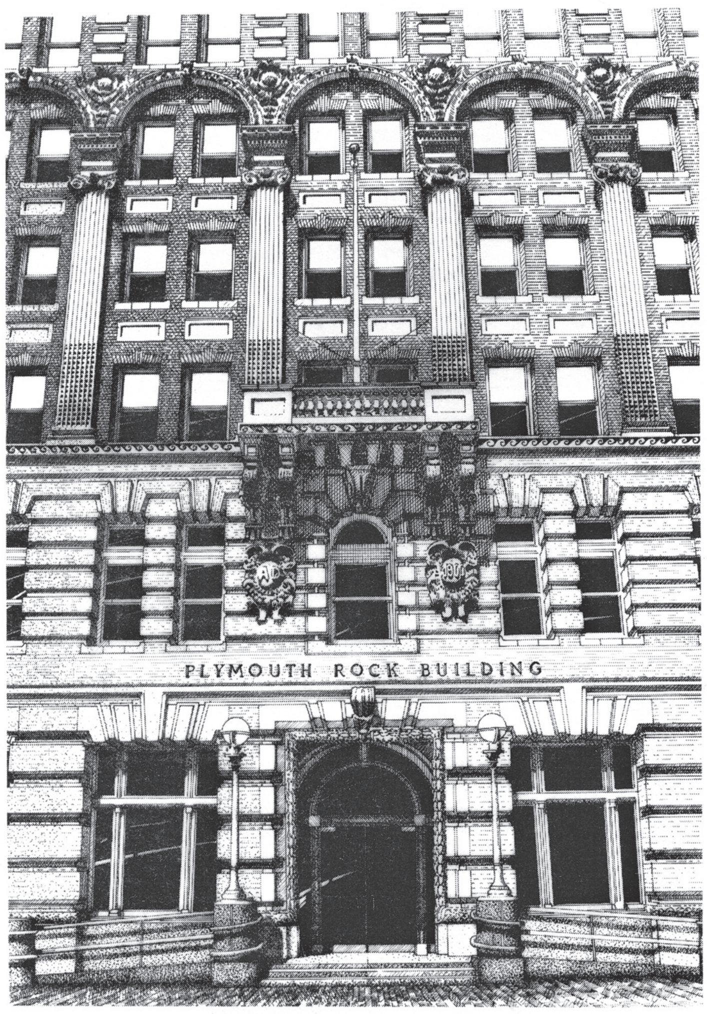
The Plymouth Rock Company



2021 Annual Report

The Plymouth Rock Company

695 Atlantic Avenue
Boston, Massachusetts 02111

Chairman's Letter

February 8, 2022

To Our Shareholders:

This was a year of uncertain and profoundly discomforting weather. The description applies to the emotional climate as well as physical conditions. At the close of last year's letter, I wrote that 2021 would likely be "a better year for all of us." The year began just as we had all hoped, with the Covid-19 case counts of the holiday spike showing a rapid diminution in our region and a generally improving business situation. Using our home state as an example, the seven-day average of new Covid cases in Massachusetts had peaked around the turn of the year at about 6000 per day. By March 1, 2021, that number had fallen to something like 1700. In late June the daily new case count was only in the 50's. Sighs of relief were the music of the spring. Meanwhile, although driving began picking up again and eroding the benefits to an automobile insurer of quiet roads, the overall operating results in our largest auto coverage channel for the first quarter were at near-budget levels, and our growing homeowners business survived the potential blizzard season with its favorable prospects intact. By yearend 2021, though, Lady Luck had left the room. Thanks to the newly mutated Omicron variant of the virus, Covid cases (many of them less severe, thank goodness) were arising with much higher frequency than during the previous yearend peak. A massive early September windstorm blew through the catastrophe cost projections of our Home Insurance Group. And a combination of mounting road congestion and an ugly bout of nationwide price inflation, the latter boosting the costs for nearly all of our claims, gave the whole property and casualty insurance business a serious battering. For the full year taken together, underwriting results for our companies proved mildly unfavorable, with some worrisome implications for the year now under way.

If you look only at Plymouth Rock's consolidated and comprehensive income or book value, you won't find a cause for concern. In fact, the numbers look particularly good. That is the case because the operating disappointments are disguised by the Company's 2021 investment results. Our stock market gains in 2021 were glorious, though surely nothing to count on for recurrence in this or any future year. The Plymouth Rock enterprise's fully consolidated comprehensive income, which includes unrealized equity gains as well as traditional net income, leaped from $117 million the prior year to a lofty $322 million. The consolidated performance numbers apply to our enterprise as a whole, combining the results for premium we underwrite with your capital and the premium we manage for the reciprocal group. If you look solely at our stockholder-owned companies, you will see a net income before changes in unrealized gains of $146 million. The 2021 comprehensive income for the shareholders, adding in our hefty unrealized gains, was $237 million, more than doubling the prior year number. The reciprocal group, which bore the brunt of both the Home Group's under-performance and a higher-than-expected net drain from the building of our direct-to-the-consumer business, did less well, but that group nonetheless recorded $85 million in 2021 comprehensive income.

Book equity for our shareholders rose during the year to $926 million, up by 22%. Because book value ignores the substantial cash dividends that were paid out to you as well as changes in the appraised value of our real estate holdings, that measure tends to understate the true economic appreciation of shareholder worth. Correcting for dividends and applying an educated estimate of the change in real estate valuations, the economic return for 2021 appears to exceed 30%. As you have heard me say every year, I consider a shareholder return of 10% or less a defeat for the year and returns of 20% or more as worthy of celebration. This last year's results were well into the celebratory zone. Remove the outsized element of the stock market gains, though, and the numbers would have been on the low side. So you'll have to decide for yourselves whether it's to be beer or champagne. The 37-year compounded annual rate of return on shareholder book value, including both retained earnings and dividends, but without the benefit of our quite substantial real estate valuation gains, remains just over 18%. The scale of the entire Plymouth Rock Assurance group of companies, as measured by direct underwritten and managed premiums, grew only modestly, up 3% to remain just under $1.7 billion.

Ordinarily, the headline story of the year has something to do with profit performance or growth. This year is different. The headliner this year is an unprecedented tale of management changes. Our Company has been remarkable for the consistency over decades of its Board and management leadership. This past year, though, three of the people I have worked with most closely over most of that time engaged in life transitions. Wilmot Kidd long ago, on behalf of Central Securities Corporation, made the initial founding investment that launched our Company. Wil stepped down in 2021 as the CEO of Central. Because Central is the second largest shareholder in Plymouth Rock, any change in management there could be consequential for us. In this particular situation, however, we are unworried about the business impact. Wil is still chairman of Central Securities and its representative on our Board of Directors, so my communications with him and his contributions to our governance should be unabated. His successor as Central's chief executive, moreover, is someone we already know, trust, admire, and like. There was change here at 695 Atlantic as well. Colleen Granahan has served as my counsel for twenty years, and we have spent time together just about every day. Above and beyond her primary job as an attorney, she has proven such a wise business advisor that I have awarded her an (unaccredited) graduate business degree. She has chosen to retire this coming spring. My new counsel, Erin Macgowan, is off to a great start. Like Colleen, Erin comes from Ropes & Gray, where she excelled, so I remain well supported in that regard, but until 2020 it never occurred to me that Colleen would retire young.

This would be transition enough, but there is more. Much more. Some thirty-one years ago, a young fellow exiting a post in government came to see me looking for career advice. I hired him on a trial basis, and he's still here. Hal Belodoff has become our parent company's President, its Chief Operating Officer, a Director, a substantial shareholder, and my full partner in running the business. Yet Hal Belodoff somehow got it into his head that he too ought to retire prematurely. At 70, and still youthful, he says he is ready to relax a bit and enjoy the fruits of his success. He will leave our payroll in just a few weeks, though he has promised to make himself available to us as a part-time consultant and will continue his service on the Board of Directors. It is hard to imagine the future without Hal in his operating role, and I admit to having lost a bit of sleep for a few months as I contemplated the task of trying to fill his shoes. He has been a personification and guardian of the corporate culture that has been indispensably instrumental in our progress. I was doubtful we could find anyone with the requisite skills to take Hal's place, and just as dubious that we could insert a stranger, however able, into our organization at that level without undue disruption. But we got lucky.

No other insurer is as familiar to us as Homesite Insurance, which we launched about 25 years ago. We helped parent it all the way to maturity and its sale to American Family Insurance in 2013. Homesite has an admirable culture and a superb performance record. Andy McElwee has been its President and COO and deserves a good share of the credit for its record over the last ten years. I know Andy fairly well, and Fabian Fondriest, the long-time CEO of Homesite, swears by him. In fact, Fabian had mentioned to me many years ago that, of all the people he had worked with at Chubb, Andy was the one he most wanted to lure to Homesite. It also turns out that our own Mary Boyd worked with Andy at Chubb and she strongly endorsed his appointment to the job here. Andy moved a year ago from Homesite to its AmFam parent, where he served as enterprise chief underwriting officer until he joined us. Andy's background, including his considerable technical strength in pricing and underwriting, is just about ideal for our Company at this juncture. Prior to his time at Homesite, Andy had spent 25 years with The Chubb Corporation in senior positions, including as the Chief Operating Officer of Chubb Personal Insurance. He has already begun his duties with us, working closely with Hal for a transitional month to make certain he can take the baton smoothly. Hal and I are thrilled to have Andy on board, and my peace of mind is restored.

Our Company is divided into three major operating units or, as we call them, groups. The largest of the three is the Independent Agency Group, run by Mary Boyd. That group, with over $800 million in written premium, is responsible for automobile insurance written through independent agents in all six of the states in our footprint. While Mary's group offered less than usual to boast about in 2021, especially with respect to its top line, it was, nonetheless, the best performing of the three groups by far on the bottom line. The group's written premium fell by 1.6%, but the combined ratio, at 98%, beat the group's budget and returned us a decent profit. One of the headwinds common to all three groups arose from our having entered New York and Pennsylvania too aggressively a couple of years ago. It's all too easy for an insurance company to grow quickly if it underprices its product. That was not our intention, but that's exactly what happened. Due in part to Covid, we also found ourselves inadequately staffed in the new states with respect to field claims management. Low prices and overdependence on external and remote claims services are a nasty combination. We built over $150 million in premium in Pennsylvania and New York quickly, the greatest share of that volume in the Independent Agency Group. The combined ratios there have been disappointing, to say the least. The unusual decline in the group's premium in 2021 was due mainly to a purposeful corrective tightening that occurred this past year in those two states as well as a sound decision not to chase competitor's rates down in New Jersey. While it is not necessarily upsetting in our world to lose some money for a short time in exchange for rapid growth, the rectification called for in the new states is more than can be accomplished in one or two years. I mentioned in last year's letter that Mary intended to curtail our growth to ensure profitability in the new states. That continues to be necessary. The unexpected bout of inflation, moreover, won't help at all. That having been said, New York and Pennsylvania still represent our most promising venues for the future expansion of both the top and bottom lines. Restoring as much of the balance between growth and profits as possible in those states remains the Independent Agency Group's top priority for 2022.

The other four states, those we have long served, performed better for the Independent Agency Group, and they allowed the group as a whole to deliver an acceptable combined ratio. Loss ratios in Massachusetts, our largest state, and in New Hampshire, where our volume is only about $20 million, were about where they should be. After the Bay State, New Jersey is our leading state by volume. Underwriting conditions there appear to be adequate, though not quite as comforting as those in Massachusetts. Connecticut, where we have around $30 million in volume, has never been a superior performer for Plymouth Rock and gave us a loss ratio similar to that in New Jersey. Commercial automobile insurance, once a problem for us, turned in solid numbers this time throughout our territories. Mary Boyd took over supervision of Encharter, Plymouth Rock's own insurance agency, in 2021, and she continues to oversee Pilgrim, our third-party administrator of services for other insurance companies. Both had satisfactory profit years with little growth. At some point, we plan to expand our proprietary agency business and restore the national ambitions that characterized InsuraMatch before we sold it, but we haven't yet found the sufficiently innovative concept or encountered the inspirational leaders needed for that effort. That search is on-going.

Bill Martin's Home Insurance Group had what can only be called an unsatisfactory year. It recorded a full-year combined ratio more than twenty points worse than budget. Four different contributing factors were complicit. One is that the Home Group, much like the other two groups, misjudged its rate needs on entering our new jurisdictions. Growth in those states was rapid, but at too great a cost. Worse, though, by a wide margin, the Home team undercharged for non-catastrophe losses just about everywhere except Massachusetts. That, too, presumably helped boost growth but depressed profits. This combination by itself was enough to virtually guarantee underwriting losses. Next, the same inflation that is increasingly dogging our automobile insurance business began pushing prices up for home repairs by the latter part of the year. And finally, there was Ida, a fierce and vicious storm that made landfall as a Category 4 Hurricane in Louisiana but that no one here in the North foresaw as a local threat ... until its winds and rain hammered New Jersey. Ida's broad swath of destruction cost the insurance industry more than any other catastrophe in 2021 and nearly tied Superstorm Sandy in insured damage. The costs were shared by all three of our operating groups. We had to pay for other identified weather-related catastrophes this past year, a particularly tough one for our industry overall, but those would have fit within Bill's budget for catastrophes. No one is pleased with the 2021 results for the Home Group, but before casting aspersions on Bill and his brainy team, you might consider their five-year record. We brought Bill to Plymouth Rock with the stated mission of expanding our commitment to homeowners. Employing a host of innovative customer-friendly marketing tools, his group more than tripled our writings over the last four years. In-force premium volume now stands at $310 million, having grown by nearly 20% during this past year. We would have paid a good bit of money to grow like that, but we didn't have to. While last year's bottom line was decisively unacceptable, with a net combined ratio of 118%, Bill's five rapid expansion years taken together have produced underwriting income for the Plymouth Rock enterprise as a whole of $5 million, and some incremental investment income on top of that. As the business seasons over time, the results should get better still. It's easy to forgive one unsatisfactory year when the long-run picture remains impressive and the immediate problems are actively on the mend. Bill's real challenge, as always, is to grow profitably and rapidly without exposing us unduly to catastrophe zones or excessive concentration. Caution is clearly called for now, but he still has the green light.

No one's tasks are easy in this two-year period, but the hardest lingering chores in the Company may belong to Jeff Briglia as president of the Direct Group. Just as New York and Pennsylvania hold the most promise for geographical expansion once the growing pains have abated, the direct business may hold the best potential among the marketing channels for explosive growth. In our organization, direct business includes both direct-to-the-consumer writings (which we call Core Direct) and policies acquired through relationships with intermediaries (which we call Partnership business). Those intermediaries may be other insurers, agents and brokers, or aggregators. We do business happily with all three types. The total premium of the Direct Group is now $513 million, trimmed a bit from the prior year's volume mainly in the same places where the Independent Agency

Group cropped its book. We have always known that the Core Direct book would be expensive to build. As one expert told me many years ago, its fundamental arithmetic depends on regularly trading a quarter for a stream of dimes. The insurer never makes money the first year a policy is acquired, when the quarter was spent. After that it only wins if the stream of profits bears a healthy relationship to the initial acquisition cost, like that dime to the quarter, and if the policyholder stays with the company long enough to provide a good number of annual dimes. So the assembly of a substantial Core Direct business needs external funding. In our case, that funding, if the Direct Group is to be self-sufficient, is expected to come from the Partnership channel. Unfortunately, the new volume generated lately within that channel has been running at a loss rather than a profit. Seasoned business acquired in the past keeps the group afloat but not by enough to finance the building of the self-sustaining Core Direct business we plan to build. The task for Jeff and his officer team, therefore, is a two-part undertaking. We must enhance the combined ratio quality and the customer persistency of the incoming Partnership volume. And we must use the proceeds that channel generates to skillfully expand the Core Direct book. No one imagines that either of the steps is easy, but none of us thinks them unrealistic either. We are looking to add some senior talent to the Core Direct team to better the odds.

Recent times, of course, brought the Direct Group challenges of their own as well as those endemic to the chore at hand. The combined ratio for the group was an unattractive 106%, which would be slightly worse than breakeven after investment income in an average year. This year the group did better than that on the ultimate bottom line only because, like the rest of our enterprise, it benefitted from capital gains. There is every reason to expect that the copious stock market gains of 2021 will not be repeated in 2022, and the specter of economy-wide inflation threatens to erase much of the otherwise expected benefit of experiential learning in our direct marketing techniques and the intensified focus on the partnerships. On the other hand, our commitment to success in all marketing channels is beyond question, and our patience for the direct project as a whole exceeds what we could comfortably muster in just about any other aspect of Plymouth Rock's work.

Where the prior year put a drag on Plymouth Rock's long-term investment record, this year's results deserve a laurel wreath. We may have to return that prize at any time, but it's a beauty of a wreath nonetheless. The total pre-tax return on our stock portfolio in 2021, including dividends and capital gains, exceeded $400 million, a double-digit increment to our total capital base and a 28% return on common equity investments. Few of our insurance industry competitors are likely to match this bounty for a couple of reasons. It comes with a measured degree of risk, as well as hard work and good luck. One obvious source of both opportunity and risk is that Plymouth Rock commits, directly and through managed investment vehicles, more than half of its investable assets to common stocks rather than fixed income. For reasons I cannot fathom, the median property and casualty insurer holds only about 10% of its investment assets in equities, despite the yawning risk-adjusted gap between equilibrium equity and debt returns. Another difference between us and the others is that Jim Bailey and I, with help from Rick Childs, have maintained an intentionally undiversified portfolio of carefully chosen holdings. Other than strategic holdings of insurance company securities, we hold our list of common stocks in the portfolio to less than ten. This raises the likelihood that we will underperform or outperform the broad market indices and widely diversified portfolios. While lack of diversification represents a conscious acceptance of uncertainty and potential volatility, it raises our reward target in exchange. And, unlike investors of greater need for short-term glory, we pick our stocks with a lengthy holding period in mind. The average stock remains in our portfolio for more than ten years, which not only allows us to focus on a long evaluative horizon but also maximizes tax efficiency. This approach has worked well for us.

Plymouth Rock's internal rate of return since we began investments in equities in 1993 has been 15.5%, while the return on the S&P 500 for the same period was 10.7%. Do the math and you can see what a difference that makes.

This was a rare year, not just for total return but also for portfolio turnover. Our long average holding period by no means implies that we never sell and replace a stock. This was an active period in that regard. We sold some of our shares in Intel and in Royal Dutch Shell. Our confidence in Intel remains solid enough despite the opacity of trends in the chip market, but we found Intel shares over-weighted in our portfolio due to past gains so we lightened our exposure. With respect to Royal Dutch Shell, we concluded that there is just too much political and economic uncertainty and controversy around fossil fuels to suit our appetites. So we sold half of our position in the past year and plan to sell the rest during 2022. These decisions and growth in our investable assets provided room for new holdings. We purchased shares in General Electric, once the world's most valuable publicly traded company and now a turnaround prospect under new management. We bought stock in T. Rowe Price because we like the fundamentals of the money management industry and that company's Steady-Eddie approach to it. And we also bought shares in Toyota, motivated in part by our view that Tesla cannot possibly take over the entire non-polluting road vehicle market. There is every reason to trust that Toyota, which was selling at a bargain price, will remain a serious player and an innovator no matter what happens. Jim and I were advised on these purchase decisions by a newcomer to our inner circle, Dan Rasmussen, who directs a hedge fund of his own from offices in our headquarters building. We have also invested directly in Dan's fund, which is called Verdad. His free newsletter is definitely worth your reading. The biggest winner in our portfolio throughout 2021 continued to be Microsoft, which we bought long ago when it was out of favor. The silver medal goes to CVS, whose concept for combining traditionally separate aspects of the healthcare industry looks like a winner to us. We offer no prediction about our selected stocks or about the direction of the stock market in general during the year now under way. While we accept that fluctuations and downward corrections are inevitable, I cannot emphasize enough that we are long-term investors.

Bonds didn't do much for us in 2021. In fact, their returns were slightly negative. We hold almost $1.2 billion dollars in cash and fixed-income investments, the latter with good credit, modest duration, and relatively little trading. We own these bonds only because of external pressure from regulators and rating agencies to do so. Last year, the Board approved a modification to our guidelines to allow shifting the center of gravity with respect to credit quality toward BBB-rated bonds. We made that change and feel quite comfortable it was a sound move. The tax-adjusted 2021 return on our bond portfolio was a hair below zero, reflecting a fall in bond prices as well as miniscule yields. We are still unsatisfied with earning trivial, or worse than trivial, returns on so much of Plymouth Rock's investable assets. For that reason, we are seriously considering use of a more active bond trading strategy. In the past, we were wary about doing this because of the effort involved and the capital constraints of a growing enterprise. Now that we are larger and more stable, and thanks to the performance of our equities, we have enough excess capital and available talent to give active bond management a try. Don't worry, though, about duration or credit quality. If we begin doing some trading, it will be within the familiar constraints.

This was a passive year for our real estate holdings. We occupy most of the space in the buildings we own, so market price fluctuations are not especially important to us. And generally accepted accounting principles do not allow us to take our considerable long-term real estate valuation gains into our capital or net worth accounts. Overall, the real estate purchases have been a plus, even beyond those valuation gains, in that we are no longer distracted from our basic business by searching for space. We never expect to sell the three buildings we own. Finally, I should note that our private equity investments in Lindsay Goldberg Fund IV and Fund V enjoyed a terrific year. Alan Goldberg remains an ace investor, and I am confident that these two active funds will rocket his firm to the pinnacle for performance in the competitive private equity world.

It wouldn't be possible to write a letter like this in early 2022 without a discussion of Covid-19. The loathsome virus is, without question, the most important challenge facing the world today. In fact, it is now plain that this pandemic has become the most important historic event of my lifetime. This will remain so even if the ferocity of the virus wanes in the coming months. It has brought tragedy, illness, isolation, or anxieties to a great many at the family and individual level. It has transformed our business and a host of others for two years now, with doubtlessly more twists and turns to come and as many predictions as there are pundits with respect to which changes are temporary and which will last. On a broader level, it has inflicted severe damage of many varieties throughout the United States and world economies. And it is disrupting connections between nations and increasing xenophobia at a time when international bridge-building, diplomacy, and mutual respect are all the more essential -- but in hazardously dwindling supply. Plymouth Rock will get through it. Although our business is decidedly vulnerable to the inflation that the pandemic has engendered, we, unlike less fortunate companies in the travel and hospitality industries for example, see the demand for our product as largely unaffected. High priority here goes to keeping our staff safe. Our offices are open to the fully vaccinated only, and we have added numerous safeguards to our work spaces. Our staff, moreover, has risen commendably to the exigencies of working remotely with minimal immediate harm to service excellence. Although it would be preferable for long-term maintenance of our standards, as well as maximization of creativity and mentoring, for everyone to be back at work on our premises, we can persevere and continue building value better than folks in many other industries during these dark days.

It is tempting at this point to put political reality aside momentarily and fantasize about what could be done to lift the world out of the Covid swamp. Our country has suffered the greatest number of recorded Covid deaths of any nation, and we are in the best position of all nations to aid the rest of the world. But history may well judge American public sentiment as having been only half-heartedly committed at this point, both at home and internationally. As Dickens wrote of late 18th century France, this is an age of wisdom and an age of foolishness. Dickens' description fits the contemporary ethos of our own nation all too aptly. Our bio-science capabilities today are nothing short of marvelous. On the other hand, too many Americans have somehow bought into the notion that to vax or not to vax is just a personal choice, an exercise of treasured liberties. It is indeed appropriate that members of a free populace can choose to put themselves at personal risk, even to engage in imprudent risks, if they don't harm others by doing so. It is hard to find logic, though, to justify as a matter of solely personal choice putting innocents at risk of serious harm or crowding them out of treatment facilities when that harm occurs. Health experts and political leaders of all stripes have urged people to get vaccinated, but many have not. If this situation persists and new variant surges keep arising, the consequences will likely include more limitations on public access and travel, more absences from school and work, more distortions of customary supply chains, and other burdensome drags on commerce, as well as more sickness. Anguishing decisions about rationing of scarce medical resources are already on the table in some locations. Potentially of greater concern, the pandemic's unrelenting and divisive stresses on the national psyche are tearing at our political and social comity, and this can beckon any number of demons. Harrowing times have all too often engendered such outcomes. The Covid pandemic is already comparable in significance to a war. We have now lost more Americans to Covid than as casualties in the two World Wars and Vietnam combined, and this struggle is not over.

A whole set of complex issues, moreover, revolve around our duty to the unwillingly unvaccinated around the world. The longer the Covid virus multiplies and mutates anywhere on the planet, the more cases and variants we will have to fight. For the sake of all, our great nation should be the leader in protecting the rest of the world, and especially those in Earth's poorer countries. Were the best angels of human nature to somehow prevail, China, Russia, and the United States, with support from a few others, would override national pride and unite to cooperate in the production and distribution of data, vaccines, necessary supplies, and treatment medications. The threat, after all, does not derive -- in the manner of wars -- from hostilities between nations. Rather its source is a relentlessly hostile inhuman adversary. Surely the nations of Earth would all cooperate if the threat came from fiendish interplanetary invaders in flying saucers. How different are those spiky virons from enemy space aliens? I am confident that science, technology, and the passage of time can defeat this plague, and they inevitably shall, but victory would almost surely be swifter if we balanced healthy competition with international collaboration. A propitious re-assessment of our deep global connectedness could speed the world's return to health and normalcy, and open the gates to a host of longer-term benefits on other common issues among nations as a bonus.

As we look forward to what the rest of 2022 will bring Plymouth Rock and we review our current projections for the year, we do so with some trepidation. This is not a time to be confident of any prognostications or projections. Inflation provides us one massive unknown. It is likely to be the dominant economic operant on our Company's underwriting performance and that of all other insurers. Given the natural course of regulation, there is no way premiums can keep up with upward trends in inflation over the short run. Should Covid lift its pressure on the economy during the year, I can imagine inflation fading within months thereafter, but I can't be certain of either piece of that possibility. Covid has presumably not finished mutating so its future course remains unpredictable. And it is far from guaranteed that, even if the pandemic fades into more nuisance than existential threat, inflation would follow Covid out the door as quickly as I would hope. Stock market movements, and portfolio performance outcomes for 2022, are at least as unpredictable. As much as I would like to see our offices as full every day as they were in 2019, and our operating results as foreseeable, I can't promise anything like that in the coming months. What I can say is that we have an exceptionally strong team to handle what comes our way, and I will be partnered with a strong new President. Once again, I want to express gratitude to our entire Plymouth Rock work force for maintaining superior standards under incredibly stressful conditions and, at the same time, allowing us to be highlighted in the press as a Best Place to Work in both of our leading states. Andy and I will take every opportunity to build on those strengths, and we will continue to express our gratitude to all who lend a hand.

James M. Stone

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Report of Independent Auditors

To the Board of Directors of The Plymouth Rock Company

Opinion

We have audited the accompanying consolidated financial statements of The Plymouth Rock Company and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Other Information

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

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

PricewaterhouseCoopers LLP

New York, New York
March 15, 2022

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED BALANCE SHEETS

December 31, 2021 and 2020
(dollars in thousands)

Assets	2021	2020
The Plymouth Rock Company and Subsidiaries		
Cash and cash equivalents	$ 24,396	$ 8,649
Investment securities	1,465,777	1,234,657
Accrued investment income	2,909	3,479
Premiums receivable	179,477	182,801
Ceded unearned premium reserves	31,793	33,299
Deferred acquisition costs	53,663	52,635
Amounts receivable from reinsurers and pools	88,900	94,176
Amounts due from service clients	1,415	1,701
Prepaid expenses, agent loans, and deposits	12,993	12,384
Real estate	172,980	173,009
Fixed assets	47,692	53,034
Goodwill and intangible assets	4,327	6,728
Deferred rental revenue	1,941	2,097
Other assets	1,151	1,450
Subtotal	2,089,414	1,860,099
Palisades Reciprocal Group		
Cash and cash equivalents	10,590	1,491
Investment securities	1,733,535	1,581,571
Accrued investment income	6,161	5,660
Premiums receivable	165,228	175,399
Ceded unearned premium reserves	5,225	5,162
Deferred acquisition costs	37,089	38,313
Amounts receivable from reinsurers and pools	29,904	26,512
Fixed assets	315	727
Income tax recoverable	10,611	-0-
Goodwill and intangible assets	11,739	12,276
Other assets	1,916	2,551
Subtotal	2,012,313	1,849,662
Total assets	$4,101,727	$3,709,761

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED BALANCE SHEETS

December 31, 2021 and 2020
(dollars in thousands)

Liabilities	2021	2020
The Plymouth Rock Company and Subsidiaries		
Claim and claim adjustment expense reserves	$ 435,568	$ 410,022
Unearned premium reserves	372,512	362,016
Advance premiums	11,214	9,837
Commissions payable and accrued liabilities	140,095	133,036
Amounts payable to reinsurers	16,065	20,339
Unearned service fees	1,859	2,842
Intangible liabilities	62	2,889
Income tax payable	15,495	9,166
Deferred income taxes	85,005	57,996
Other liabilities	7,229	7,635
Subtotal	1,085,104	1,015,778
Palisades Reciprocal Group		
Claim and claim adjustment expense reserves	748,564	699,878
Unearned premium reserves	381,886	385,094
Advance premiums	11,074	8,829
Commissions payable and accrued liabilities	59,307	50,353
Amounts payable to reinsurers	114	1,986
Intangible liabilities	395	1,001
Income tax payable	-0-	6,538
Deferred income taxes	76,065	54,311
Other liabilities	5,195	2,064
Subtotal	1,282,600	1,210,054
Total liabilities	2,367,704	2,225,832
Equity		
The Plymouth Rock Company and Subsidiaries		
Common stock and paid-in capital	3,817	2,522
Retained earnings	924,576	753,030
Net unrealized gain/(loss) on investments	(2,593)	5,376
The Plymouth Rock Company stockholders' equity	925,800	760,928
Palisades Reciprocal Group		
Retained earnings	814,503	713,523
Net unrealized gain/(loss) on investments	(6,280)	9,478
Palisades Reciprocal Group equity	808,223	723,001
Total liabilities and equity	$4,101,727	$3,709,761

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2021 and 2020
(dollars in thousands)

	2021		
Revenues	PRC and Subsidiaries	Palisades Reciprocal Group	Fully Consolidated
Premiums earned in underwriting activities	$ 640,673	$ 907,898	$1,548,571
Fees earned from service activities	232,503	1,422	233,925
Investment income and capital gains	161,910	88,778	250,688
Subtotal	1,035,086	998,098	2,033,184
Less: Intra-group transactions			223,529
Total revenues before unrealized gains on equity securities			1,809,655
Expenses			
Claims and claim adjustment expenses	449,161	719,310	1,168,471
Policy acquisition, underwriting, and general expenses	200,744	280,562	481,306
Service activity expenses	192,908	1,807	194,715
Subtotal	842,813	1,001,679	1,844,492
Less: Intra-group transactions			223,529
Total expenses			1,620,963
Income before taxes and unrealized gains on equity securities	192,273	(3,581)	188,692
Income taxes	46,373	(2,011)	44,362
Net income before unrealized gains on equity securities	145,900	(1,570)	144,330
Change in unrealized gains on equity securities, net of tax	98,944	102,550	201,494
Net income	244,844	100,980	345,824
Other comprehensive income, net of tax:			
Unrealized gain/(loss) on investments during year	(7,969)	(15,758)	(23,727)
Comprehensive income	$ 236,875	$ 85,222	$ 322,097

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2021 and 2020
(dollars in thousands, except per share data)

	2020		
Revenues	PRC and Subsidiaries	Palisades Reciprocal Group	Fully Consolidated
Premiums earned in underwriting activities	$596,755	$868,121	$1,464,876
Fees earned from service activities	229,662	1,630	231,292
Investment income and capital gains	66,625	76,152	142,777
Subtotal	893,042	945,903	1,838,945
Less: Intra-group transactions			217,977
Total revenues before unrealized gains on equity securities			1,620,968
Expenses			
Claims and claim adjustment expenses	357,239	596,006	953,245
Policy acquisition, underwriting, and general expenses	183,710	287,788	471,498
Service activity expenses	186,343	1,595	187,938
Subtotal	727,292	885,389	1,612,681
Less: Intra-group transactions			217,977
Total expenses			1,394,704
Income before taxes and unrealized gains on equity securities	165,750	60,514	226,264
Income taxes	33,586	11,196	44,782
Net income before unrealized gains on equity securities	132,164	49,318	181,482
Change in unrealized gains on equity securities, net of tax	(26,884)	(45,493)	(72,377)
Net income	105,280	3,825	109,105
Other comprehensive income, net of tax:			
Unrealized gain/(loss) on investments during year	3,024	4,752	7,776
Comprehensive income	$108,304	$ 8,577	$ 116,881

The Plymouth Rock Company and Subsidiaries - Per share data	2021	2020
Weighted average common shares outstanding	124,009	124,009
Net income before unrealized gains on equity securities per share	$1,176.53	$1,065.77
Net income per share	$1,974.41	$ 848.97
Common shares outstanding at end of year	124,009	124,009
Common stockholders' equity per share	$7,465.60	$6,136.08

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020
(dollars in thousands)

Cash flows from operating activities	2021	2020
The Plymouth Rock Company and Subsidiaries		
Gross premiums collected	$ 738,468	$ 691,974
Reinsurance premiums paid	(86,393)	(68,280)
Finance charges collected	7,942	8,888
Fees and commissions collected	233,921	233,267
Investment income and capital gains received	157,559	60,404
Gross claims and claim expenses paid	(446,196)	(381,322)
Reinsured claims and claim expenses collected	26,868	29,827
Policy acquisition, underwriting, and general expenses paid	(204,356)	(163,835)
Income taxes paid	(39,795)	(17,815)
Service activity expenses paid	(152,906)	(147,359)
Net cash provided by operating activities	235,112	245,749
Palisades Reciprocal Group		
Gross premiums collected	957,465	916,095
Reinsurance premiums paid	(42,253)	(33,279)
Fees and commissions collected	1,413	1,622
Investment income and capital gains received	99,597	93,143
Gross claims and claim expenses paid	(704,556)	(581,171)
Reinsured claims and claim expenses collected	30,494	9,288
Policy acquisition, underwriting, and general expenses paid	(272,688)	(303,984)
Income taxes paid and recovered	(16,454)	(56)
Service activity expenses paid	(1,807)	(1,595)
Net cash provided by operating activities	51,211	100,063
Total net cash provided by operating activities	$ 286,323	$ 345,812

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020
(dollars in thousands)

Cash flows from financing activities	2021	2020
The Plymouth Rock Company and Subsidiaries		
Intergroup secured loans	$ (1,671)	$ 5,503
Secured loan	-0-	(5,000)
Dividends to stockholders	(73,298)	(61,791)
Net cash used in financing activities	(74,969)	(61,288)
Palisades Reciprocal Group		
Intergroup secured loans	1,671	(5,503)
Net cash used in financing activities	1,671	(5,503)
Net cash provided by:		
The Plymouth Rock Company and Subsidiaries	$ 160,143	$ 184,461
Palisades Reciprocal Group	$ 52,882	$ 94,560
Total	$ 213,025	$ 279,021
Investment of net cash provided		
The Plymouth Rock Company and Subsidiaries		
Change in cash and cash equivalents	$ 15,747	$ (8,523)
Net investment activity	113,907	82,096
Purchase of intangible assets	-0-	28
Sale of business segments, net of sold cash and cash equivalents	(1,424)	-0-
Net real estate activity	6,128	80,259
Purchase of fixed assets	25,785	30,601
Net cash provided by investing activities	$ 160,143	$ 184,461
Palisades Reciprocal Group		
Change in cash and cash equivalents	$ 9,099	$ (3,470)
Net investment activity	43,420	97,863
Purchase of intangible assets	363	167
Net cash provided by investing activities	$ 52,882	$ 94,560
Total net cash invested	$ 213,025	$ 279,021

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2021 and 2020
(dollars in thousands)

The Plymouth Rock Company and Subsidiaries	Common Stock and Paid-in Capital	Retained Earnings	Net Unrealized Gain/(Loss) on Investments	Total Stockholders' Equity
December 31, 2019	$ 790	$ 709,541	$ 2,352	$ 712,683
Comprehensive income	-0-	105,280	3,024	108,304
Stock-based compensation	1,732	-0-	-0-	1,732
Dividends to stockholders	-0-	(61,791)	-0-	(61,791)
December 31, 2020	$ 2,522	$ 753,030	$ 5,376	$ 760,928
Comprehensive income	-0-	244,844	(7,969)	236,875
Stock-based compensation	1,295	-0-	-0-	1,295
Dividends to stockholders	-0-	(73,298)	-0-	(73,298)
December 31, 2021	$ 3,817	$ 924,576	$ (2,593)	$ 925,800

Palisades Reciprocal Group	Common Stock and Paid-in Capital	Retained Earnings	Net Unrealized Gain/(Loss) on Investments	Total Equity
December 31, 2019	$ -0-	$ 709,698	$ 4,726	$ 714,424
Comprehensive income	-0-	3,825	4,752	8,577
December 31, 2020	$ -0-	$ 713,523	$ 9,478	$ 723,001
Comprehensive income	-0-	100,980	(15,758)	85,222
December 31, 2021	$ -0-	$ 814,503	$ (6,280)	$ 808,223

Fully Consolidated Equity	Common Stock and Paid-in Capital	Retained Earnings	Net Unrealized Gain/(Loss) on Investments	Total Equity
December 31, 2019	$ 790	$1,419,239	$ 7,078	$1,427,107
December 31, 2020	2,522	1,466,553	14,854	1,483,929
December 31, 2021	3,817	1,739,079	(8,873)	1,734,023

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

THE PLYMOUTH ROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations

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

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

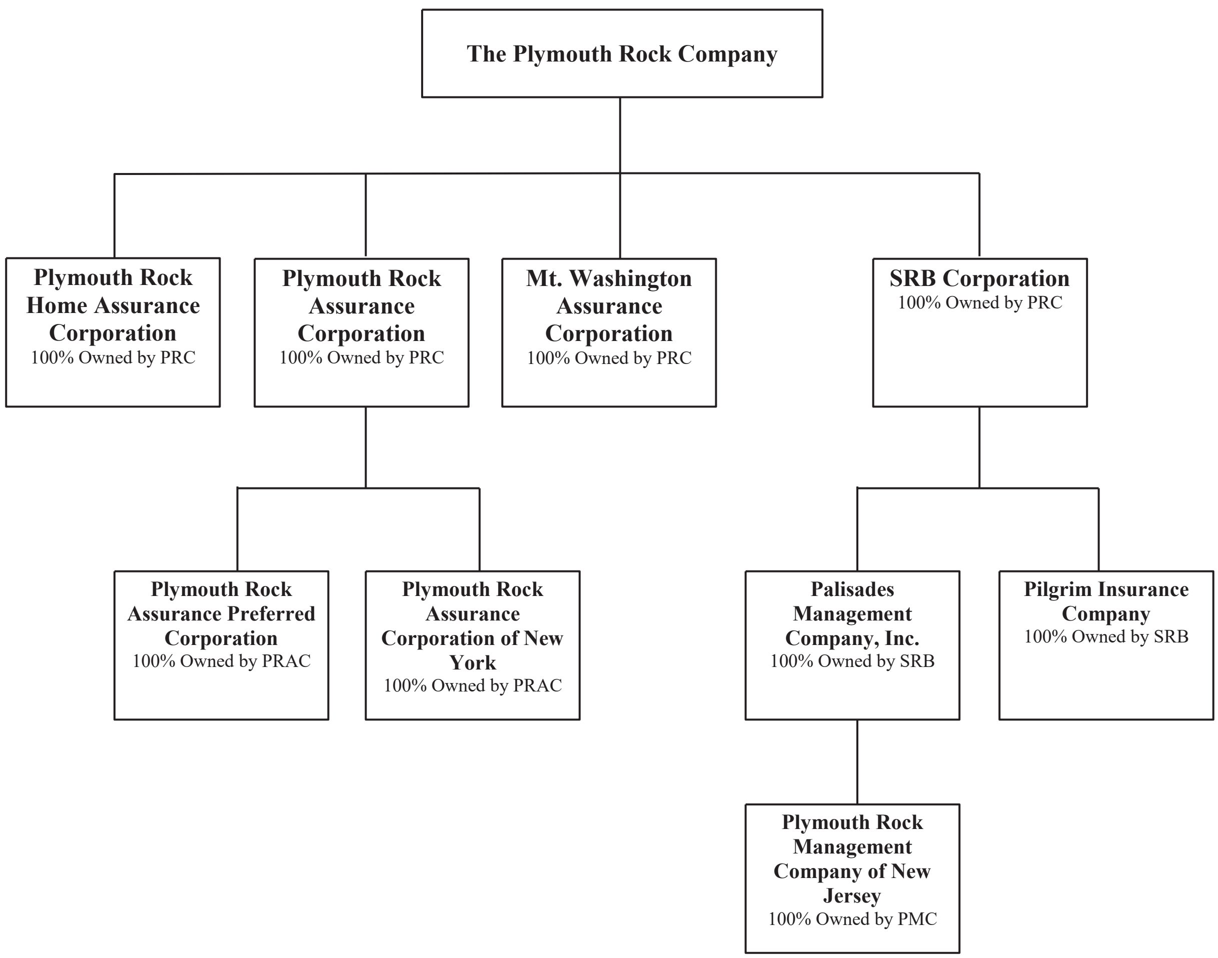
1. Nature of Operations, continued

The Plymouth Rock Company's financial statements consolidate the results of the members of the Palisades Reciprocal Group. Accounting Standards Update No. 2015-02 modified the framework for assessing whether a "variable interest entity" in a service relationship should be consolidated for financial reporting purposes by eliminating certain criteria in assessing whether a service arrangement is considered a variable interest and ultimately whether consolidation is required under Accounting Standards Codification Topic 810. The Plymouth Rock Company and Subsidiaries have provided capital to the Palisades Reciprocal Group in the form of surplus notes and preferred stock of $18.6 million at both December 31, 2021 and 2020. This accounts for 2.3 percent and 2.6 percent, of the equity of the Palisades Reciprocal Group at December 31, 2021 and 2020, respectively. As these surplus notes and preferred stock features are not typical of an ordinary service arrangement, it is appropriate for The Plymouth Rock Company and Subsidiaries to consolidate the results of the members of the Palisades Reciprocal Group. The Plymouth Rock Company and Subsidiaries do not bear direct risk or earn direct rewards on the basis of the performance of the Palisades Reciprocal Group. The results are presented in a consolidated manner despite fundamental legal and regulatory distinctions between The Plymouth Rock Company and Subsidiaries on the one hand and the Palisades Reciprocal Group on the other. For ease of reference, The Plymouth Rock Company and Subsidiaries and the Palisades Reciprocal Group are referred to in the Chairman's letter together as the "Plymouth Rock Group."

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

2. Organization of The Plymouth Rock Company and Subsidiaries

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



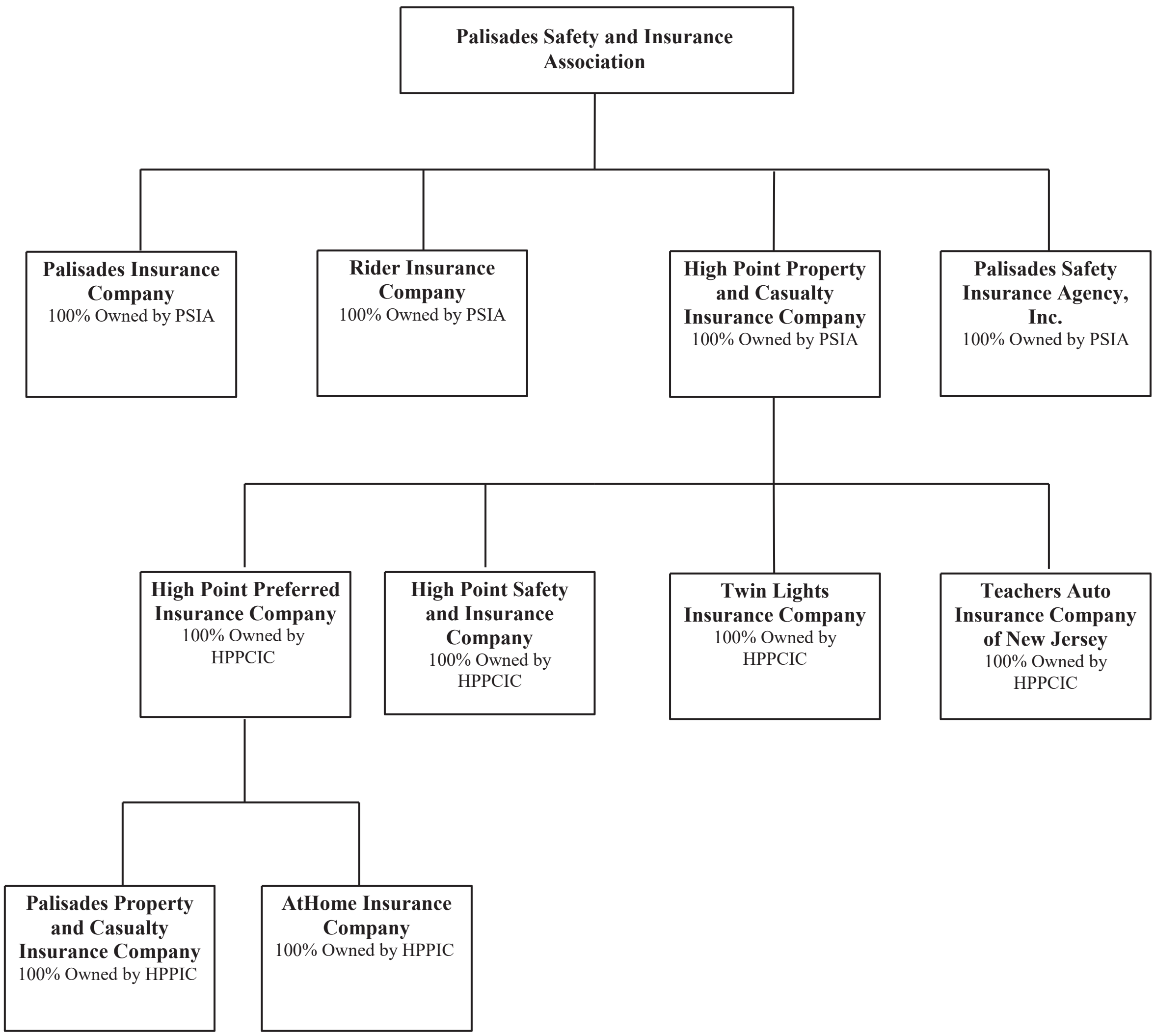
2. Organization of The Plymouth Rock Company and Subsidiaries, continued

On February 1, 2021, SRB Corporation sold to Travelers Marketplace Holdings, LLC ("Travelers") all of the issued and outstanding equity interests of InsuraMatch, LLC. Travelers paid $40.2 million in cash to acquire the equity interests of InsuraMatch, LLC plus certain agreed upon closing costs. As part of this transaction InsuraMatch, LLC's investments in subsidiaries Encharter Insurance, LLC (Massachusetts) and Encharter Insurance, LLC (Connecticut) were distributed to SRB Corporation.

Other subsidiaries include 711 Atlantic Avenue Company, LLC and 695 Atlantic Avenue Company, L.L.C., which directly or indirectly own real estate; Bunker Hill Insurance Casualty Company, Bunker Hill Property Insurance Company, Bunker Hill Preferred Insurance Company, and Bunker Hill Insurance Company, which are wholly owned subsidiaries of Plymouth Rock Home Assurance Corporation; and Shared Technology Services Group Inc. which is a wholly-owned subsidiary of SRB Corporation; and High Point Brokerage Company, Inc., National Atlantic Insurance Agency, Inc., and 581 Main Street LLC, which are wholly owned subsidiaries of Palisades Management Company, Inc.

3. Organization of the Palisades Reciprocal Group

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



4. Summary of Significant Accounting Policies

A. Principles of Consolidation

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

B. Stock-Based Compensation

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

C. Use of Estimates

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

4. Summary of Significant Accounting Policies, continued

D. Cash and Investments

Cash and cash equivalents include money market funds and short-term money market instruments with maturity dates no longer than 90 days from the date of acquisition. At December 31, 2021 and 2020, The Plymouth Rock Company and Subsidiaries held $0 and $20.8 million in United States Treasury Bills with maturity dates no longer than 90 days from the date of acquisition. At December 31, 2021 and 2020, the Palisades Reciprocal Group held $0 and $24.6 million, respectively, in United States Treasury Bills with maturity dates no longer than 90 days from the date of acquisition. For both The Plymouth Rock Company and Subsidiaries and the Palisades Reciprocal Group, these securities are included in “Investment securities” in the Company’s Consolidated Balance Sheets. The Plymouth Rock Company and Subsidiaries had a balance of outstanding checks within accrued liabilities of $20.9 million and $15.0 million at December 31, 2021 and 2020, respectively. Liabilities for outstanding checks for the Palisades Reciprocal Group were $34.6 million and $25.8 million at December 31, 2021 and 2020, respectively.

Marketable fixed income and equity securities are carried at their market values. The calculation of gain or loss on the sale of marketable securities is based on specific identification at the time of sale. Changes in the fair value of marketable equity securities available for sale, after deduction of applicable deferred income taxes, are credited or charged directly to net income and affect equity through retained earnings. Changes in the fair value of marketable fixed income securities are credited or charged directly to equity.

Foreign equity securities are subject to fluctuations in foreign exchange rates. Changes in foreign exchange rates are recorded directly to stockholders’ equity through net unrealized capital gain or loss. The Plymouth Rock Company and Subsidiaries recorded a cumulative loss, before applicable taxes, of $69,000 as of December 31, 2021 from foreign exchange rate changes. During 2020, The Plymouth Rock Company and Subsidiaries recorded a loss of $431,000 through net income as a result of a marketable security being deemed other-than-temporarily impaired. No loss was recorded during 2021. Where a decline in the value of a marketable security is deemed other-than-temporary, the value of the security is written down to its fair value. Any portion of the decline in value of a marketable fixed income security attributable to credit quality is reported as a component of net realized capital gains, while any portion attributable to other factors, such as fluctuations in interest rates, and is reported as a component of other comprehensive income. Since unrealized losses are a component of stockholders’ equity, the recognition of other-than-temporary impairment losses has no effect on total comprehensive income or stockholders’ equity.

4. Summary of Significant Accounting Policies, continued

D. Cash and Investments, continued

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

E. Deferred Acquisition Costs

Commissions and premium taxes are deferred and amortized pro rata over the contract periods in which the related premiums are earned. All amounts deferred as of December 31 are charged to operations in the following year as the related premiums are earned. Deferred acquisition costs are presented net of an equivalent amount of deferred commission income on ceded reinsurance, with any deferred ceding commission income in excess of the deferred acquisition costs recorded as a liability. The amortization of deferred acquisition costs and deferred ceding commission income, including any excess portion, are presented on a net basis as policy acquisition expense on the statement of comprehensive income. Net amortization associated with these deferred costs for 2021 and 2020 for The Plymouth Rock Company and Subsidiaries was $102.9 million and $94.8 million, respectively, while the net amortization for the Palisades Reciprocal Group for 2021 and 2020 was $102.1 million and $100.1 million, respectively.

F. Recognition of Premium Revenues

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

In response to the COVID-19 pandemic, The Plymouth Rock Company and Subsidiaries and the Palisades Reciprocal Group issued premium refunds and dividend credits totaling $11.5 million and $20.0 million, respectively, during the second quarter of 2020 when driving was reduced as a result of state “stay at home” orders. These refunds and credits were recorded as a reduction to “Premiums earned in underwriting activities” in the statements of comprehensive income.

Premiums receivable are net of reserves for doubtful collections. The reserves for doubtful collections for The Plymouth Rock Company and Subsidiaries were $2.0 million at both December 31, 2021 and 2020. The reserves for doubtful collections of the Palisades Reciprocal Group at December 31, 2021 and 2020 were $10.3 million and $8.0 million, respectively.

4. Summary of Significant Accounting Policies, continued

G. Recognition of Fees Earned from Service Activities

The Plymouth Rock Company and Subsidiaries earn management fees from the Palisades Reciprocal Group and other unaffiliated companies for providing sales, underwriting, policy issuance, claim adjusting, accounting, and other insurance-related services. Fees from service activities are earned over the applicable policy terms. In addition, the Plymouth Rock Company and Subsidiaries earn investment management fees from the Palisades Reciprocal Group. In 2021 and 2020, fees earned of $223.5 million and $218.0 million, respectively, from the Palisades Reciprocal Group were eliminated upon consolidation. The balance sheet item “other liabilities” includes balances owed to insurers for which Pilgrim Insurance Company provides services.

H. Amortization of Goodwill and Intangible Assets

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

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

No impairment of the goodwill or intangible assets with indefinite lives of either The Plymouth Rock Company and Subsidiaries or the Palisades Reciprocal Group was recorded in either 2021 or 2020.

I. Real Estate and Fixed Assets

Real estate and fixed assets are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are principally provided for on the straight-line method over the estimated useful lives or the applicable lease terms. Real estate holdings are evaluated for impairment annually using either independent appraisals or analysis of expected future cash flows.

5. Segment Reporting

Business is primarily managed in three operating groups: Independent Agency Group, Direct Group, and Home Insurance Group. As discussed in Note 1, the use of these group names is solely for internal convenience and has no legal significance. Premiums and key metrics by group for 2021 and 2020 were as follows:

(dollars in thousands)

	2021	2020
Gross premiums written and managed:		
Independent Agency Group	$ 834,472	$ 828,881
Direct Group	526,130	535,339
Home Insurance Group	308,247	258,903
Total	$1,668,849	$1,623,123
Premiums earned in underwriting activities:		
Independent Agency Group	$ 785,599	$ 766,437
Direct Group	525,022	513,227
Home Insurance Group	237,950	185,212
Total	$1,548,571	$1,464,876
Statistical metrics:		
Independent Agency Group:		
Policies in force	408,427	408,700
Net loss ratio	59.8%	52.9%
Net combined ratio	98.4%	92.0%
Direct Group:		
Policies in force	264,763	284,932
Net loss ratio	66.9%	54.3%
Net combined ratio	105.7%	94.4%
Home Insurance Group:		
Policies in force	282,230	246,237
Net loss ratio	66.6%	52.3%
Net combined ratio	117.7%	102.9%

6. Income Taxes

Income taxes on the statements of comprehensive income for 2021 and 2020 consist of:

(dollars in thousands)	2021	2020
The Plymouth Rock Company and Subsidiaries	$ 75,083	$ 25,883
Palisades Reciprocal Group	25,249	(897)
Total	$100,332	$ 24,986

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

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

Rider Insurance Company, which is included in the Palisades Reciprocal Group, has federal net operating loss carryforwards that begin to expire at the end of 2031 and are limited under Internal Revenue Code Section 382. Palisades Reciprocal Group is expected to only be able to apply net operating loss carryforwards to $58,000 of income before taxes on an annual basis. Therefore, the Company has established a valuation allowance of $4.7 million at both December 31, 2021 and 2020, respectively, in light of this limitation. There were no other federal net operating loss carryforwards available as of December 31, 2021 or 2020.

The Plymouth Rock Company had state net operating loss carryforwards at each of December 31, 2021 and 2020. A portion of these were used in each of 2021 and 2020; however, it is unlikely that these carryforwards, which begin to expire at the end of 2028, will be fully utilized. Therefore, the Company has established a valuation allowance of $249,000 and $424,000 as of December 31, 2021 and 2020, respectively.

6. Income Taxes, continued

There are no tax positions of questionable merit that require a reserve for potential disallowance. As of December 31, 2021, neither The Plymouth Rock Company and Subsidiaries nor the Palisades Reciprocal Group was subject to federal examinations for tax years prior to 2018. Neither The Plymouth Rock Company and Subsidiaries nor the Palisades Reciprocal Group have examinations by state taxing authorities presently in progress.

The Plymouth Rock Company and Subsidiaries

Income taxes on the statements of comprehensive income for 2021 and 2020 consist of:

(dollars in thousands)	2021	2020
Current year federal income taxes	$ 39,738	$ 30,634
Current year state income taxes	6,590	2,068
Change in deferred federal taxes	(2,242)	2,189
Change in deferred state taxes	2,287	(1,305)
Sub-total	46,373	33,586
Change in deferred federal taxes on equity securities	26,806	(7,263)
Change in deferred state taxes on equity securities	1,904	(440)
Total	$ 75,083	$ 25,883

The reported provisions for income taxes are less than those computed by applying the federal and state income tax rates for these years to income before income taxes. The reconciliation of income tax provision for 2021 and 2020 is as follows:

(dollars in thousands)	2021	2020
Federal income taxes at statutory rate	$ 67,184	$ 27,544
State income taxes, net of federal tax benefit	9,396	(111)
Dividend received deduction	(1,240)	(1,134)
Other	(257)	(416)
Total provision for income taxes	$ 75,083	$ 25,883

6. Income Taxes, continued

Deferred income taxes on the balance sheets as of December 31, 2021 and 2020 consist of the net effects of these temporary differences:

(dollars in thousands)	2021	2020
Net unrealized gain on investments	$(80,764)	$(54,174)
Depreciation	(25,310)	(21,424)
Unearned premiums	14,799	14,237
Compensation expense	14,798	11,874
Deferred acquisition expense	(11,374)	(11,140)
Discounting of claim reserves	3,722	3,370
Investment and partnership timing differences	(1,966)	(118)
Loss reserve transition adjustment	(756)	(927)
Net operating losses	249	424
Valuation allowance	(249)	(424)
Other	1,846	306
Total	$(85,005)	$(57,996)

Palisades Reciprocal Group

Income taxes on the statements of comprehensive income for 2021 and 2020 consist of:

(dollars in thousands)	2021	2020
Current year federal income taxes	$ (700)	$ 11,400
Current year state income taxes	5	2
Change in deferred federal taxes	(1,316)	(206)
Sub-total	(2,011)	11,196
Change in deferred federal taxes on equity securities	27,260	(12,093)
Total	$ 25,249	$ (897)

The reported provisions for income taxes are less than those computed by applying the federal and state income tax rates for these years to income before income taxes. The reconciliation of income tax provision for 2021 and 2020 is as follows:

(dollars in thousands)	2021	2020
Federal income taxes at statutory rate	$ 26,508	$ 615
State income taxes, net of federal tax benefit	4	2
Dividend received deduction	(1,211)	(1,279)
Interest from state and municipal bonds	(9)	(54)
Other	(43)	(181)
Total provision for income taxes	$ 25,249	$ (897)

6. Income Taxes, continued

Deferred income taxes on the balance sheets as of December 31, 2021 and 2020 consist of the net effects of these temporary differences:

(dollars in thousands)	2021	2020
Net unrealized gain on investments	$(84,132)	$(61,061)
Deferred acquisition expense	(17,807)	(18,153)
Unearned premiums	16,285	16,328
Discounting of claim reserves	7,098	6,799
Net operating losses	4,910	4,923
Valuation allowance	(4,725)	(4,728)
Reserves for doubtful collections	2,153	1,645
Guaranty fund accrual	1,782	1,810
Loss reserve transition adjustment	(1,407)	(1,759)
Investment and partnership timing differences	340	104
Intangibles	75	334
Other	(637)	(553)
Total	$(76,065)	$(54,311)

7. Claim and Claim Adjustment Expense Reserves

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

7. Claim and Claim Adjustment Expense Reserves, continued

The Plymouth Rock Company and Subsidiaries

The following tables provide data regarding incurred and paid claims and claim adjustment expense development as of December 31, 2021, net of reinsurance, as well as the total of incurred-but-not-reported reserves and cumulative number of reported claims for recent accident years for the primary business segments. The incurred-but-not-reported reserves data shown below also include expected development on reported claims. The cumulative number of reported claims is identified at the coverage level and includes claims closed with payment, claims closed without payment, and all open claims. Five years of data are presented, as any claim and claim adjustment expense development beyond that point would be insignificant for the relatively short-tail automobile and home insurance coverages which The Plymouth Rock Company and Subsidiaries primarily write.

Automobile Insurance

(dollars in thousands)

Accident Year	Claims and Allocated Claim Adjustment Expenses Incurred, Net of Reinsurance, as of December 31,				
	2017	2018	2019	2020	2021
2017	$268,238	$257,726	$265,618	$260,194	$ 258,083
2018		278,839	279,424	273,229	267,187
2019			306,579	296,322	288,858
2020				277,766	262,261
2021					351,291
Total					$1,427,680

Accident Year	Claims and Allocated Claim Adjustment Expenses Paid, Net of Reinsurance, as of December 31,				
	2017	2018	2019	2020	2021
2017	$155,950	$205,356	$225,004	$238,103	$ 244,610
2018		164,483	213,857	231,727	243,164
2019			176,745	227,214	243,418
2020				154,372	194,445
2021					212,122
Total					$1,137,759

Net unpaid for accident years 2017 through 2021	$ 289,921
Net unpaid for accident years prior to 2017	14,015
Net unpaid claims and allocated claim adjustment expenses	$ 303,936

7. Claim and Claim Adjustment Expense Reserves, continued

Accident Year	Total Incurred But-Not-Reported Reserves	Cumulative Number of Reported Claims
2017	$ 5,968	142,348
2018	10,777	142,799
2019	21,682	136,659
2020	35,282	101,156
2021	49,409	115,085

Average Annual Payout	
Year 1	58.0%
Year 2	17.3%
Year 3	6.5%
Year 4	4.7%
Year 5	2.5%
After	11.0%

Home Insurance

(dollars in thousands)

Accident Year	Claims and Allocated Claim Adjustment Expenses Incurred, Net of Reinsurance, as of December 31,				
	2017	2018	2019	2020	2021
2017	$13,308	$12,849	$14,874	$16,511	$ 16,511
2018		22,592	26,204	25,681	26,483
2019			36,861	35,679	34,983
2020				50,388	53,905
2021					68,574
Total					$200,456

Accident Year	Claims and Allocated Claim Adjustment Expenses Paid, Net of Reinsurance, as of December 31,				
	2017	2018	2019	2020	2021
2017	$ 8,492	$11,248	$12,889	$14,045	$ 14,716
2018		15,402	21,450	23,029	23,910
2019			25,984	31,376	32,307
2020				36,889	49,245
2021					47,363
Total					$167,541

Net unpaid for accident years 2017 through 2021	$ 32,915
Net unpaid for accident years prior to 2017	859
Net unpaid claims and allocated claim adjustment expenses	$ 33,774

7. Claim and Claim Adjustment Expense Reserves, continued

Accident Year	Total Incurred But-Not-Reported Reserves	Cumulative Number of Reported Claims
2017	$ 324	2,912
2018	370	4,087
2019	5	3,283
2020	1,912	5,105
2021	7,336	5,660

Average Annual Payout	
Year 1	65.0%
Year 2	16.9%
Year 3	4.2%
Year 4	3.4%
Year 5	2.4%
After	8.1%

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

(dollars in thousands)	2021	2020
Claims and allocated claim adjustment expense reserves at beginning of year	$304,568	$298,658
Claims and allocated claim adjustment expenses incurred:		
Current year	419,865	328,154
Prior years	(31,569)	(28,971)
	388,296	299,183
Claims and allocated claim adjustment expenses paid:		
Current year	259,485	191,262
Prior years	95,669	102,011
	355,154	293,273
Claims and allocated claim adjustment expense reserves at end of year	337,710	304,568
Reinsurance recoverable on unpaid claims at end of year	73,971	82,089
Unallocated claim adjustment expense reserves at end of year	24,651	23,751
Intra-group transactions	(764)	(386)
Total claims and claim adjustment expense reserves at end of year	$435,568	$410,022

7. Claim and Claim Adjustment Expense Reserves, continued

During the year ended December 31, 2021, reserves for claims and allocated claim adjustment expenses for prior years developed favorably by $31.6 million. This change resulted from favorable development of $34.1 million from automobile business and unfavorable development of $2.5 million from home business. During the year ended December 31, 2020, reserves for claims and allocated claim adjustment expenses for prior years developed favorably by $29.0 million. This was composed of $27.5 million from automobile business and $1.5 million from home business. Massachusetts private passenger automobile business was the largest contributor to the favorable development in both years. The unfavorable development from home business is due to the development of large losses.

The amounts shown in the preceding table include $64.1 million and $73.5 million of estimated claim and claim adjustment expense reserves related to Pilgrim Insurance Company's service business as of December 31, 2021 and December 31, 2020, respectively. Offsetting amounts are included in "amounts receivable from reinsurers and pools" as assets on the balance sheet. While these policies are issued by Pilgrim, most of the underwriting results have been ceded either to its clients, a reinsurer or industry pools via quota share reinsurance arrangements such that Pilgrim retains only a relatively small amount of the underwriting risk.

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The following tables provide data regarding incurred and paid claims and claim adjustment expense development as of December 31, 2021, net of reinsurance, as well as the total of incurred-but-not-reported reserves and cumulative number of reported claims for recent accident years for the primary business segments. The incurred-but-not-reported reserves data shown below also include expected development on reported claims. The cumulative number of reported claims is identified at the coverage level and includes claims closed with payment, claims closed without payment, and all open claims. Five years of data are presented, as any claim and claim adjustment expense development beyond that point would be insignificant for the relatively short-tail automobile and home coverages which the Palisades Reciprocal Group primarily writes.

7. Claim and Claim Adjustment Expense Reserves, continued

Automobile Insurance

(dollars in thousands)

Accident Year	Claims and Allocated Claim Adjustment Expenses Incurred, Net of Reinsurance, as of December 31, 2017	2018	2019	2020	2021
2017	$416,317	$395,211	$394,748	$390,821	$ 388,801
2018		434,753	433,060	433,183	431,921
2019			453,980	450,225	447,277
2020				443,078	434,211
2021					521,930
Total					$2,224,140

(dollars in thousands)

Accident Year	Claims and Allocated Claim Adjustment Expenses Paid, Net of Reinsurance, as of December 31, 2017	2018	2019	2020	2021
2017	$179,485	$257,912	$304,448	$347,715	$ 368,947
2018		195,282	282,466	341,596	385,541
2019			206,831	296,496	350,579
2020				189,977	282,631
2021					252,820
Total					$1,640,518

Net unpaid for accident years 2017 through 2021	$ 583,622
Net unpaid for accident years prior to 2017	18,289
Net unpaid claims and allocated claim adjustment expenses	$ 601,911

7. Claim and Claim Adjustment Expense Reserves, continued

Accident Year	Total Incurred But-Not-Reported Reserves	Cumulative Number of Reported Claims
2017	$ 4,965	143,907
2018	9,782	154,314
2019	27,156	154,964
2020	67,469	122,849
2021	150,328	139,472

Average Annual Payout	
Year 1	46.0%
Year 2	20.4%
Year 3	12.6%
Year 4	10.7%
Year 5	5.5%
After	4.8%

The 2019 accident year claims and allocated claim adjustment expenses incurred include $3.1 million of Rider Insurance Company activity incurred prior to its purchase on October 17, 2019.

Home Insurance

(dollars in thousands)

Accident	Claims and Allocated Claim Adjustment Expenses Incurred, Net of Reinsurance, as of December 31,				
Year	2017	2018	2019	2020	2021
2017	$39,052	$37,200	$36,763	$36,272	$ 35,944
2018		51,320	51,360	50,113	49,707
2019			58,798	56,721	57,656
2020				87,577	89,539
2021					125,936
Total					$358,782

7. Claim and Claim Adjustment Expense Reserves, continued

Accident Year	Claims and Allocated Claim Adjustment Expenses Paid, Net of Reinsurance, as of December 31, 2017	2018	2019	2020	2021
2017	$24,942	$32,081	$33,339	$34,122	$ 34,965
2018		36,767	44,961	46,578	46,999
2019			38,756	49,000	52,657
2020				59,949	81,221
2021					82,451
Total					$298,293

Net unpaid for accident years 2017 through 2021	$ 60,489
Net unpaid for accident years prior to 2017	7,731
Net unpaid claims and allocated claim adjustment expenses	$ 68,220

Accident Year	Total Incurred But-Not-Reported Reserves	Cumulative Number of Reported Claims
2017	$ 582	4,956
2018	905	7,771
2019	1,663	7,334
2020	4,069	13,264
2021	15,029	15,652

Average Annual Payout	
Year 1	68.6%
Year 2	19.5%
Year 3	4.4%
Year 4	1.5%
Year 5	2.3%
After	3.7%

7. Claim and Claim Adjustment Expense Reserves, continued

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

(dollars in thousands)	2021	2020
Claims and allocated claim adjustment expense reserves at beginning of year	$625,316	$602,348
Claims and allocated claim adjustment expenses incurred:		
Current year	647,866	530,655
Prior years	(17,638)	(13,333)
	630,228	517,322
Claims and allocated claim adjustment expenses paid:		
Current year	335,271	249,926
Prior years	250,142	244,428
	585,413	494,354
Claims and allocated claim adjustment expense reserves at end of year	670,131	625,316
Reinsurance recoverable on unpaid claims at end of year	28,023	25,596
Unallocated claim adjustment expense reserves at end of year	51,049	49,364
Intra-group transactions	(639)	(398)
Total claims and claim adjustment expense reserves at end of year	$748,564	$699,878

During the year ended December 31, 2021, reserves for claims and allocated claim adjustment expenses for prior years developed favorably by $17.6 million. This change resulted from favorable development of $19.4 million from automobile business and unfavorable development of $1.8 million from home business. During the year ended December 31, 2020, reserves for claims and allocated claim adjustment expenses for prior years developed favorably by $13.3 million. This change was composed of $8.9 million from automobile business and $4.4 million from home business. Improvement in the estimated severity of bodily injury and personal injury protection coverage claims were the largest contributors to this development in both years. The unfavorable development on home for 2021 was primarily the result of delayed recognition of a few large fire claims.

8. Reinsurance

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

The Plymouth Rock Company and Subsidiaries

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

	2021		2020	
(dollars in thousands)	Premiums Written	Claims and Claim Adjustment Expenses Incurred	Premiums Written	Claims and Claim Adjustment Expenses Incurred
Gross	$734,638	$472,120	$698,369	$389,925
Ceded	(81,963)	(22,959)	(70,117)	(32,686)
Net	$652,675	$449,161	$628,252	$357,239

Ceded premiums earned for 2021 and 2020 were $83.5 million and $70.3 million, respectively.

8. Reinsurance, continued

Concurrent with its acquisition effective April 1, 2018, Plymouth Rock Assurance Preferred Corporation entered into a 100% quota share reinsurance agreement with 21st Century North America Insurance Company under which Plymouth Rock Assurance Preferred Corporation ceded 100% of the underwriting results of all Plymouth Rock Assurance Preferred Corporation policies issued on 21st Century systems. Claims and claim adjustment expenses of $157,000 were ceded under this agreement during 2020, while ceded claims and claim adjustment expenses of negative $116,000 were recorded in 2021 as a result of prior accident year loss development recorded during 2021. Also concurrent with its acquisition, Plymouth Rock Assurance Preferred Corporation entered into service agreements with 21st Century North America Insurance Company and 21st Century Advantage Insurance Company and a 100% quota share reinsurance agreement with 21st Century North America Insurance Company under which Plymouth Rock Assurance Preferred Corporation services and assumes the underwriting results for all New York private passenger automobile policies issued by Plymouth Rock Assurance Preferred Corporation on Plymouth Rock systems on behalf of 21st Century North America Insurance Company and 21st Century Advantage Insurance Company on and after April 1, 2018. Premiums of $1.7 million and claims and claim adjustment expenses of $592,000 were assumed under this agreement during 2021, while premiums of $6.4 million and claims and claim adjustment expenses of $3.9 million were assumed under this agreement during 2020.

The Plymouth Rock Company and Subsidiaries also has treaties in place for catastrophe reinsurance for automobile and home lines of business, and per-risk excess-of-loss reinsurance for home, commercial automobile, and umbrella lines of business. During the years ended December 31, 2021 and 2020, the underwriting cost incurred for these treaties was $21.0 million and $12.6 million, respectively.

The Plymouth Rock Company and Subsidiaries also has in place 100% quota share reinsurance with the National Flood Insurance Program for flood coverage written on a direct basis. Premiums ceded under this program were $598,000 and $712,000 in 2021 and 2020, respectively, while ceded claims, claim adjustment expenses and ceding commissions totaled $34,000 and $42,000, respectively.

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

8. Reinsurance, continued

Pilgrim Insurance Company provides automobile insurance services to unrelated insurance companies. The statement of comprehensive income for The Plymouth Rock Company and Subsidiaries are reported net of \$56.8 million and \$52.1 million of ceded premiums earned and \$18.5 million and \$29.2 million of claims and claim adjustment expenses incurred and ceded in 2021 and 2020, respectively, related to Pilgrim Insurance Company's third-party business. Pilgrim Insurance Company began to retain a small amount of underwriting risk relating to these third-party service arrangements during 2015 but continued to cede most of the underwriting risk either to its clients, a reinsurer, or industry pools via quota share reinsurance arrangements. The statements of comprehensive income for The Plymouth Rock Company and Subsidiaries include \$2.9 million and \$3.8 million of net premiums earned in underwriting activities and \$2.3 million and \$3.0 million of net claims and claim adjustment expenses incurred in 2021 and 2020, respectively, for Pilgrim Insurance Company's third-party business. These retained amounts reflect 4.9% and 6.8% of direct premiums earned and 11.0% and 9.3% of direct claims and claim adjustment expenses incurred of the total activity of the business during 2021 and 2020, respectively.

Palisades Reciprocal Group

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

	2021		2020	
(dollars in thousands)	Premiums Written	Claims and Claim Adjustment Expenses Incurred	Premiums Written	Claims and Claim Adjustment Expenses Incurred
Gross	$945,050	$753,482	$933,116	$603,720
Ceded	(40,424)	(34,172)	(33,941)	(7,714)
Net	$904,626	$719,310	$899,175	$596,006

Ceded premiums earned for 2021 and 2020 were \$40.3 million and \$33.2 million, respectively.

8. Reinsurance, continued

Concurrent with its acquisition effective August 1, 2018, AtHome Insurance Company entered into a 100% quota share reinsurance agreement with 21st Century North America Insurance Company under which AtHome Insurance Company cedes 100% of the underwriting results of all policies issued by AtHome prior to its acquisition. Claims and claim adjustment expenses of $1.1 million were ceded under this agreement during 2020, while ceded claims and claim adjustment expenses of negative $262,000 were recorded in 2021 as a result of prior accident year loss development recorded during 2021. As of the time of acquisition, AtHome Insurance Company was not transacting business in any state and had non-renewed its pre-acquisition private passenger automobile business in New York.

The Palisades Reciprocal Group has in place catastrophe reinsurance for the automobile and home lines of business, and per-risk excess-of-loss reinsurance treaties on the home, commercial automobile, and umbrella lines of business. During the years ended December 31, 2021 and 2020, the underwriting cost incurred for these treaties was $7.5 million and $21.1 million, respectively.

The Palisades Reciprocal Group also has in place 100% quota share reinsurance with the National Flood Insurance Program for flood coverage that it writes on a direct basis. Premiums ceded under this program were $3.1 million and $3.2 million in 2021 and 2020, respectively, while ceded claims, claim adjustment expenses and ceding commissions totaled $6.6 million and $590,000, respectively.

9. Secured Loans

At December 31, 2019, The Plymouth Rock Company had outstanding a secured loan from a bank with a carrying value of $5.0 million. This loan was structured with monthly payments of interest only, payable at a variable interest rate based on LIBOR and was paid in full in December 2020. The Plymouth Rock Company had pledged to the bank, as collateral, securities which had a market value of $7.1 million as of December 31, 2019. The Plymouth Rock Company incurred $92,000 of interest expense on this loan during 2020.

SRB Corporation established a $30.0 million line of credit with a bank in February 2021. The Plymouth Rock Company had pledged to the bank, as collateral, securities which had a market value of $60.8 million as of December 31, 2021. Interest expense and commitment fees of $45,000 were incurred on this line during 2021.

10. Subsequent Events

Subsequent events have been evaluated from December 31, 2021 through March 15, 2022. No material subsequent events have been identified.

11. Commitments and Contingencies

The Plymouth Rock Company and Subsidiaries incurred real estate rental expenses for 2021 and 2020 totaling $5.0 million and $5.9 million, respectively. Over the next five years, the minimum lease obligations to unrelated third parties decline from $4.1 million in 2022 to $930,000 in 2026. Total obligations of The Plymouth Rock Company and Subsidiaries under real estate and automobile leases are $12.7 million through 2026.

The Company adopted Accounting Standards Codification (ASC) Topic 842 effective January 1, 2022. This standard requires all lessees with lease terms of more than 12 months to recognize a right-of-use asset and a corresponding lease liability in their balance sheets. This recognition is based on the present value of future lease obligations. Beginning in 2022, the balance sheet will include a right-of-use asset in fixed assets as well as a lease liability in a new line called real estate liabilities. For purposes of comparative consistency, the Company will re-state the December 31, 2021 balance sheet in the 2022 Annual Report to reflect the impact of the adopted guidance. In that report, the December 31, 2021 balance sheet will report a right-of-use asset of $10.5 million in fixed assets and a lease liability of $11.0 million in real estate liabilities, and will include a reduction in commission payable and accrued liabilities and other liabilities of $228,000 and $284,000, respectively. The adoption of this standard will have no impact on comprehensive income or cash flows. Upon adoption, the Company elected to apply a practical expedient under which the Company was not required to reassess any of our existing contracts, classification of our leases or the initial direct costs for existing leases. In addition, the Company elected to apply a practical expedient to not separate non-lease components from the associated lease components. Finally, the Company elected to apply an appropriate risk-free discount rate to the present value calculations when the interest rate implicit in the lease is not readily available.

Since 2011, Plymouth Rock Assurance Corporation entered into agreements with companies that write Massachusetts private passenger automobile insurance to sell surplus residual market credit premiums that can be used to reduce residual market assignments. Plymouth Rock Assurance Corporation recognized $153,000 of revenue from these sales in 2020.

11. Commitments and Contingencies, continued

Plymouth Rock Management Company of New Jersey and Palisades Safety and Insurance Association entered into an agreement in September 2019 to purchase $15.0 million of New Jersey economic redevelopment tax credits at a cost of $14.0 million. The credits will be purchased in annual increments of $1.5 million at an annual cost of $1.4 million over a period of 10 years. This first annual purchase is expected to occur in 2022 and will be used to offset premium taxes due for 2021. The credits are expected to reduce the Palisades Reciprocal Group's premium tax liability by $1.5 million in each of the 10 years from 2021 through 2030.

12. Goodwill and Intangible Assets

The Plymouth Rock Company and Subsidiaries

InsuraMatch, LLC purchased insurance agencies that resulted in goodwill of $3.4 million at both December 31, 2021 and 2020, respectively. These purchases also gave rise to intangible assets in the form of expirations, noncompetition agreements, and brand names.

During 2017, InsuraMatch, LLC acquired policy expirations and a call center operation. The policy expirations gave rise to intangible assets of $913,000 that are now fully amortized. The acquisition of the call center gave rise to goodwill of $39,000. During 2016, InsuraMatch, LLC entered into an insurance policy renewal rights agreement which gave rise to intangible assets. Intangible assets, which are amortized over periods ranging from two to 15 years, were carried at $1.7 million at December 31, 2020. Effective February 1, 2021, the intangible assets associated with the renewal rights agreement entered into 2016 with a carrying value of $1.3 million were included in the sale of InsuraMatch, LLC.

Total amortization associated with intangible assets for InsuraMatch, LLC and its affiliates, Encharter Insurance, LLC (Massachusetts) and Encharter Insurance, LLC (Connecticut), for 2021 and 2020 was $131,000 and $346,000, respectively. Amortization is expected to decline from $111,000 in 2022 to $6,000 in 2026.

12. Goodwill and Intangible Assets, continued

As part of the purchase of Plymouth Rock Assurance Preferred Corporation, Plymouth Rock Assurance Corporation acquired intangible assets in the form of state licenses and a rating plan, as well as an intangible liability for the value of the business acquired valued at $986,000. This liability, which is being amortized over four years, had amortization of $247,000 in both 2021 and 2020 that resulted in a carrying value of $62,000 and $309,000 at December 31, 2021 and 2020, respectively. Amortization is expected to be $62,000 in 2022. As this transaction was accounted for as an asset purchase, the difference between the purchase price and the fair value of financial assets and liabilities, including the value of business acquired, was allocated to the state licenses and the rate plan. The state licenses, which are intangible assets with indefinite lives, had a carrying value of $263,000 at both December 31, 2021 and 2020.

As part of the purchase of Plymouth Rock Assurance Corporation of New York, Plymouth Rock Assurance Corporation also acquired intangible assets in the form of state licenses valued at $310,000 and an intangible liability for the value of renewal obligations valued at $7.7 million. The state licenses, which are intangible assets with indefinite lives, had a carrying value of $310,000 at both December 31, 2021 and 2020. The renewal obligation liability, which was amortized over three years, became fully amortized in 2021. Amortization was $2.6 million in both 2021 and 2020, and the carrying value was $2.6 million at December 31, 2020. This transaction was accounted for as a business combination.

<u>Palisades Reciprocal Group</u>

The Palisades Reciprocal Group's purchase of Teachers Auto Insurance Company of New Jersey in 2007 resulted in goodwill of $3.3 million, which was the carrying value at both December 31, 2021 and 2020. This purchase along with the purchase of renewals from National General Insurance Company in 2017 also resulted in the creation of intangible assets. These intangible assets are in the form of a trademark, a state license and renewal rights. At both December 31, 2021 and 2020, the carrying value of the trademark was $2.4 million and the carrying value of the state license was $150,000. These intangible assets are reviewed annually for impairment; no impairment was recorded in either 2021 or 2020. The remaining intangible assets for the renewal rights are being amortized over 20 years and had a carrying value of $2.2 million and $2.8 million at December 31, 2021 and 2020, respectively. Amortization associated with these intangible assets was $572,000 in 2021 and $639,000 in 2020. Amortization is expected to decline from $513,000 in 2022 to $333,000 in 2026.

12. Goodwill and Intangible Assets, continued

The Palisades Reciprocal Group also acquired intangible assets in the form of state licenses as part of the purchase of AtHome Insurance Company. As this transaction was accounted for as an asset purchase, the difference between the purchase price and the fair value of financial assets and liabilities, including the value of business acquired, was allocated to the state licenses. The state licenses, which are intangible assets with indefinite lives, had a carrying value of $38,000 at both December 31, 2021 and 2020.

Effective June 14, 2018, Palisades Safety and Insurance Association and Palisades Property and Casualty Insurance Company entered into an agreement with American Commerce Insurance Company and MAPFRE U.S.A. Corp. pursuant to which Palisades Safety and Insurance Association and Palisades Property and Casualty Insurance Company acquired the rights to serve as a replacement carrier for American Commerce Insurance Company's New Jersey private passenger automobile and home insurance business, respectively. Palisades Reciprocal Group paid $800,000 related to this acquisition in 2018, with a final payment of $1.9 million made in December 2020 based on the earned premium recorded during the first policy year. These replacement carrier rights are intangible assets that will be amortized over a period of 15 years. Amortization of $185,000 and $175,000 was recorded during 2021 and 2020, respectively, leaving carrying values of $2.2 million and $2.3 million at December 31, 2021 and 2020, respectively. Amortization is expected to be $185,000 annually from 2022 through 2026.

Effective April 4, 2018, Palisades Property and Casualty Insurance Company also acquired the right to serve as the replacement carrier for Pennsylvania and New York home insurance business from several entities of the Farmers Insurance Group. The purchase price for this business is based on the volume of written premium recorded during the first two policy years, with the final settlement occurring in 2022. These replacement carrier rights are intangible assets that will be amortized over a period of 15 years. The carrying value of these rights was $801,000 and $666,000 at December 31, 2021 and 2020, respectively, with an additional $363,000 of renewal rights being added during 2021. Amortization of $94,000 and $52,000 was recorded during 2021 and 2020, respectively. Amortization is expected to be $64,000 annually from 2022 through 2026.

12. Goodwill and Intangible Assets, continued

As part of the purchase of Rider Insurance Company effective October 17, 2019, Palisades Safety and Insurance Association acquired intangible assets in the form of state licenses valued at $655,000, the brand name valued at $25,000, a rating plan valued at $50,000, the value of the business acquired valued at $2.6 million, and renewal obligations at $1.5 million. The state licenses and brand name, which are intangible assets with indefinite lives, had a carrying value of $680,000 at both December 31, 2021 and 2020. The rating plan was amortized over two years and had amortization of $20,000 and $25,000 in 2021 and 2020, respectively. The rating plan, which was fully amortized in 2021, had a carrying value of $20,000 at December 31, 2020. The value of business acquired was amortized over 12 months, consistent with the earning of the unearned premium. There was amortization of $1.7 million in 2020and it was fully amortized by the end of that year. The renewal obligation liability is being amortized over three years and had amortization of $499,000 in both 2021 and 2020. This left a carrying value of $395,000 and $894,000 at December 31, 2021 and 2020, respectively. Amortization for this liability is expected to be $395,000 in 2022, after which it will be fully amortized. This transaction was accounted for as a business combination.

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

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

The Plymouth Rock Company and Subsidiaries

(dollars in thousands)	2021	2020
Net income	$244,844	$105,280
Depreciation and amortization	33,066	29,778
Deferred income taxes	248	497
Change in unrealized gains on equity securities, net of tax	(98,944)	26,884
Other-than-temporary impairment, net of tax	-0-	(712)
Change in operating assets and liabilities:		
Accrued investment income	570	675
Premiums receivable	2,460	(6,960)
Ceded unearned premium reserves	1,506	195
Deferred acquisition costs	(1,028)	(6,370)
Amounts receivable from reinsurers and pools	4,993	(2,086)
Claim and claim adjustment expense reserves	25,925	8,603
Unearned premium reserves	10,496	31,301
Advance premiums	1,377	(1)
Commissions payable and accrued liabilities	10,607	27,756
Amounts payable to reinsurers	(4,431)	1,837
Unearned service fees	(1,385)	3,645
Prepaid expenses, agent loans, and deposits	(609)	2,501
Income tax recoverable and payable	6,329	14,961
Amounts due from service clients	1,813	(729)
Other assets and other liabilities	(2,725)	8,694
Net cash provided by operating activities	$235,112	$245,749

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

Palisades Reciprocal Group

(dollars in thousands)	2021	2020
Net income	$100,980	$ 3,825
Depreciation and amortization	706	2,717
Deferred income taxes	(1,316)	1,258
Change in unrealized gains on equity securities, net of tax	(102,550)	45,493
Other-than-temporary impairment, net of tax	-0-	5,509
Change in operating assets and liabilities:		
Accrued investment income	(501)	25
Premiums receivable	10,171	(16,535)
Ceded unearned premium reserves	(63)	(708)
Deferred acquisition costs	1,626	(9,467)
Amounts receivable from reinsurers and pools	(3,613)	1,523
Claim and claim adjustment expense reserves	48,926	22,548
Unearned premium reserves	(3,208)	31,761
Advance premiums	2,245	(379)
Commissions payable and accrued liabilities	9,876	5,737
Amounts payable to reinsurers	(1,830)	728
Income tax recoverable	(17,149)	11,346
Other assets and other liabilities	6,911	(5,318)
Net cash provided by operating activities	$ 51,211	$100,063

14. Consolidated Revenues

Revenues, net of reinsurance, by company or group for 2021 and 2020 were:

(dollars in thousands)	2021	2020
Underwriting company revenues:		
Plymouth Rock Assurance Group	$ 600,837	$ 549,994
Plymouth Rock Home Assurance Group	110,459	86,672
Palisades Reciprocal Group	998,096	945,903
Subtotal	1,709,392	1,582,569
Management company revenues:		
The Plymouth Rock Company	188,910	69,240
SRB Corporation	151,770	110,624
InsuraMatch and Encharter	4,614	8,576
Pilgrim Insurance Company	29,252	30,730
Plymouth Rock Management Company of New Jersey	223,142	213,630
Subtotal	597,688	432,800
Eliminations with subsidiaries of The Plymouth Rock Company:		
Technology costs	(53,837)	(54,967)
Dividends	(180,984)	(81,197)
Other	(39,075)	(40,260)
Subtotal	(273,896)	(176,424)
Elimination of intra-group transactions	(223,529)	(217,977)
Total revenues before unrealized gains on equity securities	$1,809,655	$1,620,968

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

15. Compensation Plans

The Plymouth Rock Company and Subsidiaries maintain a plan under Section 401(k) of the Internal Revenue Code. This plan is a defined contribution plan that covers all employees. Expenses of $11.2 million and $11.7 million were incurred related to this plan during 2021 and 2020, respectively. Deferred compensation plans have been established at The Plymouth Rock Company and several of its subsidiaries for officers, directors, and managers, other than the founding shareholders. In general, these plans provide for a rate of return on deferred compensation equal each year to the rate of return earned by The Plymouth Rock Company and Subsidiaries that year. Incurred expenses related to these plans were $8.8 million and $6.6 million during 2021 and 2020, respectively.

Effective June 1, 2019, stock incentive awards of 6,115 shares were granted to nine key officers. These awards vest in 2024 contingent upon certain financial performance and service requirements being met. During 2021, 600 shares were forfeited and 550 shares were added. During 2020, no shares were forfeited and 81 shares were added. On the basis of financial performance, expenses of $6.1 million and $3.2 million were recorded related to these awards during 2021 and 2020, respectively.

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

16. Fixed Assets

The table below summarizes fixed assets at December 31, 2021 and 2020.

The Plymouth Rock Company and Subsidiaries

(dollars in thousands)	Useful Lives	2021	2020
Computers and software development	3-5 years	$133,352	$134,131
Leasehold improvements	10 years	25,331	25,106
Furniture and fixtures	5-10 years	10,805	10,727
Vehicles	3 years	480	480
Total cost		169,968	170,444
Less: accumulated depreciation		122,276	117,410
Net book value		$ 47,692	$ 53,034

Depreciation expenses incurred were $28.7 million and $27.9 million during 2021 and 2020, respectively. As a result of an accounting policy change, any furniture and fixtures placed into service on or after January 1, 2020 will be depreciated over 10 years.

16. Fixed Assets, continued

Palisades Reciprocal Group

(dollars in thousands)	Useful Lives	2021	2020
Computers and software development	2-3 years	$ 1,696	$ 1,696
Total cost		1,696	1,696
Less: accumulated depreciation		1,381	969
Net book value		$ 315	$ 727

Depreciation expenses incurred were $412,000 and $765,000 during 2021 and 2020, respectively.

17. Investment Securities and Investment Income

A. Marketable Securities

The Plymouth Rock Company and Subsidiaries

At December 31, 2021 and 2020, amortized cost, unrealized gains and losses before federal income taxes, and market value of marketable fixed income securities classified as available for sale and marketable common stocks were as follows:

At December 31, 2021: (dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. government securities	$ 9,301	$ 7	$ 51	$ 9,257
Corporate debt securities	337,018	469	3,546	333,941
Asset-backed securities	13	1	-0-	14
Common stocks	666,567	377,506	8,667	1,035,406
Total	$1,012,899	$377,983	$12,264	$1,378,618

At December 31, 2020: (dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. government securities	$ 95,898	$ 799	$ 8	$ 96,689
State and municipal securities	52,803	1,263	6	54,060
Corporate debt securities	308,332	4,699	2	313,029
Asset-backed securities	4,112	155	-0-	4,267
Common stocks	451,283	244,850	3,597	692,536
Total	$ 912,428	$251,766	$ 3,613	$1,160,581

17. Investment Securities and Investment Income, continued

A. Marketable Securities, continued

At December 31, 2021 and 2020, maturities of marketable securities by due date category were as follows:

(dollars in thousands)	2021 Amortized Cost	2021 Market Value	2020 Amortized Cost	2020 Market Value
90 days or less	$ 926	$ 926	$ 62,241	$ 62,294
90 days and in one year or less	22,206	22,234	92,078	92,727
After one year and in five years or less	322,136	318,983	299,586	305,315
After five years and in ten years or less	1,051	1,055	3,128	3,442
Due after ten years	-0-	-0-	-0-	-0-
Asset-backed securities	13	14	4,112	4,267
Common stocks	666,567	1,035,406	451,283	692,536
Total	$1,012,899	$1,378,618	$912,428	$1,160,581

All marketable fixed income securities are classified as available for sale. At December 31, 2021 and 2020, common stocks that had been in an unrealized loss position for longer than twelve months had a total market value of $791,000 and $1.4 million, respectively. Gross unrealized losses related to these common stocks were $119,000 and $312,000 at December 31, 2021 and 2020, respectively. At both December 31, 2021 and 2020, there were no material other marketable securities held that had been in an unrealized loss position for longer than twelve months. These losses are viewed as resulting from market conditions and are believed to be temporary.

17. Investment Securities and Investment Income, continued

A. Marketable Securities, continued

Palisades Reciprocal Group

At December 31, 2021 and 2020, amortized cost, unrealized gains and losses before federal income taxes, and market value of marketable fixed income securities classified as available for sale and marketable common stocks were as follows:

At December 31, 2021: (dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. government securities	$ 18,819	$ 105	$ 136	$ 18,788
Corporate debt securities	784,996	589	8,514	777,071
Asset-backed securities	123	6	1	128
Preferred stocks	133	32	-0-	165
Common stocks	476,252	413,441	4,895	884,798
Total	$1,280,323	$414,173	$13,546	$1,680,950

At December 31, 2020: (dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. government securities	$ 277,728	$ 4,792	$ 23	$ 282,497
State and municipal securities	43,522	182	-0-	43,704
Corporate debt securities	495,635	6,677	1	502,311
Asset-backed securities	32,683	372	1	33,054
Preferred stocks	133	-0-	9	124
Common stocks	391,471	281,447	2,670	670,248
Total	$1,241,172	$293,470	$ 2,704	$1,531,938

17. Investment Securities and Investment Income, continued

A. Marketable Securities, continued

At December 31, 2021 and 2020, maturities of marketable securities by due date category were as follows:

	2021		2020	
(dollars in thousands)	Amortized Cost	Market Value	Amortized Cost	Market Value
90 days or less	$ 6,946	$ 6,962	$ 79,238	$ 79,344
90 days and in one year or less	60,618	60,728	163,289	164,805
After one year and in five years or less	733,113	725,014	574,161	584,153
After five years and in ten years or less	3,138	3,155	197	210
Due after ten years	123	128	32,683	33,054
Asset-backed securities	133	165	133	124
Common stocks	476,252	884,798	391,471	670,248
Total	$1,280,323	$1,680,950	$1,241,172	$1,531,938

All marketable fixed income securities are classified as available for sale. There were no common stocks that had been in an unrealized loss position for longer than twelve months as of December 31, 2021. At December 31, 2020, common stocks that had been in an unrealized loss position for longer than twelve months had a total market value of $766,000 and gross unrealized losses of $138,000. At December 31, 2021 and 2020, other marketable securities classified as available for sale that had been in an unrealized loss position for longer than twelve months had total market values of $1.2 million and $11,000, respectively. Gross unrealized losses related to these other marketable securities were $35,000 and $1,000 at December 31, 2021 and 2020, respectively. These losses are viewed as resulting from market conditions and are believed to be temporary.

B. Non-Marketable Securities

The Plymouth Rock Company and Subsidiaries have investments in privately held stocks. Such investments were carried at $91,000 and $105,000 as of December 31, 2021 and 2020, respectively.

17. Investment Securities and Investment Income, continued

C. Alternative Equity Investments

Investments in marketable alternative equities include positions in entities that focus on a diverse range of investment strategies. Substantially all of the investments made by these entities are in publicly traded securities, and investors have contractual rights to withdraw funds from these entities each year. At December 31, 2021 and 2020, The Plymouth Rock Company and Subsidiaries recorded values for these marketable alternative equity investments, which include realized and unrealized gains, of $51.2 million and $44.0 million, respectively. At December 31, 2021 and 2020, the Palisades Reciprocal Group recorded values for these marketable alternative equity investments of $31.6 million and $30.1 million, respectively.

Non-marketable alternative equity investments include interests in partnerships that invest in companies that are not publicly traded. These investments are valued by applying the equity method to values in their most recently available financial statements. The Plymouth Rock Company and Subsidiaries recorded values for non-marketable alternative equity investments of $36.1 million and $30.0 million at December 31, 2021 and 2020, respectively. The Palisades Reciprocal Group recorded values for non-marketable alternative equity investments of $21.0 million and $19.5 million at December 31, 2021 and 2020, respectively.

As of December 31, 2021, The Plymouth Rock Company and Subsidiaries had commitments outstanding to invest $39.4 million in 15 private equity funds. Three of these funds are Lindsay Goldberg & Bessemer L.P. III (Fund III), Lindsay Goldberg & Bessemer L.P. IV (Fund IV), and Lindsay Goldberg & Bessemer L.P. V (Fund V). The Chairman of The Plymouth Rock Company is a member of the general partner that manages each of these funds.

As of December 31, 2021, the Palisades Reciprocal Group had commitments outstanding to invest $11.4 million in nine private equity funds.

17. Investment Securities and Investment Income, continued

D. Fair Value Measurements

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

The Plymouth Rock Company and Subsidiaries

Cash, cash equivalents, and investment securities totaled $1,490 million and $1,243 million at December 31, 2021 and 2020, respectively. Assets in this category valued using either the equity method or the cost method totaled $87 million and $74 million, respectively, at December 31, 2021 and 2020. The other assets in this category were reported at fair values totaling $1,403 million and $1,169 million, respectively, at December 31, 2021 and 2020.

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

At December 31, 2021: (dollars in thousands)	Based on Quoted Prices	Determined from Other Available Market Data	Estimated Using Internal and External Judgments	Total
Cash and cash equivalents	$ 24,396	$ -0-	$-0-	$ 24,396
U.S. government securities	9,244	13	-0-	9,257
Corporate debt securities	-0-	333,941	-0-	333,941
Asset-backed securities	-0-	14	-0-	14
Marketable common stocks	1,035,406	-0-	-0-	1,035,406
Non-marketable securities	-0-	91	-0-	91
Total fair value	$1,069,046	$334,059	$-0-	$1,403,105
Assets valued using either the equity method or the cost method				87,068
Total value of cash, cash equivalents, and investment securities				$1,490,173

17. Investment Securities and Investment Income, continued

D. Fair Value Measurements, continued

At December 31, 2020: (dollars in thousands)	Based on Quoted Prices	Determined from Other Available Market Data	Estimated Using Internal and External Judgments	Total
Cash and cash equivalents	$ 8,649	$ -0-	$-0-	$ 8,649
U.S. government securities	96,673	16	-0-	96,689
State and municipal securities	-0-	54,060	-0-	54,060
Corporate debt securities	-0-	313,029	-0-	313,029
Asset-backed securities	-0-	4,267	-0-	4,267
Marketable common stocks	692,536	-0-	-0-	692,536
Non-marketable securities	-0-	91	-0-	91
Total fair value	$797,858	$371,463	$-0-	$1,169,321
Assets valued using either the equity method or the cost method				73,985
Total value of cash, cash equivalents, and investment securities				$1,243,306

Palisades Reciprocal Group

Cash, cash equivalents, and investment securities totaled $1,744 million and $1,583 million at December 31, 2021 and 2020, respectively. Assets in this category that are valued using either the equity method or the cost method totaled $53 million and $50 million at December 31, 2021 and 2020, respectively. The fair values of the other assets in this category totaled $1,692 million and $1,533 million at December 31, 2021 and 2020, respectively.

17. Investment Securities and Investment Income, continued

D. Fair Value Measurements, continued

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

At December 31, 2021: (dollars in thousands)	Based on Quoted Prices	Determined from Other Available Market Data	Estimated Using Internal and External Judgments	Total
Cash and cash equivalents	$ 10,590	$ -0-	$-0-	$ 10,590
U.S. government securities	18,781	7	-0-	18,788
Corporate debt securities	-0-	777,071	-0-	777,071
Asset-backed securities	-0-	128	-0-	128
Marketable preferred stocks	165	-0-	-0-	165
Marketable common stocks	884,798	-0-	-0-	884,798
Total fair value	$914,334	$777,206	$-0-	$1,691,540
Assets valued using either the equity method or the cost method				52,585
Total value of cash, cash equivalents, and investment securities				$1,744,125

At December 31, 2020: (dollars in thousands)	Based on Quoted Prices	Determined from Other Available Market Data	Estimated Using Internal and External Judgments	Total
Cash and cash equivalents	$ 1,491	$ -0-	$-0-	$ 1,491
U.S. government securities	282,489	8	-0-	282,497
State and municipal securities	-0-	43,704	-0-	43,704
Corporate debt securities	-0-	502,311	-0-	502,311
Asset-backed securities	-0-	33,054	-0-	33,054
Marketable preferred stocks	124	-0-	-0-	124
Marketable common stocks	670,248	-0-	-0-	670,248
Total fair value	$954,352	$579,077	$-0-	$1,533,429
Assets valued using either the equity method or the cost method				49,633
Total value of cash, cash equivalents, and investment securities				$1,583,062

17. Investment Securities and Investment Income, continued

E. Analysis of Investment Income and Capital Gains

The Plymouth Rock Company and Subsidiaries

The components of investment income and capital gains before federal income taxes during 2021 and 2020 were as follows:

(dollars in thousands)	2021	2020
Interest income and dividends from securities	$ 33,413	$ 24,239
Earnings from non-marketable securities and alternative equity investments	27,425	4,366
Rental income	10,374	7,001
Finance charges on premiums receivable	7,942	8,888
Gross investment income	79,154	44,494
Rental expenses	(7,064)	(4,885)
Investment expenses	(9,291)	(3,331)
Investment income	62,799	36,278
Net realized capital gains (losses)	99,111	30,347
Investment income and capital gains before unrealized gains on equity securities	161,910	66,625
Change in unrealized gains on equity securities	127,655	(34,587)
Investment income and capital gains	$289,565	$ 32,038

17. Investment Securities and Investment Income, continued

E. Analysis of Investment Income and Capital Gains, continued

Palisades Reciprocal Group

The components of investment income and capital gains before federal income taxes during 2021 and 2020 were as follows:

(dollars in thousands)	2021	2020
Interest income and dividends from securities	$ 30,579	$ 34,254
Earnings from non-marketable securities and alternative equity investments	10,581	3,539
Gross investment income	41,160	37,793
Investment expenses	(11,320)	(9,993)
Investment income	29,840	27,800
Net realized capital gains (losses)	58,938	48,352
Investment income and capital gains before unrealized gains on equity securities	88,778	76,152
Change in unrealized gains on equity securities	129,809	(57,588)
Investment income and capital gains	$218,587	$ 18,564

17. Investment Securities and Investment Income, continued

F. Investment Activity

The Plymouth Rock Company and Subsidiaries

Activity in investment securities during 2021 and 2020 was as follows:

(dollars in thousands)	2021	2020
Balance at beginning of year	$1,234,657	$1,182,318
Change in marketable securities:		
Proceeds from maturities	(75,986)	(303,077)
Proceeds from sales	(999,646)	(500,748)
Purchases, including acquired in acquisition	1,176,456	898,752
Net change in marketable securities	100,824	94,927
Net change in non-marketable securities	(14)	-0-
Net change in alternative equity investments	13,097	(12,896)
Net investment activity	113,907	82,031
Net change in sales and purchases in process	(352)	14
Net change in unrealized gain/(loss) on marketable and non-marketable securities	117,565	(29,706)
Balance at end of year	$1,465,777	$1,234,657

Palisades Reciprocal Group

Activity in investment securities during 2021 and 2020 was as follows:

(dollars in thousands)	2021	2020
Balance at beginning of year	$1,581,571	$1,541,516
Change in marketable securities:		
Proceeds from maturities	(88,390)	(301,967)
Proceeds from sales	(1,169,037)	(495,399)
Purchases, including acquired in acquisition	1,297,895	904,389
Net change in marketable securities	40,468	107,023
Net change in alternative equity investments	2,952	(9,159)
Net investment activity	43,420	97,864
Net change in sales and purchases in process	(1,318)	736
Net change in unrealized gain/(loss) on marketable and non-marketable securities	109,862	(58,545)
Balance at end of year	$1,733,535	$1,581,571

18. Real Estate

At December 31, 2021 and 2020, The Plymouth Rock Company and Subsidiaries owned properties located at 695 Atlantic Avenue and 711 Atlantic Avenue in Boston, and 581 Main Street in Woodbridge, New Jersey. The property at 581 Main Street was purchased on December 3, 2020, which added $11.9 million in land and $50.1 million in building assets during 2020. In addition to this purchase, building improvement costs of $6.1 million and $18.3 million were incurred on properties in 2021 and 2020, respectively. The table below summarizes the real estate costs and carrying values at December 31, 2021 and 2020:

(dollars in thousands)	2021	2020
Land	$ 38,634	$ 38,634
Buildings, improvements, and other	163,049	156,920
Total cost	201,683	195,554
Less: accumulated depreciation	28,703	22,545
Net book value	$172,980	$173,009

Rental income from lessees other than The Plymouth Rock Company and Subsidiaries totaled $10.4 million and $7.0 million in 2021 and 2020, respectively. For each of the years 2022 through 2026, minimum annual rent receivable by The Plymouth Rock Company and Subsidiaries is $4.3 million. Total obligations to The Plymouth Rock Company and Subsidiaries from non-affiliated lessees through 2026 are $27.1 million. Buildings and improvements are depreciated over their useful lives, which range from three to 39 years.

The properties at 695 Atlantic Avenue and 711 Atlantic Avenue were appraised at $109.5 million and $73.0 million, respectively, as of December 1, 2019. The property at 695 Atlantic Avenue was appraised at $96.5 million as of October 1, 2020 in conjunction with a re-financing plan. While the property at 695 Atlantic Avenue is not at risk of impairment given its carrying value of $36.9 million and $34.6 million as of December 31, 2021 and 2020 respectively, we considered the decline in its value to be a triggering event that required an evaluation of potential impairment of the property at 711 Atlantic Avenue at December 31, 2020. After evaluating expected future cash flows of the property at 711 Atlantic Avenue, it was determined that no adjustment to its carrying value of $76.5 million as of December 31, 2020 was necessary. The property at 711 Atlantic Avenue had a lower carry value of $74.6 million at December 31, 2021, and again no impairment write-down was warranted. The property at 581 Main Street was appraised at $61.9 million as of October 29, 2021 as compared with its carrying value of $61.5 million and $61.9 million at December 31, 2021 and 2020, respectively. Because of changing market conditions and uncertainties inherent in the appraisal process, especially during the current pandemic, the amounts that could be realized if the properties were actually offered for sale may differ from their appraised values.

19. Stockholders' Equity

A. Common Stock

Common stock of The Plymouth Rock Company at December 31, 2021 and 2020 is composed of Class A common shares and Class B common shares, with shares of both classes having a par value of $0.10 each. There are 300,000 Class A common shares authorized, of which 64,226 were issued and outstanding at both December 31, 2021 and 2020.

There are 90,000 Class B common shares authorized, of which 59,783 were issued and outstanding at both December 31, 2021 and 2020. The Class A common shares are fully transferable and have the right to elect 20 percent of the Board of Directors. The Class B common shares are not transferable but may be converted to Class A common shares on a one-for-one basis at any time at the option of the holder and are converted automatically upon the occurrence of certain events. The Class B common shares have the right to elect 80 percent of the Board of Directors, a right which has never been exercised in full. Presently, two directors are elected by the Class B shareholders and all other directors are elected by the Class A shareholders.

B. Statutory Surplus and Dividend Availability

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

On a statutory accounting basis, capital and surplus of the insurance company subsidiaries of The Plymouth Rock Company totaled $681.3 million and $540.1 million at December 31, 2021 and 2020, respectively. The combined net income of these subsidiaries on a statutory accounting basis was $50.2 million and $76.9 million in 2021 and 2020, respectively.

Capital and surplus of the insurance companies in the Palisades Reciprocal Group totaled $744.1 million and $661.2 million at December 31, 2021 and 2020, respectively. These insurance companies reported a combined net loss on a statutory accounting basis of $3.1 million in 2021 and combined net income of $68.3 million in 2020.

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

19. Stockholders' Equity, continued

C. Earnings Per Share

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

Directors and Officers of The Plymouth Rock Company

Directors

James M. Stone, *Chairman*

James N. Bailey

Hal Belodoff

Colleen M. Granahan

Michael J. Johnston

Wilmot H. Kidd, III

Andrew A. McElwee, Jr.

Norman L. Rosenthal

Sandra A. Urie

Sir Peter J. Wood

Officers

James M. Stone
Chief Executive Officer

James N. Bailey
Treasurer and Clerk

Hal Belodoff
President and Chief Operating Officer

Andrew A. McElwee, Jr.
President-Elect

Colleen M. Granahan
Vice President

Mary A. Sprong
Vice President

Directors and Officers of the Principal Plymouth Rock Companies

Non-Management Directors

Donald I. Bryan
Kerry A. Emanuel
John C. Hill
Neil N. Jasey
Michael J. Johnston
Wilmot H. Kidd, III
Julie A. Rochman
Norman L. Rosenthal
Sandra A. Urie
Sir Peter J. Wood

Management Directors and Corporate Officers

Richard F. Adam
James N. Bailey
Daniel C. Barrett
David V. Bartolotta
Harry M. Baumgartner
Hal Belodoff
Mary J. Boyd
Jeffrey E. Briglia
Frederick C. Childs
Lauren E. Dwyer
David A. Eastes
Edward J. Fernandez
Howard R. Goldberg
Colleen M. Granahan
William D. Hartranft
Sunil S. Kini
Brendan M. Kirby
Scott N. Kwiker
Andrew J. Leeds
Thomas J. Lyons
Richard J. Mariani
Wilbur L. Martin IV
Andrew A. McElwee, Jr.
Louis C. Palomeque
David L. Pearlmutter
Anne M. Petruff
Mary A. Sprong
Douglas F. Sprous
Karen L. Stickel
James M. Stone
Barry O. Tagen
Ethan F. Tarby

Counsel:
Ropes & Gray LLP

Independent Auditor:
PricewaterhouseCoopers LLP