in deferred federal taxes	(1,337)	(5,816)
Change in deferred state taxes	(533)	(1,120)
Subtotal	27,600	5,638
Change in deferred federal taxes on equity securities	4,590	40,313
Change in deferred state taxes on equity securities	(242)	458
Total tax expense/(benefit)	$ 31,948	$ 46,409

The reported provisions for income taxes are less than those computed by applying the federal and state income tax rates for these years to income before income taxes. The reconciliation of income tax provision for 2024 and 2023 is as follows:

(dollars in thousands)	2024	2023
Federal income taxes at statutory rate	$ 32,286	$ 49,103
State income taxes, net of federal tax benefit	1,332	583
Dividend received deduction	(1,077)	(2,450)
Other	(593)	(827)
Total provision for income taxes	$ 31,948	$ 46,409

6. Income Taxes, continued

Deferred income taxes on the balance sheets as of December 31, 2024 and 2023 consist of the net effects of these temporary differences:

(dollars in thousands)	2024	2023
Net unrealized gain on investments	$(76,952)	$(74,830)
Unearned premiums	23,649	19,739
Deferred acquisition expense	(17,214)	(15,020)
Compensation expense	12,593	16,718
Depreciation	(11,633)	(15,779)
Investment and partnership timing differences	(7,026)	(3,107)
Discounting of claim reserves	4,465	3,873
Net operating losses	203	237
Valuation allowance	(203)	(237)
Other	602	(341)
Total	$(71,516)	$(68,747)

Palisades Reciprocal Group

Income taxes on the statements of comprehensive income for 2024 and 2023 consist of:

(dollars in thousands)	2024	2023
Current year federal income taxes	$(8,553)	$ 7,288
Current year state income taxes	3	13
Current year foreign income taxes	120	341
Change in deferred federal taxes	(356)	1,277
Subtotal	(8,786)	8,919
Change in deferred federal taxes on equity securities	14,346	(1,867)
Total tax expense/(benefit)	$ 5,560	$ 7,052

The reported provisions for income taxes are less than those computed by applying the federal and state income tax rates for these years to income before income taxes. The reconciliation of income tax provision for 2024 and 2023 is as follows:

(dollars in thousands)	2024	2023
Federal income taxes at statutory rate	$ 6,326	$ 8,065
State income taxes, net of federal tax benefit	2	10
Dividend received deduction	(877)	(1,215)
Other	109	192
Total provision for income taxes	$ 5,560	$ 7,052

6. Income Taxes, continued

Deferred income taxes on the balance sheets as of December 31, 2024 and 2023 consist of the net effects of these temporary differences:

(dollars in thousands)	2024	2023
Net unrealized gain on investments	$(66,373)	$(50,603)
Deferred acquisition expense	(20,787)	(20,152)
Unearned premiums	19,526	18,481
Discounting of claim reserves	7,566	7,253
Net operating losses	4,874	4,886
Valuation allowance	(4,715)	(4,718)
Guaranty fund accrual	1,646	1,636
Investment and partnership timing differences	(331)	223
Other	(108)	(294)
Total	$(58,702)	$(43,288)

7. Claims and Claim Adjustment Expense Reserves

Claim reserves represent the estimated liabilities for claims that have already been reported and for claims that have been incurred but not yet reported. Claim adjustment expense reserves represent the estimated expenses that will be required to settle these claims. Claim and claim adjustment expense reserves are presented on the balance sheets before estimated recoveries for reinsurance. There are a variety of actuarial methods used to estimate claim reserves and claim adjustment expense reserves, including paid and incurred development methods. When deciding among methods, the credibility of each method based on the maturity of the data available and the claims settlement practices for each line of insurance business or coverage within a line of insurance business is evaluated. The methods used are reviewed regularly, and any adjustments to these reserves are reflected in income currently.

7. Claims and Claim Adjustment Expense Reserves, continued

The Plymouth Rock Company and Subsidiaries

The following tables provide data regarding incurred and paid claims and claim adjustment expense development as of December 31, 2024, net of reinsurance, as well as the total of incurred-but-not-reported reserves and cumulative number of reported claims for recent accident years for the primary business segments. The incurred-but-not-reported reserves data shown below also include expected development on reported claims. The cumulative number of reported claims is identified at the coverage level and includes claims closed with payment, claims closed without payment, and all open claims. Five years of data are presented, as any claims and claim adjustment expense development beyond that point would be insignificant for the relatively short-tail automobile and home insurance coverages that The Plymouth Rock Company and Subsidiaries primarily write.

Automobile Insurance

(dollars in thousands)

Accident Year	Claims and Allocated Claim Adjustment Expenses Incurred, Net of Reinsurance, as of December 31,				
	2020	2021	2022	2023	2024
2020	$ 277,766	$ 262,261	$ 252,378	$ 244,872	$ 242,147
2021		351,291	345,486	339,646	336,310
2022			386,172	391,257	398,651
2023				452,886	470,102
2024					539,332
Total					$1,986,542

Accident Year	Claims and Allocated Claim Adjustment Expenses Paid, Net of Reinsurance, as of December 31,				
	2020	2021	2022	2023	2024
2020	$ 154,372	$ 194,445	$ 211,046	$ 222,289	$ 230,145
2021		212,122	268,555	292,968	310,307
2022			236,553	328,195	357,719
2023				284,422	389,865
2024					320,363
Total					$1,608,399

Net unpaid for accident years 2020 through 2024	$ 378,143
Net unpaid for accident years prior to 2020	10,880
Net unpaid claims and allocated claim adjustment expenses	$ 389,023

7. Claims and Claim Adjustment Expense Reserves, continued

Accident Year	Total Incurred-But-Not-Reported Reserves	Cumulative Number of Reported Claims
2020	$ 6,514	120,476
2021	11,845	121,644
2022	14,038	117,687
2023	20,227	124,937
2024	69,736	133,405

Average Annual Payout	
Year 1	59.9%
Year 2	19.4%
Year 3	7.1%
Year 4	4.9%
Year 5	3.2%
After	5.5%

Home Insurance

(dollars in thousands)

Accident Year	Claims and Allocated Claim Adjustment Expenses Incurred, Net of Reinsurance, as of December 31, 2020	2021	2022	2023	2024
2020	$ 50,388	$ 53,905	$ 52,597	$ 52,510	$ 53,503
2021		68,574	69,465	70,811	72,997
2022			75,745	78,398	78,973
2023				72,326	75,245
2024					68,717
Total					$ 349,435

Accident Year	Claims and Allocated Claim Adjustment Expenses Paid, Net of Reinsurance, as of December 31, 2020	2021	2022	2023	2024
2020	$ 36,889	$ 49,245	$ 50,350	$ 51,537	$ 52,498
2021		47,363	62,724	66,267	69,735
2022			42,813	67,144	72,201
2023				48,799	66,421
2024					39,896
Total					$300,751

Net unpaid for accident years 2020 through 2024	$ 48,684
Net unpaid for accident years prior to 2020	1,763
Net unpaid claims and allocated claim adjustment expenses	$ 50,447

7. Claims and Claim Adjustment Expense Reserves, continued

Accident Year	Total Incurred-But-Not-Reported Reserves	Cumulative Number of Reported Claims
2020	$ (4)	5,139
2021	478	5,952
2022	1,764	4,919
2023	4,501	5,520
2024	11,706	3,958

Average Annual Payout	
Year 1	64.9%
Year 2	24.9%
Year 3	4.5%
Year 4	3.5%
Year 5	1.8%
After	0.4%

The table below provides a reconciliation of the reserves for claims and claim adjustment expenses at the beginning and at the end of the year:

(dollars in thousands)	2024	2023
Claims and allocated claim adjustment expense reserves at beginning of year	$367,542	$366,590
Claims and allocated claim adjustment expenses incurred:		
Current year	608,049	525,212
Prior years	22,228	(11,188)
	630,277	514,024
Claims and allocated claim adjustment expenses paid:		
Current year	360,259	333,221
Prior years	198,090	179,851
	558,349	513,072
Claims and allocated claim adjustment expense reserves at end of year	439,470	367,542
Reinsurance recoverable on unpaid claims at end of year	106,079	82,136
Unallocated claim adjustment expense reserves at end of year	35,231	30,493
Intra-group transactions	(14)	(1,034)
Total claims and claim adjustment expense reserves at end of year	$580,766	$479,137

7. Claims and Claim Adjustment Expense Reserves, continued

During the year ended December 31, 2024, reserves for claims and allocated claim adjustment expenses for prior years developed unfavorably by $22.2 million. This change resulted from unfavorable development of $15.8 million and $6.4 million on automobile business and home business, respectively. During the year ended December 31, 2023, reserves for claims and allocated claim adjustment expenses for prior years developed favorably by $11.2 million. This change resulted from favorable development of $14.4 million on automobile business and unfavorable development of $3.2 million on home business. New York private passenger automobile business was the largest contributor to the unfavorable development during 2024, driven by increased estimates of bodily injury severity. Massachusetts private passenger automobile business was the largest contributor to the favorable development during 2023.

The amounts shown in the preceding table include $94.0 million and $71.0 million of estimated claims and claim adjustment expense reserves related to Pilgrim Insurance Company's service business as of December 31, 2024 and December 31, 2023, respectively. Offsetting amounts are included in "amounts receivable from reinsurers and pools" as assets on the balance sheets. While these policies are issued by Pilgrim Insurance Company, most of the underwriting results have been ceded either to its clients, a reinsurer, or industry pools via quota share reinsurance arrangements such that Pilgrim Insurance Company retains only a relatively small amount of the underwriting risk.

Palisades Reciprocal Group

The following tables provide data regarding incurred and paid claims and claim adjustment expense development as of December 31, 2024, net of reinsurance, as well as the total of incurred-but-not-reported reserves and cumulative number of reported claims for recent accident years for the primary business segments. The incurred-but-not-reported reserves data shown below also include expected development on reported claims. The cumulative number of reported claims is identified at the coverage level and includes claims closed with payment, claims closed without payment, and all open claims. Five years of data are presented, as any claims and claim adjustment expense development beyond that point would be insignificant for the relatively short-tail automobile and home coverages which the Palisades Reciprocal Group primarily writes.

7. Claims and Claim Adjustment Expense Reserves, continued

Automobile Insurance

(dollars in thousands)

Accident Year	Claims and Allocated Claim Adjustment Expenses Incurred, net of reinsurance, as of December 31, 2020	2021	2022	2023	2024
2020	$ 443,078	$ 434,211	$ 427,302	$ 414,081	$ 408,407
2021		521,930	526,657	519,420	507,413
2022			533,848	541,775	529,884
2023				566,834	566,863
2024					592,121
Total					$2,604,688

(dollars in thousands)

Accident Year	Claims and Allocated Claim Adjustment Expenses Paid, net of reinsurance, as of December 31, 2020	2021	2022	2023	2024
2020	$ 189,977	$ 282,631	$ 335,424	$ 371,178	$ 388,192
2021		252,821	365,446	428,874	466,317
2022			247,768	373,512	432,727
2023				260,486	385,388
2024					270,807
Total					$1,943,431

Net unpaid for accident years 2020 to 2024	$ 661,257
Net unpaid for accident years prior to 2020	16,462
Net unpaid claims and allocated claim adjustment expenses	$ 677,719

Accident Year	Total Incurred-But-Not-Reported Reserves	Cumulative Number of Reported Claims	Average Annual Payout	
2020	$ 7,783	126,445	Year 1	45.9%
2021	9,486	149,549	Year 2	22.0%
2022	29,091	141,140	Year 3	11.9%
2023	59,987	132,549	Year 4	8.0%
2024	168,226	119,807	Year 5	4.2%
			After	8.0%

7. Claims and Claim Adjustment Expense Reserves, continued

The 2020 accident year claims and allocated claim adjustment expenses incurred include $3.1 million of Rider Insurance Company activity incurred prior to its purchase on October 17, 2020.

Home Insurance
(dollars in thousands)

Accident Year	Claims and Allocated Claim Adjustment Expenses Incurred, net of reinsurance, as of December 31, 2020	2021	2022	2023	2024
2020	$ 87,577	$ 89,539	$ 89,999	$ 90,823	$ 90,152
2021		125,936	123,554	124,275	125,422
2022			126,261	126,138	129,336
2023				133,919	134,394
2024					116,125
Total					$ 595,429

Accident Year	Claims and Allocated Claim Adjustment Expenses Paid, net of reinsurance, as of December 31, 2020	2021	2022	2023	2024
2020	$ 59,949	$ 81,221	$ 84,767	$ 87,012	$ 88,379
2021		82,451	110,323	116,330	120,431
2022			76,818	109,685	117,311
2023				87,355	118,508
2024					74,414
Total					$ 519,043

Net unpaid for accident years 2020 to 2024	$ 76,386
Net unpaid for accident years prior to 2020	7,328
Net unpaid claims and allocated claim adjustment expenses	$ 83,714

7. Claims and Claim Adjustment Expense Reserves, continued

Accident Year	Total Incurred-But-Not-Reported Reserves	Cumulative Number of Reported Claims	Average Annual Payout	
2020	$ 553	13,353	Year 1	64.8%
2021	957	16,473	Year 2	23.9%
2022	3,630	11,893	Year 3	4.9%
2023	6,849	11,093	Year 4	2.9%
2024	18,147	8,828	Year 5	1.5%
			After	2.0%

The table below provides a reconciliation of the claims and claim adjustment expense reserves at the beginning and at the end of the year:

(dollars in thousands)	2024	2023
Claims and allocated claim adjustment expense reserve at beginning of year	$725,697	$707,365
Claims and allocated claim adjustment expenses incurred:		
Current year	708,246	700,753
Prior years	(31,637)	(29,941)
	676,609	670,812
Claims and allocated claim adjustment expenses paid:		
Current year	345,221	347,841
Prior years	295,652	304,639
	640,873	652,480
Claims and claim allocated adjustment expense reserve at end of year	761,433	725,697
Reinsurance recoverable on unpaid claims at end of year	27,790	29,428
Unallocated claim adjustment expense reserve at end of year	51,629	52,435
Intra-group transactions	(10)	(226)
Total claims and claim adjustment expense reserves at end of year	$840,842	$807,334

7. Claims and Claim Adjustment Expense Reserves, continued

During the year ended December 31, 2024, reserves for claims and allocated claim adjustment expenses for prior years developed favorably by $31.6 million. This change resulted from favorable development of $35.6 million in the automobile business and unfavorable development of $4.0 million in the home business. During the year ended December 31, 2023, reserves for claims and allocated claim adjustment expenses for prior years developed favorably by $29.9 million. This change resulted from favorable development of $31.0 million in the automobile business and unfavorable development of $1.1 million in the home business. Improvements in the estimated severity of bodily injury and personal injury protection coverage claims were the largest contributors to this automobile development in both years.

8. Reinsurance

Treaty reinsurance is used to reduce exposure to large losses under catastrophe, quota share, and per-risk excess-of-loss contracts that are prospective in nature. The financial condition of reinsurers and concentration of credit risk are regularly evaluated to minimize significant exposure. The ceding company remains primarily liable as the direct insurer on all of its voluntary risks.

<u>The Plymouth Rock Company and Subsidiaries</u>

Amounts receivable from reinsurers represent amounts recoverable for reinsured claims and claim adjustment expenses. Premiums, claims, and claim adjustment expenses, net of reinsurance activity, were as follows:

	2024		2023	
(dollars in thousands)	Premiums Written	Claims and Claim Adjustment Expenses Incurred	Premiums Written	Claims and Claim Adjustment Expenses Incurred
Gross	$1,210,597	$789,407	$965,110	$646,924
Ceded	(161,758)	(77,463)	(108,510)	(54,829)
Net	$1,048,839	$711,944	$856,600	$592,095

Ceded premiums earned for 2024 and 2023 were $141.1 million and $97.6 million, respectively.

8. Reinsurance

The Plymouth Rock Company and Subsidiaries also has treaties in place for catastrophe reinsurance for automobile and home lines of business, and per-risk excess-of-loss reinsurance for home, commercial automobile, and umbrella lines of business. During the years ended December 31, 2024 and 2023, the underwriting cost incurred for these treaties was $39.5 million and $33.2 million, respectively.

The Plymouth Rock Company and Subsidiaries also has in place 100% quota share reinsurance with the National Flood Insurance Program for flood coverage written on a direct basis. Premiums ceded under this program were $576,000 and $438,000 in 2024 and 2023, respectively, while ceded claims, claim adjustment expenses, and ceding commissions totaled $185,000 and $52,000, respectively.

Two subsidiaries of The Plymouth Rock Company, Plymouth Rock Assurance Corporation and Pilgrim Insurance Company, are members of Commonwealth Automobile Reinsurers (CAR), which administers pools for the Massachusetts commercial automobile residual market. Plymouth Rock Assurance Corporation and Pilgrim Insurance Company record their estimated shares of this activity based on information provided by CAR.

Pilgrim Insurance Company provides automobile insurance services to unrelated insurance companies. The statements of comprehensive income for The Plymouth Rock Company and Subsidiaries are reported net of $93.6 million and $57.4 million of ceded premiums earned and $72.2 million and $46.2 million of ceded claims and claim adjustment expenses incurred in 2024 and 2023, respectively, related to Pilgrim Insurance Company's third-party business. Pilgrim Insurance Company retains a small amount of underwriting risk relating to these third-party service arrangements but cedes most of the underwriting risk either to its clients, a reinsurer, or industry pools via quota share reinsurance arrangements. The statements of comprehensive income for The Plymouth Rock Company and Subsidiaries include $12.0 million and $5.7 million of net premiums earned in underwriting activities in 2024 and 2023, respectively, and $11.8 million and $5.6 million of net claims and claim adjustment expenses incurred in 2024 and 2023, respectively, for Pilgrim Insurance Company's third-party business. These retained amounts reflect 11.4% and 9.0% of direct premiums earned and 14.1% and 10.8% of direct claims and claim adjustment expenses incurred of the total activity of the business during 2024 and 2023, respectively.

Palisades Reciprocal Group

Amounts receivable from reinsurers represent amounts recoverable for reinsured claims and claim adjustment expenses. Premiums, claims, and claim adjustment expenses, net of reinsurance activity, were as follows:

8. Reinsurance, continued

	2024		2023	
(dollars in thousands)	Premiums Written	Claims and Claim Adjustment Expenses Incurred	Premiums Written	Claims and Claim Adjustment Expenses Incurred
Gross	$1,095,138	$781,163	$1,034,563	$773,621
Ceded	(66,156)	(6,285)	(59,403)	(14,261)
Net	$ 1,028,982	$774,878	$ 975,160	$759,360

Ceded premiums earned for 2024 and 2023 were $65.6 million and $58.8 million, respectively.

The Palisades Reciprocal Group has in place catastrophe reinsurance for the automobile and home lines of business, and per-risk excess-of-loss reinsurance treaties on the home, commercial automobile, and umbrella lines of business. During the years ended December 31, 2024 and 2023, the underwriting cost incurred for these treaties was $55.2 million and $39.5 million, respectively.

The Palisades Reciprocal Group also has in place 100% quota share reinsurance with the National Flood Insurance Program for flood coverage that it writes on a direct basis. Premiums ceded under this program were $2.1 million in both 2024 and 2023, while ceded claims, claim adjustment expenses, and ceding commissions totaled $1.0 million and $771,000, respectively.

9. Secured Loans

SRB Corporation had in place a $15.0 million line of credit with a bank, which was reduced to $2.0 during 2024. The Plymouth Rock Company had pledged to the bank, as collateral, securities which had a market value of $4.8 million as of December 31, 2024 and $26.7 million as of December 31, 2023. Interest expense and commitment fees of $4,000 and $18,000 were incurred on this line during 2024 and 2023, respectively.

10. Subsequent Events

Subsequent events have been evaluated from December 31, 2024 through March 11, 2025. No material subsequent events have been identified.

11. Commitments and Contingencies

The Plymouth Rock Company and Subsidiaries' future lease liabilities are:

(dollars in thousands)

	Commitments
2025	$1,928
2026	1,518
2027	1,262
2028	765
2029	701
Thereafter	1,485
Total	$7,659

The Plymouth Rock Company and Subsidiaries incurred real estate rental expenses during 2024 and 2023 of $2.5 million and $2.7 million, respectively.

In addition, Plymouth Rock Management Company of New Jersey and Palisades Safety and Insurance Association entered into an agreement in September 2020 to purchase $15.0 million of New Jersey economic redevelopment tax credits at a cost of $14.0 million. The credits are being purchased in annual increments of $1.5 million at an annual cost of $1.4 million over a period of 10 years. The first two annual purchases did not close until after a February 25th performance deadline that resulted in the purchase price for both the 2023 and 2022 tax year credits being reduced to $1.2 million. The credits are expected to reduce the Palisades Reciprocal Group's premium tax liability by $1.5 million in each of the remaining six years from 2025 through 2030.

12. Goodwill and Intangible Assets

<u>The Plymouth Rock Company and Subsidiaries</u>

The Company purchased insurance agencies in the past that resulted in goodwill of $3.4 million at both December 31, 2024 and 2023. These purchases also gave rise to intangible assets in the form of expirations, noncompetition agreements, and brand names. Total amortization associated with intangible assets for Encharter Insurance, LLC (Massachusetts) and Encharter Insurance, LLC (Connecticut), for 2024 and 2023 was $45,000 and $77,000, respectively. Amortization is expected to decline from $6,000 in 2025 to $0 in 2027.

12. Goodwill and Intangible Assets, continued

As part of the purchase of Plymouth Rock Assurance Preferred Corporation, Plymouth Rock Assurance Corporation acquired intangible assets with indefinite lives in the form of state licenses with a carrying value of $263,000 at both December 31, 2024 and 2023.

As part of the purchase of Plymouth Rock Assurance Corporation of New York, Plymouth Rock Assurance Corporation acquired intangible assets with indefinite lives in the form of state licenses with a carrying value of $310,000 at both December 31, 2024 and 2023.

In September 2023, certain subsidiaries of The Plymouth Rock Company entered into an agreement with Electric Insurance Company, an indirect subsidiary of General Electric Company, under which it acquired the rights to serve as the replacement carrier for a portion of Electric's private passenger automobile, homeowners and umbrella business in Connecticut, Massachusetts, New Hampshire, New York and Pennsylvania. The acquiring entities will pay a commission-based renewal rights fee based on the premium earned during the first 12 months after a policy is written by these subsidiaries. No payment was made in 2023 and an initial payment of $549,000 was made in 2024. The final replacement carrier fee will not be determined until 2028 at the earliest. During 2024, renewal rights intangible assets of $2.5 million were accrued. These intangible assets will be amortized over a period of 15 years. Amortization associated with these intangible assets was $150,000 in 2024, and is expected to be $164,000 annually from 2025 through 2029.

<u>Palisades Reciprocal Group</u>

The Palisades Reciprocal Group's purchase of Teachers Auto Insurance Company of New Jersey in 2007 resulted in goodwill of $3.3 million, which was the carrying value at both December 31, 2024 and 2023. This purchase, along with the purchase of renewals from National General Insurance Company in 2007, also resulted in the creation of intangible assets. These intangible assets are in the form of a trademark, a state license and renewal rights. At both December 31, 2024 and 2023, the carrying value of the trademark was $2.4 million and the carrying value of the state license was $150,000. These intangible assets are reviewed annually for impairment and no impairment was recorded in either 2024 or 2023. The remaining intangible assets for the renewal rights are being amortized over 20 years and had a carrying value of $824,000 and $1.2 million at December 31, 2024 and 2023, respectively. Amortization associated with these intangible assets was $413,000 in 2024 and $460,000 in 2023, respectively. Amortization is expected to decline from $371,000 in 2025 to $0 in 2028.

The Palisades Reciprocal Group acquired intangible assets in the form of state licenses as part of the purchase of AtHome Insurance Company. The state licenses, which are intangible assets with indefinite lives, had a carrying value of $38,000 at both December 31, 2024 and 2023.

12. Goodwill and Intangible Assets, continued

Certain subsidiaries of the Palisades Reciprocal Group also entered into the agreement with Electric mentioned above. These subsidiaries will serve as the replacement carrier for the remaining portion of Electric's private passenger automobile, homeowners and umbrella business in Connecticut, New Jersey, New York and Pennsylvania. No payment was made in 2023 and an initial payment of $451,000 was made in 2024. During 2024, renewal rights intangible assets of $2.0 million were accrued. These intangible assets will be amortized over a period of 15 years. Amortization associated with these intangible assets was $103,000 in 2024, and is expected to be $134,000 annually from 2025 through 2029.

Effective June 14, 2018, Palisades Safety and Insurance Association and Palisades Property and Casualty Insurance Company entered into an agreement with American Commerce Insurance Company and MAPFRE U.S.A. Corp. pursuant to which Palisades Safety and Insurance Association and Palisades Property and Casualty Insurance Company acquired the rights to serve as a replacement carrier for American Commerce Insurance Company's New Jersey private passenger automobile and home insurance business, respectively. Palisades Reciprocal Group paid $800,000 related to this acquisition in 2018, with a final payment of $1.9 million made in December 2021 based on the earned premium recorded during the first policy year. These replacement carrier rights are intangible assets that are being amortized over a period of 15 years. Amortization of $185,000 was recorded during both 2024 and 2023, leaving carrying values of $1.6 million and $1.8 million at December 31, 2024 and 2023, respectively. Amortization is expected to be $185,000 annually from 2025 through 2029.

Effective April 4, 2018, Palisades Property and Casualty Insurance Company acquired the right to serve as the replacement carrier for Pennsylvania and New York home insurance business from several entities of the Farmers Insurance Group. The purchase price for this business was based on the volume of written premium recorded during the first two policy years, with the final settlement occurring in 2022. These replacement carrier rights are intangible assets that are being amortized over a period of 15 years. The carrying value of these rights was $625,000 and $717,000 at December 31, 2024 and 2023, respectively. Amortization of $92,000 and $40,000 was recorded during 2024 and 2023, respectively. Amortization is expected to be $64,000 annually from 2025 through 2029.

As part of the purchase of Rider Insurance Company effective October 17, 2020, Palisades Safety and Insurance Association acquired intangible assets in the form of state licenses valued at $655,000 and the brand name valued at $25,000. The state licenses and brand name, which are intangible assets with indefinite lives, had a carrying value of $680,000 at both December 31, 2024 and 2023.

13. Fixed Assets

The table below summarizes fixed assets at December 31, 2024 and 2023.

The Plymouth Rock Company and Subsidiaries

(dollars in thousands)	Useful Lives	2024	2023
Computers and software development	3-5 years	$149,187	$138,509
Leasehold improvements	10 years	21,349	21,284
Furniture and fixtures	5-10 years	8,222	8,298
Vehicles	3 years	139	139
Total cost		178,897	168,230
Less: accumulated depreciation		125,368	120,952
Subtotal		53,529	47,278
Right-of-use of long-term leases		6,416	6,562
Net book value		$ 59,945	$ 53,840

Depreciation expenses incurred were $24.4 million and $23.3 million during 2024 and 2023, respectively.

Palisades Reciprocal Group

Palisades Reciprocal Group fixed assets are included in “other assets” in the balance sheets. As of December 31, 2024, and December 31, 2023, the net book value of fixed assets amounted to $14,000 and $42,000, respectively. Depreciation expenses incurred were $28,000 and $36,000 during 2024 and 2023, respectively.

14. Reconciliation of Net Income to Net Cash Provided by Operating Activities

The following items account for the differences between net income and net cash provided by operating activities:

The Plymouth Rock Company and Subsidiaries

(dollars in thousands)	2024	2023
Net income	$121,794	$187,413
Depreciation and amortization	32,555	30,146
Deferred income taxes	(1,870)	(6,936)
Change in unrealized gains on equity securities, net of tax	(17,512)	(151,195)
Change in operating assets and liabilities:		
Accrued investment income	(2,472)	(1,061)
Premiums receivable	(46,803)	(57,835)
Ceded unearned premium reserves	(20,702)	(10,843)
Deferred acquisition costs	(9,963)	(13,121)
Amounts receivable from reinsurers and pools	(13,071)	(414)
Claim and claim adjustment expense reserves	100,610	9,358
Unearned premium reserves	110,576	97,217
Advance premiums	3,206	1,518
Commissions payable and accrued liabilities	7,106	20,066
Amounts payable to reinsurers	9,432	10,191
Unearned service fees	2,882	5,240
Prepaid expenses, agent loans, and deposits	641	1,744
Income tax recoverable and payable	(2,921)	(8,175)
Other assets and other liabilities	3,736	(11,074)
Net cash provided by operating activities	$277,224	$102,239

14. Reconciliation of Net Income to Net Cash Provided by Operating Activities, continued

Palisades Reciprocal Group

(dollars in thousands)	2024	2023
Net income	$24,563	$31,351
Depreciation and amortization	807	729
Deferred income taxes	(356)	1,277
Change in unrealized gains on equity securities, net of tax	(53,969)	7,024
Change in operating assets and liabilities:		
Accrued investment income	(1,750)	(2,355)
Premiums receivable	(5,734)	(29,864)
Ceded unearned premium reserves	(558)	(564)
Deferred acquisition costs	(3,700)	(8,688)
Amounts receivable from reinsurers and pools	2,152	(2,101)
Claim and claim adjustment expense reserves	33,292	24,531
Unearned premium reserves	23,052	41,777
Advance premiums	2,378	217
Commissions payable and accrued liabilities	984	3,933
Amounts payable to reinsurers	(2,788)	2,939
Income tax recoverable and payable	(3,859)	16,518
Other assets and other liabilities	(8,551)	2,128
Net cash provided by operating activities	$ 5,963	$88,852

15. Consolidated Revenues

Revenues, net of reinsurance, by company or group for 2024 and 2023 were:

(dollars in thousands)	2024	2023
Underwriting company revenues:		
Plymouth Rock Assurance Group	$ 866,725	$ 650,704
Plymouth Rock Home Assurance Group	135,791	114,612
Palisades Reciprocal Group	1,032,813	1,093,973
Subtotal	2,035,329	1,859,289
Management company revenues:		
The Plymouth Rock Company	227,870	153,036
SRB Corporation	75,187	58,381
Encharter	5,338	4,344
Plymouth Rock Management Company of New Jersey	255,897	236,525
Subtotal	564,292	452,286
Eliminations with subsidiaries of The Plymouth Rock Company:		
Dividends	(236,256)	(153,626)
Other	(23,774)	(20,442)
Subtotal	(260,030)	(174,068)
Elimination of intra-group transactions	(256,972)	(237,030)
Total revenues before unrealized gains on equity securities	$2,082,619	$1,900,477

The reference above to Plymouth Rock Assurance Group refers to the combined revenue of Plymouth Rock Assurance Corporation, Plymouth Rock Assurance Corporation of New York, Plymouth Rock Assurance Preferred Corporation, Pilgrim Insurance Company, and Mt. Washington Assurance Corporation. The reference above to Plymouth Rock Home Assurance Group refers to the combined revenue of Plymouth Rock Home Assurance Corporation, Bunker Hill Insurance Company, Bunker Hill Insurance Casualty Company, Bunker Hill Preferred Insurance Company and Bunker Hill Property Insurance Company.

The 2023 amounts shown above have been reclassified to better reflect our current operating structure. Pilgrim Insurance Company is a member of the Plymouth Rock Assurance Group intercompany pooling arrangement, and its revenues are more appropriately reported as part of that group rather than reported separately. Technology revenue and costs have been removed from the SRB Corporation line and eliminations section, respectively. Information technology is one of many shared services with costs allocated across the Plymouth Rock Group of Companies, and it is no longer appropriate to present the costs of just that one shared service as revenue with an offsetting elimination adjustment.

16. Compensation Plans

The Plymouth Rock Company and Subsidiaries maintain a plan under Section 401(k) of the Internal Revenue Code. This plan is a defined contribution plan that covers all employees. Expenses of $13.1 million and $12.2 million were incurred related to this plan during 2024 and 2023, respectively. Deferred compensation plans have been established at The Plymouth Rock Company and several of its subsidiaries for officers, directors, and managers, other than the founding shareholders. In general, these plans provide for a rate of return on deferred compensation equal each year to the return on equity earned by The Plymouth Rock Company and Subsidiaries that year. Incurred expenses related to these plans were $5.7 million and $3.7 million during 2024 and 2023, respectively.

Effective June 1, 2019, 6,115 stock appreciation units were granted to certain officers. During 2020, 81 shares were added. During 2021, 600 shares were forfeited and 550 shares were added. During 2022, due to retirements, 1,862 units were considered vested based on the fulfillment of 39 months of service during the 60-month vesting period while an additional 1,003 units were forfeited. These vested units were exercised in May 2022 for common stock of The Plymouth Rock Company at an appraised value of $14,230 for The Plymouth Rock's Class A common shares. The remaining 3,281 units fully vested during 2024, based on financial performance during the 60-month vesting period with an appraised value of $21,310 for The Plymouth Rock's Class A common shares. These awards were exercised for a combination of common stock of The Plymouth Rock Company and cash. Based on financial performance, expenses of $1.6 million and $13.4 million were recorded related to these units during 2024 and 2023, respectively.

Under a plan approved on June 13, 2024, stock incentive awards of 2,585 shares were granted to certain officers. These awards vest in 2029 contingent upon certain financial performance and service requirements being met. On the basis of financial performance, expense of $7.3 million was recorded related to these awards during 2024.

For awards to be exercised for common stock of The Plymouth Rock Company, the cost to the Company is determined using the Black-Scholes valuation model.

17. Investment Securities and Investment Income

A. Marketable Securities

The Plymouth Rock Company and Subsidiaries

At December 31, 2024 and 2023, amortized cost, unrealized gains and losses before federal income taxes, and market value of marketable fixed income securities classified as available for sale and marketable common stocks were as follows:

At December 31, 2024: (dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. government securities	$ 39,502	$ 61	$ 307	$ 39,256
Corporate debt securities	532,179	1,877	3,407	530,649
Asset-backed securities	9	-0-	-0-	9
Common stocks	636,978	377,653	14,367	1,000,264
Total	$1,208,668	$ 379,591	$ 18,081	$1,570,178

At December 31, 2023: (dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. government securities	$ 40,295	$ 70	$ 261	$ 40,104
Corporate debt securities	360,256	3,090	5,999	357,347
Asset-backed securities	13	-0-	-0-	13
Common stocks	658,534	362,316	19,323	1,001,527
Total	$1,059,098	$ 365,476	$ 25,583	$1,398,991

17. Investment Securities and Investment Income, continued

A. Marketable Securities, continued

At December 31, 2024 and 2023, maturities of marketable securities by due date category were as follows:

(dollars in thousands)	2024 Amortized Cost	2024 Market Value	2023 Amortized Cost	2023 Market Value
90 days or less	$ 27,957	$ 27,933	$ 25,850	$ 25,796
After 90 days and in one year or less	71,273	71,118	41,043	40,731
After one year and in five years or less	453,043	451,687	328,456	325,652
After five years and in 10 years or less	19,408	19,166	5,202	5,272
Asset-backed securities	9	9	13	13
Common stocks	636,978	1,000,264	658,534	1,001,527
Total	$1,208,668	$1,570,178	$1,059,098	$1,398,991

At December 31, 2024 and 2023, common stocks that had been in an unrealized loss position for longer than twelve months had a total market value of $0.8 million and $42.6 million, respectively. Gross unrealized losses related to these common stocks were $0.1 million and $15.3 million at December 31, 2024 and 2023, respectively. All marketable fixed income securities are classified as available for sale. At December 31, 2024 and 2023, marketable fixed income securities classified as available for sale that had been in an unrealized loss position for longer than twelve months had a total market value of $78.8 million and $120.3 million, respectively. Gross unrealized losses related to these securities were $1.8 million and $6.0 million at December 31, 2024 and 2023, respectively. These losses are viewed as resulting from market conditions and are considered to be temporary.

17. Investment Securities and Investment Income, continued

A. Marketable Securities, continued

Palisades Reciprocal Group

At December 31, 2024 and 2023, amortized cost, unrealized gains and losses before federal income taxes, and market value of marketable fixed income securities classified as available for sale and marketable common stocks were as follows:

At December 31, 2024: (dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. government securities	$ 17,234	$ 20	$ 270	$ 16,984
Corporate debt securities	929,438	5,647	7,752	927,333
Asset-backed securities	31	-0-	-0-	31
Common stocks	425,112	327,012	8,629	743,495
Total	$1,371,815	$ 332,679	$ 16,651	$1,687,843

At December 31, 2023: (dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. government securities	$ 17,702	$ 27	$ 333	$ 17,396
Corporate debt securities	871,858	9,829	18,569	863,118
Asset-backed securities	46	-0-	-0-	46
Preferred stocks	133	-0-	57	76
Common stocks	449,115	266,748	16,680	699,183
Total	$1,338,854	$ 276,604	$ 35,639	$1,579,819

At December 31, 2024 and 2023, maturities of marketable securities by due date category were as follows:

	2024		2023	
(dollars in thousands)	Amortized Cost	Market Value	Amortized Cost	Market Value
90 days or less	$ 38,280	$ 38,160	$ 46,582	$ 46,383
After 90 days and in one year or less	171,657	170,523	74,602	73,927
After one year and in five years or less	695,245	694,671	756,568	748,163
After five years and in 10 years or less	41,468	40,963	11,808	12,041
Asset-backed securities	31	31	46	46
Preferred Stocks	-0-	-0-	133	76
Common stocks	425,134	743,495	449,115	699,183
Total	$1,371,815	$1,687,843	$1,338,854	$1,579,819

17. Investment Securities and Investment Income, continued

A. Marketable Securities, continued

At December 31, 2024, the Company did not hold any common stocks that have been in an unrealized loss position for longer than twelve months. At December 31, 2023, common stocks that have been in an unrealized loss position for longer than twelve months had a total market value of $27.8 million. Gross unrealized losses related to these common stocks were $14.1 million. All marketable fixed income securities are classified as available for sale. At December 31, 2024 and 2023, marketable fixed income securities classified as available for sale that had been in an unrealized loss position for longer than twelve months had a total market value of $205.6 million and $354.9 million, respectively. Gross unrealized losses related to these securities were $5.2 million and $18.5 million at December 31, 2024 and 2023, respectively. These losses are viewed as resulting from market conditions and are considered to be temporary.

B. Non-Marketable Securities

The Plymouth Rock Company and Subsidiaries had one investment in privately held stock at December 31, 2023 with a carrying value of $8.9 million. This investment was sold during 2024 for $20.7 million, which resulted in a realized gain of $20.6 million.

C. Alternative Equity Investments

Investments in marketable alternative equities include positions in entities that focus on a diverse range of investment strategies. Substantially all investments made by these entities are in publicly traded securities, and investors have contractual rights to withdraw funds from these entities each year. At December 31, 2024 and 2023, The Plymouth Rock Company and Subsidiaries recorded values, which include realized and unrealized gains, of $3.1 million and $49.0 million, respectively, for these marketable alternative equity investments. At December 31, 2024 and 2023, the Palisades Reciprocal Group recorded values of $3.0 million and $29.8 million, respectively, for these marketable alternative equity investments.

17. Investment Securities and Investment Income, continued

C. Alternative Equity Investments, continued

Non-marketable alternative equity investments include interests in partnerships that invest in companies that are not publicly traded. These investments are valued by applying the equity method to values in their most recently available financial statements. The Plymouth Rock Company and Subsidiaries recorded values for non-marketable alternative equity investments of $50.2 million and $53.4 million at December 31, 2024 and 2023, respectively. The Palisades Reciprocal Group recorded values for non-marketable alternative equity investments of $0.2 million and $19.4 million at December 31, 2024 and 2023, respectively.

As of December 31, 2024, The Plymouth Rock Company and Subsidiaries had commitments outstanding to invest $46.1 million in eight private equity funds – three with Lindsay Goldberg, one with Dover Street, one with Pantheon Global, one with F3 Fund, and two with Link Ventures. The Chairman of The Plymouth Rock Company is a member of the general partnership that manages the Lindsay Goldberg funds.

As of December 31, 2024, the Palisades Reciprocal Group had commitments outstanding to invest $790,000 in two private equity funds – one with Dover Street and one with Pantheon Global.

D. Fair Value Measurements

Cash, cash equivalents, and investment securities are valued using a variety of accounting methods, including fair value, cost and the equity method. The estimates of fair value for these assets have been derived from a variety of sources. Published market prices are used to value assets that are actively traded and for which market prices are readily observable. The values of assets that are not actively traded are determined from other available market data even though trade prices are not published. The fair values of assets where market data is unavailable are estimated using internal and external judgments.

17. Investment Securities and Investment Income, continued

D. Fair Value Measurements, continued

The Plymouth Rock Company and Subsidiaries

Cash, cash equivalents, and investment securities totaled $1,674 million and $1,524 million at December 31, 2024 and 2023, respectively. Assets in this category valued using either the equity method or the cost method totaled $53.4 million and $102.4 million, respectively, at December 31, 2024 and 2023. The fair value of the other assets in this category totaled $1,620 million and $1,421 million at December 31, 2024 and 2023, respectively. The fair value of one non-marketable common stock was determined using available market data other than quoted prices to be $8.9 million at December 31, 2023. This common stock was sold for $20.6 million in 2024.

The fair value measurements for these assets are categorized as follows:

At December 31, 2024: (dollars in thousands)	Based on Quoted Prices	Determined from Other Available Market Data	Estimated Using Internal and External Judgments	Total
Cash and cash equivalents	$ 50,260	$ -0-	$-0-	$ 50,260
U.S. government securities	39,256	-0-	-0-	39,256
Corporate debt securities	-0-	530,649	-0-	530,649
Asset-backed securities	-0-	9	-0-	9
Marketable common stocks	1,000,264	-0-	-0-	1,000,264
Total fair value	$1,089,780	$530,658	$-0-	$1,620,438
Assets valued using either the equity method or the cost method				53,392
Total value of cash, cash equivalents, and investment securities				$1,673,830

17. Investment Securities and Investment Income, continued

D. Fair Value Measurements, continued

At December 31, 2023: (dollars in thousands)	Based on Quoted Prices	Determined from Other Available Market Data	Estimated Using Internal and External Judgments	Total
Cash and cash equivalents	$ 13,468	$ -0-	$-0-	$ 13,468
U.S. government securities	40,104	-0-	-0-	40,104
Corporate debt securities	-0-	357,347	-0-	357,347
Asset-backed securities	-0-	13	-0-	13
Marketable common stocks	1,001,527	-0-	-0-	1,001,527
Non-marketable securities	-0-	8,924	-0-	8,924
Total fair value	$1,055,099	$366,284	$-0-	$1,421,383
Assets valued using either the equity method or the cost method				102,373
Total value of cash, cash equivalents, and investment securities				$1,523,756

Palisades Reciprocal Group

Cash, cash equivalents, and investment securities totaled $1,721 million and $1,634 million at December 31, 2024 and 2023, respectively. Assets in this category that are valued using either the equity method or the cost method totaled $3.2 million and $49.2 million at December 31, 2024 and 2023, respectively. The fair values of the other assets in this category totaled $1,717 million and $1,585 million at December 31, 2024 and 2023, respectively.

17. Investment Securities and Investment Income, continued

D. Fair Value Measurements, continued

The fair value measurements for these assets are categorized as follows:

At December 31, 2024: (dollars in thousands)	Based on Quoted Prices	Determined from Other Available Market Data	Estimated Using Internal and External Judgments	Total
Cash and cash equivalents	$ 29,627	$ -0-	$-0-	$ 29,627
U.S. government securities	16,984	-0-	-0-	16,984
Corporate debt securities	-0-	927,333	-0-	927,333
Asset-backed securities	-0-	31	-0-	31
Marketable preferred stocks	-0-	-0-	-0-	-0-
Marketable common stocks	743,495	-0-	-0-	743,495
Total fair value	$790,106	$927,364	$-0-	$1,717,470
Assets valued using either the equity method or the cost method				3,238
Total value of cash, cash equivalents, and investment securities				$1,720,708

At December 31, 2023: (dollars in thousands)	Based on Quoted Prices	Determined from Other Available Market Data	Estimated Using Internal and External Judgments	Total
Cash and cash equivalents	$ 5,417	$ -0-	$-0-	$ 5,417
U.S. government securities	17,396	-0-	-0-	17,396
Corporate debt securities	-0-	863,118	-0-	863,118
Asset-backed securities	-0-	46	-0-	46
Marketable preferred stocks	76	-0-	-0-	76
Marketable common stocks	699,183	-0-	-0-	699,183
Total fair value	$722,072	$863,164	$-0-	$1,585,236
Assets valued using either the equity method or the cost method				49,191
Total value of cash, cash equivalents, and investment securities				$1,634,427

17. Investment Securities and Investment Income, continued

E. Analysis of Investment Income and Capital Gains

The Plymouth Rock Company and Subsidiaries

The components of investment income and capital gains before federal income taxes during 2024 and 2023 were as follows:

(dollars in thousands)	2024	2023
Interest income and dividends from securities	$ 37,774	$ 46,939
Earnings from alternative equity investments	6,566	6,371
Rental income	4,378	7,065
Installment fees on premiums receivable	7,369	6,730
Gross investment income	56,087	67,105
Rental expenses	(3,547)	(4,663)
Investment expenses	(4,928)	(4,548)
Investment income	47,612	57,894
Net realized capital gains (losses)	32,214	(30,092)
Investment income and capital gains before unrealized gains on equity securities	79,826	27,802
Change in unrealized gains on equity securities	21,860	191,947
Investment income and capital gains	$101,686	$219,749

17. Investment Securities and Investment Income, continued

E. Analysis of Investment Income and Capital Gains, continued

Palisades Reciprocal Group

The components of investment income and capital gains before federal income taxes during 2024 and 2023 were as follows:

(dollars in thousands)	2024	2023
Interest income and dividends from securities	$ 57,123	$ 46,182
Earnings from alternative equity investments	1,738	1,943
Installment fees on premiums receivable	2,308	2,388
Gross investment income	61,169	50,513
Investment expenses	(11,273)	(10,421)
Investment income	49,896	40,092
Net realized capital gains (losses)	(26,230)	117,528
Investment income and capital gains before unrealized gains on equity securities	23,666	157,620
Change in unrealized gains on equity securities	68,315	(8,891)
Investment income and capital gains	$91,981	$148,729

F. Investment Activity

The Plymouth Rock Company and Subsidiaries

Activity in investment securities during 2024 and 2023 was as follows:

(dollars in thousands)	2024	2023
Balance at beginning of year	$1,510,288	$1,262,873
Change in marketable securities:		
Proceeds from maturities	(71,166)	(37,941)
Proceeds from sales	(500,765)	(551,297)
Purchases	721,411	612,139
Net change in marketable securities	149,480	22,901
Net change in alternative equity investments	(48,982)	18,851
Net investment activity	100,498	41,752
Net change in unrealized gain/(loss) on securities	12,784	205,663
Balance at end of year	$1,623,570	$1,510,288

17. Investment Securities and Investment Income, continued

F. Investment Activity, continued

Palisades Reciprocal Group

Activity in investment securities during 2024 and 2023 was as follows:

(dollars in thousands)	2024	2023
Balance at beginning of year	$1,629,010	$1,512,321
Change in marketable securities:		
Proceeds from maturities	(134,958)	(109,101)
Proceeds from sales	(400,905)	(409,690)
Purchases	568,790	613,701
Net change in marketable securities	32,927	94,910
Net change in alternative equity investments	(45,953)	1,415
Net investment activity	(13,026)	96,325
Net change in unrealized gain/(loss) on securities	75,097	20,364
Balance at end of year	$1,691,081	$1,629,010

18. Real Estate

At December 31, 2024 and 2023, The Plymouth Rock Company and Subsidiaries owned properties located at 695 Atlantic Avenue and 711 Atlantic Avenue in Boston, and 581 Main Street in Woodbridge, New Jersey. Building improvement costs of $5.8 million and $10.3 million were incurred in 2024 and 2023, respectively. The table below summarizes the real estate costs and carrying values at December 31, 2024 and 2023:

(dollars in thousands)	2024	2023
Land	$ 38,634	$ 38,634
Buildings, improvements, and other	185,332	179,538
Total cost	223,966	218,172
Less: accumulated depreciation	50,207	42,269
Net book value	$173,759	$175,903

18. Real Estate, continued

Rental income from lessees other than The Plymouth Rock Company and Subsidiaries totaled $4.4 million and $7.1 million in 2024 and 2023, respectively. For each of the years 2025 through 2029, minimum annual rent receivable by The Plymouth Rock Company and Subsidiaries is $1.2 million. Total obligations to The Plymouth Rock Company and Subsidiaries from non-affiliated lessees through 2029 are $13.9 million. Buildings and improvements are depreciated over their useful lives, which range from three to 39 years.

19. Stockholders' Equity

A. Common Stock

Common stock of The Plymouth Rock Company at December 31, 2024 and 2023 is composed of Class A common shares and Class B common shares, with shares of both classes having a par value of $0.10 each. There are 300,000 Class A common shares authorized, 59,784 and 64,258 were issued and outstanding at December 31, 2024 and 2023, respectively.

There are 90,000 Class B common shares authorized, of which 59,783 were issued and outstanding at both December 31, 2024 and 2023. The Class A common shares are fully transferable and have the right to elect 20 percent of the Board of Directors. The Class B common shares are not transferable without prior approval by the Board of Directors but may be converted to Class A common shares on a one-for-one basis at any time at the option of the holder and are converted automatically upon the occurrence of certain events. The Class B common shares have the right to elect 80 percent of the Board of Directors, a right which has never been exercised in full. Presently, two directors are elected by the Class B shareholders and all other directors are elected by the Class A shareholders.

Following a plan approved by the Board of Directors, The Plymouth Rock Company purchased and subsequently retired 4,600 outstanding shares of its Class A common stock held by one shareholder at a cost of $77.2 million during 2024. This transaction was funded through the liquidation of investment securities.

B. Statutory Surplus and Dividend Availability

Insurance subsidiaries are required to file financial statements with state insurance departments. The accounting principles prescribed or permitted for these financial statements differ in certain respects from accounting principles generally accepted in the United States of America.

19. Stockholders' Equity, continued

B. Statutory Surplus and Dividend Availability, continued

On a statutory accounting basis, capital and surplus of the insurance company subsidiaries of The Plymouth Rock Company totaled $644.0 million and $650.4 million at December 31, 2024 and 2023, respectively. The combined net income of these subsidiaries on a statutory accounting basis was $30.7 million in 2024 and the combined net loss of these subsidiaries was $42.8 million in 2023.

Capital and surplus of the insurance companies in the Palisades Reciprocal Group totaled $592.9 million and $573.6 million at December 31, 2024 and 2023, respectively. These insurance companies reported a combined net loss on a statutory accounting basis of $32.1 million in 2024 and a combined net income of $27.2 million in 2023.

Regulatory limitations restrict the amount of dividends that can be paid by the insurance companies owned by The Plymouth Rock Company and the insurance companies in the Palisades Reciprocal Group without the permission of state insurance regulators.

C. Earnings Per Share

Earnings per share of common stock are computed by dividing net income by the weighted average number of shares of common stock outstanding throughout the year.

Directors and Officers of The Plymouth Rock Company

Directors

James M. Stone, *Chairman*

James N. Bailey

Hal Belodoff

Wilmot H. Kidd, III

Andrew A. McElwee, Jr.

Norman L. Rosenthal

Sandra A. Urie

Sir Peter J. Wood

Officers

James M. Stone
Chief Executive Officer

James N. Bailey
Treasurer and Secretary

Andrew A. McElwee, Jr.
President and Chief Operating Officer

Mary A. Sprong
Vice President

Erin R. Macgowan
Vice President

Directors and Officers of the Principal Plymouth Rock Companies

Non-Management Directors

Hal Belodoff
Donald I. Bryan
Kerry A. Emanuel
Colleen M. Granahan
John C. Hill
Neil N. Jasey
Wilmot H. Kidd, III
Daniel R. Rasmussen
Julie A. Rochman
Norman L. Rosenthal
Sandra A. Urie
Sir Peter J. Wood

Management Directors and Corporate Officers

Richard F. Adam
James N. Bailey
David V. Bartolotta
Andrew D. Brown
Frederick C. Childs
Andrew T. DeCicco
Lauren E. Dwyer
David A. Eastes
Robert H. Easton
Colleen N. Finn
Howard R. Goldberg
William D. Hartranft
Richard J. Jaros
Stephen G. Kalinsky
Sunil S. Kini
Brendan M. Kirby
Scott N. Kwiker
Andrew J. Leeds
Erin R. Macgowan
Max E. Malaret
Richard J. Mariani
Wilbur L. Martin IV
Andrew A. McElwee, Jr.
Louis C. Palomeque
David L. Pearlmutter
Anne M. Petruff
Amanda J. Smith
Mary A. Sprong
James M. Stone
Rachel M. Switchenko
Barry O. Tagen
Ethan F. Tarby
Adam E. Van Loon
David J. Walsh
Kevin T. Zygmunt

Counsel:
Ropes & Gray LLP

Independent Auditor:
PricewaterhouseCoopers LLP