ANNUAL REPORT TO THE STAKEHOLDERS OF THE
INSURORS INDEMNITY COMPANIES
April 3, 2020

Following is a brief report on the 2019 operational results of the Insurors Indemnity Companies. Focused on its vision, mission and strategic plan, Insurors continues to manage to a set of benchmarks that we feel have and will continue to produce favorable results reflective of disciplined underwriting, controlled growth, efficient claims and expense management as well as high impact customer service.

Discussion and Analysis of the Financial Condition and Results of Operations

Financial Discussion

For the 12 months ending December 31, 2019, Insurors Indemnity Companies earned $3,329,984 before tax, down 37% from 2018's pretax earnings of $4,575,267 which was a high-water mark for the company. Capital and Surplus of all entities increased to $28,202,496 from $22,903,411 at year-end 2018 from earnings and appreciation of the investment portfolio (16.2%).

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

Premiums

Direct written premium was $38,175,397, up from $30,934,949 in 2018 primarily from the addition of the residential property book of Atlas General Agency discussed below, as well as through continued growth in Surety and Commercial Property & Casualty lines. Earned premium was $18,759,292, an increase of 15.2% over 2018.

Surety premium writings were up 4.1% from last year. Continued surety growth in Texas, New Mexico and Oklahoma are being complemented by the company's admission and subsequent production in the state of Arizona.

Commercial property and casualty premium increased 10.8% over last year. After having only written business in Texas for nearly two decades, P&C products are now being offered in New Mexico through independent agencies in the state.

Residential property and liability premium produced via Insurors' MGA agreement with Atlas General Agency (AGA), totaled $15.9 million. Insurors Indemnity Company retains 10% of the risk with the remainder ceded to a panel of A rated reinsurers.

Each of the lines mentioned above continue to experience a fairly soft market. Agency development initiatives, targeted marketing efforts, and the combined efforts of dedicated employees working in partnership with loyal agency personnel continue to prove invaluable in the company's efforts to produce profitable premium growth.

Loss and Loss Adjustment Expense

Net Loss and LAE incurred increased 86.7% from last year, an indication of how exceptional of a claim year 2018 was compared to 2019 which was more typical, at least for the Commercial P&C division. The number of claims reported was up 14.7% spurred primarily by an increase in weather activity. Ten (10) weather events, each resulting in at least $100,000 of incurred loss, occurred during 2019 versus only three (3) in 2018. (No events have pierced the company's catastrophe reinsurance retention since April of 2016.) Several large fires occurring in 2019 also impacted results. The company's total Loss and LAE Reserve increased by 13.9% to $8,043,949.

Net Loss & LAE Calendar Year Loss Ratio	2016	2017	2018	2019
Surety	7.3%	33.0%	24.3%	2.7%
P&C	62.7%	41.1%	25.4%	55.8%
10% MGA Participation				56%
Total	**46%**	**38.5%**	**25.0%**	**39.0%**

Of the last four (4) years, on an accident year basis, 2018 was the company's best year for Surety as well as for Property, with regard to both weather and non-weather-related claims activity. Surety profitability continued to soar in 2019 and provided the lion's share (79%) of the company's overall 2019 underwriting profits. Liability results were strong for the 2019 accident year coming very close to the lines' best underwriting year – 2016.

Gross Loss/LAE Accident Year Loss Ratio w/o IBNR	2016	2017	2018	2019
Weather	65.1%	49.3%	23.7%	32.5%
Attritional	33.4%	19.2%	12.0%	34.6%
Total Property	98.5%	68.5%	35.7%	67.7%
Liability	10.3%	23.1%	16.9%	13.3%
Surety	26.6%	51.4%	12.0%	14.9%
All Lines	**59.5%**	**54.8**	**24.4%**	**41.5%**

As the company continues to grow and more sophisticated underwriting tools are utilized, the frequency of its claims, measured as the number of losses in an accident year relative to the number of bonds or policies in force, reflect the return on those investments. Frequency of claims in 2019 for both Contract Surety and P&C was half of that seen in recent years. Average severity, however, increased for both lines in 2019 as large reserves were established on a handful of fire and wind claims as well as one liability claim and one performance bond claim.

Frequency and Severity	2016	2017	2018	2019
Severity – Contract	$80,726	$92,472	$36,827	$100,568
Severity – P&C	$16,794	$15,414	$11,099	$14,261
Frequency – Contract	1.5%	2.6%	1.7%	0.8%
Frequency – P&C	7.1%	6.5%	4.8%	3.2%

Severity is based on accident year gross incurred loss w/o IBNR

Expense Reduction Initiative

One of Insurors' goals is to reduce its overall expense ratio. The company has managed to do so in each of the last three (3) years, with its 2019 ratio ending at 45.1% (down from 50.4% at year-end 2018). In addition to increasing its net premium writings, both through organic means as well as a 10% participation in the MGA portfolio, the company has implemented specific initiatives to increase the likelihood of continued expense reduction:

A. An on-line agent portal was released to agents allowing them to quote and issue Businessowners policies. Insurors is currently working to add its other lines to the system.

B. The generation and delivery of agent data such as commission statements, production reports and policy documents were automated. Electronic delivery of insureds' policy documents will begin in 2020.

C. Non-correlated fee, commission and interest income, intended to offset the overall expenses of the group, is being generated through Road Runner Premium Finance Company as well as the groups' wholly owned MGA doing business as Insurors Indemnity Underwriters and from Insurors Indemnity Company's MGA agreement with Atlas General Agency.

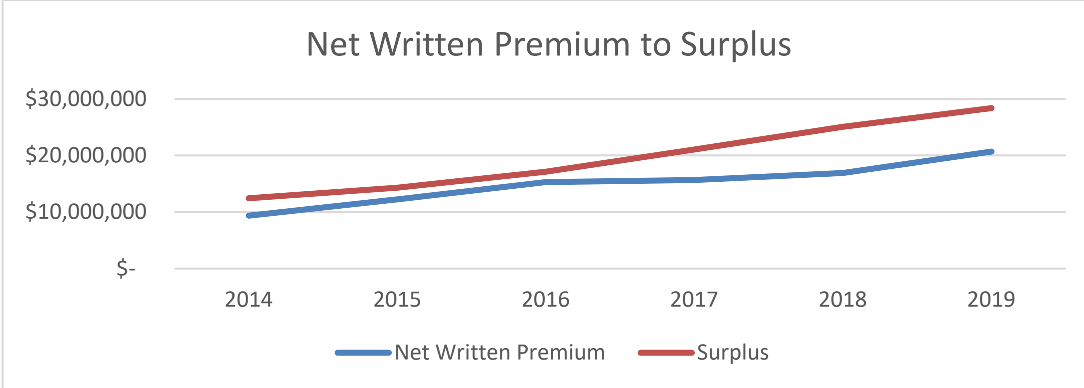
Expense Ratio	**2016**	**2017**	**2018**	**2019**
Total	**47.3%**	**52.8%**	**50.4%**	**45.1%**

The groups' operating profit, inclusive of underwriting gains, fees, interest and commissions, was $2,133,793, and primarily resulted from profits generated from Surety underwriting gains and a 10% participation in residential property business written through AGA. While P&C results were disappointing, the company still achieved a Combined Ratio of 85.7%.

Combined Ratio	**2016**	**2017**	**2018**	**2019**
Surety	65.7%	91.3%	87.9%	68%
P&C	103.6%	87.7%	71%	99.3%
AGA				50.7%
Total	**93.3%**	**91.3%**	**75.4%**	**85.7%**

Capital and Surplus

Surplus continues to rise in tandem with premiums keeping net writings to surplus well within a self-imposed maximum level of 135:1, allowing ample capacity for the company's plans for continued growth.



	2014	2015	2016	2017	2018	2019
NWP to Surplus	75.3	85.6	89.2	74.3	67.4	73.4

Competitive Advantage

The company continues to be dedicated to the highest levels of service to its policyholders and agents. A "Service Meter" is posted monthly on our public and agent websites outlining the statistics around our customer service endeavors. Policy Renewal Rate (88.0%), Average Time to Customer Contact after Claim Submission (24 minutes) and Average Time to Claim Paid (7.6 days) are just a few examples of the metrics that are shared with anyone interested. Please visit our website at InsurorsIndemnity.com and look around.

Regulatory

The Texas Department of Insurance conducted a five-year examination of the Insurors Indemnity companies which began in late 2018 and was completed in June of 2019. We are pleased to report that the examination was a non-issue and, like our annual audit, served to affirm confidence in our people and processes. In addition, A.M. Best affirmed its rating of the companies as A- VI and the Department of the Treasury renewed the company's authority as a surety on Federal bonds, increasing its treasury limit to $2.5 million. It is gratifying to have the stamp of approval from entities such as these.

Conclusion

Consistency and predictability result only when a group of people, who care about the work they do and the customers they serve, join forces under a common mission. Insurors Indemnity is fortunate to be associated with employees and agents who strive daily to exceed customer expectations and fulfill the company's mission. It is our practice to be transparent in every way possible and in so doing benefit from the review and valuable input of stakeholders. If, after reviewing the content of this report, you have questions or would like greater elaboration please feel welcome to contact either of us by phone or e-mail.

Dave E. Talbert

Dave E. Talbert, President and CEO
254-759-3711
dtalbert@insurorsindemnity.com

Tammy Tieperman

Tammy Tieperman, Chief Accounting Officer
254-759-3727
ttieperman@insurorsindemnity.com