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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2023

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________

Commission file number 001-37973

NI HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

NORTH DAKOTA **(State or other jurisdiction of incorporation or organization)**	**81-2683619** **(IRS Employer Identification No.)**
1101 First Avenue North **Fargo, North Dakota** **(Address of principal executive offices)**	**58102** **(Zip Code)**

(701) 298-4200
Registrant's telephone number, including area code

Not applicable
Former name, former address, and former fiscal year, if changed since last report

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	NODK	Nasdaq Capital Market

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

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

The number of shares of Registrant's common stock outstanding on October 31, 2023 was 20,575,593. No preferred shares are issued or outstanding.

TABLE OF CONTENTS

CERTAIN IMPORTANT INFORMATION

Unless the context otherwise requires, as used in this Quarterly Report on Form 10-Q ("Form 10-Q"):

- "NI Holdings", "the Company", "we", "us", and "our" refer to NI Holdings, Inc., together with Nodak Insurance Company and its subsidiaries and its affiliate (Battle Creek Mutual Insurance Company), Direct Auto Insurance Company (acquired August 31, 2018), and Westminster American Insurance Company (acquired January 1, 2020), for periods discussed after completion of the conversion, and for periods discussed prior to completion of the conversion refer to Nodak Mutual Insurance Company and all of its subsidiaries and Battle Creek Mutual Insurance Company;

- the "conversion" refers to the series of transactions consummated on March 13, 2017, by which Nodak Mutual Insurance Company converted from a mutual insurance company to a stock insurance company, as Nodak Insurance Company, and became a wholly-owned subsidiary of NI Holdings, an intermediate stock holding company formed on the date of conversion;

- "Nodak Mutual Group" refers to Nodak Mutual Group, Inc., which is the majority shareholder of NI Holdings;

- "Nodak Mutual" refers to Nodak Mutual Insurance Company, the predecessor company to Nodak Insurance Company prior to the conversion;

- "Nodak Insurance" refers to Nodak Insurance Company or Nodak Mutual Insurance Company interchangeably;

- "members" refers to the policyholders of Nodak Insurance, who are the named insureds under insurance policies issued by Nodak Insurance;

- "Battle Creek" refers to Battle Creek Mutual Insurance Company. Battle Creek became affiliated with Nodak Insurance in 2011, and Nodak Insurance provides underwriting, claims management, policy administration, and other administrative services to Battle Creek. Battle Creek is controlled by Nodak Insurance via a surplus note. The terms of the surplus note allow Nodak Insurance to appoint two-thirds of the Battle Creek Board of Directors;

- "Direct Auto" refers to Direct Auto Insurance Company. On August 31, 2018, NI Holdings completed the acquisition of 100% of the common stock of Direct Auto from the private shareholders of Direct Auto. Direct Auto became a consolidated subsidiary of NI Holdings on this date. Direct Auto is a property and casualty insurance company specializing in non-standard automobile insurance in the state of Illinois;

- "American West" refers to American West Insurance Company. American West is a wholly-owned subsidiary of Nodak Insurance;

- "Primero" refers to Primero Insurance Company. Primero is an indirect, wholly-owned subsidiary of Nodak Insurance;

- "Westminster" refers to Westminster American Insurance Company. On January 1, 2020, NI Holdings completed the acquisition of 100% of the common stock of Westminster from the private shareholder of Westminster, and Westminster became a consolidated subsidiary of NI Holdings. Westminster is a property and casualty insurance company specializing in commercial multi-peril insurance in the Mid-Atlantic states; and

- "Nodak Agency" refers to Nodak Agency, Inc. Nodak Agency is a wholly-owned subsidiary of Nodak Insurance.

FORWARD-LOOKING STATEMENTS

This report contains, and management may make, certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, may be forward-looking statements. Words such as “may”, “will”, “should”, “likely”, “anticipates”, “expects”, “intends”, “plans”, “projects”, “believes”, “views”, “estimates”, and similar expressions are used to identify these forward-looking statements. These statements include, among other things, the Company’s statements about:

- our anticipated operating and financial performance, business plans, and prospects;
- strategic reviews, capital allocation objectives, dividends, and share repurchases;
- plans for and prospects of acquisitions, dispositions, and other business development activities, and our ability to successfully capitalize on these opportunities;
- the impact of a future pandemic and related economic conditions, including the potential impact on the Company's investments;
- our ability to enter new markets successfully and capitalize on growth opportunities either through acquisitions or the expansion of our agent network;
- cyclical changes in the insurance industry, competition, and innovation and emerging technologies;
- expectations for impact of or changes to existing or new government regulations or laws;
- our ability to anticipate and respond to macroeconomic, geopolitical, health and industry trends, pandemics, acts of war, and other large-scale crises;
- developments in general economic conditions, domestic and global financial markets, interest rates, unemployment, or inflation, that could affect the performance of our insurance operations and/or investment portfolio; and
- our ability to effectively manage future growth, including additional necessary capital, systems, and personnel.

Given their nature, we cannot assure that any outcome expressed in these or other forward-looking statements will be realized in whole or in part. Actual outcomes may vary materially from past results and those anticipated, estimated, implied, or projected. These forward-looking statements may be affected by underlying assumptions that may prove inaccurate or incomplete, or by known or unknown risks and uncertainties, including those described in Part II, Item 1A, “Risk Factors” of this Form 10-Q and in the Part I, Item 1A, “Risk Factors” section in our Annual Report on Form 10-K for the year ended December 31, 2022 (“2022 Annual Report”). The occurrence of any of the risks identified in the Part I, Item 1A, “Risk Factors” section of the 2022 Annual Report, or other risks currently unknown, could have a material adverse effect on our business, financial condition or results of operations, or we may be required to increase our accruals for contingencies. It is not possible to predict or identify all such factors. Consequently, you should not consider such discussion to be a complete discussion of all potential risks or uncertainties.

Therefore, you are cautioned not to unduly rely on forward-looking statements, which speak only as of the date of this Form 10-Q. We undertake no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities law. You are advised, however, to consult any further disclosures we make on related subjects.

PART I. - FINANCIAL INFORMATION

Item 1. - Financial Statements

NI Holdings, Inc.
Consolidated Balance Sheets
(dollar amounts in thousands, except par value)

	September 30, 2023	December 31, 2022
	(Unaudited)	
Assets:		
Cash and cash equivalents	$ 34,506	$ 47,002
Fixed income securities, at fair value (net of allowance for expected credit losses of $0 at September 30, 2023 and $0 at December 31, 2022)	325,168	303,324
Equity securities, at fair value	24,853	52,393
Other investments	2,004	2,005
Total cash and investments	386,531	404,724
Premiums and agents' balances receivable (net of allowance for expected credit losses of $424 at September 30, 2023 and $425 at December 31, 2022)	99,625	62,173
Deferred policy acquisition costs	32,177	29,768
Reinsurance premiums receivable	597	1,647
Reinsurance recoverables on losses (net of allowance for expected credit losses of $0 at September 30, 2023 and $0 at December 31, 2022)	56,790	37,575
Income tax recoverable	12,389	13,964
Accrued investment income	2,724	2,456
Property and equipment, net	10,200	9,843
Deferred income taxes	14,266	9,005
Receivable from Federal Crop Insurance Corporation	14,479	15,462
Goodwill and other intangibles	16,901	17,250
Other assets	10,415	10,365
Total assets	$ 657,094	$ 614,232
Liabilities:		
Unpaid losses and loss adjustment expenses	$ 240,748	$ 190,459
Unearned premiums	165,498	148,513
Accrued expenses and other liabilities	20,911	22,053
Total liabilities	427,157	361,025
Shareholders’ equity:		
Common stock, $0.01 par value, authorized: 25,000,000 shares; issued: 23,000,000 shares; and outstanding: 2023 – 20,575,593 shares, 2022 – 21,076,255 shares	230	230
Additional paid-in capital	96,159	95,671
Unearned employee stock ownership plan shares	(941)	(941)
Retained earnings	201,749	214,121
Accumulated other comprehensive loss, net of income taxes	(33,722)	(29,286)
Treasury stock, at cost, 2023 – 2,330,297 shares, 2022 – 1,829,635 shares	(35,179)	(28,818)
Non-controlling interest	1,641	2,230
Total shareholders’ equity	229,937	253,207
Total liabilities and shareholders’ equity	$ 657,094	$ 614,232

The accompanying notes are an integral part of these consolidated financial statements.

NI Holdings, Inc.
Consolidated Statements of Operations (Unaudited)
(dollar amounts in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Revenues:				
Net premiums earned	$ 90,770	$ 89,532	$ 262,543	$ 243,615
Fee and other income	455	476	1,228	1,319
Net investment income	2,751	2,035	7,495	5,703
Net investment gains (losses)	(1,227)	(2,868)	15	(19,532)
Total revenues	92,749	89,175	271,281	231,105
Expenses:				
Losses and loss adjustment expenses	63,564	78,917	199,895	227,641
Amortization of deferred policy acquisition costs	20,362	17,589	59,529	49,456
Other underwriting and general expenses	8,695	5,912	27,646	23,695
Total expenses	92,621	102,418	287,070	300,792
Income (loss) before income taxes	128	(13,243)	(15,789)	(69,687)
Income tax benefit	(170)	(3,074)	(3,352)	(14,921)
Net income (loss)	298	(10,169)	(12,437)	(54,766)
Net income (loss) attributable to non-controlling interest	67	(184)	(336)	(780)
Net income (loss) attributable to NI Holdings, Inc.	$ 231	$ (9,985)	$ (12,101)	$ (53,986)
Income (loss) per common share:				
Basic	$ 0.01	$ (0.47)	$ (0.57)	$ (2.53)
Diluted	$ 0.01	$ (0.47)	$ (0.57)	$ (2.53)
Share data:				
Weighted average common shares outstanding used in basic per common share calculations	21,111,832	21,328,383	21,253,168	21,360,151
Plus: Dilutive securities	81,690	—	—	—
Weighted average common shares used in diluted per common share calculations	21,193,522	21,328,383	21,253,168	21,360,151

The accompanying notes are an integral part of these consolidated financial statements.

NI Holdings, Inc.
Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
(dollar amounts in thousands)

	Three Months Ended September 30, 2023			Nine Months Ended September 30, 2023		
	Attributable to NI Holdings, Inc.	Attributable to Non-Controlling Interest	Total	Attributable to NI Holdings, Inc.	Attributable to Non-Controlling Interest	Total
Net income (loss)	$ 231	$ 67	$ 298	$ (12,101)	$ (336)	$ (12,437)
Other comprehensive loss, before income taxes:						
Holding losses on investments	(8,726)	(465)	(9,191)	(6,236)	(327)	(6,563)
Reclassification adjustment for net realized losses included in net loss	8	—	8	495	—	495
Other comprehensive loss, before income taxes	(8,718)	(465)	(9,183)	(5,741)	(327)	(6,068)
Income tax benefit related to items of other comprehensive loss	1,982	105	2,087	1,305	74	1,379
Other comprehensive loss, net of income taxes	(6,736)	(360)	(7,096)	(4,436)	(253)	(4,689)
Comprehensive loss	$ (6,505)	$ (293)	$ (6,798)	$ (16,537)	$ (589)	$ (17,126)

	Three Months Ended September 30, 2022			Nine Months Ended September 30, 2022		
	Attributable to NI Holdings, Inc.	Attributable to Non-Controlling Interest	Total	Attributable to NI Holdings, Inc.	Attributable to Non-Controlling Interest	Total
Net income (loss)	$ (9,985)	$ (184)	$ (10,169)	$ (53,986)	$ (780)	$ (54,766)
Other comprehensive loss, before income taxes:						
Holding losses on investments	(12,319)	(447)	(12,766)	(48,254)	(1,794)	(50,048)
Reclassification adjustment for net realized losses included in net loss	19	20	39	81	20	101
Other comprehensive loss, before income taxes	(12,300)	(427)	(12,727)	(48,173)	(1,774)	(49,947)
Income tax benefit related to items of other comprehensive loss	2,796	97	2,893	10,950	403	11,353
Other comprehensive loss, net of income taxes	(9,504)	(330)	(9,834)	(37,223)	(1,371)	(38,594)
Comprehensive loss	$ (19,489)	$ (514)	$ (20,003)	$ (91,209)	$ (2,151)	$ (93,360)

The accompanying notes are an integral part of these consolidated financial statements.

NI Holdings, Inc.
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(dollar amounts in thousands)

Three Months Ended September 30, 2023	Common Stock	Additional Paid-in Capital	Unearned Employee Stock Ownership Plan Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Income Taxes	Treasury Stock	Non-Controlling Interest	Total Shareholders' Equity
Balance, July 1, 2023	$ 230	$ 95,750	$ (941)	$ 201,518	$ (26,986)	$ (31,122)	$ 1,934	$ 240,383
Net income	—	—	—	231	—	—	67	298
Other comprehensive loss, net of income taxes	—	—	—	—	(6,736)	—	(360)	(7,096)
Purchase of treasury stock	—	—	—	—	—	(4,057)	—	(4,057)
Share-based compensation	—	409	—	—	—	—	—	409
Issuance of vested award shares	—	—	—	—	—	—	—	—
Balance, September 30, 2023	$ 230	$ 96,159	$ (941)	$ 201,749	$ (33,722)	$ (35,179)	$ 1,641	$ 229,937

Nine Months Ended September 30, 2023	Common Stock	Additional Paid-in Capital	Unearned Employee Stock Ownership Plan Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Income Taxes	Treasury Stock	Non-Controlling Interest	Total Shareholders' Equity
Balance, January 1, 2023	$ 230	$ 95,671	$ (941)	$ 214,121	$ (29,286)	$ (28,818)	$ 2,230	$ 253,207
Net loss	—	—	—	(12,101)	—	—	(336)	(12,437)
Other comprehensive loss, net of income taxes	—	—	—	—	(4,436)	—	(253)	(4,689)
Purchase of treasury stock	—	—	—	—	—	(7,280)	—	(7,280)
Share-based compensation	—	1,310	—	—	—	—	—	1,310
Issuance of vested award shares	—	(822)	—	(271)	—	919	—	(174)
Balance, September 30, 2023	$ 230	$ 96,159	$ (941)	$ 201,749	$ (33,722)	$ (35,179)	$ 1,641	$ 229,937

The accompanying notes are an integral part of these consolidated financial statements.

NI Holdings, Inc.
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(dollar amounts in thousands)

Three Months Ended September 30, 2022

	Common Stock	Additional Paid-in Capital	Unearned Employee Stock Ownership Plan Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Income Taxes	Treasury Stock	Non-Controlling Interest	Total Shareholders' Equity
Balance, July 1, 2022	$ 230	$ 96,827	$ (1,184)	$ 223,217	$ (22,482)	$ (26,569)	$ 2,572	$ 272,611
Net loss	—	—	—	(9,985)	—	—	(184)	(10,169)
Other comprehensive loss, net of income taxes	—	—	—	—	(9,504)	—	(330)	(9,834)
Purchase of treasury stock	—	—	—	—	—	(939)	—	(939)
Share-based compensation	—	(645)	—	—	—	—	—	(645)
Issuance of vested award shares	—	(202)	—	(1)	—	—	—	(203)
Balance, September 30, 2022	$ 230	$ 95,980	$ (1,184)	$ 213,231	$ (31,986)	$ (27,508)	$ 2,058	$ 250,821

Nine Months Ended September 30, 2022

	Common Stock	Additional Paid-in Capital	Unearned Employee Stock Ownership Plan Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Income Taxes	Treasury Stock	Non-Controlling Interest	Total Shareholders' Equity
Balance, January 1, 2022	$ 230	$ 98,166	$ (1,184)	$ 267,207	$ 5,237	$ (26,452)	$ 4,209	$ 347,413
Net loss	—	—	—	(53,986)	—	—	(780)	(54,766)
Other comprehensive loss, net of income taxes	—	—	—	—	(37,223)	—	(1,371)	(38,594)
Purchase of treasury stock	—	—	—	—	—	(2,870)	—	(2,870)
Share-based compensation	—	406	—	—	—	—	—	406
Issuance of vested award shares	—	(2,592)	—	10	—	1,814	—	(768)
Balance, September 30, 2022	$ 230	$ 95,980	$ (1,184)	$ 213,231	$ (31,986)	$ (27,508)	$ 2,058	$ 250,821

The accompanying notes are an integral part of these consolidated financial statements.

NI Holdings, Inc.
Consolidated Statements of Cash Flows (Unaudited)
(dollar amounts in thousands)

	Nine Months Ended September 30,	
	2023	**2022**
Cash flows from operating activities:		
Net loss	$ (12,437)	$ (54,766)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Net investment losses (gains)	(15)	19,532
Deferred income tax benefit	(3,881)	(6,128)
Depreciation of property and equipment	558	517
Amortization of intangibles	349	354
Share-based compensation	1,310	406
Amortization of deferred policy acquisition costs	59,529	49,456
Deferral of policy acquisition costs	(61,938)	(54,328)
Net amortization of premiums and discounts on investments	793	1,251
Gain on sale of property and equipment	(44)	(186)
Changes in operating assets and liabilities:		
Premiums and agents’ balances receivable	(37,452)	(51,518)
Reinsurance premiums receivable / payable	1,050	1,223
Reinsurance recoverables on losses	(19,215)	(11,790)
Income tax recoverable / payable	1,575	(11,020)
Accrued investment income	(268)	327
Federal Crop Insurance Corporation receivable / payable	983	(262)
Other assets	(50)	(305)
Unpaid losses and loss adjustment expenses	50,289	46,275
Unearned premiums	16,985	26,620
Accrued expenses and other liabilities	(1,142)	19,662
Net cash flows from operating activities	(3,021)	(24,680)
Cash flows from investing activities:		
Proceeds from maturities and sales of fixed income securities	24,828	68,584
Proceeds from sales of equity securities	38,388	13,598
Purchases of fixed income securities	(54,027)	(49,444)
Purchases of equity securities	(10,338)	(13,715)
Purchases of property and equipment	(1,001)	(1,052)
Proceeds from sales of property and equipment	129	668
Net cash flows from investing activities	(2,021)	18,639
Cash flows from financing activities:		
Purchases of treasury stock	(7,280)	(2,870)
Installment payment on Westminster consideration payable	—	(6,667)
Issuance of vested award shares	(174)	(768)
Net cash flows from financing activities	(7,454)	(10,305)
Net decrease in cash and cash equivalents	(12,496)	(16,346)
Cash and cash equivalents at beginning of period	47,002	70,623
Cash and cash equivalents at end of period	$ 34,506	$ 54,277
Federal and state income taxes paid	$ —	$ 2,360

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization

NI Holdings is a North Dakota business corporation that is the stock holding company of Nodak Insurance and became such in connection with the conversion of Nodak Mutual from a mutual to stock form of organization and the creation of a mutual holding company. The conversion was consummated on March 13, 2017. Immediately following the conversion, all of the outstanding shares of common stock of Nodak Insurance were issued to Nodak Mutual Group, which then contributed the shares to NI Holdings in exchange for 55% of the outstanding shares of common stock of NI Holdings. Nodak Insurance then became a wholly-owned stock subsidiary of NI Holdings. Prior to completion of the conversion, NI Holdings conducted no business and had no assets or liabilities. As a result of the conversion, NI Holdings became the holding company for Nodak Insurance and its existing subsidiaries.

These unaudited consolidated financial statements include the financial position and results of operations of NI Holdings and the following other entities:

Nodak Insurance Company

Nodak Insurance is the largest domestic property and casualty insurance company in North Dakota, offering private passenger auto, homeowners, farmowners, commercial multi-peril, crop hail, and Federal multi-peril crop insurance coverages through its captive agents in the state.

Nodak Agency, Inc.

Nodak Agency is an inactive shell corporation.

American West Insurance Company

American West is a property and casualty insurance company licensed in eight states in the Midwest and Western regions of the United States (“U.S.”). American West began writing policies in 2002 and primarily writes private passenger auto, homeowners, and farm coverages in South Dakota. American West also writes personal auto coverage in North Dakota, as well as crop hail and Federal multi-peril crop insurance coverages in Minnesota and South Dakota.

Primero Insurance Company

Primero is a wholly-owned subsidiary of Tri-State, Ltd. Tri-State, Ltd. is an inactive shell corporation 100% owned by Nodak Insurance. Primero is a property and casualty insurance company writing non-standard automobile coverage in the states of Nevada, Arizona, North Dakota, and South Dakota. Primero was acquired by Nodak Insurance in 2014.

Battle Creek Mutual Insurance Company

Battle Creek is a property and casualty insurance company writing private passenger auto, homeowners, and farm coverages solely in the state of Nebraska. Battle Creek became affiliated with Nodak Insurance in 2011, and Nodak Insurance provides underwriting, claims management, policy administration, and other administrative services to Battle Creek. Because we have concluded that we control Battle Creek, we consolidate the financial statements of Battle Creek, and Battle Creek’s policyholders’ interest in Battle Creek is reflected as a non-controlling interest in shareholders’ equity in our Consolidated Balance Sheets for NI Holdings (“Consolidated Balance Sheets”) and its net income or loss is excluded from net income or loss attributed to NI Holdings in our Consolidated Statements of Operations for NI Holdings (“Consolidated Statements of Operations”).

Direct Auto Insurance Company

Direct Auto is a property and casualty insurance company licensed in Illinois. Direct Auto began writing non-standard automobile coverage in 2007, and was acquired by NI Holdings on August 31, 2018, via a stock purchase agreement.

Westminster American Insurance Company

Westminster is a property and casualty insurance company licensed in 18 states and the District of Columbia. Westminster is headquartered in Owings Mills, Maryland and underwrites commercial multi-peril insurance in the states of Delaware, Georgia, Kentucky, Maryland, New Jersey, North Carolina, Pennsylvania, South Carolina, Tennessee, Virginia, West Virginia, and the District of Columbia. Westminster was acquired by NI Holdings on January 1, 2020, via a stock purchase agreement.

Nodak Insurance markets and distributes its policies through its captive agents, while all other companies utilize the independent agent distribution channel. Additionally, all of the Company's insurance subsidiary and affiliate companies are rated "A" Excellent by A.M. Best Company, Inc. ("AM Best"), a global credit rating agency specializing in the insurance industry.

The same executive management team provides oversight and strategic direction for the entire organization. Nodak Insurance provides common product oversight, pricing practices, and underwriting standards, as well as underwriting and claims administration, to itself, American West, and Battle Creek. Primero, Direct Auto, and Westminster personnel manage the day-to-day operations of their respective companies.

2. Basis of Presentation and Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. All material intercompany transactions and balances have been eliminated. These financial statements should be read in conjunction with the financial statements and notes thereto included in our 2022 Annual Report.

The Consolidated Balance Sheet at December 31, 2022, has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements.

The preparation of the interim unaudited consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim unaudited consolidated financial statements and the reported amounts of revenues, claims, and expenses during the reporting period. Actual results could differ from those estimates. Operating results for the interim periods ended September 30, 2023, are not necessarily indicative of the results that may be expected for the year ended December 31, 2023.

Our 2022 Annual Report describes the accounting policies and estimates that are critical to the understanding of our results of operations, financial condition, and liquidity. The accounting policies and estimation processes described in the 2022 Annual Report were consistently applied to the unaudited consolidated financial statements as of and for the nine months ended September 30, 2023 and 2022.

Recent Accounting Pronouncements

Prior to December 31, 2022, we were classified as an emerging growth company ("EGC") and elected to use the extended transition period for complying with certain new or revised financial accounting standards from the Financial Accounting Standards Board ("FASB") pursuant to Section 13(a) of the Exchange Act. However, beginning on December 31, 2022, we are no longer an EGC and are now unable to delay adoption of these new or revised accounting standards, or to take advantage of reduced corporate governance disclosures.

Adopted

For information regarding accounting pronouncements that the Company adopted during the periods presented, see Item II, Part 8, Note 2 "Recent Accounting Pronouncements" section of the 2022 Annual Report.

(dollar amounts in thousands, except per share amounts)

3. Investments

The amortized cost and estimated fair value of fixed income securities as of September 30, 2023, and December 31, 2022, were as follows:

	September 30, 2023				
	Cost or Amortized Cost	Allowance for Expected Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed income securities:					
U.S. Government and agencies	$ 9,941	$ —	$ —	$ (1,019)	$ 8,922
Obligations of states and political subdivisions	57,007	—	1	(7,534)	49,474
Corporate securities	151,844	—	60	(17,099)	134,805
Residential mortgage-backed securities	64,767	—	—	(8,628)	56,139
Commercial mortgage-backed securities	30,289	—	—	(5,432)	24,857
Asset-backed securities	52,295	—	18	(5,159)	47,154
Redeemable preferred stocks	4,747	—	—	(930)	3,817
Total fixed income securities	$ 370,890	$ —	$ 79	$ (45,801)	$ 325,168

	December 31, 2022				
	Cost or Amortized Cost	Allowance for Expected Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed income securities:					
U.S. Government and agencies	$ 11,174	$ —	$ 1	$ (1,008)	$ 10,167
Obligations of states and political subdivisions	60,342	—	38	(6,454)	53,926
Corporate securities	136,837	—	109	(15,787)	121,159
Residential mortgage-backed securities	53,254	—	85	(5,846)	47,493
Commercial mortgage-backed securities	30,837	—	—	(4,702)	26,135
Asset-backed securities	45,786	—	—	(5,061)	40,725
Redeemable preferred stocks	4,747	—	—	(1,028)	3,719
Total fixed income securities	$ 342,977	$ —	$ 233	$ (39,886)	$ 303,324

The amortized cost and estimated fair value of fixed income securities by contractual maturity are shown below. Actual maturities could differ from contractual maturities because issuers may have the right to call or prepay these securities.

	September 30, 2023	
	Amortized Cost	Fair Value
Due to mature:		
One year or less	$ 13,605	$ 13,354
After one year through five years	77,699	72,443
After five years through ten years	85,106	73,366
After ten years	42,382	34,038
Mortgage / asset-backed securities	147,351	128,150
Redeemable preferred stocks	4,747	3,817
Total fixed income securities	$ 370,890	$ 325,168

	December 31, 2022	
	Amortized Cost	Fair Value
Due to mature:		
One year or less	$ 10,130	$ 9,971
After one year through five years	81,879	77,031
After five years through ten years	76,648	65,966
After ten years	39,696	32,284
Mortgage / asset-backed securities	129,877	114,353
Redeemable preferred stocks	4,747	3,719
Total fixed income securities	$ 342,977	$ 303,324

(dollar amounts in thousands, except per share amounts)

Fixed income securities with a fair value of $5,734 at September 30, 2023, and $6,613 at December 31, 2022, were deposited with various state regulatory agencies as required by law. The Company has not pledged any assets to secure any obligations.

The investment category and duration of the Company's gross unrealized losses on fixed income securities are shown below. Investments with unrealized losses are categorized with a duration of greater than 12 months when all positions of a security have continually been in a loss position for at least 12 months.

	September 30, 2023					
	Less than 12 Months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed income securities:						
U.S. Government and agencies	$ —	$ —	$ 8,922	$ (1,019)	$ 8,922	$ (1,019)
Obligations of states and political subdivisions	8,706	(957)	39,242	(6,577)	47,948	(7,534)
Corporate securities	23,227	(1,294)	108,062	(15,805)	131,289	(17,099)
Residential mortgage-backed securities	24,639	(1,144)	31,500	(7,484)	56,139	(8,628)
Commercial mortgage-backed securities	1,908	(67)	22,949	(5,365)	24,857	(5,432)
Asset-backed securities	10,817	(216)	33,134	(4,943)	43,951	(5,159)
Redeemable preferred stocks	—	—	3,817	(930)	3,817	(930)
Total fixed income securities	$ 69,297	$ (3,678)	$ 247,626	$ (42,123)	$ 316,923	$ (45,801)

	December 31, 2022					
	Less than 12 Months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed income securities:						
U.S. Government and agencies	$ 7,078	$ (537)	$ 2,587	$ (471)	$ 9,665	$ (1,008)
Obligations of states and political subdivisions	40,213	(3,554)	9,045	(2,900)	49,258	(6,454)
Corporate securities	76,645	(7,944)	39,683	(7,843)	116,328	(15,787)
Residential mortgage-backed securities	21,017	(1,805)	18,519	(4,041)	39,536	(5,846)
Commercial mortgage-backed securities	18,932	(2,674)	7,204	(2,028)	26,136	(4,702)
Asset-backed securities	18,904	(1,522)	21,809	(3,539)	40,713	(5,061)
Redeemable preferred stocks	3,015	(732)	705	(296)	3,720	(1,028)
Total fixed income securities	$ 185,804	$ (18,768)	$ 99,552	$ (21,118)	$ 285,356	$ (39,886)

We, along with our investment advisors, frequently review our investment portfolio for declines in fair value that could be indicative of credit losses. Beginning on December 31, 2022, credit losses are recognized through an allowance account. We consider a number of factors when determining if an allowance for credit losses is necessary, including payment and default history, credit spreads, credit ratings and rating actions, and probability of default. We determine the credit loss component of fixed maturity investments by utilizing discounted cash flow modeling to determine the present value of the security and comparing the present value with the amortized cost of the security. We did not recognize any credit losses for fixed income securities at the time of adoption of the new credit loss accounting standard or during the three or nine months ended September 30, 2023. Therefore, there was no beginning or ending balance of credit losses for the three or nine months ended September 30, 2023, or the year ended December 31, 2022. See Item II, Part 8, Note 3 "Summary of Significant Accounting Policies" section of the 2022 Annual Report for additional information.

(dollar amounts in thousands, except per share amounts)

Net investment income consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Fixed income securities	$ 2,906	$ 2,303	$ 8,317	$ 6,870
Equity securities	355	402	958	1,126
Real estate	158	149	464	390
Cash and cash equivalents	154	18	300	30
Total gross investment income	3,573	2,872	10,039	8,416
Investment expenses	822	837	2,544	2,713
Net investment income	$ 2,751	$ 2,035	$ 7,495	$ 5,703

Net investment gains (losses) consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Gross realized gains:				
Fixed income securities	$ —	$ 67	$ —	$ 118
Equity securities	722	1,219	13,810	3,488
Total gross realized gains	722	1,286	13,810	3,606
Gross realized losses, excluding credit impairment losses:				
Fixed income securities	(8)	(106)	(495)	(219)
Equity securities	(183)	(1,097)	(1,317)	(1,339)
Total gross realized losses, excluding credit impairment losses	(191)	(1,203)	(1,812)	(1,558)
Net realized gains	531	83	11,998	2,048
Change in net unrealized gains on equity securities	(1,758)	(2,951)	(11,983)	(21,580)
Net investment gains (losses)	$ (1,227)	$ (2,868)	$ 15	$ (19,532)

4. Fair Value Measurements

The Company uses fair value measurements to record fair value adjustments to certain assets to determine fair value disclosures. Investment securities available for sale are recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record other assets or liabilities at fair value on a nonrecurring basis. These nonrecurring fair value adjustments typically involve application of lower-of-cost-or-market accounting or write-downs of individual assets. Accounting guidance on fair value measurements and disclosures establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability. Level 2 includes fixed income securities with quoted prices that are traded less frequently than exchange traded instruments. Valuation techniques include matrix pricing which is a mathematical technique used widely in the industry to value fixed income securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted prices.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

The Company bases its fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is our policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. Fair value measurements for assets where there exists limited or no observable market data and, therefore, are based primarily upon the estimates of the Company or other third-parties, are often calculated based on the characteristics of the asset, the economic and competitive environment, and other such factors. Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts which could have been realized in a sale transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective period-end and have not been re-evaluated or updated for purposes of our consolidated financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each period-end. Additionally, changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future valuations.

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

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

The fair value estimates of our investments provided by the independent pricing service at each period-end were utilized, among other resources, in reaching a conclusion as to the fair value of its investments.

(dollar amounts in thousands, except per share amounts)

Management reviews the reasonableness of the pricing provided by the independent pricing service by employing various analytical procedures. We also use information from our third-party investment advisors who utilize different independent pricing services to further validate the reasonableness of the valuation of our fixed income portfolio. If, after this review, management does not believe the pricing for any security is a reasonable estimate of fair value, then it will seek to resolve the discrepancy through discussions with the independent pricing service. In its review, management did not identify any such discrepancies and no adjustments were made to the estimates provided by the independent pricing service for the three or nine months ended September 30, 2023, or the year ended December 31, 2022. The classification within the fair value hierarchy is then confirmed based on the final conclusions from the pricing review.

The valuation of money market accounts and equity securities are generally based on Level 1 inputs, which use the market-approach valuation technique. The valuation of certain cash equivalents and our fixed income securities generally incorporates significant Level 2 inputs using the market and income approach techniques. We may assign a lower level to inputs typically considered to be Level 2 based on our assessment of liquidity and relative level of uncertainty surrounding inputs. There were no assets or liabilities classified at Level 3 at September 30, 2023, or December 31, 2022.

The following tables set forth our assets which are measured on a recurring basis by the level within the fair value hierarchy in which fair value measurements fall:

	September 30, 2023			
	Total	Level 1	Level 2	Level 3
Fixed income securities:				
U.S. Government and agencies	$ 8,922	$ —	$ 8,922	$ —
Obligations of states and political subdivisions	49,474	—	49,474	—
Corporate securities	134,805	—	134,805	—
Residential mortgage-backed securities	56,139	—	56,139	—
Commercial mortgage-backed securities	24,857	—	24,857	—
Asset-backed securities	47,154	—	47,154	—
Redeemable preferred stock	3,817	—	3,817	—
Total fixed income securities	325,168	—	325,168	—
Equity securities:				
Common stock	23,132	23,132	—	—
Non-redeemable preferred stock	1,721	1,721	—	—
Total equity securities	24,853	24,853	—	—
Money market accounts and cash equivalents	11,116	4,850	6,266	—
Total assets at fair value	$ 361,137	$ 29,703	$ 331,434	$ —

(dollar amounts in thousands, except per share amounts)

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Fixed income securities:				
U.S. Government and agencies	$ 10,167	$ —	$ 10,167	$ —
Obligations of states and political subdivisions	53,926	—	53,926	—
Corporate securities	121,159	—	121,159	—
Residential mortgage-backed securities	47,493	—	47,493	—
Commercial mortgage-backed securities	26,135	—	26,135	—
Asset-backed securities	40,725	—	40,725	—
Redeemable preferred stock	3,719	—	3,719	—
Total fixed income securities	303,324	—	303,324	—
Equity securities:				
Common stock	50,699	50,699	—	—
Non-redeemable preferred stock	1,694	1,694	—	—
Total equity securities	52,393	52,393	—	—
Money market accounts and cash equivalents	27,255	27,255	—	—
Total assets at fair value	$ 382,972	$ 79,648	$ 303,324	$ —

There were no liabilities measured at fair value on a recurring basis at September 30, 2023, or December 31, 2022.

5. Reinsurance

External Reinsurance

The Company's consolidated financial statements reflect the effects of assumed and ceded reinsurance transactions. Assumed reinsurance refers to the acceptance of certain insurance risks that other insurance companies have underwritten. Ceded reinsurance involves transferring certain insurance risks (along with the related written and earned premiums) the Company has underwritten to other insurance companies who agree to share these risks. The primary purpose of these agreements is to protect the Company, at a cost, from losses in excess of the amount it is prepared to accept and to protect the Company's capital. Our ceded reinsurance is placed either on an automatic basis under general reinsurance contracts known as treaties or through facultative contracts placed on substantial individual risks. These contracts do not relieve the Company from its obligations to policyholders.

During the nine-month period ended September 30, 2023, the Company maintained property catastrophe reinsurance protection covering $133,000 in excess of a $20,000 retention. Additionally, per risk excess of loss treaties provided coverage of $4,000 in excess of $1,000 for property risks and $11,000 in excess of $1,000 for casualty risks, with facultative contracts in place to provide coverage up to $20,000 in excess of $5,000 per property. Aggregate stop loss reinsurance agreements were placed for both crop hail and multi-peril crop coverage. The crop hail aggregate attached at a 100% net loss ratio providing 50 points of cover. The multi-peril crop aggregate attached at a 105% net loss ratio providing 45 points of cover. In addition to the aggregate covers, underlying multi-peril crop reinsurance was provided through the Federal Crop Insurance Corporation ("FCIC").

During the year ended December 31, 2022, the Company maintained property catastrophe reinsurance protection covering $125,000 in excess of a $15,000 retention. Additionally, per risk excess of loss treaties provided coverage of $4,000 in excess of $1,000 for property risks and $11,000 in excess of $1,000 for casualty risks, with facultative contracts in place to provide coverage up to $20,000 in excess of $5,000 per property. Aggregate stop loss reinsurance agreements were placed for both crop hail and multi-peril crop coverage. The crop hail aggregate attached at a 100% net loss ratio providing 50 points of cover. The multi-peril crop aggregate attached at a 105% net loss ratio providing 45 points of cover. In addition to the aggregate covers, underlying multi-peril crop reinsurance was provided through the FCIC.

The Company actively monitors and evaluates the financial condition of the reinsurers and develops estimates of the uncollectible amounts due from reinsurers. Beginning on December 31, 2022, credit losses are recognized through an allowance account developed using a new credit loss model (current expected credit losses or "CECL"). See the Part II, Item 8, Note 2 "Recent Accounting Pronouncements" section of the 2022 Annual Report for additional information. Credit loss estimates are made based on periodic evaluation of balances due from reinsurers, changes in reinsurer credit standing, judgments regarding reinsurers' solvency, known disputes, reporting characteristics of the underlying reinsured business, historical experience, current economic conditions, and the state of reinsurer relations in general. Collection risk is mitigated by entering into reinsurance arrangements only with reinsurers that have strong financial strength ratings. At September 30, 2023, and December 31, 2022, management has concluded that it is not necessary to record an allowance for expected credit losses related to reinsurance recoverables. All of our significant reinsurance partners are rated "A-" (Excellent) or better by AM Best, and there is no history of write-offs.

(dollar amounts in thousands, except per share amounts)

A reconciliation of direct to net premiums on both a written and an earned basis is as follows:

	Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023	
	Premiums Written	**Premiums Earned**	**Premiums Written**	**Premiums Earned**
Direct premium	$ 81,223	$ 104,540	$ 316,029	$ 296,176
Assumed premium	175	2,045	3,014	3,448
Ceded premium	(10,773)	(15,815)	(39,671)	(37,081)
Net premiums	$ 70,625	$ 90,770	$ 279,372	$ 262,543

	Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022	
	Premiums Written	**Premiums Earned**	**Premiums Written**	**Premiums Earned**
Direct premium	$ 81,147	$ 102,173	$ 301,642	$ 269,823
Assumed premium	680	2,460	5,767	6,012
Ceded premium	(10,765)	(15,101)	(36,600)	(32,220)
Net premiums	$ 71,062	$ 89,532	$ 270,809	$ 243,615

A reconciliation of direct to net losses and loss adjustment expenses is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Direct losses and loss adjustment expenses	$ 71,107	$ 94,446	$ 237,117	$ 250,611
Assumed losses and loss adjustment expenses	725	868	882	2,413
Ceded losses and loss adjustment expenses	(8,268)	(16,397)	(38,104)	(25,383)
Net losses and loss adjustment expenses	$ 63,564	$ 78,917	$ 199,895	$ 227,641

If 100% of our ceded reinsurance was cancelled as of September 30, 2023, or December 31, 2022, no ceded commissions would need to be returned to the reinsurers. Reinsurance contracts are typically effective from January 1 through December 31 each year.

Intercompany Reinsurance Pooling Arrangement

Effective January 1, 2020, all of our insurance subsidiary and affiliate companies entered into an intercompany reinsurance pooling agreement. Nodak Insurance is the lead company of the pool, and assumes the net premiums, net losses, and underwriting expenses from each of the other five companies. Nodak Insurance then retrocedes balances back to each company, while retaining its own share of the pool's net underwriting results, based on individual pool percentages established in the respective pooling agreement. This arrangement allows each insurance company to rely upon the capacity of the pool's total statutory capital and surplus. As a result, they are evaluated by AM Best on a group basis and hold a single combined financial strength rating, long-term issuer credit rating, and financial size category.

For the nine months ended September 30, 2023, and the year ended December 31, 2022, the pooling share percentages by insurance company were:

	Pool Percentage
Nodak Insurance Company	66.0%
American West Insurance Company	7.0%
Primero Insurance Company	3.0%
Battle Creek Mutual Insurance Company	2.0%
Direct Auto Insurance Company	13.0%
Westminster American Insurance Company	9.0%
Total	100.0%

(dollar amounts in thousands, except per share amounts)

6. Deferred Policy Acquisition Costs

Expenses directly related to successfully acquired insurance policies, primarily commissions, premium taxes, and underwriting costs, are deferred and amortized over the terms of the policies. We update our acquisition cost assumptions periodically to reflect actual experience, and we evaluate the costs for recoverability. The table below shows the deferred policy acquisition costs and asset reconciliation:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Balance, beginning of period	$ 34,124	$ 30,917	$ 29,768	$ 24,947
Deferral of policy acquisition costs	18,415	16,491	61,938	54,328
Amortization of deferred policy acquisition costs	(20,362)	(17,589)	(59,529)	(49,456)
Balance, end of period	$ 32,177	$ 29,819	$ 32,177	$ 29,819

7. Unpaid Losses and Loss Adjustment Expenses

Activity in the liability for unpaid losses and loss adjustment expenses is summarized as follows:

	Nine Months Ended September 30,	
	2023	2022
Balance, beginning of period:		
Liability for unpaid losses and loss adjustment expenses	$ 190,459	$ 139,662
Reinsurance recoverables on losses	37,575	21,200
Net balance, beginning of period	152,884	118,462
Incurred related to:		
Current year	180,895	234,823
Prior years	19,000	(7,182)
Total incurred	199,895	227,641
Paid related to:		
Current year	91,979	141,810
Prior years	76,842	51,346
Total paid	168,821	193,156
Balance, end of period:		
Liability for unpaid losses and loss adjustment expenses	240,748	185,937
Reinsurance recoverables on losses	56,790	32,990
Net balance, end of period	$ 183,958	$ 152,947

During the nine months ended September 30, 2023, the Company’s incurred reported losses and loss adjustment expenses included $19,000 of net unfavorable development on prior accident years. The net unfavorable development was primarily attributable to Direct Auto and Westminster, partially offset by net favorable development on prior accident years for Nodak Insurance, American West, and Battle Creek. During the nine months ended September 30, 2022, the Company’s incurred reported losses and loss adjustment expenses included $7,182 of net favorable development on prior accident years, primarily attributable to Battle Creek and American West.

Changes in unpaid losses and loss adjustment expense reserves are generally the result of ongoing analysis of recent loss development trends. As additional information becomes known regarding individual claims, original estimates are increased or decreased accordingly.

(dollar amounts in thousands, except per share amounts)

8. Property and Equipment

Property and equipment consisted of the following:

	September 30, 2023	December 31, 2022	Estimated Useful Life
Cost:			
Land	$ 1,403	$ 1,403	indefinite
Building and improvements	14,538	14,271	10 – 43 years
Electronic data processing equipment	1,637	1,310	5 – 7 years
Furniture and fixtures	3,034	2,919	5 – 7 years
Automobiles	1,317	1,310	2 – 3 years
Gross cost	21,929	21,213	
Accumulated depreciation	(11,729)	(11,370)	
Total property and equipment, net	$ 10,200	$ 9,843	

Depreciation expense was $188 and $174 for the three months ended September 30, 2023 and 2022, respectively, and $558 and $517 for the nine months ended September 30, 2023 and 2022, respectively.

(dollar amounts in thousands, except per share amounts)

9. Goodwill and Other Intangibles

Goodwill

The following table presents the carrying amount of the Company's goodwill by segment:

	September 30, 2023	December 31, 2022
Non-standard auto from acquisition of Primero	$ 2,628	$ 2,628
Commercial from acquisition of Westminster	6,756	6,756
Total	$ 9,384	$ 9,384

Other Intangible Assets

The following table presents the carrying amount of the Company's other intangible assets:

September 30, 2023	Gross Carrying Amount	Accumulated Amortization	Net
Subject to amortization:			
Trade names	$ 748	$ 435	$ 313
Distribution network	6,700	1,396	5,304
Total subject to amortization	7,448	1,831	5,617
Not subject to amortization:			
State insurance licenses	1,900	—	1,900
Total	$ 9,348	$ 1,831	$ 7,517

December 31, 2022	Gross Carrying Amount	Accumulated Amortization	Net
Subject to amortization:			
Trade names	$ 748	$ 365	$ 383
Distribution network	6,700	1,117	5,583
Total subject to amortization	7,448	1,482	5,966
Not subject to amortization:			
State insurance licenses	1,900	—	1,900
Total	$ 9,348	$ 1,482	$ 7,866

Amortization expense was $114 and $118 for the three months ended September 30, 2023 and 2022, respectively, and $349 and $354 for the nine months ended September 30, 2023 and 2022, respectively.

Other intangible assets that have finite lives, including trade names and distribution networks, are amortized over their useful lives. As of September 30, 2023, the estimated amortization of other intangible assets with finite lives for each of the five years in the period ending December 31, 2027, and thereafter is as follows:

Year ending December 31,	
2023 (three months remaining)	$ 106
2024	422
2025	422
2026	422
2027	422
Thereafter	3,823
Total other intangible assets with finite lives	$ 5,617

(dollar amounts in thousands, except per share amounts)

10. Royalties, Dividends, and Affiliations

North Dakota Farm Bureau

Nodak Insurance was organized by the North Dakota Farm Bureau ("NDFB") to provide insurance protection for its members. We have a royalty agreement with the NDFB that recognizes the use of their trademark and provides royalties to the NDFB based on the premiums written on Nodak Insurance's policies. Royalties paid to the NDFB were $426 and $397 during the three months ended September 30, 2023 and 2022, respectively, and $1,225 and $1,141 for the nine months ended September 30, 2023 and 2022, respectively. Royalty amounts payable of $112 and $119 were accrued as a liability to the NDFB at September 30, 2023, and December 31, 2022, respectively.

Dividends

State insurance laws require our insurance subsidiaries to maintain certain minimum capital and surplus amounts on a statutory basis. Our insurance subsidiaries are subject to regulations that restrict the payment of dividends from statutory surplus and may require prior approval from their domiciliary insurance regulatory authorities. Our insurance subsidiaries are also subject to risk-based capital requirements that may further affect their ability to pay dividends. Our insurance subsidiaries statutory capital and surplus at December 31, 2022, exceeded the amount of statutory capital and surplus necessary to satisfy risk-based capital requirements by a significant margin.

For information regarding the availability of subsidiaries to pay dividends to NI Holdings during 2023, see Item II, Part 8, Note 12 "Related Party Transactions" section of the 2022 Annual Report.

Battle Creek Mutual Insurance Company

The following tables disclose the standalone balance sheets and statements of operations of Battle Creek, prior to intercompany eliminations, to illustrate the impact of including Battle Creek in our Consolidated Balance Sheets and Statements of Operations:

	September 30, 2023	December 31, 2022
Assets:		
Cash and cash equivalents	$ 123	$ 5,008
Investments	13,675	13,350
Premiums and agents' balances receivable	5,887	5,422
Deferred policy acquisition costs	644	595
Reinsurance recoverables on losses (2)	15,601	12,597
Accrued investment income	71	59
Income tax recoverable	—	225
Deferred income taxes	884	780
Property and equipment	310	319
Other assets	82	52
Total assets	$ 37,277	$ 38,407
Liabilities:		
Unpaid losses and loss adjustment expenses	$ 4,842	$ 6,453
Unearned premiums	3,295	2,959
Notes payable (1)	3,000	3,000
Pooling payable (1)	9,847	8,337
Reinsurance losses payable (2)	13,635	13,125
Accrued expenses and other liabilities	1,017	2,303
Total liabilities	35,636	36,177
Equity:		
Non-controlling interest	1,641	2,230
Total equity	1,641	2,230
Total liabilities and equity	$ 37,277	$ 38,407

(1) Amount fully eliminated in consolidation.
(2) Amount partly eliminated in consolidation.

(dollar amounts in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues:				
Net premiums earned	$ 1,816	$ 1,790	$ 5,251	$ 4,872
Fee and other income (expenses)	10	(1)	27	(8)
Net investment income (expense)	80	(8)	227	32
Total revenues	1,906	1,781	5,505	4,896
Expenses:				
Losses and loss adjustment expenses	1,271	1,579	3,998	4,553
Amortization of deferred policy acquisition costs	408	352	1,191	989
Other underwriting and general expenses	139	89	457	363
Total expenses	1,818	2,020	5,646	5,905
Income (loss) before income taxes	88	(239)	(141)	(1,009)
Income tax expense (benefit)	21	(55)	195	(229)
Net income (loss)	$ 67	$ (184)	$ (336)	$ (780)

11. Benefit Plans

Nodak Insurance sponsors a 401(k) plan with an automatic and matching contribution for eligible employees at Nodak Insurance, Primero, and Direct Auto. Nodak Insurance also contributes an additional elective amount of employee compensation as a profit-sharing contribution for its eligible employees. Westminster also sponsors a separate 401(k) plan. American West and Battle Creek have no employees. The Company reported expenses related to these plans totaling $656 and $383 during the three months ended September 30, 2023 and 2022, respectively, and $1,315 and $1,150 during the nine months ended September 30, 2023 and 2022, respectively.

All fees associated with the plans are deducted from the eligible employee accounts.

The Company also offers a non-qualified deferred compensation plan to key executives of the Company (as designated by the Board of Directors). The Company's policy is to fund the plan by amounts that represent the excess of the maximum contribution allowed by the Employee Retirement Income Security Act over the key executives' allowable 401(k) contribution. The plan also allows employee-directed deferral of key executives' compensation or incentive payments. The Company reported expenses related to this plan totaling $45 and $23 during the three months ended September 30, 2023 and 2022, respectively, and $143 and $150 during the nine months ended September 30, 2023 and 2022, respectively.

In connection with our initial public offering ("IPO") in March 2017, the Company established its Employee Stock Ownership Plan (the "ESOP"). The ESOP is intended to be an employee stock ownership plan within the meaning of Internal Revenue Code Section 4975(e)(7) and invests solely in common stock of the Company.

Upon establishment of the ESOP, Nodak Insurance loaned $2,400 to the ESOP's related trust (the "ESOP Trust"). The ESOP loan was for a period of ten years, bearing interest at the long-term Applicable Federal Rate effective on the closing date of the offering (2.79% annually). The ESOP Trust used the proceeds of the loan to purchase shares in our IPO, which resulted in the ESOP Trust owning approximately 1.0% of the Company's authorized shares. The ESOP has purchased the shares for investment and not for resale.

The shares purchased by the ESOP Trust in the offering are held in a suspense account as collateral for the ESOP loan. Nodak Insurance makes semi-annual cash contributions to the ESOP in amounts no smaller than the amounts required for the ESOP Trust to make its loan payments to Nodak Insurance. While the ESOP makes two loan payments per year, a pre-determined portion of the shares are released from the suspense account and allocated to participant accounts at the end of the calendar year. This release and allocation occurs on an annual basis over the ten-year term of the ESOP loan. Nodak Insurance has a lien on the shares of common stock of the Company held by the ESOP to secure repayment of the loan from the ESOP to Nodak Insurance. If the ESOP is terminated as a result of a change in control of the Company, the ESOP may be required to pay the costs of terminating the plan.

It is anticipated that the only assets held by the ESOP will be shares of the Company's common stock. Participants in the ESOP cannot direct the investment of any assets allocated to their accounts. The ESOP participants are employees of Nodak Insurance. The employees of Primero, Direct Auto, and Westminster do not participate in the ESOP.

Each employee of Nodak Insurance automatically becomes a participant in the ESOP if such employee is at least 21 years old, has completed a minimum of one thousand hours of service with Nodak Insurance, and has completed an Eligibility Computation Period. Employees are not permitted to make any contributions to the ESOP. Participants in the ESOP receive annual reports from the Company showing the number of shares of common stock of the Company allocated to the participants' accounts and the market value of those shares. The shares are allocated to participants based on compensation as provided for in the ESOP.

In connection with the establishment of the ESOP, the Company created a contra-equity account on the Consolidated Balance Sheet equal to the ESOP's basis in the shares. The basis of those shares was set at $10.00 per share as part of the IPO. As shares are released from the ESOP suspense account, the contra-equity account is credited, which reduces the impact of the contra-equity account on the Company's Consolidated Balance Sheet over time. The Company records compensation expense related to the shares released, equal to the number of shares released from the suspense account multiplied by the average market value of the Company's stock during the period.

The Company recognized compensation expense related to the ESOP of $81 and $88 during the three months ended September 30, 2023 and 2022, respectively, and $245 and $298 during the nine months ended September 30, 2023 and 2022, respectively.

Through September 30, 2023, and December 31, 2022, the Company had released and allocated 145,890 ESOP shares to participants, with a remainder of 94,110 ESOP shares in suspense at September 30, 2023, and December 31, 2022. Using the Company's quarter-end market price of $12.87 per share, the fair value of the unearned ESOP shares was $1,211 at September 30, 2023.

12. Line of Credit

Nodak Insurance has a $5,000 line of credit with Wells Fargo Bank, N.A. The terms of the line of credit include a floating interest rate of the bank's Prime Rate with a floor rate of 3.25%. There were no outstanding amounts during the nine months ended September 30, 2023, or the year ended December 31, 2022. This line of credit is scheduled to expire on March 31, 2024.

13. Income Taxes

At September 30, 2023, and December 31, 2022, we had no unrecognized tax benefits, no accrued interest and penalties, and no significant uncertain tax positions. No interest and penalties were recognized during the three- and nine-month periods ended September 30, 2023 or the year ended December 31, 2022.

At September 30, 2023, and December 31, 2022, the Company, other than Battle Creek and Westminster, had no income tax related carryforwards for net operating losses, alternative minimum tax credits, or capital losses.

Battle Creek, which files its income tax returns on a stand-alone basis, had net operating loss carryforwards of $3,963 at December 31, 2022. These net operating loss carryforwards expire through 2032.

Westminster, which became part of the Company's consolidated federal income tax return beginning in 2020, had a $1,270 net operating loss carryforward at December 31, 2022. This net operating loss carryforward expires at the end of 2023.

As of September 30, 2023, we are no longer subject to federal tax examination for years prior to 2019.

(dollar amounts in thousands, except per share amounts)

14. Leases

Primero leases a facility in Spearfish, South Dakota under a non-cancellable operating lease expiring in 2028, and leases a facility in Las Vegas, Nevada on a month-to-month basis. Direct Auto leases a facility in Chicago, Illinois under a non-cancellable operating lease expiring in 2029. Nodak Insurance leases a facility in Fargo, North Dakota under a non-cancellable operating lease expiring in 2024.

Effective for the year ended December 31, 2022, the Company adopted the updated guidance for leases. This guidance was adopted in the fourth quarter of 2022, and accordingly, the expense amounts for the periods ended September 30, 2023, are not comparable to the periods ended September 30, 2022. See Part II, Item 8, Note 2 “Recent Accounting Pronouncements” in the 2022 Annual Report for additional information. Under the new guidance, lease expense for these operating leases is recognized on a straight-line basis over the term of the lease, and a right-of-use asset and lease liability is recognized as part of other assets and other liabilities, respectively, in the Consolidated Balance Sheet at the origination of the lease. We currently do not have leases that include options to purchase or provisions that would automatically transfer ownership of the leased property to the Company.

We determine whether a contract is or contains a lease at the inception of the contract. A contract will be deemed to be or contain a lease if the contract conveys the right to control and directs the use of identified property or equipment for a period of time in exchange for consideration. We generally must also have the right to obtain substantially all of the economic benefits from the use of the property and equipment. Operating lease assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. To determine the present value of lease payments not yet paid, we estimate incremental borrowing rates based on the floating interest rate on our Line of Credit with Wells Fargo Bank, N.A. at the lease commencement date, as rates are not implicitly stated in most leases.

Additional information regarding our operating leases are as follows:

	As of and For the Three Months Ended September 30,		As of and For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating lease expense	$ 98	$ 98	$ 293	$ 293
Other information on operating leases:				
Operating cash outflow from operating leases	103	101	307	239
Right-of-use assets obtained in exchange for new lease liabilities	—	—	247	—
Weighted average discount rate	3.95%	3.25%	3.95%	3.25%
Weighted average remaining lease term in years	5.6 years	6.4 years	5.6 years	6.4 years

The following table presents the contractual maturities of our operating leases for each of the five years in the period ending December 31, 2027, and thereafter, reconciled to our operating lease liability at September 30, 2023:

Year ending December 31,	
2023 (three months remaining)	$ 97
2024	381
2025	346
2026	351
2027	356
Thereafter	509
Total undiscounted lease payments	2,040
Less: present value adjustment	200
Operating lease liability at September 30, 2023	$ 1,840

(dollar amounts in thousands, except per share amounts)

15. Contingencies

We have been named as a defendant in various lawsuits relating to our insurance operations. Contingent liabilities arising from litigation, income taxes, and other matters are not considered to be material to our financial position.

16. Common and Preferred Stock

Changes in the number of common stock shares outstanding are as follows:

	Nine Months Ended September 30,	
	2023	2022
Shares outstanding, beginning of period	21,076,255	21,219,808
Treasury shares repurchased through stock repurchase authorization	(548,549)	(173,419)
Issuance of treasury shares for vesting of restricted stock units	47,887	101,292
Shares outstanding, end of period	20,575,593	21,147,681

The changes in the number of common shares outstanding excludes certain non-forfeitable stock award shares that are included in the weighted average common shares outstanding used in basic earnings per common share calculations. The net loss per diluted common share for the nine-month period ended September 30, 2023, excluded the weighted average effects of 68,380 shares of stock awards since the impacts of these potential shares of common stock were anti-dilutive. The net loss per diluted common share for the three- and nine-month periods ended September 30, 2022, excluded the weighted average effects of 99,960 and 171,209 shares of stock awards, respectively, since the impacts of these potential shares of common stock were anti-dilutive.

On August 11, 2021, our Board of Directors approved an authorization for the repurchase of up to approximately $5,000 of the Company's outstanding common stock. During the year ended December 31, 2021, we completed the repurchase of 81,095 shares of our common stock for $1,554 under this authorization. During the year ended December 31, 2022, we completed the repurchase of 214,937 shares of our common stock for $3,446 to close out this authorization. Of these amounts, 173,419 shares were repurchased for $2,870 during the nine months ended September 30, 2022.

On May 9, 2022, our Board of Directors approved an authorization for the repurchase of up to approximately $10,000 of the Company's outstanding common stock. During the year ended December 31, 2022, we completed the repurchase of 54,223 shares of our common stock for $734 under this authorization. During the nine months ended September 30, 2023, we completed the repurchase of 548,549 shares of our common stock for $7,280, including the applicable excise tax. At September 30, 2023, $2,052 remains available under this authorization.

The cost of this treasury stock is a reduction of shareholders' equity within our Consolidated Balance Sheets.

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act ("IRA") which, among other changes, created a new corporate alternative minimum tax ("AMT") based on adjusted financial statement income and imposes a 1% excise tax on corporate stock repurchases, subject to certain adjustments. The effective date of these provisions was January 1, 2023. The Company is not currently subject to the AMT based on our reported GAAP earnings for the past three years and does not expect the IRA to have a material impact on the Company's financial position and results of operations.

Preferred Stock

The Company's Articles of Incorporation provide authority to issue up to five million shares of preferred stock. No preferred shares are issued or outstanding.

17. Share-Based Compensation

The NI Holdings, Inc. 2020 Stock and Incentive Plan (the "Plan") is designed to promote the interests of the Company and its shareholders by aiding the Company in attracting and retaining employees, officers, consultants, independent contractors, advisors, and non-employee directors capable of assuring the future success of the Company, to offer such persons incentives to put forth maximum efforts for the success of the Company's business, and to afford such persons an opportunity to acquire an ownership interest in the Company, thereby aligning the interests of such persons with the Company's shareholders.

(dollar amounts in thousands, except per share amounts)

The Plan provides for the grant of nonqualified stock options, incentive stock options, restricted stock units ("RSUs"), stock appreciation rights, dividend equivalents, and performance share units ("PSUs") to employees, officers, consultants, advisors, non-employee directors, and independent contractors designated by the Compensation Committee of the Board of Directors (the "Compensation Committee"). Awards made under the Plan are based upon, among other things, a participant's level of responsibility and performance within the Company.

The total aggregate number of shares of common stock that may be issued under the Plan shall not exceed 1,000,000 shares, subject to adjustments as provided in the Plan. No eligible participant may be granted any awards for more than 100,000 shares in the aggregate in any calendar year, subject to adjustment in accordance with the Plan. The aggregate amount payable pursuant to all performance awards denominated in cash to any eligible person in any calendar year is limited to $1,000 in value. Directors who are not also employees of the Company may not be granted awards denominated in shares that exceed $150 in any calendar year.

Restricted Stock Units

The Compensation Committee has awarded RSUs to non-employee directors and select executives. RSUs are promises to issue actual shares of common stock at the end of a vesting period. The RSUs granted to executives under the Plan were based on salary and vest 20% per year over a five-year period, while RSUs granted to non-employee directors vest 100% on the date of the next annual meeting of shareholders following the grant date. Dividend equivalents on RSUs are accrued during the vesting period and paid in cash at the end of the vesting period but are subject to forfeiture until the underlying shares become vested. Participants do not have voting rights with respect to RSUs.

The Company recognizes stock-based compensation costs for RSUs based on the grant date fair value. The compensation costs are normally expensed over the vesting periods to each vesting date; however, the cost of RSUs granted to executives are expensed immediately if the executive has met certain retirement criteria and the RSUs become non-forfeitable. Estimated forfeitures are included in the determination of compensation costs. No forfeitures are currently estimated.

A summary of the Company's outstanding and unearned RSUs is presented below:

	RSUs	Weighted-Average Grant-Date Fair Value Per Share
Units outstanding and unearned at January 1, 2022	108,380	$ 16.86
RSUs granted during 2022	59,600	17.61
RSUs earned during 2022	(52,620)	17.39
Units outstanding and unearned at December 31, 2022	115,360	17.00
RSUs granted during 2023	85,000	13.76
RSUs earned during 2023	(53,780)	16.32
Units outstanding and unearned at September 30, 2023	146,580	15.37

The following table shows the impact of RSU activity to the Company's financial results:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
RSU compensation expense	$ 268	$ 227	$ 827	$ 725
Income tax benefit	(61)	(52)	(188)	(165)
RSU compensation expense, net of income taxes	$ 207	$ 175	$ 639	$ 560

At September 30, 2023, there was $1,159 of unrecognized compensation cost related to outstanding RSUs. That cost is expected to be recognized over a weighted-average period of 1.70 years.

Performance Share Units

The Compensation Committee has awarded PSUs to select executives. PSUs are promises to issue actual shares of common stock at the end of a vesting period if certain performance conditions are met. The PSUs granted to employees under the Plan were based on salary and include a three-year adjusted book value cumulative growth target with threshold and stretch goals. They will vest on the third anniversary of the grant date, subject to the participant's continuous employment through the vesting date and the level of performance achieved. Dividend equivalents on PSUs are accrued and paid in cash at the end of the performance period in accordance with the level of performance achieved but are subject to forfeiture until the underlying shares become vested. Participants do not have voting rights with respect to PSUs.

(dollar amounts in thousands, except per share amounts)

The Company recognizes stock-based compensation costs for PSUs based on the grant date fair value over the performance period of the awards. Estimated forfeitures are included in the determination of compensation costs. The current cost estimates represent the Company's forecasted performance against cumulative growth targets.

A summary of the Company's outstanding PSUs is presented below:

	PSUs	Weighted-Average Grant-Date Fair Value Per Share
Units outstanding at January 1, 2022	190,600	$ 16.06
PSUs granted during 2022 (at target)	61,800	18.10
PSUs earned during 2022	(86,684)	15.21
Performance adjustment [1]	31,200	15.21
Forfeitures	(6,916)	15.21
Units outstanding at December 31, 2022	190,000	17.00
PSUs granted during 2023 (at target)	87,400	13.85
PSUs earned during 2023	—	—
Performance adjustment [1]	(63,600)	14.26
Forfeitures	—	—
Units outstanding at September 30, 2023	213,800	16.53

[1] Represents the change in PSUs issued based upon the attainment of performance goals established by the Company.

The following table shows the impact of PSU activity to the Company's financial results:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
PSU compensation expense (benefit)	$ 141	$ (872)	$ 418	$ (349)
Income tax expense (benefit)	(32)	198	(95)	79
PSU compensation expense, net of income taxes	$ 109	$ (674)	$ 323	$ (270)

The cost estimates for PSU grants represent initial target awards until we can reasonably forecast the financial performance of each PSU award grant. At the end of the performance period, we will reflect a performance adjustment, which may be either an increase or decrease from the initial target awards. The actual number of shares to be issued at the end of the performance period will range from 0% to 150% of the initial target awards.

At September 30, 2023, there was $1,175 of unrecognized compensation cost related to outstanding PSUs. That cost is expected to be recognized over a weighted-average period of 2.20 years.

(dollar amounts in thousands, except per share amounts)

18. Allowance for Expected Credit Losses

Premiums Receivable

Beginning on December 31, 2022, credit losses are recognized through an allowance account developed using the new CECL model. This guidance was adopted in the fourth quarter of 2022, and accordingly, there was no allowance for expected credit losses as of September 30, 2022. See the Part II, Item 8, Note 2 "Recent Accounting Pronouncements" section of the 2022 Annual Report for additional information. The following table presents the balances of premiums and agents' receivable balances, net of the allowance for expected credit losses as of September 30, 2023, and the changes in the allowance for expected credit losses for the three and nine months ended September 30, 2023.

	As of and For the Three Months Ended September 30, 2023	
	Premiums and Agents' Balances Receivable, Net of Allowance for Expected Credit Losses	Allowance for Expected Credit Losses
Balance, beginning of period	$ 106,946	$ 434
Current period charge for expected credit losses		45
Write-offs of uncollectible premiums receivable		55
Balance, end of period	$ 99,625	$ 424

	As of and For the Nine Months Ended September 30, 2023	
	Premiums and Agents' Balances Receivable, Net of Allowance for Expected Credit Losses	Allowance for Expected Credit Losses
Balance, beginning of period	$ 62,173	$ 425
Current period charge for expected credit losses		323
Write-offs of uncollectible premiums receivable		324
Balance, end of period	$ 99,625	$ 424

19. Segment Information

We have six reportable operating segments, which consist of private passenger auto insurance, non-standard auto insurance, home and farm insurance, crop insurance, commercial insurance, and all other (which primarily consists of assumed reinsurance and our excess liability business). We operate only in the U.S., and no single customer or agent provides 10 percent or more of our revenues. The following tables provide available information of these segments for the three- and nine-month periods ended September 30, 2023 and 2022.

For purposes of evaluating profitability of the non-standard auto segment, we combine the policy fees paid by the insured with the underwriting gain or loss as its primary measure. As a result, these fees are allocated to the non-standard auto segment (included in fee and other income) in the tables below. The remaining fee and other income amounts are not allocated to any segment.

We do not assign or allocate all line items in our Unaudited Consolidated Statement of Operations or Unaudited Consolidated Balance Sheet to our operating segments. Those line items include net investment income, net investment gains (losses), fee and other income excluding non-standard auto, and income tax expense (benefit) within the Unaudited Consolidated Statement of Operations. For the Unaudited Consolidated Balance Sheet, those items include cash and investments, property and equipment, other assets, accrued expenses and other liabilities, income taxes recoverable or payable, and shareholders’ equity.

(dollar amounts in thousands, except per share amounts)

	Three Months Ended September 30, 2023						
	Private Passenger Auto	Non-Standard Auto	Home and Farm	Crop	Commercial	All Other	Total
Direct premiums earned	$ 22,377	$ 21,334	$ 23,650	$ 15,283	$ 20,544	$ 1,352	$ 104,540
Assumed premiums earned	—	—	—	1,792	—	253	2,045
Ceded premiums earned	(1,142)	(103)	(2,341)	(7,329)	(4,793)	(107)	(15,815)
Net premiums earned	21,235	21,231	21,309	9,746	15,751	1,498	90,770
Direct losses and loss adjustment expenses	16,148	18,838	14,611	4,899	17,043	(432)	71,107
Assumed losses and loss adjustment expenses	—	—	—	558	—	167	725
Ceded losses and loss adjustment expenses	455	—	(559)	(1,767)	(6,771)	374	(8,268)
Net losses and loss adjustment expenses	16,603	18,838	14,052	3,690	10,272	109	63,564
Gross margin	4,632	2,393	7,257	6,056	5,479	1,389	27,206
Underwriting and general expenses	6,078	8,671	6,159	1,950	5,810	389	29,057
Underwriting gain (loss)	(1,446)	(6,278)	1,098	4,106	(331)	1,000	(1,851)
Fee and other income		278					455
		(6,000)					
Net investment income							2,751
Net investment losses							(1,227)
Income before income taxes							128
Income tax benefit							(170)
Net income							298
Net income attributable to non-controlling interest							67
Net income attributable to NI Holdings, Inc.							$ 231
Operating Ratios:							
Loss and loss adjustment expense ratio	78.2%	88.7%	65.9%	37.9%	65.2%	7.3%	70.0%
Expense ratio	28.6%	40.8%	28.9%	20.0%	36.9%	26.0%	32.0%
Combined ratio	106.8%	129.5%	94.8%	57.9%	102.1%	33.3%	102.0%
Balances at September 30, 2023:							
Premiums and agents' balances receivable	$ 23,901	$ 15,854	$ 9,655	$ 35,982	$ 13,438	$ 795	$ 99,625
Deferred policy acquisition costs	5,744	9,797	7,973	1,046	7,160	457	32,177
Reinsurance recoverables on losses	139	—	3,918	4,676	46,097	1,960	56,790
Receivable from Federal Crop Insurance Corporation	—	—	—	14,479	—	—	14,479
Goodwill and other intangibles	—	2,728	—	—	14,173	—	16,901
Unpaid losses and loss adjustment expenses	33,124	59,663	24,489	16,614	99,521	7,337	240,748
Unearned premiums	35,059	31,072	48,636	10,208	37,663	2,860	165,498

(dollar amounts in thousands, except per share amounts)

	Three Months Ended September 30, 2022						
	Private Passenger Auto	**Non-Standard Auto**	**Home and Farm**	**Crop**	**Commercial**	**All Other**	**Total**
Direct premiums earned	$ 20,523	$ 17,646	$ 22,429	$ 20,921	$ 19,342	$ 1,312	$ 102,173
Assumed premiums earned	—	—	—	1,768	—	692	2,460
Ceded premiums earned	(710)	(67)	(2,678)	(8,123)	(3,458)	(65)	(15,101)
Net premiums earned	19,813	17,579	19,751	14,566	15,884	1,939	89,532
Direct losses and loss adjustment expenses	20,969	11,958	34,051	12,040	14,646	782	94,446
Assumed losses and loss adjustment expenses	—	—	—	539	—	329	868
Ceded losses and loss adjustment expenses	(615)	—	(5,229)	(5,605)	(4,834)	(114)	(16,397)
Net losses and loss adjustment expenses	20,354	11,958	28,822	6,974	9,812	997	78,917
Gross margin	(541)	5,621	(9,071)	7,592	6,072	942	10,615
Underwriting and general expenses	5,061	6,399	5,396	343	5,840	462	23,501
Underwriting gain (loss)	(5,602)	(778)	(14,467)	7,249	232	480	(12,886)
Fee and other income		246					476
		(532)					
Net investment income							2,035
Net investment losses							(2,868)
Loss before income taxes							(13,243)
Income tax benefit							(3,074)
Net loss							(10,169)
Net loss attributable to non-controlling interest							(184)
Net loss attributable to NI Holdings, Inc.							$ (9,985)
Operating Ratios:							
Loss and loss adjustment expense ratio	102.7%	68.0%	145.9%	47.9%	61.8%	51.4%	88.1%
Expense ratio	25.6%	36.4%	27.3%	2.3%	36.8%	23.8%	26.3%
Combined ratio	128.3%	104.4%	173.2%	50.2%	98.6%	75.2%	114.4%
Balances at September 30, 2022:							
Premiums and agents' balances receivable	$ 21,252	$ 17,754	$ 9,461	$ 42,395	$ 11,343	$ 765	$ 102,970
Deferred policy acquisition costs	5,311	8,992	7,708	436	6,928	444	29,819
Reinsurance recoverables on losses	1,135	—	7,035	8,226	15,763	831	32,990
Goodwill and other intangibles	—	2,773	—	—	14,595	—	17,368
Unpaid losses and loss adjustment expenses	29,821	41,231	31,792	25,244	49,545	8,304	185,937
Unearned premiums	31,331	27,031	44,841	11,071	37,042	3,093	154,409
Payable to Federal Crop Insurance Corporation	—	—	—	4,700	—	—	4,700

(dollar amounts in thousands, except per share amounts)

	Nine Months Ended September 30, 2023						
	Private Passenger Auto	**Non-Standard Auto**	**Home and Farm**	**Crop**	**Commercial**	**All Other**	**Total**
Direct premiums earned	$ 64,426	$ 64,049	$ 69,077	$ 32,800	$ 61,850	$ 3,974	$ 296,176
Assumed premiums earned	—	—	—	2,293	—	1,155	3,448
Ceded premiums earned	(2,995)	(295)	(7,363)	(12,735)	(13,440)	(253)	(37,081)
Net premiums earned	61,431	63,754	61,714	22,358	48,410	4,876	262,543
Direct losses and loss adjustment expenses	50,227	50,015	42,548	16,932	76,050	1,345	237,117
Assumed losses and loss adjustment expenses	—	—	—	558	—	324	882
Ceded losses and loss adjustment expenses	867	—	(1,862)	(6,363)	(29,535)	(1,211)	(38,104)
Net losses and loss adjustment expenses	51,094	50,015	40,686	11,127	46,515	458	199,895
Gross margin	10,337	13,739	21,028	11,231	1,895	4,418	62,648
Underwriting and general expenses	18,249	26,349	18,515	4,630	18,146	1,286	87,175
Underwriting gain (loss)	(7,912)	(12,610)	2,513	6,601	(16,251)	3,132	(24,527)
Fee and other income		748					1,228
		(11,862)					
Net investment income							7,495
Net investment gains							15
Loss before income taxes							(15,789)
Income tax benefit							(3,352)
Net loss							(12,437)
Net loss attributable to non-controlling interest							(336)
Net loss attributable to NI Holdings, Inc.							$ (12,101)
Operating Ratios:							
Loss and loss adjustment expense ratio	83.2%	78.5%	65.9%	49.8%	96.1%	9.4%	76.1%
Expense ratio	29.7%	41.3%	30.0%	20.7%	37.5%	26.4%	33.2%
Combined ratio	112.9%	119.8%	95.9%	70.5%	133.6%	35.8%	109.3%

(dollar amounts in thousands, except per share amounts)

	Nine Months Ended September 30, 2022						
	Private Passenger Auto	Non-Standard Auto	Home and Farm	Crop	Commercial	All Other	Total
Direct premiums earned	$ 59,648	$ 47,665	$ 65,312	$ 38,612	$ 54,733	$ 3,853	$ 269,823
Assumed premiums earned	—	—	—	2,259	—	3,753	6,012
Ceded premiums earned	(1,830)	(196)	(6,393)	(14,023)	(9,630)	(148)	(32,220)
Net premiums earned	57,818	47,469	58,919	26,848	45,103	7,458	243,615
Direct losses and loss adjustment expenses	52,360	24,582	103,430	25,173	42,791	2,275	250,611
Assumed losses and loss adjustment expenses	—	—	—	781	—	1,632	2,413
Ceded losses and loss adjustment expenses	(442)	—	(5,938)	(8,819)	(9,970)	(214)	(25,383)
Net losses and loss adjustment expenses	51,918	24,582	97,492	17,135	32,821	3,693	227,641
Gross margin	5,900	22,887	(38,573)	9,713	12,282	3,765	15,974
Underwriting and general expenses	16,382	19,357	17,425	1,400	16,752	1,835	73,151
Underwriting gain (loss)	(10,482)	3,530	(55,998)	8,313	(4,470)	1,930	(57,177)
Fee and other income		888					1,319
		4,418					
Net investment income							5,703
Net investment losses							(19,532)
Loss before income taxes							(69,687)
Income tax benefit							(14,921)
Net loss							(54,766)
Net loss attributable to non-controlling interest							(780)
Net loss attributable to NI Holdings, Inc.							$ (53,986)
Operating Ratios:							
Loss and loss adjustment expense ratio	89.8%	51.8%	165.5%	63.8%	72.8%	49.5%	93.5%
Expense ratio	28.3%	40.8%	29.6%	5.2%	37.1%	24.6%	30.0%
Combined ratio	118.1%	92.6%	195.1%	69.0%	109.9%	74.1%	123.5%

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

The following discussion is intended to provide a more comprehensive review of our operating results and financial condition than can be obtained from reading the unaudited consolidated financial statements alone. This discussion should be read in conjunction with the unaudited consolidated financial statements and the notes thereto included in Part I, Item 1, "Financial Statements." Some of the information contained in this discussion and analysis or set forth elsewhere in this Form 10-Q constitutes forward-looking statements that involve risks and uncertainties. Please see "Forward-Looking Statements" included elsewhere in this Form 10-Q. Part I, Item 1A, "Risk Factors" included in our 2022 Annual Report should also be reviewed for a discussion of important factors that could cause actual results to differ materially from the results described, or implied by, the forward-looking statements contained herein.

All dollar amounts included in Item 2 herein are in thousands.

Results of Operations

Our consolidated net income was $298 for the three months ended September 30, 2023, compared to net loss of $10,169 for the three months ended September 30, 2022. Our consolidated net loss was $12,437 for the nine months ended September 30, 2023, compared to net loss of $54,766 for the nine months ended September 30, 2022.

The major components of revenues and net loss are shown below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Revenues:				
Net premiums earned	$ 90,770	$ 89,532	$ 262,543	$ 243,615
Fee and other income	455	476	1,228	1,319
Net investment income	2,751	2,035	7,495	5,703
Net investment gains (losses)	(1,227)	(2,868)	15	(19,532)
Total revenues	92,749	89,175	271,281	231,105
Components of net income:				
Net premiums earned	90,770	89,532	262,543	243,615
Losses and loss adjustment expenses	63,564	78,917	199,895	227,641
Amortization of deferred policy acquisition costs and other underwriting and general expenses	29,057	23,501	87,175	73,151
Underwriting loss	(1,851)	(12,886)	(24,527)	(57,177)
Fee and other income	455	476	1,228	1,319
Net investment income	2,751	2,035	7,495	5,703
Net investment gains (losses)	(1,227)	(2,868)	15	(19,532)
Income (loss) before income taxes	128	(13,243)	(15,789)	(69,687)
Income tax benefit	(170)	(3,074)	(3,352)	(14,921)
Net income (loss)	$ 298	$ (10,169)	$ (12,437)	$ (54,766)

Net Premiums Earned

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Net premiums earned:				
Direct premium	$ 104,540	$ 102,173	$ 296,176	$ 269,823
Assumed premium	2,045	2,460	3,448	6,012
Ceded premium	(15,815)	(15,101)	(37,081)	(32,220)
Total net premiums earned	$ 90,770	$ 89,532	$ 262,543	$ 243,615

Our net premiums earned for the three months ended September 30, 2023, increased $1,238, or 1.4%, compared to the three months ended September 30, 2022. Net premiums earned for the nine months ended September 30, 2023, increased $18,928, or 7.8%, compared to the nine months ended September 30, 2022.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net premiums earned:				
Private passenger auto	$ 21,235	$ 19,813	$ 61,431	$ 57,818
Non-standard auto	21,231	17,579	63,754	47,469
Home and farm	21,309	19,751	61,714	58,919
Crop	9,746	14,566	22,358	26,848
Commercial	15,751	15,884	48,410	45,103
All other	1,498	1,939	4,876	7,458
Total net premiums earned	$ 90,770	$ 89,532	$ 262,543	$ 243,615

Below are comments regarding net premiums earned by business segment:

Private passenger auto **–** Net premiums earned for the third quarter of 2023 increased $1,422, or 7.2%, from the third quarter of 2022. Net premiums earned for the first nine months of 2023 increased $3,613, or 6.2% from the first nine months of 2022. Results were driven by significant rate increases in North Dakota, South Dakota, and Nebraska, partially offset by lower new business production as a result of underwriting actions taken to improve profitability.

Non-standard auto **–** Net premiums earned for the third quarter of 2023 increased $3,652, or 20.8%, from the third quarter of 2022. Net premiums earned for the first nine months of 2023 increased $16,285, or 34.3% from the first nine months of 2022. Results were driven by new business growth, improved retention, and significant rate increases in the Chicago market where our non-standard auto business is concentrated.

Home and farm **–** Net premiums earned for the third quarter of 2023 increased $1,558, or 7.9%, from the third quarter of 2022. Net premiums earned for the first nine months of 2023 increased $2,795, or 4.7% from the first nine months of 2022. Results were driven by rate increases along with increased insured property values, which were primarily the result of higher inflationary factors. These premium increases were partially offset by lower levels of new business production as a result of underwriting actions taken to improve profitability.

Crop **–** Net premiums earned for the third quarter of 2023 decreased $4,820, or 33.1%, from the third quarter of 2022. Net premiums earned for the first nine months of 2023 decreased $4,490, or 16.7% from the first nine months of 2022. These decreases were driven by lower commodity prices and lower muti-peril crop insurance rates, combined with fewer acres insured in the current year.

Commercial **–** Net premiums earned for the third quarter of 2023 decreased $133, or 0.8%, from the third quarter of 2022. Net premiums earned for the first nine months of 2023 increased $3,307, or 7.3% from the first nine months of 2022. The current quarter decrease was driven by higher levels of ceded premium. The year-to-date increase was driven by prior period new business growth, increased insured values which were primarily the result of higher inflationary factors, and continued increases in rate, partially offset by higher levels of ceded premium and the impact of underwriting actions taken to improve profitability.

All other **–** Net premiums earned for the third quarter of 2023 decreased $441, or 22.7%, from the third quarter of 2022. Net premiums earned for the first nine months of 2023 decreased $2,582, or 34.6%, from the first nine months of 2022. These decreases were driven by the decision to non-renew our participation in an assumed domestic and international reinsurance pool of business as of January 1, 2022.

Losses and Loss Adjustment Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net losses and loss adjustment expenses:				
Direct losses and loss adjustment expenses	$ 71,107	$ 94,446	$ 237,117	$ 250,611
Assumed losses and loss adjustment expenses	725	868	882	2,413
Ceded losses and loss adjustment expenses	(8,268)	(16,397)	(38,104)	(25,383)
Total net losses and loss adjustment expenses	$ 63,564	$ 78,917	$ 199,895	$ 227,641

Our net losses and loss adjustment expenses for the three months ended September 30, 2023, decreased $15,353, or 19.5%, compared to the three months ended September 30, 2022. Our net losses and loss adjustment expenses for the nine months ended September 30, 2023, decreased $27,746, or 12.2%, compared to the nine months ended September 30, 2022.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net losses and loss adjustment expenses:				
Private passenger auto	$ 16,603	$ 20,354	$ 51,094	$ 51,918
Non-standard auto	18,838	11,958	50,015	24,582
Home and farm	14,052	28,822	40,686	97,492
Crop	3,690	6,974	11,127	17,135
Commercial	10,272	9,812	46,515	32,821
All other	109	997	458	3,693
Total net losses and loss adjustment expenses	$ 63,564	$ 78,917	$ 199,895	$ 227,641

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Loss and loss adjustment expenses ratio:				
Private passenger auto	78.2%	102.7%	83.2%	89.8%
Non-standard auto	88.7%	68.0%	78.5%	51.8%
Home and farm	65.9%	145.9%	65.9%	165.5%
Crop	37.9%	47.9%	49.8%	63.8%
Commercial	65.2%	61.8%	96.1%	72.8%
All other	7.3%	51.4%	9.4%	49.5%
Total loss and loss adjustment expenses ratio	70.0%	88.1%	76.1%	93.5%

Below are comments regarding significant changes in the net losses and loss adjustment expenses, and the net loss and loss adjustment expense ratios, by business segment:

Private passenger auto **–** The net loss and loss adjustment expense ratio decreased 24.5 percentage points and 6.6 percentage points in the three- and nine-month periods ended September 30, 2023, respectively, compared to the same periods in 2022. Both periods were affected by lower loss frequency in the current year, partially offset by elevated loss costs due to continued high levels of inflation during the current year and elevated winter weather-related losses in the first quarter of 2023.

Non-standard auto **–** The net loss and loss adjustment expense ratio increased 20.7 percentage points and 26.7 percentage points in the three- and nine-month periods ended September 30, 2023, respectively, compared to the same periods in 2022. These increases were driven by elevated loss severity as a result of inflationary factors as well as unfavorable prior year loss reserve development. We continue to take significant rate and underwriting actions as a result of these elevated losses and challenging market conditions.

Home and farm **–** The net loss and loss adjustment expense ratio decreased 80.0 percentage points and 99.6 percentage points in the three- and nine-month periods ended September 30, 2023, respectively, compared to the same periods in 2022. These decreases in net loss and loss adjustment expense ratios were driven by the much-improved loss experience as a result of having no catastrophe losses during 2023 compared to 2022, combined with improved non-catastrophe weather losses and the significant underwriting actions we have implemented to address the profitability on these lines of business. Catastrophe losses for the Home and Farm segment accounted for 96.3 percentage points of the net loss and loss adjustment expense ratio for the nine months ended September 30, 2022.

Crop **–** The net loss and loss adjustment expense ratio decreased 10.0 percentage points and 14.0 percentage points in the three- and nine-month periods ended September 30, 2023, respectively, compared to the same periods in 2022. These decreases were driven by improved crop growing conditions compared to the prior year.

Commercial **–** The net loss and loss adjustment expense ratio increased 3.4 percentage points and 23.3 percentage points in the three- and nine-month periods ended September 30, 2023, respectively, compared to the same periods in 2022. These increases were driven by unfavorable prior year reserve development and elevated loss severity, partially offset by higher ceded losses. We continue to take significant rate and underwriting actions and continue to evaluate additional measures to improve the segment's profitability.

All other **–** The net loss and loss adjustment expense ratio decreased 44.1 percentage points and 40.1 percentage points in the three-and nine-month periods ended September 30, 2023, respectively, compared to the same period for 2022. These decreases were driven by improved loss experience related to the excess liability lines of business.

Underwriting and General Expenses and Expense Ratio

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Underwriting and general expenses:				
Amortization of deferred policy acquisition costs	$ 20,362	$ 17,589	$ 59,529	$ 49,456
Other underwriting and general expenses	8,695	5,912	27,646	23,695
Total underwriting and general expenses	29,057	23,501	87,175	73,151
Expense Ratio	32.0%	26.3%	33.2%	30.0%

The expense ratio is calculated by dividing other underwriting and general expenses and amortization of deferred policy acquisition costs by net premiums earned. The expense ratio measures a company's operational efficiency in producing, underwriting, and administering its insurance business. The overall expense ratio increased 5.7 percentage points and 3.2 percentage points in the three-and nine-month periods ended September 30, 2023, respectively, compared to the same periods in 2022. The increase in both the current quarter and year-to-date amortization of deferred policy acquisition costs was driven by higher deferrable costs resulting from overall premium growth compared to the prior year, including significant growth in the non-standard auto segment which generally pays higher agent commissions than our other segments. The increase in both the current quarter and year-to-date other underwriting and general expenses was due to 2022 expenses being impacted by multi-peril crop insurance final settlements as well as the impact of continued high levels of inflation.

Underwriting Gain (Loss) and Combined Ratio

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Underwriting gain (loss):				
Private passenger auto	$ (1,446)	$ (5,602)	$ (7,912)	$ (10,482)
Non-standard auto	(6,278)	(778)	(12,610)	3,530
Home and farm	1,098	(14,467)	2,513	(55,998)
Crop	4,106	7,249	6,601	8,313
Commercial	(331)	232	(16,251)	(4,470)
All other	1,000	480	3,132	1,930
Total underwriting loss	$ (1,851)	$ (12,886)	$ (24,527)	$ (57,177)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Combined ratio:				
Private passenger auto	106.8%	128.3%	112.9%	118.1%
Non-standard auto	129.5%	104.4%	119.8%	92.6%
Home and farm	94.8%	173.2%	95.9%	195.1%
Crop	57.9%	50.2%	70.5%	69.0%
Commercial	102.1%	98.6%	133.6%	109.9%
All other	33.3%	75.2%	35.8%	74.1%
Combined ratio	102.0%	114.4%	109.3%	123.5%

Underwriting gain (loss) measures the pre-tax profitability of our insurance operations. It is derived by subtracting losses and loss adjustment expenses, amortization of deferred policy acquisition costs, and other underwriting and general expenses from net premiums earned. The combined ratio represents the sum of these losses and expenses as a percentage of net premiums earned and measures our overall underwriting profit.

The total underwriting loss decreased $11,035, or 85.6%, for the three-month period ended September 30, 2023, compared to the same period in 2022. The total underwriting loss decreased $32,650, or 57.1%, for the nine-month period ended September 30, 2023, compared to the same period in 2022. These results were driven by the factors discussed in the Loss and Loss Adjustment Expenses section above.

The overall combined ratio decreased 12.4 percentage points in the three-month period ended September 30, 2023, compared to the same period in 2022. The overall combined ratio decreased 14.2 percentage points in the nine-month period ended September 30, 2023, compared to the same period in 2022. These results were driven by the factors discussed in the Loss and Loss Adjustment Expenses section above.

Fee and Other Income

We had fee and other income of $455 and $1,228 for the three and nine months ended September 30, 2023, respectively, compared to $476 and $1,319 for the three and nine months ended September 30, 2022, respectively. Fee income is largely attributable to the non-standard auto segment and is a key component in measuring its profitability. The decrease in fee and other income for the nine-month period ended September 30, 2023, was driven by a shifting mix of business in the Chicago market as well as miscellaneous income from the sale of property in the first quarter of the prior year.

Net Investment Income

The following table shows our average cash and invested assets, net investment income, and return on average cash and invested assets for the reported periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Average cash and invested assets	$ 399,408	$ 436,714	$ 402,508	$ 468,026
Net investment income	$ 2,751	$ 2,035	$ 7,495	$ 5,703
Gross return on average cash and invested assets	3.6%	2.6%	3.3%	2.4%
Net return on average cash and invested assets	2.8%	1.9%	2.5%	1.6%

Net investment income increased $716 for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. Net investment income increased $1,792 for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. These increases were primarily driven by the rising interest rate environment which resulted in higher reinvestment rates in our fixed income portfolio.

Gross and net return on average cash and invested assets increased year-over-year, driven by the higher net investment income and a higher proportion of the equity portfolio being invested in high dividend yield equities in 2023, along with a decrease in average cash and invested assets (measured at fair value). This decrease in average cash and invested assets was driven by lower fixed income fair values caused by an increasing interest rate environment and challenging equity market conditions particularly during the middle and later stages of 2022, combined with investment sales as a result of an unusually high number of weather-related losses in 2022.

Net Investment Gains (Losses)

Net investment gains (losses) consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Gross realized gains	$ 722	$ 1,286	$ 13,810	$ 3,606
Gross realized losses, excluding credit impairment losses	(191)	(1,203)	(1,812)	(1,558)
Net realized gains	531	83	11,998	2,048
Change in net unrealized gains on equity securities	(1,758)	(2,951)	(11,983)	(21,580)
Net investment gains (losses)	$ (1,227)	$ (2,868)	$ 15	$ (19,532)

We had net realized gains of $531 and $11,998 for the three and nine months ended September 30, 2023, respectively, compared to net realized gains of $83 and $2,048 for the three and nine months ended September 30, 2022, respectively. The year-to-date increase in net realized gains was primarily the result of a strategic liquidation of a portfolio of equity securities in the first quarter of 2023. The gross realized gains from the sale of these securities were largely offset by the elimination of the unrealized gain position of these securities. No credit impairment losses were reported during any of the periods presented.

We experienced a decrease in net unrealized gains on equity securities of $1,758 and $11,983 during the three and nine months ended September 30, 2023, respectively, and a decrease in net unrealized gains on equity securities of $2,951 and $21,580 during the three and nine months ended September 30, 2022, respectively. The current period year-to-date change in net unrealized gains on equity securities was driven by the equity portfolio liquidation noted above, additional sales of equity securities during the current quarter, and the impact of changes in fair value attributable to equity market volatility. The prior year decreases were driven by the impact of changes in fair value attributable to unfavorable equity markets.

Our fixed income securities are classified as available for sale because we will, from time to time, make sales of securities that are not impaired, consistent with our investment goals and policies. The fixed income portion of the portfolio experienced net unrealized losses of $9,183 and net unrealized losses of $6,068 during the three and nine months ended September 30, 2023, respectively, compared to net unrealized losses of $12,727 and $49,947 during the three and nine months ended September 30, 2022, respectively. The changes were primarily the result of changes in U.S. interest rates. The change in the fair value of fixed income securities is not reflected in net income; rather it is reflected as a separate component (net of income taxes) of other comprehensive income.

Income (Loss) before Income Taxes

For the three months ended September 30, 2023, we had a pre-tax income of $128 compared to a pre-tax loss of $13,243 for the three months ended September 30, 2022. For the nine months ended September 30, 2023, we had a pre-tax loss of $15,789 compared to pre-tax loss of $69,687 for the nine months ended September 30, 2022. These year-over-year improvements were largely attributable to the significant catastrophe losses during the second and third quarters of 2022 and significantly higher investment losses during the first nine months of 2022, partially offset by year-to-date unfavorable prior year reserve development during 2023 combined with year-to-date favorable prior year reserve development during 2022.

Income Tax Expense (Benefit)

We recorded an income tax benefit of $170 for the three months ended September 30, 2023, compared to an income tax benefit of $3,074 for the three months ended September 30, 2022. Our effective tax rate for the third quarter of 2023 was (132.8)% compared to an effective tax rate of 23.2% for the third quarter of 2022. The elevated 2023 third quarter effective tax rate was driven by the level of net income during the period and small modifications made to the annual effective income tax rate between the second and third quarters of 2023.

We recorded an income tax benefit of $3,352 for the nine months ended September 30, 2023, compared to income tax benefit of $14,921 for the nine months ended September 30, 2022. Our effective tax rate for the first nine months of 2023 was 21.2% compared to an effective tax rate of 21.4% for the first nine months of 2022.

Net Income (Loss)

For the three months ended September 30, 2023, we had net income before non-controlling interest of $298 compared to a net loss of $10,169 for the three months ended September 30, 2022. For the nine months ended September 30, 2023, we had a net loss before non-controlling interest of $12,437 compared to net loss of $54,766 for the nine months ended September 30, 2022. These year-over-year improvements were largely attributable to the significant catastrophe losses during the second and third quarters of 2022 and significantly higher investment losses during the first nine months of 2022, partially offset by year-to-date unfavorable prior year reserve development during 2023 combined with year-to-date favorable prior year reserve development during 2022.

Return on Average Equity

For the three months ended September 30, 2023, we had annualized return on average equity, after non-controlling interest, of 0.4% compared to annualized return on average equity, after non-controlling interest, of (15.4)% for the three months ended September 30, 2022.

For the nine months ended September 30, 2023, we had annualized return on average equity, after non-controlling interest, of (6.7)% compared to annualized return on average equity, after non-controlling interest, of (24.3)% for the nine months ended September 30, 2022.

Average equity is calculated as the average between beginning and ending equity, excluding non-controlling interest, for the period.

Critical Accounting Policies

The preparation of financial statements in accordance with GAAP requires both the use of estimates and judgment relative to the application of appropriate accounting policies. We are required to make estimates and assumptions in certain circumstances that affect amounts reported in the unaudited consolidated financial statements and related footnotes. We evaluate these estimates and assumptions on an ongoing basis based on historical developments, market conditions, industry trends, and other information that we believe to be reasonable under the circumstances. There can be no assurance that actual results will conform to these estimates and assumptions or that reported results of operations will not be materially and adversely affected by the need to make accounting adjustments to reflect changes in these estimates and assumptions from time to time. Our critical accounting policies are more fully described in Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations” presented in our 2022 Annual Report. There have been no changes in our critical accounting policies from December 31, 2022.

Liquidity and Capital Resources

We expect to generate sufficient funds from our operations and maintain a high degree of liquidity in our investment portfolio to meet the demands of claim settlements and operating expenses for the foreseeable future. Our primary sources of funds are premium collections, investment earnings, and fixed income maturities.

The change in cash and cash equivalents for the nine months ended September 30, 2023 and 2022, were as follows:

	Nine Months Ended September 30,	
	2023	**2022**
Net cash flows from operating activities	$ (3,021)	$ (24,680)
Net cash flows from investing activities	(2,021)	18,639
Net cash flows from financing activities	(7,454)	(10,305)
Net decrease in cash and cash equivalents	$ (12,496)	$ (16,346)

For the nine months ended September 30, 2023, net cash used by operating activities totaled $3,021 compared to $24,680 a year ago. This decrease was primarily driven by lower claim payments during the current period and higher levels of cash received for premiums.

For the nine months ended September 30, 2023, net cash used by investing activities totaled $2,021 compared to net cash provided of $18,639 a year ago. This change was primarily attributable to a decrease in maturities and sales of fixed income securities and an increase in purchases of fixed income securities in the current year compared to the prior year, partially offset by an increase in sales of equity securities and a decrease in purchases of equity securities.

For the nine months ended September 30, 2023, net cash used by financing activities totaled $7,454 compared to $10,305 a year ago. This decrease in cash used was attributable to an installment payment of $6,667 on the Westminster consideration payable during the first quarter of 2022, partially offset by an increase in share repurchases during the first nine months of 2023 compared to the first nine months of 2022.

As a holding company, a principal source of long-term liquidity will be dividend payments from our directly-owned subsidiaries.

Nodak Insurance is restricted by the insurance laws of North Dakota as to the amount of dividends or other distributions it may pay to NI Holdings. North Dakota law sets the maximum amount of dividends that may be paid by Nodak Insurance during any twelve-month period after notice to, but without prior approval of, the North Dakota Insurance Department. This amount cannot exceed the lesser of (i) 10% of surplus as regards policyholders as of the preceding December 31, or (ii) the statutory net income for the preceding calendar year (excluding realized capital gains), less any prior dividends paid during such twelve-month period. In addition, any insurance company other than a life insurance company may carry forward net income from the preceding two calendar years, not including realized investment gains, less any dividends actually paid during those two calendar years. Dividends in excess of this amount are considered “extraordinary” and are subject to the approval of the North Dakota Insurance Department.

There is no amount available for payment of dividends from Nodak Insurance to NI Holdings during 2023 without the prior approval of the North Dakota Insurance Department based upon the statutory net loss of Nodak Insurance during the year ended December 31, 2022. Prior to its payment of any dividend, Nodak Insurance will be required to provide notice of the dividend to the North Dakota Insurance Department. This notice must be provided to the North Dakota Insurance Department 30 days prior to the payment of an extraordinary dividend and 10 days prior to the payment of an ordinary dividend. The North Dakota Insurance Department has the power to limit or prohibit dividend payments if an insurance company is in violation of any law or regulation. These restrictions or any subsequently imposed restrictions may affect our future liquidity. No dividends were declared or paid by Nodak Insurance during the nine months ended September 30, 2023. The Nodak Insurance Board of Directors declared and Nodak Insurance paid dividends of $3,000 to NI Holdings during the year ended December 31, 2022.

Direct Auto re-domesticated from Illinois to North Dakota during 2021 and is now subject to the same dividend restrictions as Nodak Insurance. There is no amount available for payment of dividends from Direct Auto to NI Holdings during 2023 without the prior approval of the North Dakota Insurance Department based upon the statutory net loss of Direct Auto during the year ended December 31, 2022. No dividends were declared or paid by Direct Auto during the nine months ended September 30, 2023, or the year ended December 31, 2022.

Westminster re-domesticated from Maryland to North Dakota during 2021 and is now subject to the same dividend restrictions as Nodak Insurance. There is no amount available for payment of dividends from Westminster to NI Holdings during 2023 without the prior approval of the North Dakota Insurance Department based upon the statutory net loss of Westminster during the year ended December 31, 2022. No dividends were declared or paid by Westminster during the nine months ended September 30, 2023, or the year ended December 31, 2022.

Item 3. - Quantitative and Qualitative Disclosures about Market Risk

The Company's assessment of market risk as of September 30, 2023, indicates there have been no material changes in the quantitative and qualitative disclosures from those in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" in our 2022 Annual Report.

Item 4. - Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as required by Rules 13a-15(b) and 15d-15(b) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this report, were designed and functioning effectively to provide reasonable assurance that the information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission ("SEC"), and that such material information is accumulated and communicated to the Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding required disclosures. We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Changes in Internal Controls over Financial Reporting

In the ordinary course of business, we periodically review our system of internal control over financial reporting to identify opportunities to improve our controls and increase efficiency, while ensuring that we maintain an effective internal control environment. There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. - OTHER INFORMATION

Item 1. - Legal Proceedings

We are party to litigation in the normal course of business. Based upon information presently available to us, we do not consider any litigation to be material. However, given the uncertainties attendant to litigation, we cannot assure you that our results of operations and financial condition will not be materially adversely affected by any litigation.

Item 1A. - Risk Factors

There have been no material changes in our assessment of our risk factors from those set forth in Part I, Item 1A, “Risk Factors” in our 2022 Annual Report.

Item 2. - Unregistered Sales of Equity Securities and Use of Proceeds

All dollar amounts included in Item 2 herein, except per share data, are in thousands.

The Company has not sold any unregistered securities within the past three years.

On January 17, 2017, our registration statement on Form S-1 registering our common stock was declared effective by the SEC. On March 13, 2017, the Company completed the IPO of 10,350,000 shares of common stock at a price of $10.00 per share. The Company received net proceeds of $93,145 from the offering, after deducting underwriting discounts and offering expenses.

Direct Auto was acquired on August 31, 2018, with $17,000 of the net proceeds from the IPO.

On January 1, 2020, we acquired Westminster for $40,000. We paid $20,000 at the time of closing. The terms of the acquisition agreement included payment of the remaining $20,000, subject to certain adjustments, in three equal installments on each of the first and second anniversaries of the closing, and on the first business day of the month preceding the third anniversary of the closing. The first two installments were paid in January 2021 and January 2022, and the final installment was paid in December 2022 with no adjustments from the originally anticipated amount. The Company used net proceeds from the IPO to satisfy these obligations.

From time to time, the Company may also repurchase its own stock. To date, the Company has used the net proceeds from the IPO to fund these share repurchases.

There has been no material change in the planned use of proceeds from our IPO as described in our final prospectus filed with the SEC on January 17, 2017.

On August 11, 2021, our Board of Directors approved an authorization for the repurchase of up to approximately $5,000 of the Company's outstanding common stock. During the year ended December 31, 2021, we completed the repurchase of 81,095 shares of our common stock for $1,554 under this authorization. During the year ended December 31, 2022, we completed the repurchase of 214,937 shares of our common stock for $3,446 to close out this authorization.

On May 9, 2022, our Board of Directors approved an authorization for the repurchase of up to approximately $10,000 of the Company's outstanding common stock. During the year ended December 31, 2022, we completed the repurchase of 54,223 shares of our common stock for $734 under this authorization. During the nine months ended September 30, 2023, we repurchased an additional 548,549 shares of our common stock for $7,280, including the applicable excise tax. At September 30, 2023, $2,052 remains available under this authorization.

Share repurchase activity during the three months ended September 30, 2023, is presented below:

Period in 2023	Total Number of Shares Purchased	Average Price Paid Per Share (3)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (2)(3) (in thousands)
July 1-31, 2023	23,183	$ 14.14	23,183	$ 5,715
August 1-31, 2023	20,643	13.19	20,643	5,443
September 1-30, 2023	266,559	12.72	266,559	2,052
Total	310,385	$ 12.86	310,385	$ 2,052

(1) Shares purchased pursuant to the May 9, 2022, publicly announced share repurchase authorization of up to approximately $10,000 of the Company's outstanding common stock.

(2) Maximum dollar value of shares that may yet be purchased consist of up to approximately $2,052 under the May 9, 2022, publicly announced share repurchase authorization.

(3) The Inflation Reduction Act of 2022 imposed a 1% excise tax on the net value of certain share repurchases made after December 31, 2022. All dollar amounts presented exclude such excise taxes, as applicable.

Item 3. - Defaults upon Senior Securities

Not Applicable

Item 4. - Mine Safety Disclosures

Not Applicable

Item 5. - Other Information

10b5-1 Trading Plans

During the third quarter of 2023, none of our directors or executive officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated any “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” (as each term is defined in Item 408(a) of Regulation S-K).

Item 6. - Exhibits

Exhibit Number	**Description**
10.1	Amended and Restated Employment Agreement dated August 8, 2023 between the Company and Seth C. Daggett. (1)
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Linkbase Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

(1) Filed as Exhibit 10.1 to the Company’s Form 10-Q (File No. 001-37973) filed with the SEC on August 8, 2023, and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on November 7, 2023.

NI HOLDINGS, INC.

/s/ Michael J. Alexander

Michael J. Alexander
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Seth C. Daggett

Seth C. Daggett
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Michael J. Alexander, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NI Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 7, 2023

/s/ Michael J. Alexander
Michael J. Alexander
President and Chief Executive Officer
(*Principal Executive Officer*)

Exhibit 31.2

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Seth C. Daggett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NI Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 7, 2023

/s/ Seth C. Daggett
Seth C. Daggett
Chief Financial Officer
(*Principal Financial Officer*)

Exhibit 32

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

In connection with the quarterly report of NI Holdings, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Michael J. Alexander, President and Chief Executive Officer, and Seth C. Daggett, Chief Financial Officer, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 7, 2023

/s/ Michael J. Alexander
Michael J. Alexander
President and Chief Executive Officer
(*Principal Executive Officer*)

November 7, 2023

/s/ Seth C. Daggett
Seth C. Daggett
Chief Financial Officer
(*Principal Financial Officer*)