THE BARNSTABLE
SINCE 1833

A CAPE COD ORIGINAL

NEARLY TWO CENTURIES OF TRUSTED PROTECTION

In 1833, a group of Cape Codders, committed to their community, pooled their resources and formed *The Barnstable County Mutual Insurance Company*. With that simple step, **The Barnstable's** story began.

The primary goal of the founders was protecting the value of their modest homes from the threat of fire. But they also shared another objective, one that still drives **The Barnstable:** to provide unquestionably reliable, fair, and sustainable insurance for the Cape Cod area.

Risk-management—preventing and avoiding losses—has been **The Barnstable's** defining strategy right from its first days. The founders closely managed the risk that the Company assumed, for instance, avoiding properties storing spirits and conducting business.

For its first 100 years, the possibility that one conflagration could destroy every home in its portfolio remained the greatest peril facing **The Barnstable**. The Company developed a winning strategy to mitigate this threat when it required a 100-foot minimum distance between any two insured homes.

By managing risk and avoiding loss, **The Barnstable** did not have to hold much capital to support its business. Instead, it was able to return its profits to its member policyholders in the form of dividends. In fact, the Company managed risk so effectively that by 1845, it was returning over 100 percent of annual premiums to policyholders.

But in 1938, a true watershed event occurred that dramatically affected **The Barnstable** and the rest of the insurance industry: the Great New England Hurricane. This catastrophic storm obliterated scores of homes across the region. However, most of the storm's devastation was not covered by insurance because few homeowners had bought coverage for wind damage. In the aftermath of the '38 storm, the market demanded wind protection, and so the insurance industry introduced the current homeowner policy.

When **The Barnstable** adopted this homeowner policy in 1956, the result was a significant increase in risk, with an immediate impact relative to fulfilling its mission. Now every home in its portfolio could suffer a loss from the same windstorm, a threat to the very existence of the Company.

Because the Company needed to retain capital to fund payments in case of a severe windstorm, it could no longer pay policyholder dividends. And because the storm potential exceeded its surplus, **The Barnstable** now had to borrow additional capital in the form of catastrophe reinsurance.

THE BARNSTABLE TODAY

A major focus of last year's Annual Report was the extreme hardening within the reinsurance market. After increasing for seven consecutive years, costs in this global, unregulated market, where pricing is driven purely by the forces of supply and demand, had reached an all-time high by the start of 2024.

But by year's end, more capital entered the reinsurance market, and demand for reinsurance leveled off, in many cases because buyers of reinsurance were forced to retain more loss. As a result, reinsurance market conditions eased, and pricing declined by roughly 5 to 10 percent off the highs.

Macro-economic conditions have shifted to higher inflation and interest rates, however, making it more expensive for buyers of reinsurance to compete for capital. Meanwhile, catastrophic weather events around the globe continue to fuel demand for reinsurance. As a result, reinsurance pricing remains near all-time highs and is unlikely to return to the pre-pandemic lows.

As we noted last year, **The Barnstable** is well situated to face this situation, thanks to the multi-year structure of our catastrophe reinsurance program. Our arrangement has helped dampen the effects of the hard reinsurance market, enabling us to spread the necessary policyholder rate increases over a few years.

Over the last three years, **The Barnstable's** catastrophe reinsurance costs have risen by approximately 14 percent annually, from $9.7 million in 2022 to $14.5 million estimated for 2025. To help fund this spike in costs, we increased our policy rates by approximately 20 percent, effective May 1, 2024, and we will again increase them, effective May 1, 2025, but this time by only 12 percent. In 2026, we will reassess the conditions in the reinsurance market and make any further adjustments as appropriate.

In short, **The Barnstable** is prepared for the challenges ahead. We remain nimble, shifting strategies and embracing innovations in response to changing conditions. It's simple. **The Barnstable** is in it for the long run.

FINANCIAL POSITION

For **the Barnstable**, 2024 marked yet another year during which we experienced a strengthened financial position. This favorable outcome was driven by strong investment performance, primarily in the public equity markets and by good underwriting results due to the absence of any catastrophic weather events on Cape Cod, all of which led to a 5.2 percent growth in policyholder surplus.

Our business is concentrated across a single geographical area. Therefore, a critical element of the Company's financial position is maintaining capital adequacy to fund the loss potential from catastrophic weather events in our area. To measure this loss potential, we employ various statistical modeling techniques, distilled into a simple metric called **Capital-to-TIV**.

Capital is the money available to pay policyholder claims from a hurricane or other extreme storm, comprising our Surplus and the Catastrophe-Reinsurance coverage purchased each year. As of year-end 2024, our capital base was $440 million—$115 million in Surplus plus $325 million in catastrophe reinsurance.

TIV stands for the **Total Insured property Values** of all in-force policies insured with **The Barnstable**, representing the aggregate dollar amount exposed to loss. The essential risk-management question that we must answer at **The Barnstable** is what percentage of our TIV should we have set aside in capital to pay for the losses in the event of a severe weather event? Our objective is to hold as much capital as our policyholders will bear, as its cost must be passed through to them.

Based on our statistical modelling of loss potential, we have set a target range for capital adequacy between three and five percent of TIV. In 2024, we moved up in this range, from 3.48 to 3.54 percent, primarily due to the growth in policyholder surplus.

The specifics of the homes we insure determine our catastrophic loss potential. Given the level of capital we hold, managing our risk of loss entails identifying the appropriate level of risk to take in terms of TIV—the number, location, and value of homes insured.

In that regard, over the last couple of years we have been shedding policies for properties most susceptible to loss in a windstorm, in particular homes within 1,500 feet of the coastline where extreme-force winds and storm surge can be severe. In 2024, we completed the non-renewal of these coastal policies, shaving about a billion dollars in TIV over a two-year period.

As we continued to catch up with the rapid inflation over the last several years, however, a significant increase in the average coverage A-Dwelling limit of our insured portfolio has mostly offset the impact of these coastal non-renewals. In 2024 alone, the average coverage A grew by 11 percent, from $643,000 to $715,000, adding about $1.2 billion in TIV. The net effect of these actions is that TIV declined overall by .4% in 2024, from $12.472 billion to $12.421 billion.

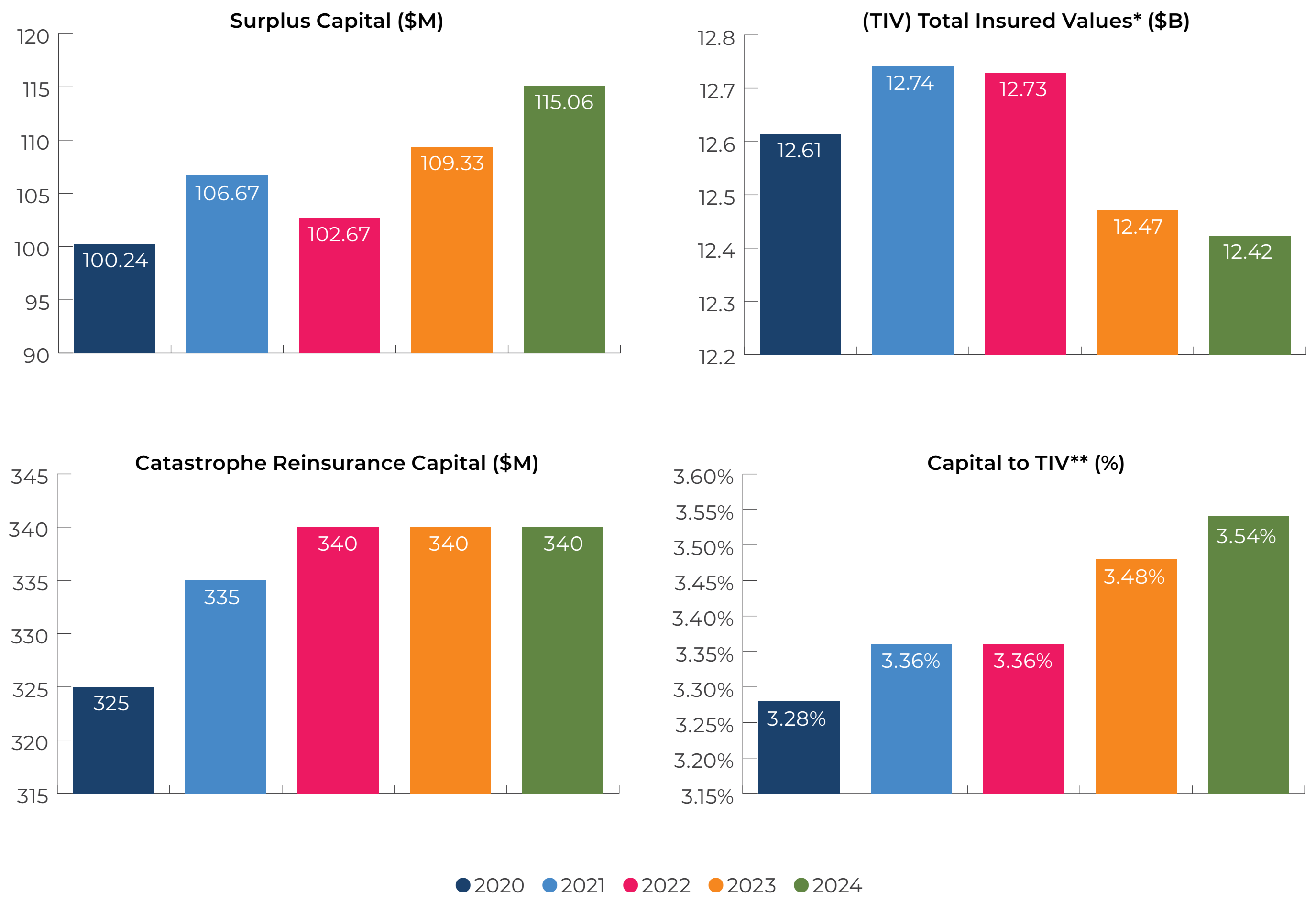
In summary, the financial results in 2024 leave **The Barnstable** better poised to confront the challenges that lie ahead.

COMBINED BALANCE SHEET

	December 2024	December 2023
Assets		
Bonds, Amortized Cost	$77,268,455	$77,080,121
Common Stocks, Market Value	15,052,960	14,069,043
Real Estate, Net of Depreciation	2,230,710	2,292,881
Cash & Short Term Investments	18,748,801	12,891,527
Other Invested Assets	24,597,100	24,170,032
Premium Balances	5,370,926	4,527,991
Goodwill	4,570,733	5,377,334
Other Assets	1,388,552	1,847,086
Total Assets	**$149,228,237**	**$142,256,015**
Liabilities		
Loss Reserves	$2,709,594	$3,762,101
Loss Adjustment Expense Reserves	2,064,345	1,772,947
Unearned Premiums	18,927,370	16,339,244
Net Deferred Tax Liability	1,275,897	1,233,760
Notes Payable	4,316,532	5,131,135
Other Expenses	4,877,877	4,689,949
Total Liabilities	**$34,171,615**	**$32,929,136**
Surplus		
Catastrophe Reserve*	17,678,703	17,616,386
Unassigned Surplus	97,377,919	91,710,493
Total Surplus	**115,056,622**	**109,326,879**
Total Liabilities & Surplus	**$149,228,237**	**$142,256,015**

*Estimated pre-tax cost of a hurricane with a probability of occurrence every 100 years, net of catastrophe reinsurance recoveries.

5 YEAR CAPITAL ADEQUACY



*The maximum coverage limits of all in-force policies, representing Coverages A (dwelling), B (other structures), C (contents) and D (loss of use).
**Capital, comprised of surplus and catastrophe reinsurance, as a percentage of the total insured values.

DIRECTORS (As of March 1, 2025)

Michael J. Ayrer
David G. Brown
Gary M. DellaPosta
John L. DeMello
Elizabeth A. Foley
Rosemary M. McAndrew
Christine M. Murphy
William W. Saltonstall
Robert A. Talerman

OFFICERS (As of March 1, 2025)

John L. DeMello, *President and Chief Executive Officer*
Christine M. Murphy, *Executive Vice President and CFO*
Deborah A. Sutton, *Vice President and Secretary*
Michael A. McNamara, *Deputy CFO and Treasurer*
Ryan Sullivan, *Vice President of Technology*

THE BARNSTABLE SINCE 1833

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