SEMIANNUAL REPORT TO THE STAKEHOLDERS OF THE
INSURORS INDEMNITY COMPANIES
August 31, 2020

Following is a brief report on the operational results of Insurors Indemnity Companies through the first six months of 2020. The first half of 2020 was especially challenging for the Insurors Indemnity Companies. Spring storms, particularly in central and west Texas in May, combined with the economic hit from COVID-19 to the southwestern states in which we operate, produced this weak first half.

Financial Discussion

For the 6 months ending June 30, 2020, Insurors Indemnity Companies recorded a net loss (before tax) of $380,363 versus the $1,131,706 profit at the same point in 2019. Capital and Surplus of all entities decreased to $27,267,171, a reduction of 3.3% from year end 2019. Invested assets grew 7% over year end 2019 as a result of positive cash flow from operations, appreciation of the investment portfolio, and the sale of 237,070 shares of Insurors Financial Corporation to an individual investor.

You can find the most recently filed quarterly and annual statements of Insurors Indemnity Company and Insurors Indemnity Lloyds on our website at www.insurorsindemnity.com in the "About" section.

Premiums

Direct written premium was down 1.7% to $18,437,783 through June and is projected to end the year at approximately $37.5 million, a 2% reduction from year-end 2019. Earned premium grew 6.2% to $9,682,934.

Surety premium writings are down 11.9% from last year to date and are forecasted to end the year at $5.6 million, a decline of about 14%. An overall lag in new projects as well as reduced government spending due to the COVID-19 pandemic, have temporarily stifled growth in Surety premium. Meanwhile, Insurors Indemnity Company (IIC) has submitted the filings required to gain admittance into five additional states to position itself for continued growth post pandemic – California, Nevada, Utah, Kansas and Louisiana. Texas, New Mexico, Oklahoma and Arizona growth initiatives are ongoing.

Despite the challenges of social distancing and resulting business closures, Commercial property and casualty premium increased 6.5% over last June and is expected to reach $16.8 million this year, an increase of about 6%. P&C products are currently offered in Texas and New Mexico with products being made available in Arizona by year-end.

Residential property and liability premium produced via Insurors' MGA agreement with Atlas General Agency (AGA), totaled $7.2 million through six months, a decrease of 5.4%. Under this agreement, IIC retains 10% of the risk with the remainder ceded to a panel of A rated reinsurers.

What has been described as a soft but stable market during much of the last decade is beginning to show signs of hardening as a result of recent natural disasters, COVID-19 and historically low interest rates. Because we have been able over a number of years to avoid wild swings in our pricing and underwriting, such an adjustment is a welcomed environment for Insurors as it is well suited for our flexible but disciplined style of underwriting that allows our agents and insureds to have confidence in our consistency.

Loss and Loss Adjustment Expense

Net paid and case losses as of June 30th increased 47.7% from last June while the company's total loss and LAE reserve increased by 26.8%. Driving these higher than normal indicators was a 26.1% increase in reported commercial P&C claims. Seven weather events, each resulting in at least $100,000 of incurred loss, occurred during the first six months of 2020 versus ten events in 2019 and three in 2018. While there were fewer weather events occurring in 2020, the average incurred per claim was approximately $2,900 greater than those occurring in the first six months of 2019.

Net Loss & LAE Calendar Year Loss Ratio	**YE 2016**	**YE 2017**	**YE 2018**	**YE 2019**	**Q2 2020**
Surety	7.3%	33.0%	24.3%	2.7%	2.1%
P&C	62.7%	41.1%	25.4%	55.8%	85.7%
Total	**46%**	**38.5%**	**25.0%**	**40.6%**	**61.2%**

Expense Reduction

As of June 30th, the Expense Ratio of the companies' underwriting operations was 44.6%. Although the ratio is up a percentage point from last June due to the $1,087,924 reduction in Net Written Premium, actual underwriting expenses dropped 8%. Insurors continues to seek and deploy innovative opportunities to reduce its overall costs of operating, including:

A. Released last year, the on-line agent portal (ACT), which allows agents to quote and issue Businessowners and Umbrella policies, continues to gain traction in the agency force. Insurors plans to add more lines to the system in the coming months.

B. Non-correlated fee and interest income, intended to offset the overall expenses of the group, is being generated through Insurors Indemnity Underwriters (the group's wholly owned general agency), RoadRunner Premium Finance Company and Insurors Indemnity Company's MGA agreement with AGA.

Expense Ratio*	**YE 2016**	**YE 2017**	**YE 2018**	**YE 2019**	**Q2 2020**
Surety	58.4%	58.3%	63.6%	65.3	70.8%
P&C	40.9%	46.6%	45.6%	43.5	45.3%
AGA				-5.3%	-23.6%
Total	**47.3%**	**52.8%**	**50.4%**	**45.1%**	**47.7%**

*Inclusive of underwriting and non-underwriting operations

Underwriting Performance

Overall, the company finished the first six months of 2020 with an underwriting loss of $542,722 due primarily to the active weather season impacting Texas this year. Surety underwriting results, however, were stellar, closing out the second quarter with an underwriting gain of $1,032,261. Further muting the weather impacts of the first half of 2020 was a net gain of $378,225 generated from the company's participation in the business written through AGA.

Capital and Surplus

The surplus of Insurors Indemnity Company rose 2.3% as compared to that of June 2019 but declined 3% from its year-end 2019 peak of $28,376,862. At 70.2%, Net Written Premium as a percentage of Surplus remains well within a self-imposed maximum level of 135%, allowing ample capacity for the company's plans for continued growth.

Net Written Premium to Surplus

2014	2015	2016	2017	2018	2019	Q2 2020*
75.3%	85.6%	89.2%	74.3%	67.4%	73.4%	70.2%

*Based on annualized net written premium

Competitive Advantage

The company continues to be dedicated to the highest levels of service to its policyholders and agents. A "Service Meter" is posted monthly on our public and agent websites outlining the statistics around our customer service endeavors. Policy Renewal Rate (88.2%), Average Time to Customer Contact after a Claim (29 minutes) and Average Time to Claim Paid (7.8 days) are just a few examples of the metrics that are shared with anyone interested. Please visit our website at www.insurorsindemnity.com and look around.

Affirmation

In affirming the companies' A- (Excellent) rating, A.M. Best emphasized Insurors' "Strongest level of capitalization..", "favorable calendar and accident year reserve development.." and "strong operating profitability with return metrics that outperform the commercial property composite and the overall property/casualty industry..". In addition, the Department of the Treasury renewed IIC's authority as a surety on Federal bonds, increasing its underwriting limit to $2.8 million. Receiving the confidence of these important entities is a crucial byproduct of our commitment to strong controls and high financial benchmarks.

Conclusion

We remain focused on long-term profitability and growth through disciplined underwriting, a commitment to "triple F" claims handling (fast, fair, friendly), efficient expense management, and high impact customer service. Insurors Indemnity is comprised of employees and agents who strive daily to exceed customer expectations and fulfill the company's mission.

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