



ANNUAL REPORT 2025

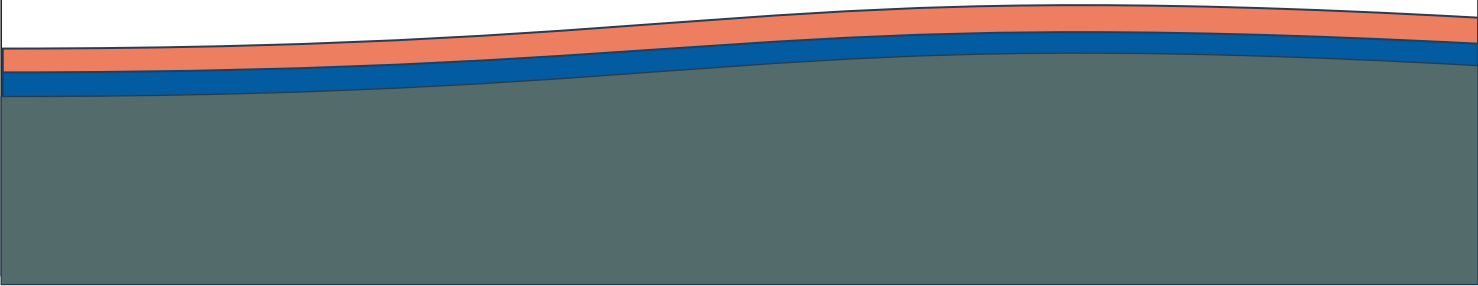




TABLE OF CONTENTS

i-ii	Certificate of Compliance
01	Year in Review
02	Impact Across the Commonwealth
03	Our Mission and Vision
04	2025 Qualified Investments
05	Affordable Housing Lending
19	Community Services Lending
21	Regional Distribution
22	Qualified Interim Investments
23	Public Meetings
24	Member Companies
25	Capital Contributions
26	25th Anniversary Celebration
27	Audited Financial Statements

2025 Annual Report and Statement of Financial Condition of The Property and Casualty Initiative, LLC.

This annual report and statement of the financial condition of The Property and Casualty Initiative, LLC (the “Company”) for the year ended December 31, 2025 is presented by the Company in conformity with the requirements of Section 3(e) (1) of Chapter 259 of the Acts and Resolves of 1998 (the “Act”).

1. List of Participating Property & Casualty Insurance Companies and the amount of capital contributed by each for the 2025 taxable year and in aggregate are attached on Page 25.
2. Qualified Investments. The Company committed a total of \$27,084,496 in qualified investments, as defined by Section 3(b), in the fiscal year ended December 31, 2025. The total net aggregate cumulative investments of the Company through December 31, 2025 was \$575,620,850. A list of all qualified investments committed in the year ended December 31, 2025, including the value and the type of each is attached on Page 4.
3. Qualified Interim Investments. The amount of qualified interim investments at December 31, 2025, as defined by Section 3(b), was \$8,205,067 on Page 22.
4. Regional Public Meetings. The records of the public meetings held in each MOBD Region are attached on Page 23.
5. Certified Audited Financial Statements. The financial statements of the Company for its fiscal year ended December 31, 2025 as certified by the Company’s independent certified public accounts are attached on Page 27.
6. Certificate Required by Section 3(e)(3). The certificate pertaining to investments made by the Company in the five MOBD regions in the Commonwealth is attached on Page 21.

Executed this 15th day of May 2026

THE PROPERTY AND CASUALTY INITIATIVE, LLC

By: *Michelle Volpe*

Michelle Volpe
President

COMMONWEALTH OF MASSACHUSETTS

Suffolk, ss.

Then personally appeared the prior-named Michelle Volpe, President of The Property and Casualty Initiative, LLC who did state that the information set forth in the foregoing Annual Report and Statement of Financial Condition is true and correct to the best of her knowledge, information and belief.

Before me,



Notary Public

My commission expires:



M. Fay Childers
NOTARY PUBLIC
Commonwealth of
Massachusetts
My Commission Expires
May 10, 2030

2025: Year in Review



PCI is a trusted community development lending partner focused on impact. In 2025, PCI committed \$27 million of our capital and sourced an additional \$4 million in capital from lending participants, to close 15 loans. We celebrated 25 years of property and casualty insurance companies' commitment to equitable investment and community development in Massachusetts through PCI.

2025 Impact Key Performance Indicators

Primary Impact Key Performance Indicators (KPIs)	2023 Results	2024 Results	2025 Results
% of Loans with Flexible Debt Features	90%	100%	100%
% of Annual Loans in Affordable Housing Sector	70%	55%	87%
% of Annual Loans in Community Services Sector	30%	18%	13%
% of Annual Loans in Economic Development/Small Business Sector	5%	27%	0%
% of Annual Loans outside of Boston and Boston Metro geography	50%	45%	40%
\$ Loans Closed (net of Participations)	\$ 39,912,500	\$ 19,806,386	\$ 27,084,496
\$ Loans Closed (gross)	\$ 46,202,500	\$ 57,406,386	\$ 30,884,496
Loans Closed	20	11	15
Affordable Homes Created or Preserved	614	248	418
Housing units targetting very low income households (50% AMI)(Veterans, Seniors, Disabled, Formerly Homeless)	252	101	63
% of AH Rental Loans with Resident Services	57%	33%	100%
Home Ownership units, affordable up to 100% AMI	86	9	151
Youth/Children Served	825	1765	510
Clients Served	16,874	-	34
% of Loans in Census Tracts with 2x State Average % of People Living in Poverty (state avg = 9.9%)	48%	82%	73%
% of Loans in Census Tracts with 2x State Average % Population of Color (MA avg = 30.32%)	43%	100%	80%
% Borrowers that are People of Color/Women led	50%	73%	40%
% of non-profit borrowers	75%	73%	47%
Perm Jobs Created/Retained	17	230	1
Small businesses directly benefitting from PCI investments	12	6	14
% of Projects that achieve Green Building standards (LEED, Passive, Zero Net Energy)	29%	36%	40%

CUMULATIVE IMPACT ACROSS THE COMMONWEALTH

Six dollars of impact generated by every dollar invested by PCI Members

The Property and Casualty Initiative insurance company members have invested \$89 million of capital into PCI since 1999. PCI staff have invested and re-invested that capital more than six times, investing **\$575 million** into affordable housing, community services, small businesses and economic development. Additionally, every dollar that PCI invests attracts six more dollars of public and private investment.

PCI provides the debt capital that is hardest to access

83% of PCI's portfolio supports the acquisition, predevelopment, construction or bridge financing needs of our borrowers. Securing capital for the earliest stages of real estate projects is challenging, especially for organizations working in historically marginalized and under-resourced communities. PCI provides this scarce financing that facilitates the completion of critical community projects.

Affordable Housing Lending:

PCI lending has created or preserved over **8,400 units of housing**. These "units" are homes for our most vulnerable neighbors.

Community Services Lending:

Community service organizations provide the opportunities and services that families need to thrive. PCI has partnered with 44 non-profit service organizations to meet their facility needs, lending **\$63 million** to support the following types of outcomes:

- Enhanced educational opportunities for **9,000 young people** annually
- Culturally appropriate healthcare services to **187,000 patients** annually
- Emergency shelter for **1,500 unhoused** individuals annually
- Services for **91,000 clients** ranging from medically tailored meals to affordable fitness to violence prevention for system-involved youth.

Economic Development and Small Business Lending:

PCI invests in women and minority owned businesses to support equitable economic development and wealth creation across the Commonwealth. We are proud to lend to MassVIBE, a partnership between an MBE affordable housing developer and an MBE general contractor.

Our Mission & Vision

PCI works to improve the lives of our most vulnerable neighbors by investing capital and expertise in communities to generate opportunities.

We invest in community assets that contribute to the health and well-being of all residents, especially those with low-incomes and those who have been historically marginalized by systemic racism. We focus investments where we can have significant impact:

- **Housing that is affordable and equitable** and that connects residents to jobs, schools, services and community assets that enable them to thrive and be healthy.
- **Quality community services** such as healthcare, education, childcare and social services that remove barriers to opportunity.
- **Income and wealth creating jobs and businesses**, owned by women and people of color, located in communities of color, that keep dollars circulating within the neighborhood.
- **Economic development projects** that enhance the quality of life for existing residents in rapidly changing neighborhoods.

THE PCI TEAM

Michelle Volpe	President & CEO
Sarah Kitterman	Senior Vice President
Mei See Law-Sandson	Senior Vice President
Sara Mubeen	Senior Accountant & Financial Analyst
Fay Childers	Loan Administrator

QUALIFIED INVESTMENTS SUMMARY

2025

PROJECT/SPONSOR AND PROJECT ADDRESS	INVESTMENT VALUE	TYPE	QUALIFICATION
Midwinter Apartments/Caritas Communities 46 and 50 Winter Street, Quincy	1,200,000	Loan	Investment in affordable housing
Park & Pearl Acquisition/The Neighborhood Developers 155 Pearl Street, 156-160 Park Street & 161-165 Park Street, Chelsea	3,000,000	Loan	Investment in affordable housing
ABC Portfolio Acquisition/The Neighborhood Developers 1 Albion Place, 22-24 Blossom Street, 33 Carroll Street & 37 Carroll Street, Chelsea	2,000,000	Loan	Investment in affordable housing
Mission Hill Pathways/ODJ Developers 77 Terrace Street, Boston (Mission Hill)	1,625,000	Loan	Investment in affordable housing
New Campus/Esperanza Academy 440 North Canal Street, Lawrence	3,062,500	Loan	Investment that will create jobs for LMI households
New Campus/Esperanza Academy 440 North Canal Street, Lawrence	350,000	Loan	Investment that will create jobs for LMI households
Harvard and Standish Homes/TLee Development, CoEverything 114-122 Harvard Street/18-24 Standish Street, Boston (Dorchester)	2,000,000	Loan	Investment in affordable housing
LaGrange Adaptive Reuse/Civico, Rees Larkin 30, 35, 42, 44, 47 & 50 LaGrange and 47 Oread Street, Worcester	1,800,000	Loan	Investment in affordable housing
Erie Glenway Homes/ACEDONE 140-144 Erie Street and 52 Glenway Street, Boston (Dorchester)	2,463,000	Loan	Investment in affordable housing
MassVIBE Homes/MassVIBE 80 Selden, 85 Selden, 106 Selden, 65 Ballou, 71 Ballou, Boston (Dorchester)	2,771,496	Loan	Investment in affordable housing
268 Stevens Homes/Housing Assistance Corporation 268 Stevens Street, Hyannis	1,000,000	Loan	Investment in affordable housing
Hillsboro Live/Work Condos/New Atlantic Dev. 2 Hillsboro Street, Boston (Dorchester)	750,000	Loan	Investment in affordable housing
793 Washington/Beacon Communities 793 Washington Street, Newton	3,562,500	Loan	Investment in affordable housing
Pittsfield Road/Pennrose 238 Pittsfield Road, Lenox	750,000	Loan	Investment in affordable housing
Main Street/Pennrose 1533 Main Street, Chatham	750,000	Loan	Investment in affordable housing
Total – 2025 Qualified Loan Commitments	27,084,496		

AFFORDABLE HOUSING 2025

PROJECT/APPLICANT	COMMITTED DOLLARS	TOTAL UNITS	AFFORDABLE UNITS
Midwinter Apartments Caritas Communities	\$1,200,000	34	34
Park & Pearl Acquisition The Neighborhood Developers	\$3,000,000	30	30
ABC Portfolio Acquisition The Neighborhood Developers	\$2,000,000	27	27
Mission Hill Pathways ODJ Developers	\$1,625,000	48	48
Harvard Standish TLee Development, CoEverything	\$2,000,000	22	22
LaGrange Adaptive Reuse Civico, Rees-Larkin	\$1,800,000	63	40
Erie Glenway Homes ACEDONE	\$2,463,000	9	9
MassVIBE Homes MassVIBE	\$2,771,496	18	18
268 Stevens Homes Housing Assistance Corporation	\$1,000,000	50	46
Hillsboro Live/Work Condos New Atlantic Development	\$750,000	21	21
793 Washington Beacon Communities	\$3,562,500	56	56
238 Pittsfield Road Penrose	\$750,000	48	48
1533 Main Street Penrose	\$750,000	68	68
TOTAL	\$23,671,996	422	418

Midwinter Apartments

\$1,200,000

QUINCY

Current view of 46 & 50 Winter Street



Rendering of finished project



SPONSOR: [Caritas Communities](#)

TYPE OF INVESTMENT: [Predevelopment](#)

REGION: [Greater Boston](#)

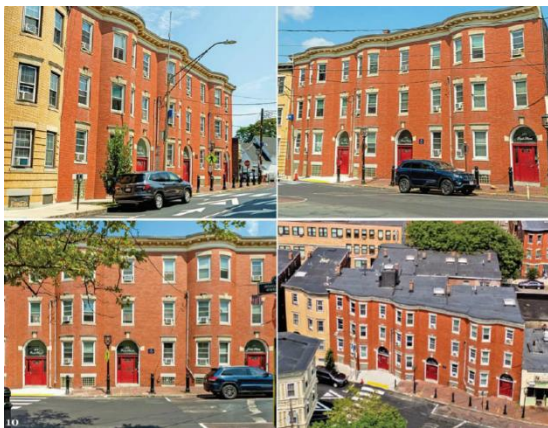
QUALIFICATION: [Affordable Housing](#)

The Midwinter Apartments project will create 34 studio apartments for very low-income residents who are at risk of experiencing homelessness. The building's first floor will include offices and resident services space that will be used for a range of educational opportunities such as job training, life skills, and Alcoholics Anonymous (AA) meetings.

Park & Pearl Acquisition

\$3,000,000

CHELSEA



SPONSOR: [The Neighborhood Developers](#)

TYPE OF INVESTMENT: [Acquisition](#)

REGION: [Greater Boston](#)

QUALIFICATION: [Affordable Housing](#)

The Park & Pearl Portfolio includes 30 units of Naturally Occurring Affordable Housing (“NOAH”) in Chelsea, MA, spread across three occupied multifamily apartment buildings that are roughly adjacent to each other along Park and Pearl Streets. The Park & Pearl Portfolio acquisition is a key component of The Neighborhood Developers’ 5-year anti-displacement strategy that involves assembling and then permanently preserving 150 NOAH units in Chelsea through a scattered-site LIHTC financing.

To support its ambitious NOAH / anti-displacement strategy, The Neighborhood Developers and its affiliate OppCo have established the Housing Accelerator Fund with capital raised from large foundations, banks, healthcare institutions, and the City of Chelsea.



ABC Portfolio Acquisition

\$2,000,000 Loan

CHELSEA

The Neighborhood Developers (“TND”) have acquired a portfolio of 27 units of Naturally Occurring Affordable Housing (“NOAH”) in Chelsea, MA. The ABC Portfolio includes four properties with a total of 27 units along Albion, Blossom and Carrol Streets in Chelsea, MA. The ABC portfolio acquisition is a continuation of TND’s execution of its five-year anti-displacement strategy that involves assembling and then permanently preserving 150 NOAH units in Chelsea through scattered-site Low-Income Housing Tax Credit (“LIHTC”) financing.

SPONSOR: [The Neighborhood Developers](#)

TYPE OF INVESTMENT: [Acquisition](#)

REGION: [Greater Boston](#)

QUALIFICATION: [Affordable Housing](#)



1 Albion Place



22-26 Blossom Street



33 and 37 Carroll

Mission Hill Pathways

\$1,625,000

BOSTON

The vision for the Mission Hill Pathway project is to take long vacant City of Boston land to create a new paradigm for infill development that addresses multiple City priorities. The project will create 44 affordable homeownership units, a community garden, and open space on 11 parcels of vacant land at Parker and Terrace Streets in the Mission Hill neighborhood of Boston.

SPONSOR: [ODJ Developers](#)

TYPE OF INVESTMENT: [Predevelopment](#)

REGION: [Greater Boston](#)

QUALIFICATION: [Affordable Housing](#)



Harvard and Standish Homes

\$2,000,000

BOSTON

Renderings



SPONSOR: [TLee Development and CoEverything](#)

TYPE OF INVESTMENT: [Construction](#)

REGION: [Greater Boston](#)

QUALIFICATION: [Affordable Housing](#)

Harvard and Standish Homes is a new mixed-income development that will create 22 income-restricted homeownership opportunities in Dorchester along with neighborhood-focused retail property and more than 6,000 square feet of outdoor space for residents. The homes are located near public transit, schools, and local businesses, allowing new homeowners to stay connected to the neighborhood they call home.

LaGrange Adaptive Reuse

\$1,800,000

WORCESTER

Civico Development and Rees-Larkin Development are working together to convert an industrial mill building into 63 units of affordable and workforce rental housing in Worcester's Main South neighborhood. The development will also include space for two local food justice organizations, as well open green spaces for the community to use and enjoy.

SPONSOR: [Civico Development and Rees-Larkin Development](#)

TYPE OF INVESTMENT: [Acquisition](#)

REGION: [Central](#)

QUALIFICATION: [Affordable Housing](#)



Erie Glenway Homes

\$2,463,000

BOSTON

ACEDONE was awarded a City of Boston vacant parcel as part of the Welcome Home Boston initiative (WHB), which seeks to activate vacant city parcels for affordable housing development. ACEDONE, an established social service organization serving east African immigrant communities throughout Boston, was selected to develop a bundle of two small parcels along Erie and Glenway Streets in the north Codman Square neighborhood of Dorchester into three triple decker buildings with nine condominium units to be sold to first-time homebuyers earning between 80-100% of the area median income. Six of the nine units will be family-sized two- and three-bedroom condominiums.

SPONSOR: [ACEDONE](#)

TYPE OF INVESTMENT: [Construction](#)

REGION: [Greater Boston](#)

QUALIFICATION: [Affordable Housing](#)



MassVIBE Homes

\$2,771,496

BOSTON

MassVIBE was awarded five City of Boston vacant parcels as part of the Welcome Home Boston initiative, which seeks to activate vacant city parcels for affordable housing development. The city has focused this program on new or ‘emerging,’ minority-owned development teams. MassVIBE was selected to develop five parcels along Ballou Avenue and Selden Street in the south Codman Square neighborhood of Dorchester into 18 units that will be sold to first-time homebuyers earning between 80-100% of the area median income. All of the units will be family-sized dwellings.

SPONSOR: [MassVIBE](#)

TYPE OF INVESTMENT: [Construction](#)

REGION: [Greater Boston](#)

QUALIFICATION: [Affordable Housing](#)

80 Selden



85 Selden



106 Selden



65 Ballou



71 Ballou



268 Stevens Homes

\$1,000,000

HYANNIS



SPONSOR: [Housing Assistance Corporation \(HAC\)](#)

TYPE OF INVESTMENT: [Construction](#)

REGION: [Southeast](#)

QUALIFICATION: [Affordable Housing](#)

Housing Assistance Corporation (HAC) is constructing a 50-unit, residential for-sale condominium building, with 31 units affordable to households earning less than 100% of the Area Median Income (AMI), 15 units affordable to households earning less than 120% AMI, and 4 units sold at market value to HAC to be workforce rental units. The project is at the intersection of Stevens and North Streets in central downtown Hyannis on Cape Cod.

Hillsboro Live/Work Condos

\$750,000

BOSTON

The Hillsboro Live/Work Condominiums project (the “Project”) consists of 21 new for-sale residential units in a four-story building. All units will be affordable and a preference for Boston- Certified Artists will apply to 18 of the units. This project is an extension of the effort New Atlantic undertook to preserve the adjacent Humphreys Street Studios buildings – a commercial artist studios property that serves approximately 45 artists and creative small businesses, most of whom are low and moderate-income.

SPONSOR: [New Atlantic Development](#)

TYPE OF INVESTMENT: [Predevelopment](#)

REGION: [Greater Boston](#)

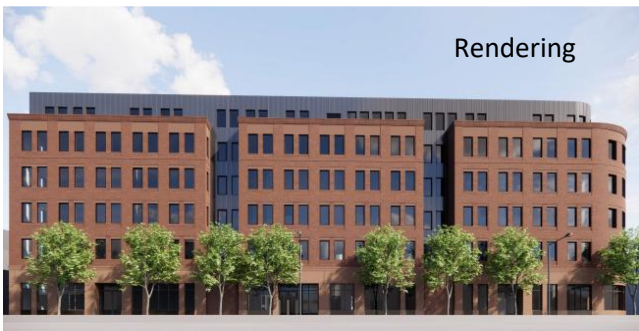
QUALIFICATION: [Affordable Housing](#)



793 Washington

\$3,562,500

NEWTON



SPONSOR: [Beacon Communities](#)

TYPE OF INVESTMENT: [Acquisition](#)

REGION: [Greater Boston](#)

QUALIFICATION: [Affordable Housing](#)

Beacon Communities Development LLC acquired and is redeveloping a commercial building at 793 Washington Street in Newton into 56 units of affordable rental housing with 6,390 SF of ground floor commercial space. The property is located in the Newtonville neighborhood of Newton and is a short distance from a Commuter Rail stop and centrally located for bus service. More than half of the units will be family sized.

Pittsfield Road

\$750,000

LENOX

Pennrose is developing 238 Pittsfield Road in Lenox into a 68-unit mix-income affordable rental property (the “Project”) at a vacant site. The project will replicate Pennrose’s mixed affordable/workforce development, the Forge, located down the road in Lenox.

SPONSOR: [Pennrose](#)

TYPE OF INVESTMENT: [Predevelopment](#)

REGION: [West](#)

QUALIFICATION: [Affordable Housing](#)



Main Street

\$750,000

CHATHAM

Pennrose is developing 48 units of mix-income affordable rental housing on a parcel of land owned by the town of Chatham, on Cape Cod, MA (the “Project”). The 2.9 acres parcel at 1533 Main Street in Chatham was purchased by the Town in 2022 and Pennrose was selected to develop affordable and workforce housing on the site.

SPONSOR: [Pennrose](#)

TYPE OF INVESTMENT: [Predevelopment](#)

REGION: [Southeast](#)

QUALIFICATION: [Affordable Housing](#)



COMMUNITY SERVICES LENDING 2025

PROJECT/SPONSOR	COMMITTED DOLLARS	CLIENTS SERVED ANNUALLY	SQUARE FEET
New Campus/Esperanza Academy*	\$3,412,500	510	33,246
TOTAL	\$3,412,500	510	33,246

*2 Loans

New Campus, Esperanza Academy

\$3,062,500 Loan; \$350,000 Loan

LAWRENCE

Esperanza Academy, founded in 2006, is a tuition-free, all-girls independent school serving low-income, predominantly Latina/Hispanic students in grades 5-8 in Lawrence. The school is in the process of building a new campus where it will educate girls in grades K-8 and stay engaged with graduates through high school and college, providing graduate support and career guidance. PCI is a participant in a \$14 million capital campaign bridge loan.

PROJECT: [New Campus](#)

SPONSOR: [Esperanza Academy](#)

TYPE OF INVESTMENT: [Construction/Bridge](#)

REGION: [Metro West & Merrimack Valley](#)

QUALIFICATION: [Community Services](#)

Rendering



In accordance with Section 3(e)3 the investments made by The Property and Casualty Initiative LLC comply with the provision of paragraphs (1) and (2) of subsection (f). Each MOBD region has received at a minimum its base investment share amount as defined by the Legislation.

REGIONAL DISTRIBUTION* 2025	
REGION	CUMULATIVE QUALIFIED INVESTMENTS
GREATER BOSTON	\$266,252,510
CENTRAL	\$35,691,167
METRO WEST & MERRIMACK VALLEY	\$83,401,504
NORTHEAST	\$55,835,792
SOUTHEAST	\$35,401,477
WESTERN	\$92,038,400
STATEWIDE	\$7,000,000
TOTAL	\$575,620,850

*Massachusetts Office of Business Development Map - 2017

QUALIFIED INTERIM INVESTMENTS

2025

At December 31, 2025, the total interim investments of The Property and Casualty Initiative, LLC were as follows:

BANK DEPOSITS, CERTIFICATES OF DEPOSITS, MONEY MARKET ACCOUNT	\$8,205,067
TOTAL INTERIM INVESTMENTS	\$8,205,067

PUBLIC MEETINGS

2025

As of December 31, 2025

Information regarding 2025 meetings held in each of the MOBD regions:

REGION	CITY REPRESENTED	HOST
Central	Worcester	- Civico/Rees-Larkin
Greater Boston	Brockton, Boston, Newton, Quincy, Chelsea	- Father Bill's & MainSpring - City of Boston Welcome Home - TLee Development - ODJ Developers - The Neighborhood Developers - Caritas Communities - Beacon Communities
Metro West & Merrimack Valley	Lawrence	- Lawrence CommunityWorks - Esperanza Academy - Nectar Community Investments
Northeast	Salem, Peabody	- North Shore Community Development Coalition
Southeast	New Bedford, Hyannis, Chatham	- NorthStar Learning Centers, Community Economic Development Center, HAC, Pennrose
Western	Holyoke, Lenox	- Wayfinders, Pennrose

MEMBER COMPANIES

Arbella Group

- Arbella Mutual Insurance Company
- Arbella Protection Insurance
- Arbella Indemnity Insurance Company

Arrow Mutual Liability Insurance Company

Associated Industries of MA Mutual Insurance Company

Barnstable County Group

- Barnstable County Mutual Insurance Company
- Barnstable County Insurance Company

Country Mutual Insurance Company *(formerly Holyoke Mutual)*

Coverys

- Medical Professional Mutual Insurance Company
- ProSelect Insurance Company (interest sold to Medical Professional Mutual in 2024)

RiverStone International Insurance, Inc. *(formerly Electric Insurance Company)*

Liberty Mutual Group

- Liberty Mutual Insurance Company
- Liberty Mutual Fire Company

Nationwide Group

- Harleysville Worcester Insurance Company
- Berkshire Mutual Insurance Company

Norfolk & Dedham Group

- Norfolk & Dedham Mutual Fire Insurance Company
- Dorchester Mutual Insurance Company
- Fitchburg Mutual Insurance Company

Plymouth Rock Group

- Plymouth Rock Assurance Corp
- Plymouth Rock Home Assurance Corporation
- Pilgrim Insurance Company

Quincy Mutual Fire Insurance Company

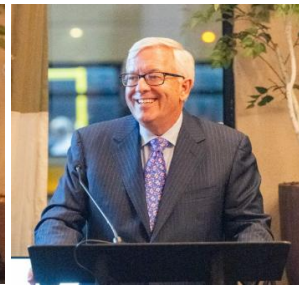

The Premier Insurance Company of Massachusetts

Tower Group

- Massachusetts Homeland Insurance Company

2025 CAPITAL CONTRIBUTIONS

	2025 Capital Contributed	Aggregate Capital Contributed	Proportionate Share
1 Arbella Indemnity Insurance Company		\$92,096	0.123%
2 Arbella Mutual Insurance Company		\$1,959,934	2.616%
3 Arbella Protection Insurance		\$2,564,706	3.423%
4 Arrow Mutual Liability Insurance Company		\$157,251	0.210%
5 Associated Industries of MA Mutual Ins. Co.		\$500,207	0.668%
6 Barnstable County Insurance Company		\$28,112	0.038%
7 Barnstable County Mutual Insurance Company		\$80,869	0.108%
8 County Mutual Insurance Company		\$356,777	0.476%
9 RiverStone International Insurance (formerly Electric Insurance Company)		\$2,946,000	3.932%
10 Harleysville Worcester Insurance Company		\$941,218	1.256%
11 Berkshire Mutual Insurance Company*		\$73,673	0.098%
12 Liberty Mutual Fire Company		\$6,475,690	8.642%
13 Liberty Mutual Insurance Company		\$49,021,737	65.423%
14 Massachusetts Homeland Insurance Company		\$27,508	0.037%
15 Medical Professional Mutual Insurance Company		\$6,132,562	8.184%
16 ProSelect Insurance Company		\$0	0%
17 Dorchester Mutual Insurance Company		\$102,509	0.137%
18 Fitchburg Mutual Insurance Company		\$151,332	0.202%
19 Norfolk & Dedham Mutual Fire Insurance Co		\$483,400	0.645%
20 Pilgrim Insurance Company		\$19,004	0.025%
21 Plymouth Rock Assurance Corp.		\$496,703	0.663%
22 Plymouth Rock Home Assurance Corp.		\$54,500	0.073%
23 Quincy Mutual Fire Insurance Company		\$1,092,516	1.458%
24 The Premier Insurance Company of MA		\$1,171,717	1.564%
Total Capital Contributions		\$74,930,021	100.00%

pci 24 Federal Street, 3rd Floor, Boston, MA 02110
617-723-7878



Celebrating 25 Years September 29, 2025



AUDITED FINANCIAL STATEMENTS

Prepared by



2025



CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Contents
December 31, 2025 and 2024

	<u>Pages</u>
Independent Auditor’s Report	1 - 1A
Consolidated Financial Statements:	
Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Changes in Members’ Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 18



50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

Independent Auditor's Report

To the Audit Committee, Board of Managers and Members of
The Property and Casualty Initiative, LLC and Affiliate:

Opinion

We have audited the consolidated financial statements of The Property and Casualty Initiative, LLC and Affiliate (Massachusetts limited liability companies) (collectively, PCI and the Affiliate) which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, changes in members' equity and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Property and Casualty Initiative, LLC and Affiliate as of December 31, 2025 and 2024, and the results of their operations and their 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PCI and the Affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PCI and the Affiliate'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, which raise substantial doubt about PCI and the Affiliate'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.

AAFCPAs, Inc.

Boston, Massachusetts
April 28, 2026

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Consolidated Balance Sheets
December 31, 2025 and 2024

Assets	2025	2024
Current Assets:		
Cash and cash equivalents	\$ 7,010,041	\$ 7,226,281
Short-term investments	1,195,026	1,148,764
Current portion of loans receivable, net of allowance for credit losses of \$2,174,071 and \$1,069,707 as of December 31, 2025 and 2024, respectively	31,808,719	32,972,467
Accrued interest receivable on loans	834,229	454,353
Prepaid expenses and other	364,352	423,547
Total current assets	41,212,367	42,225,412
Loans Receivable, net of current portion and allowance for credit losses of \$239,578 and \$159,658 as of December 31, 2025 and 2024, respectively	36,528,918	38,515,992
Operating Right-of-Use Asset, net	836,020	926,515
Property and Equipment, net	53,536	73,014
Total assets	\$ 78,630,841	\$ 81,740,933
Liabilities and Members' Equity		
Current Liabilities:		
Line of credit	\$ -	\$ 3,000,000
Accounts payable and accrued expenses	443,809	495,812
Current portion of operating lease liability	139,780	80,047
Total current liabilities	583,589	3,575,859
Credit Loss Liability - Unfunded Commitments	477,030	117,267
Operating Lease Liability, net of current portion	798,610	880,679
Deposits and Escrows	237,587	234,482
Total liabilities	2,096,816	4,808,287
Members' Equity:		
Members' capital contributions	74,930,220	74,930,220
Retained earnings	1,603,805	2,002,426
Total members' equity	76,534,025	76,932,646
Total liabilities and members' equity	\$ 78,630,841	\$ 81,740,933

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

Page 2

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Consolidated Statements of Operations
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Revenues:		
Interest on loans	\$ 4,440,944	\$ 3,801,496
Loan origination fees and other	269,575	249,025
Net investment income	<u>261,303</u>	<u>299,495</u>
 Total operating revenues	 4,971,822	 4,350,016
 Provision for (recovery of) credit losses - unfunded commitments	 (359,763)	 13,125
Provision for credit losses - funded loans	<u>(1,184,284)</u>	<u>(904,458)</u>
 Net operating revenues	 <u>3,427,775</u>	 <u>3,458,683</u>
 Operating Expenses:		
Salaries, payroll taxes and fringe benefits	1,370,162	1,318,464
Bank interest	365,845	78,867
Professional fees and contract services	147,865	138,986
Occupancy costs	136,840	108,674
Supplies and other	45,853	20,842
Insurance	24,671	24,052
Depreciation	23,382	63,363
Telephone and utilities	<u>15,693</u>	<u>9,350</u>
 Total operating expenses	 <u>2,130,311</u>	 <u>1,762,598</u>
 Net income	 <u>\$ 1,297,464</u>	 <u>\$ 1,696,085</u>

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

Page 3

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Consolidated Statements of Changes in Members' Equity
For the Years Ended December 31, 2025 and 2024

	<u>Members' Capital Contributions</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, December 31, 2023	\$ 70,930,220	\$ 1,816,377	\$ 72,746,597
Net income	-	1,696,085	1,696,085
Distribution of earnings to members	-	(1,510,036)	(1,510,036)
Capital contributions	<u>4,000,000</u>	<u>-</u>	<u>4,000,000</u>
Balance, December 31, 2024	74,930,220	2,002,426	76,932,646
Net income	-	1,297,464	1,297,464
Distribution of earnings to members	<u>-</u>	<u>(1,696,085)</u>	<u>(1,696,085)</u>
Balance, December 31, 2025	<u>\$ 74,930,220</u>	<u>\$ 1,603,805</u>	<u>\$ 76,534,025</u>

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities:		
Net income	\$ 1,297,464	\$ 1,696,085
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	23,382	63,363
Provision for credit losses - funded loans	1,184,284	904,458
Provision for (recovery of) credit losses - unfunded commitments	359,763	(13,125)
Amortization of loan origination fees	(266,036)	(242,513)
Capitalized interest - loans receivable	(880,310)	(589,985)
Loan origination fees collected	267,327	263,974
Non-cash lease expenses	136,840	105,830
Changes in operating assets and liabilities:		
Accrued interest receivable on loans	(379,876)	(151,735)
Prepaid expenses and other	59,195	(348,376)
Accounts payable and accrued expenses	(52,003)	362,693
Operating lease liability	(68,681)	(73,551)
Deposits and escrows	3,105	3,272
Net cash provided by operating activities	<u>1,684,454</u>	<u>1,980,390</u>
Cash Flows from Investing Activities:		
Issuance of loans receivable	(24,818,157)	(28,517,846)
Purchase of property and equipment	(3,904)	(77,308)
Principal payments on loans receivable	27,663,714	20,977,522
Purchase of short-term investments	(46,262)	(1,148,764)
Net cash provided by (used in) investing activities	<u>2,795,391</u>	<u>(8,766,396)</u>
Cash Flows from Financing Activities:		
Capital contributions	-	4,000,000
(Principal payment on) proceeds from line of credit	(3,000,000)	3,000,000
Distributions of earnings to members	(1,696,085)	(1,510,036)
Net cash (used in) provided by financing activities	<u>(4,696,085)</u>	<u>5,489,964</u>
Net Change in Cash and Restricted Cash	(216,240)	(1,296,042)
Cash and Restricted Cash:		
Beginning of year	<u>7,226,281</u>	<u>8,522,323</u>
End of year	<u>\$ 7,010,041</u>	<u>\$ 7,226,281</u>
Supplemental Disclosure of Non-Cash Information:		
Right-of-use asset acquired in exchange for lease liability	<u>\$ -</u>	<u>\$ 949,170</u>

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

Page 5

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2025 and 2024

1. OPERATIONS AND TAX STATUS

Operations

The Property and Casualty Initiative, LLC (PCI) is a Massachusetts limited liability company that was formed on May 18, 1999. PCI's business activities consist of making investments in accordance with Chapter 259 of the Massachusetts Acts of 1998 (Chapter 259). Chapter 259 was enacted to promote community investment by insurance companies and the equitable taxation of domestic insurance companies. As a result, PCI is required to operate under the guidelines created by this act. Qualified Chapter 259 investments are those investments in minority or women-owned businesses, small businesses, rental housing and home-ownership development projects, job creation activities, and community health centers, in low and moderate-income environments, and the Community Development Finance Corporation and the Massachusetts Capital Access Program.

PCI's operating agreement originally authorized PCI to operate for a period of twenty-four years ending in May 2023. In 2015, the Members amended the operating agreement in 2015 to allow PCI to operate for an additional ten years through May 2033 (see Note 7).

In August 2007, PCI formed PCI Property Holdings, LLC (the Affiliate), a Massachusetts limited liability company, to acquire and hold real property. PCI is the only member of the Affiliate. The Affiliate does not hold any real property as of December 31, 2025 and 2024.

Tax Status

PCI is a Massachusetts limited liability company and has elected to be treated as a partnership for income tax purposes. Items of income, loss, credits, or deductions arising from PCI are reported by the members on their respective income tax returns as allocated in accordance with the operating agreement. Accordingly, the accompanying consolidated financial statements do not reflect any provisions or credits for income taxes. The Affiliate has elected to be disregarded as a separate entity from PCI for tax purposes. As a result, items of income and loss of the Affiliate, if any, are included in PCI's income tax returns.

2. SIGNIFICANT ACCOUNTING POLICIES

PCI and the Affiliate prepare their consolidated financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Consolidation

The consolidated financial statements include the activities of PCI and the Affiliate. All significant intercompany balances and transactions have been eliminated.

Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2025 and 2024

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of checking, money market and savings accounts.

Short-term Investments

PCI's short-term investments consisted of a six-month certificate of deposit (CD) as of December 31, 2025. The CD earns interest of 4% per annum and matures on May 21, 2026.

Loans Receivable and Accrued Interest Receivable on Loans

Loans receivable are stated net of loan participations qualifying as loan sales, unamortized deferred loan origination fees and an allowance for credit losses (see Notes 3 and 4). Interest on loans is calculated by using the simple interest method on monthly balances of the principal amount outstanding. Loan participations are accounted for under ASC Topic, *Transfers and Servicing*. Loan participations qualify as loan sales if PCI surrenders control over the participated portion of the loan receivable and the participation agreement meets certain other criteria.

Accrued interest receivable on loans is reported separately in the consolidated balance sheets and excluded from the allowance for credit losses measurement (see below).

Allowance for Credit Losses

Allowance for Credit Losses - General

The allowance for credit losses represents management's judgement of an estimated amount of lifetime expected losses that may be incurred on outstanding loans at the consolidated balance sheet date. This estimate is based on the risk characteristics of the loan portfolio, historical losses and defaults, an expectation of supportable future economic conditions, and payment performance of PCI's borrowers. The allowance is measured and recorded upon the initial recognition of a financial asset. The allowance is then reduced by charge-offs (net of recoveries of previous losses) and is increased and decreased by a provision (recovery) for credit losses, which is recorded as a current period expense (revenue).

PCI excludes interest receivable from the measurement of the allowance for credit losses and implemented a non-accrual policy to reverse any accrued, uncollected interest income as loans are moved to non-accrual status. PCI considers the length of time without payment from the borrower and other triggering events when determining that a loan should be moved to non-accrual status and no longer recognize interest revenue on the loan.

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2025 and 2024

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses (Continued)

Allowance for Credit Losses - Performing Loans

The methodology for estimating the allowance includes a collective quantified reserve, and individual allowances on specific loans. Loans are pooled into segments based on similar characteristics of borrowers, contract terms, collateral types, types of associated industries, and business purposes of the loans. Management of PCI concluded that all performing loans are categorized as one collective loan pool (including Affordable Housing and Community and Economic Development loans) on the basis that all of these loans share similar risk characteristics. Accordingly, the determination of the appropriateness of the allowance is complex and applies significant and highly subjective estimates. The use of significant judgement and the estimates of expected lifetime losses in the loan portfolio may vary significantly from actual amounts incurred. While management utilizes available applicable data to recognize expected losses, based on changes in the behavior of the loan portfolio in response to interest rates and economic conditions, the composition of the loan portfolio and the financial condition of the respective borrowers, future additions to the allowance may be necessary. The reasonableness of the allowance is reviewed periodically by the President and Audit Committee and formally approved by the Board of Managers of PCI.

PCI applies the weighted-average remaining life to maturity (WARM) method to estimate the expected credit losses for each loan pool based on the contractual term of the loans not including extensions, renewals and modifications. The WARM methodology utilizes PCI's historical default and loss experience adjusted for current conditions and future economic forecasts. PCI has elected to utilize a ten-year lookback period for the WARM method calculation based on a lending portfolio that is comprised of amortizing loans to borrowers with maturities up to ten years from the date of issuance. The reasonable and supportable forecast period represents a one-year economic outlook (as of December 31, 2025 and 2024) for the applicable economic variables. Management of PCI considered significant factors that could affect the expected future collectability of the amortized cost basis of the portfolio and determined that the primary factors are Federal interest rate fluctuation and changes to the Consumer Pricing Index. See Note 4 for disclosure of PCI's qualitative factors.

Allowance for Credit Losses - Individually Assessed Loans

Loans that do not share the risk characteristics of the collective pool are evaluated on an individual basis. These loans are evaluated individually because uncertainty of repayment arises based on their risk rating. PCI identifies a loan as impaired when management determines that it is probable that interest and/or principal will not be collected in accordance with the contractual terms of the loan agreement because the borrower is experiencing financial difficulty or foreclosure is probable. Management performs an impairment analysis to review these loans' assigned risk rating, outstanding balances, sufficiency of permanent financing sources, deferred interest, type and value of collateral, and guarantees as well as liquidation value of collateral. Individually assessed loans are assigned a specific allowance for credit loss value based on the fair value or liquidation value of the collateral at the reporting date or expected cash recoveries for guarantors or other financing sources. There were ten and five loans evaluated on an individual basis as of December 31, 2025 and 2024, respectively (see Notes 3 and 4).

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2025 and 2024

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses (Continued)

Off-Balance Sheet Credit Exposures

Unfunded lending commitments are reviewed to determine if they are considered unconditionally cancellable. PCI establishes credit losses for unfunded commitments that do not meet that criteria, as a liability on the consolidated balance sheets. Changes to the liability are recorded through the provision for credit losses - unfunded commitments in the consolidated statements of operations. The establishment of the credit losses for unfunded commitments considers both the likelihood that the funding will occur and an estimate of the expected credit losses over the life of the respective commitments.

Investments in Venture Funds

Investments in venture funds consist of PCI's non-controlling interests in two local investment funds which meet the requirements of qualified investment in accordance with Chapter 259. Because PCI does not exercise significant influence over its investments in venture funds, PCI records such investments using the cost method of accounting. Under this method of accounting, PCI records its investments at initial cost and periodically assesses the possibility of the impairment of cost. The carrying cost is \$164,039 and is fully reserved as impaired as of December 31, 2025 and 2024.

Dividends from these investments, which represent distributions of company earnings, if any, are recorded as investment income. Other distributions are recorded as return of capital and reduce investment cost. In the event of impairment, the investments are written down through an allowance for impairment to estimated net realizable value and the loss is charged to operations.

Property and Equipment

Purchased property and equipment are recorded at cost. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred. Property and equipment are depreciated using the straight-line method over the following estimated useful lives of the assets:

Furniture and equipment	3 - 7 years
Leasehold improvements	Term of lease

Property and equipment consist of the following as of December 31:

	<u>2025</u>	<u>2024</u>
Furniture and equipment	\$ 226,236	\$ 222,332
Leasehold improvements	<u>13,372</u>	<u>13,372</u>
	239,608	235,704
Less - accumulated depreciation	<u>186,072</u>	<u>162,690</u>
Net property and equipment	<u>\$ 53,536</u>	<u>\$ 73,014</u>

Deposits and Escrows

PCI holds funds on behalf of outside parties in escrow accounts as collateral against PCI's loans receivable.

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2025 and 2024

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

PCI and the Affiliate follow the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that PCI and the Affiliate would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

PCI and the Affiliate use a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of PCI and the Affiliate. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

The only assets held by PCI that are carried at fair value are cash equivalents in the form of money market accounts and short-term investments in the form of CD accounts. Cash equivalents and short-term investments are considered Level 1 in the fair value hierarchy. PCI held \$7,204,648 and \$7,464,766 in CD and money market accounts as of December 31, 2025 and 2024, respectively. Management also assesses the possible impairment of investments in venture funds using fair value assumptions based on Level 3 inputs (see page 9).

Leases

PCI determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be a lease or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. PCI determines if such assets are leased because PCI has the right to obtain substantially all of the economic benefits from, and the right to direct the use of, the identified asset.

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2025 and 2024

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

In evaluating its contracts, PCI separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its office buildings. PCI has elected the practical expedient to not separate lease and non-lease components and classifies a contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of ROU assets and lease liabilities on the consolidated balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. PCI determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. PCI uses the implicit rate when readily determinable.

As most of the leases do not provide an implicit rate, PCI uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. Incremental borrowing rates used to determine the present value of lease payments were derived by reference to the secured-debt yields PCI would receive to finance each lease transaction or needed to borrow the amount of the undiscounted future payments over the term of the lease.

The lease term may include options to extend or to terminate the lease that PCI is reasonably certain to exercise. Leases with an initial term of twelve months or less are not included on the consolidated balance sheets. Lease expense is generally recognized on a straight-line basis over the lease term.

Revenue Recognition

Revenues from interest on loans, cash, investments, and other sources are recorded as earned on the accrual basis of accounting. Credit loss recoveries are recorded in the year of recovery when cash has been received or collection is assured.

Loan origination fees, net of certain direct loan origination costs, are deferred and amortized as an adjustment to the related loan yield on a straight-line basis over the term of the loan.

Income Taxes

No income tax provision has been included in the accompanying consolidated financial statements as the income, loss and credits of PCI are reported by the members on their respective income tax returns.

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2025 and 2024

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

PCI accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidated financial statements regarding a tax position taken or expected to be taken in a tax return. PCI has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidated financial statements at December 31, 2025 and 2024. However, PCI's income tax returns are subject to examination by the appropriate taxing jurisdictions.

Advertising Costs

PCI expenses advertising costs as they are incurred. Advertising costs were \$30,485 and \$5,844 for the years ended December 31, 2025 and 2024, respectively, and are included in professional fees and contract services in the accompanying consolidated statements of operations.

Subsequent Events

Subsequent events have been evaluated through April 28, 2026, which is the date the consolidated financial statements were available to be issued. There were no events that met the criteria for recognition in the consolidated financial statements. See Notes 3 and 4 for events that met the criteria for disclosure in the consolidated financial statements.

3. LOANS RECEIVABLE

PCI offers the following loan products:

Affordable Housing - Made to organizations that increase the availability of affordable housing to low and moderate-income households. These funds are generally used to acquire or develop residential real properties. Affordable housing loans receivable bear interest at rates ranging from 5.00% to 7.00% and mature at various dates through 2032. Principal balances range from \$1,923 to \$5,738,796. These loans are generally secured by mortgages on the properties and borrowers are required to adhere to certain affordability restrictions. PCI's five largest outstanding affordable housing loans receivable were approximately 42% of the affordable housing portfolio as of December 31, 2025 and 2024.

Commercial and Economic Development (CED) - Made to support the development and/or expansion of minority or women-owned businesses, small businesses, job creation activities, community services organizations and community health centers, within low and moderate-income areas that result in job creation or retainage in Massachusetts. PCI also provides financing to small and mid-sized companies with an emphasis on companies relocating to Massachusetts and creating jobs for residents in economic target areas. CED loans receivable bear interest at rates ranging from 4.50% to 7.75% and mature at various dates through 2031. Principal balances range from \$557,499 to \$3,574,728. These loans are generally secured by the borrowers' business assets and real estate. PCI's five largest outstanding CED loans receivable were approximately 63% and 55% of the CED portfolio as of December 31, 2025 and 2024, respectively.

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2025 and 2024

3. LOANS RECEIVABLE (Continued)

Loans receivable consist of the following at December 31:

	2025		2024	
	Number of Loans		Number of Loans	
Affordable housing	44	\$ 48,246,017	37	\$ 45,984,043
Commercial and economic development	<u>18</u>	<u>22,900,478</u>	<u>21</u>	<u>27,127,698</u>
	<u>62</u>	71,146,495	<u>58</u>	73,111,741
Less - net unamortized loan origination fees		<u>(395,209)</u>		<u>(393,917)</u>
Total loans receivable		70,751,286		72,717,824
Less - allowance for credit losses (see Note 4)		<u>(2,413,649)</u>		<u>(1,229,365)</u>
Loans receivable, net		68,337,637		71,488,459
Less - current portion (net of allowance)		<u>(31,808,719)</u>		<u>(32,972,467)</u>
Loans receivable, net of current portion		<u>\$ 36,528,918</u>		<u>\$ 38,515,992</u>

As of December 31, 2025, there were seven affordable housing loans totaling \$14,527,555 from three borrowers and three CED loans from two borrowers totaling \$4,196,327 that were considered impaired loans and were evaluated individually (see Note 4). These loans mature on various dates through March 2027 and all, except two loans, are expected to be extended. As of December 31, 2024, there were four affordable housing loans totaling \$5,107,238 from one borrower and one CED loan from another borrower for \$2,250,000 that were considered impaired loans and were evaluated individually (see Note 4). There were no charge-off of loans receivable during the years ended December 31, 2025 and 2024. As of December 31, 2025, there were two impaired loans on non-accrual status with a total outstanding balance of \$1,989,020, including one with a balance of \$1,431,521 that was also included delinquent (see page 14). There were no loans receivable on non-accrual status as of December 31, 2024.

PCI determines delinquent status based on the contractual payment terms in effect as of the reporting date. A loan is considered delinquent when scheduled principal and/or interest payments are more than 30 days past due. Loans with formally approved deferrals of principal and/or interest or maturity extensions are not considered past due.

Delinquencies were as follows as of December 31, 2025 and 2024:

	2025	2024
31 - 60 days	\$ 19,036	\$ -
Greater than 180 days	<u>7,170,388</u>	<u>-</u>
Total past due	7,189,424	-
Current	<u>63,957,071</u>	<u>73,111,741</u>

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2025 and 2024

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Current Loans under WARM Method

PCI's historical average annual loss rate for the most recent ten-year lookback period is 0% as of December 31, 2025 and 2024. The historical credit loss rate already factors in prepayment history, which management expects to remain unchanged. Based on the historical average annual loss rate of 0%, PCI adjusted the lifetime loss rate to reflect the effects of changes in current economic conditions and forecasted changes in portfolio performance, management had applied a 1.25% and 0.75% Q-Factor to the quantified lifetime loss rate as of December 31, 2025 and 2024, respectively, for performing loans (collective pool).

Management believes this methodology most faithfully reflects the expected credit losses for the segment of the loan portfolio which is performing without any signs of weakness or deterioration. Management is using a loss rate method adjusted for prepayments that are probable. This assessment is an estimation technique that is most practical and relevant to PCI's current circumstances.

Individually Assessed Loans

As of December 31, 2025 and 2024, PCI evaluated ten and five loans, with collective balances of \$18,723,882 and \$7,357,240, respectively, on an individual basis (see Note 3). An allowance for credit losses of \$1,757,687 and \$735,724, respectively, was recorded to reflect the amounts that PCI expects to collect on these loans. PCI will continue to assess the need for additional allowance for credit losses related to these individually assessed financial assets.

Credit Quality Indicators

PCI monitors credit quality indicators on an on-going basis to determine if any of their loans need to be evaluated separately. PCI pools its loans based on the loan offering types that meet the requirement for commercial and economic development and affordable housing. The internal loan monitoring process includes a process that evaluates security of the loan, debt service coverage, current and leverage ratios of the borrower, customer concentrations of the borrower, credit history of ownership of the borrower, and collateral coverage. PCI monitors credit quality indicators on an annual basis to determine if any of their loans need to be evaluated separately from their core loan pool and to determine if there is a change in the level of risk.

Credit Loss Activity

A summary of the activity within the allowance for credit losses is as follows for the years ended December 31, 2025 and 2024:

	Affordable Housing and CED	Individually Assessed Loans	Total
Allowance for loan losses, December 31, 2023	\$ 324,907	\$ -	\$ 324,907
Provision for credit losses	<u>168,734</u>	<u>735,724</u>	<u>904,458</u>
Allowance for credit losses, December 31, 2024	493,641	735,724	1,229,365
Provision for credit losses	<u>162,321</u>	<u>1,021,963</u>	<u>1,184,284</u>
Allowance for credit losses, December 31, 2025	<u>\$ 655,962</u>	<u>\$ 1,757,687</u>	<u>\$ 2,413,649</u>

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2025 and 2024

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Loss Activity (Continued)

There were no write-offs of loan principal during 2025 or 2024.

Loan Commitments

Commitments to originate loans or subscribe to equity investments are agreements to lend money to or invest in an entity, provided that there are no violations of any conditions established in the agreements. PCI evaluates each request for financing on a case-by-case basis, including, but not limited to, eligibility as established by Chapter 259 of the Massachusetts Acts of 1998, credit worthiness, collateral obtained, and any other prevailing economic factors. Once these commitments are made, PCI is also subject to a degree of off-balance sheet risk, as PCI has committed funds to an entity and such commitment is not recorded on the consolidated balance sheets as a liability. All commitments are made on a conditional basis to allow PCI to assess the financial performance of the borrower prior to the deployment of funds.

Loan Commitments (Continued)

At December 31, 2025 and 2024, PCI had commitments to lend of approximately \$19,123,000 and \$15,636,000, respectively. Among the tools available to manage liquidity are anticipated loan payoffs, utilizing the line of credit (see Note 9), as well as the potential to initiate loan sales and loan participation agreements with lending partners.

In accordance with Topic 326, PCI has recorded credit loss liability to these unfunded commitments, which are summarized below:

	<u>2025</u>	<u>2024</u>
Credit loss liability - unfunded commitments, beginning of year	\$ 117,267	\$ 130,392
Provision for (recovery of) credit losses - unfunded commitments	<u>359,763</u>	<u>(13,125)</u>
Credit loss liability - unfunded commitments, end of year	<u>\$ 477,030*</u>	<u>\$ 117,267</u>

* This includes approximately \$244,000 pertaining to individually assess loans.

Subsequent to year end, PCI committed one loan in the amount of \$2,800,000.

5. RETIREMENT PLAN

PCI maintains a salary reduction plan (the Plan) under Section 401(k) of the Internal Revenue Code (IRC). The Plan covers substantially all employees who have reached the age of twenty-one and have completed 1,000 hours of service. Participants are able to defer a portion of their salary up to limits established by the IRC. Annually, PCI makes a contribution of 4% of participating employees' salaries and may make additional discretionary contributions, as determined by the Board of Managers. These contributions vest in accordance with a schedule defined in the Plan documents. PCI's contributions to the Plan, including discretionary contributions, were \$75,037 and \$84,788 for 2025 and 2024, respectively, and are included in salaries, payroll taxes and fringe benefits in the accompanying consolidated statements of operations.

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2025 and 2024

6. LEASES - OPERATING

PCI entered into a nine-year lease agreement for new office space through May 2033, with an option to extend the lease for five years. The lease commenced on October 1, 2024. Monthly rent under this agreement began June 2025, and is \$11,366 with escalating payments each year throughout the lease. PCI is responsible for utilities, maintenance and real estate taxes. Termination of the lease is generally prohibited unless there is a violation under the lease agreement.

Future minimum lease payments for the next five years are as follows:

2026	\$ 139,780
2027	142,682
2028	145,584
2029	148,486
2030	151,388
Thereafter	<u>377,986</u>
Total future undiscounted lease payments	1,105,906
Less - present value discount	<u>(167,516)</u>
Present value of operating lease liability	938,390
Less - current portion	<u>(139,780)</u>
Operating lease liability, net of current portion	<u>\$ 798,610</u>

The following summarizes the line items in the accompanying consolidated statements of operations, which include the components of lease expense for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Operating lease cost included in occupancy costs	\$ 136,840	\$ 105,830
Variable lease costs included in occupancy costs	<u>-</u>	<u>2,844</u>
Total lease expense	<u>\$ 136,840</u>	<u>\$ 108,674</u>

PCI used its incremental borrowing rate of 4.85% at lease commencement to determine the present value of the lease payments. The above table does not include any option to extend. ROU asset obtained in exchange for lease liability was \$949,170 as of October 1, 2024. Cash paid for amounts included in measuring operating lease liability was \$68,681 and \$73,551 for the years ended December 31, 2025 and 2024, respectively.

7. MEMBERS' CAPITAL ACCOUNTS

Members receive "common units" in PCI in exchange for capital contributed on the basis of one unit for \$1.00. Membership is limited to \$100 million from property and casualty insurance companies in the Commonwealth of Massachusetts.

During 2025, there were no capital contributions. During 2024, two members made capital contributions totaling \$4,000,000.

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2025 and 2024

7. MEMBERS' CAPITAL ACCOUNTS (Continued)

Members may receive distributions from earnings generated by PCI upon approval of the Board of Managers. It is the Board's practice to distribute all of PCI's earnings to members annually based on prior year earnings. PCI distributed \$1,696,085 and \$1,510,036 to members during 2025 and 2024, respectively. Members were prohibited from receiving distributions that would constitute return of capital for the first twenty years of PCI's existence, which expired in 2019. Members expect to receive an additional distribution of \$306,341 in 2026 attributable to a cumulative-effect adjustment to retained earnings from the adoption of the new credit loss standard in 2023.

8. CONCENTRATION OF CREDIT RISK

PCI maintains its cash balances in three banks in Massachusetts and is insured within limits of the Federal Deposit Insurance Corporation (FDIC) and Depositors Insurance Fund (DIF). At certain times during the year, cash balances exceeded the insured amounts. PCI has not experienced any losses in such accounts and management believes the credit risk related to PCI's cash and cash equivalents is not significant. As of December 31, 2025 and 2024, PCI's exposure for uninsured cash was approximately \$6,504,000 and \$6,487,000, respectively. In order to minimize the credit risk for cash equivalents, management has invested the cash equivalents in highly-liquid money market and other pooled investment accounts designed to maximize FDIC coverage for the pooled investment fund.

9. LINE OF CREDIT

During 2025, PCI amended its bank line of credit, increasing the borrowing capacity from \$20,000,000 to \$22,000,000, and extending the maturity date to June 30, 2027. Borrowings are due on demand and interest is payable monthly with the option of a fixed rate based on the Federal Home Loan Bank (FHLB) plus 160 basis points or floating rate based on the Secured Overnight Financing Rate (SOFR) plus 170 basis points (6.76% and 6.01% at December 31, 2025 and 2024, respectively). All borrowings are secured by PCI's business assets with a specific assignment of the loan portfolio. There was no outstanding balance as of December 31, 2025. The outstanding balance was \$3,000,000 as of December 31, 2024. As specified in the agreement, PCI must meet certain covenants; PCI was in compliance with these covenants at December 31, 2025 and 2024.