

EXAMINATION REPORT OF
SECURITY MUTUAL INSURANCE ASSOCIATION
BUTLER COUNTY, ALLISON, IOWA
AS OF DECEMBER 31, 2020

HONORABLE DOUG OMMEN
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Allison, Iowa
January 25, 2022

Commissioner Ommen:

In accordance with your instructions and pursuant to Iowa statutory provisions, an examination has been made of the

SECURITY MUTUAL INSURANCE ASSOCIATION

BUTLER COUNTY, ALLISON, IOWA

AS OF DECEMBER 31, 2020

at its Home Office, 101 Cherry Street, Allison, Iowa. The report, containing applicable comments and financial data, is presented herein.

INTRODUCTION

Security Mutual Insurance Association, hereinafter referred to as "Association", was last examined as of December 31, 2015. The examination reported herein was conducted by the Iowa Insurance Division.

SCOPE OF EXAMINATION

This examination covers the period from December 31, 2015 to December 31, 2020. The examination was conducted in accordance with the procedures established by the Insurance Division of Iowa. The Association's assets were verified and evaluated and liabilities determined to present herein a statement of its financial condition as of December 31, 2020.

HISTORY

The Association was incorporated in 1876 for the purpose of insuring the property of its members against hazards and risks as permitted by Chapter 518, Code of Iowa. The corporate existence was made perpetual in 1953.

On January 1, 2019, several transactions occurred. The corporate structure changed to a state mutual insurance association under the provisions of Chapter 518A of the Code of Iowa. The name changed from Butler County Mutual Insurance Association to the current name. Readlyn Mutual Insurance Association merged into the Association.

MANAGEMENT AND CONTROL

MEMBERSHIP

The membership consists of those persons or organizations having insurance written by the Association which remains in force.

The annual meeting of the members is held at Allison, Iowa on the first Tuesday after the first Monday in April of each year at 1:00 p.m. Special meetings may be called by the President as provided in the Articles of Incorporation. Due notice of the time and place of special meetings shall be given the membership. Each member present is entitled to one vote on any question to be decided. Voting by proxy is not permitted. One more member than the number of directors constitute a quorum for any membership meeting.

BOARD OF DIRECTORS

The corporate powers of the Association are vested in a Board of not less than five nor more than fifteen directors, each elected by a majority vote at the annual meeting of the members for terms of three years. Any vacancy on the Board may be filled for the unexpired term by a majority vote of the remaining directors.

Directors serving at December 31, 2020 were:

| <u>Name</u> | <u>Office</u> | <u>Location</u> | <u>Term</u> |
|--------------------|---------------|-------------------|-------------|
| Duane Harms | Board | Shell Rock, Iowa | 2023 |
| Rex Ackerman | Board | Clarksville, Iowa | 2023 |
| Deborah McWhirter | Board | Allison, Iowa | 2022 |
| Doug Sheppard | Board | Readlyn, Iowa | 2022 |
| Steven Knoploh | Board | Fayette, Iowa | 2022 |
| Gale Brinkman | Vice-Chairman | Greene, Iowa | 2021 |
| Vernon Ingalls | Board | Parkersburg, Iowa | 2021 |
| Terrance Stecklein | Board | Arora, Iowa | 2020 |
| Neil Wilkinson | Chairman | Fairbank, Iowa | 2020 |

The annual meeting of the Board is held immediately following the annual meeting of the members, and thereafter on the call of the President or Board Chairman. A majority present constitutes a quorum for the transaction of business.

Directors receive a fee of \$175 for each meeting attended and reimbursement of travel expense of 57.5 cents per mile.

Remuneration of directors is shown on Exhibit A following this report.

COMMITTEES

The Board of Directors shall be empowered to constitute and appoint such committees as they deem to be in the best interests of the Association.

Individuals serving on the committees at December 31, 2020 were as follows:

Executive Committee

Deborah McWhirter
Gale Brinkman
Steve Knoploh
TJ Stecklein

Investment Committee

Neil Wilkinson
Duane Harms
Doug Sheppard

Operations Committee

Deborah McWhirter
Gale Brinkman
Steven Knoploh
TJ Stecklein

Personnel Review Committee

TJ Stecklein
Doug Sheppard
Duane Harms

Search and Hiring Committee

Darryl Brickman
Duane Harms
Doug Sheppard
TJ Stecklein

Organizational Committee

Deborah McWhirter
Gale Brinkman
Steven Knoploh
TJ Stecklein

OFFICERS

At its annual meeting, the Board of Directors elects for a term of one year a President and Secretary, who when designation by the Board, may also serve as Treasurer and such additional officers as it deems necessary.

Officers serving at December 31, 2020 were:

| <u>Name</u> | <u>Office</u> |
|-----------------|--------------------------|
| Jake Lohmann | President/Treasurer |
| Darryl Brickman | Vice-President/Secretary |
| Neil Wilkinson | Chairman |
| Gale Brinkman | Vice-Chairman |

Remuneration of officers is shown on Exhibit A following this report.

Jake Lohmann replaced Brian Dix replaced as President in early 2020.

CONFLICT OF INTEREST

Conflict of interest statements were signed annually by all officers, directors, and key employees.

CORPORATE RECORDS

The Articles of Incorporation and Bylaws were amended and substituted, effective as of January 1, 2019, to account for the following significant corporate actions:

- Readlyn Mutual Insurance Association merged into Butler Country Mutual Insurance Association.
- The Association name changed from Butler County Mutual Insurance Association to the current name.
- The Association converted to an Association operating under the provisions of Chapter 518A of the Code of Iowa.
- Members meeting quorum changed from ten members and to one more than number of the board members.
- The range of numbers of directors was changed from not less than seven nor more than nine directors to not less than five, nor more than fifteen.
- The territory was expanded as detailed in Market Conduct section.

The recorded minutes of the membership and Board of Directors meetings were read and noted. The minutes of the Board of Directors reflected that the Examination Report as of December 31, 2015 was reviewed but not approved by the Board.

AFFILIATED AGENCY

The Association owns a Home Office building in Allison, Iowa and one building in Readlyn, Iowa. The Preston Home Office shares the office with a third party which pays \$180 monthly rent. The retention of the Home Office in Readlyn, Iowa was not approved by the Insurance Division. The Readlyn Home Office shares a portion of the space with a non-affiliated agency, Insurance Headquarters, Inc. (IHI). IHI has three associated agencies, Insurance Associates, Kvale Insurance and VanDaele Insurance, which in total account for 10% of the business written by the Association. IHI paid \$1,150 monthly rent to the Association and pays its own expenses. An Association employee is an IHI officer.

FIDELITY BONDS AND OTHER INSURANCE

The Association is protected by a blanket bond in the amount of \$250,000 for any one loss occurrence.

Policies for other coverages are as follows:

- Workers' compensation and employers' liability
- Professional liability
- Officers' and directors' liability
- Building and contents
- General liability
- Employment practices liability
- Equipment breakdown liability
- Cyber liability

Adequate insurance is placed with authorized insurers except professional liability and officers' and directors' liability which is written by a surplus lines insurer permitted to write in Iowa.

EMPLOYEES' WELFARE

Full-time eligible employees are provided health insurance with 99% of premiums paid by the Association. An annual bonus program based on amount of surplus increase relative to premiums written was started by the Association in 2019. Eligible non-management employees receive a bonus between 1% to 5% starting in 2019. Management bonuses were between 6% to 10%. Total bonuses paid annually during the examination period were \$26,955 and \$34,455 in 2019 and 2020, respectively.

Simple Employee Pension Plan contributions are made by the Association for eligible employees, based upon an annual contribution of 7.5 percent of salary. Contributions were paid annually by the Association during the examination period of \$8,947, \$9,389, \$9,458, \$28,813 and \$38,589, chronologically.

Beginning in 2015, the Association reimbursed eligible employees \$1,000 toward out of pocket medical expenses on an individual policy and \$2,000 toward out of pocket medical expenses on a family policy. The health insurance deductibles must be met by the employee before reimbursement is eligible. Prior to this benefit ending on December 31, 2018, total contributions from the Association since 2016 were \$2,311.

REINSURANCE

The Association has property reinsurance contracts in force as of December 31, 2020 with an authorized insurer which provide the following:

Per Risk Excess of Loss

First layer includes the reinsurer paying 100 percent of each risk in excess of retention of \$200,000 up to a maximum recovery of \$1,000,000. Second layer has a recovery of \$4,000,000 in excess of \$1,000,000 for each risk. Third layer has a maximum recovery of \$15,000,000 in excess of \$5,000,000 for each risk. The Association is required to provide a timely notification to reinsurer of any risks exceeding \$10,000,000. Any risk in excess of \$20,000,000 is excluded from coverage.

Catastrophe Excess of Loss

The first \$1,200,000 of ultimate net loss caused by any one disaster, accident or loss ins retained by the Association. Reinsurer will cover 100% of the ultimate net loss, per loss occurrence in excess of retention. An occurrence includes all the losses sustained by the company during any 96 hour consecutive period.

Aggregate Excess of Loss

The first \$3,500,000 of ultimate net losses in aggregate, net of all other reinsurance recoveries, is retained by the Association. Reinsurance coverage is unlimited after the retention. Applies to new and renewal and in-force policies of the Association effective and becoming effective at and after the effective date of the contract until expiration of the contract.

Earthquake

Losses resulting from earthquakes will not be covered by this reinsurance contract.

Facultative

As of December 31, 2020, there were no risks which warranted a facultative agreement.

Reinsurance - General

The Association's reinsurance coverage complies with current statutory standards relative to surplus exposure and reinsurance coverage.

MARKET CONDUCT

TERRITORY AND PLAN OF OPERATION

At the beginning of the examination period, the Association was authorized to transact business in these nine counties: Black Hawk, Bremer, Butler, Cerro Gordo, Chickasaw, Floyd, Franklin, Grundy and Hardin. The following additional eighteen counties were added in 2019: Allamakee, Benton, Buchanan, Clayton, Delaware, Fayette, Hamilton, Hancock, Howard, Linn, Marshall, Mitchell, Story, Tama, Winnebago, Winneshiek, Worth and Wright. It was noted from a review of numerous applications of policies in force, that risks appeared to be located within the authorized territory.

PRODUCER LICENSING

Business is written by way of ninety-nine licensed and approved agents.

ADVERTISING

The Association's advertising was reviewed and found to be in compliance with statutory requirements.

RATING AND STATISTICAL SERVICES

The Association is neither a member of nor a subscriber to any rating bureau or statistical reporting agency.

POLICY FORMS AND UNDERWRITING PRACTICES

The Association has property policies in force on farm, home-owners, rental and mobile home classes in insurance covering fire, wind, allied lines, and inland marine. Policy and endorsement forms have been filed and approved. The policies and endorsements utilized by the Association are approved by the Board of Directors prior to usage.

Policies are written or renewed on an annual basis with premiums payable monthly, quarterly, semi-annually, or annually. The Association underwrites these policies every five years. Of the fifteen policies examined, eight applications were not signed by agents and seven were not signed by policyholders.

TREATMENT OF POLICYHOLDERS

CLAIMS

Adjustment of claims is handled primarily by the Association's salaried Home Office personnel. Claims were also adjusted by Grinnell Mutual which was paid \$13,399 in 2020.

Numerous claims files were reviewed, including closed by payment, and closed without payment to determine adequacy of loss reserves and the treatment of policyholders. Of the fifteen claims reviewed, nine proof of losses were not signed by the insured and seven were not signed by claims adjuster.

COMPLAINT REGISTER

The Association has a complaint register as promulgated by rules set forth in Iowa Administrative Code 191-15. Two complaints were incurred during the examination period and were resolved timely and in keeping with Iowa laws and regulations.

CREDIT SCORING

Credit scoring is not used by the Association for rating purposes.

GROWTH OF THE ASSOCIATION

The following historical financial data, taken from annual statements for the years indicated, reflects the growth of the Association:

| <u>Year</u> | <u>Admitted Assets</u> | <u>Surplus for Policyholders</u> | <u>Premiums Earned</u> | <u>Losses Incurred</u> | <u>Investment Income</u> |
|-------------|----------------------------|--------------------------------------|----------------------------|----------------------------|------------------------------|
| 2016 | \$13,641,316 | \$12,609,437 | \$1,361,689 | \$ 877,862 | \$531,348 |
| 2017 | 13,421,678 | 12,531,234 | 1,428,739 | 1,704,623 | 398,163 |
| 2018 | 13,729,959 | 12,751,105 | 1,412,354 | 623,918 | 499,475 |
| 2019 | 23,578,037 | 20,342,714 | 4,175,133 | 1,695,056 | 541,481 |
| 2020 | 23,314,513 | 19,561,633 | 4,354,411 | 3,519,927 | 512,514 |

UNDERWRITING EXPERIENCE

FIVE-YEAR PERIOD ENDED DECEMBER 31, 2020

| | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>Total</u> |
|------------------------------|---------------------|-----------------------|--------------------|--------------------|---------------------|-----------------------|
| Premiums earned | \$1,361,689 | \$1,428,739 | \$1,412,354 | \$4,175,135 | \$4,823,655 | \$13,201,569 |
| <u>Incurred Deductions</u> | | | | | | |
| Losses | \$ 877,862 | 1,704,623 | 623,918 | 1,695,056 | 3,551,816 | 8,453,275 |
| Loss adjustment expenses | 62,716 | 94,992 | 68,161 | 432,327 | 595,985 | 1,254,181 |
| Commissions | 337,704 | 334,171 | 339,970 | 1,087,570 | 1,022,195 | 3,121,610 |
| Salaries | 96,153 | 98,959 | 97,830 | 183,284 | 193,687 | 669,913 |
| Taxes, licenses and fees | 49,074 | 51,719 | 54,780 | 70,928 | 76,829 | 303,330 |
| Other underwriting expenses | <u>247,409</u> | <u>208,361</u> | <u>215,643</u> | <u>212,080</u> | <u>182,278</u> | <u>1,065,771</u> |
| Total deductions | <u>\$1,670,918</u> | <u>\$2,492,825</u> | <u>\$1,400,302</u> | <u>\$3,681,245</u> | <u>\$5,622,790</u> | <u>\$14,868,080</u> |
| Net underwriting gain (loss) | <u>\$ (309,229)</u> | <u>\$ (1,064,086)</u> | <u>\$ 12,052</u> | <u>\$ 493,890</u> | <u>\$ (799,135)</u> | <u>\$ (1,666,508)</u> |

Expressed in percentage of incurred deductions to earned premiums

| | | | | | | |
|------------------------------|----------------|----------------|--------------|--------------|----------------|----------------|
| <u>Incurred Deductions</u> | | | | | | |
| Losses | 64.5% | 119.3% | 44.2% | 40.6% | 73.6% | 64.0% |
| Loss adjustment expenses | 4.6 | 6.7 | 4.8 | 10.4 | 12.4 | 9.5 |
| Commissions | 24.7 | 23.5 | 24.0 | 26.0 | 21.1 | 23.6 |
| Salaries | 7.1 | 6.9 | 6.9 | 4.4 | 4.1 | 5.1 |
| Taxes, licenses and fees | 3.6 | 3.6 | 3.9 | 1.7 | 1.6 | 2.3 |
| Other underwriting expenses | <u>18.2</u> | <u>14.5</u> | <u>15.3</u> | <u>5.1</u> | <u>3.8</u> | <u>8.1</u> |
| Total deductions | <u>122.7</u> | <u>174.5%</u> | <u>99.1%</u> | <u>88.2%</u> | <u>116.6%</u> | <u>112.6%</u> |
| Net underwriting gain (loss) | <u>(22.7)%</u> | <u>(74.5)%</u> | <u>0.9%</u> | <u>11.8%</u> | <u>(16.6)%</u> | <u>(12.6)%</u> |

ACCOUNTS AND RECORDS

Office copies of the filed annual statements for the years under review were found to be in agreement with or reconciled to the general ledger balances of assets, liabilities, income and disbursements.

Selected cash receipts recorded during the period were checked and traced to the Association's depository. Checks paid during selected months were compared to the disbursement records and were scrutinized as to payees, amounts and authorized signatures. Cash receipts and disbursements for selected months were proven by comparison and reconciliation to the monthly bank statements.

The Association was in compliance with the Commissioner's Bulletin 97-6 at December 31, 2020 relative to security custodial requirements. The most recent custodial agreement did not meet several Code requirements.

It is suggested that greater care be exercised to ensure proper reporting of investment holdings, particularly the cost of individual bonds.

In accordance with Section 518A.37, Code of Iowa, surplus must be maintained at a level of not less than one hundred thousand dollars or one-tenth of one percent of the gross risk in force, whichever is greater. At December 31, 2020, the gross risk in force for the Association was \$2,050,502,872. The Association's statutory minimum surplus level as of December 31, 2020 was \$2,050,503. It is noted the Association's surplus level to minimum surplus level ratio was 9.5/1. The reported surplus/statutory minimum ratio average for the Chapter 518A licensed industry at December 31, 2020 was 8.4/1.

SUBSEQUENT EVENT

The Association changed their investment custodian to First Bank of Waverly, Iowa after December 31, 2020.

F I N A N C I A L S T A T E M E N T S
A N D C O M M E N T S T H E R E O N

NOTE: Except as otherwise stated, the financial statements immediately following reflect only the transactions for the period ending December 31, 2020 and the assets and liabilities as of this date. Schedules may not add or tie precisely due to rounding.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

| | <u>Assets</u> | <u>Not Admitted</u> | <u>Net Admitted</u> |
|--|---------------|-------------------------|-------------------------|
| Bonds | \$10,561,504 | \$189,825 | \$10,371,679 |
| Preferred stocks | 377,310 | | 377,310 |
| Common stocks | 11,508,900 | | 11,508,900 |
| Real estate: occupied | 139,716 | 45,941 | 93,775 |
| Cash | 192,507 | | 192,507 |
| Cash equivalent | 413,965 | | 413,965 |
| Investment income due and accrued | 84,838 | | 84,838 |
| Uncollected premiums in the course of collection | 133,027 | | 133,027 |
| Deferred premiums, agents' balances and installments | 418,018 | | 418,018 |
| Current federal and foreign income tax | 34,000 | 34,000 | |
| Electronic data processing equipment and | 4,051 | | 4,051 |
| Aggregate write-ins assets: | | | |
| Automobiles | 38,609 | 38,609 | |
| Total Assets | \$23,906,445 | \$308,375 | \$23,598,070 |

LIABILITIES AND SURPLUS

| | | |
|---|--|--------------|
| Losses | | \$ 885,611 |
| Loss adjusting expenses | | 177,852 |
| Commissions payable, contingent commissions | | 161,321 |
| Other expenses | | 7,054 |
| Taxes, licenses and fees | | 15,270 |
| Unearned premiums | | 2,469,088 |
| Advance premiums | | 105,196 |
| Ceded reinsurance premiums payable | | 132,366 |
| Amounts withheld from others | | 41,414 |
| Aggregate write-ins for liabilities: | | |
| Employee benefits payable | | 38,589 |
| Total liabilities | | \$ 4,033,761 |
| Surplus as regards policyholders | | 19,564,309 |
| Total Liabilities and Surplus | | \$23,598,070 |

UNDERWRITING AND INVESTMENT EXHIBIT

FIVE-YEAR PERIOD ENDED DECEMBER 31, 2020

STATEMENT OF INCOME

Underwriting Income

| | | |
|--------------------------------------|------------------|-------------------|
| Premiums earned | | \$13,201,572 |
| Deductions: | | |
| Losses incurred | \$8,453,275 | |
| Loss expenses incurred | 1,254,181 | |
| Other underwriting expenses incurred | <u>5,160,624</u> | |
| Total underwriting deductions | | <u>14,868,080</u> |
| Net underwriting gain (loss) | | \$ (1,666,508) |

Investment Income

| | | |
|----------------------------------|---------------|-----------|
| Net investment income earned | \$2,482,981 | |
| Net realized capital gain (loss) | <u>36,478</u> | |
| Net investment gain (loss) | | 2,519,459 |

Other Income

| | | |
|-------------------------------|---------------|----------------|
| Premiums collected for others | \$ 478,527 | |
| Miscellaneous income | <u>15,713</u> | |
| Total other income | | <u>494,240</u> |

| | | |
|--|--|---------------------|
| Net income before federal income taxes | | \$ 1,347,191 |
| Federal income taxes | | <u>233,969</u> |
| Net income | | <u>\$ 1,113,222</u> |

CAPITAL AND SURPLUS ACCOUNT

| | | |
|---|--|---------------------|
| Surplus as regards policyholders, December 31, 2015 | | <u>\$11,752,825</u> |
| <u>Gains and (Losses) in Surplus</u> | | |
| Net income | | \$ 1,113,222 |
| Net unrealized capital gains (losses) | | 1,083,627 |
| Change in non-admitted assets | | 577,618 |
| Assumption of Readlyn Mutual | | <u>5,037,017</u> |
| Change in surplus as regards policyholders | | <u>\$ 7,811,484</u> |
| Surplus as regards policyholders, December 31, 2020 | | <u>\$19,564,309</u> |

CASH FLOW STATEMENT

Cash from Operations

| | |
|---------------------------------------|---------------------|
| Premiums collected net of reinsurance | \$ 4,466,154 |
| Net investment income | 560,725 |
| Miscellaneous income | <u>50,899</u> |
| Total | <u>\$ 5,077,778</u> |

| | |
|--|------------------|
| Benefit and loss related payments | \$ 2,951,825 |
| Commissions, expenses paid and aggregate write-ins | <u>2,071,196</u> |
| Total | <u>5,023,021</u> |

| | |
|--------------------------|------------------|
| Net cash from operations | <u>\$ 54,757</u> |
|--------------------------|------------------|

Cash from Investments

| | |
|---|---------------------|
| Proceeds from investments sold, matured and repaid: | |
| Bonds | \$ 2,040,837 |
| Stocks | <u>670,024</u> |
| Total investment proceeds | <u>\$ 2,710,861</u> |

| | |
|--|---------------------|
| Cost of investments acquired (long-term) only: | |
| Bonds | \$ 3,264,794 |
| Stocks | <u>3,037,132</u> |
| Total investments acquired | <u>\$ 6,301,926</u> |

| | |
|---------------------------|-----------------------|
| Net cash from investments | <u>\$ (3,591,065)</u> |
|---------------------------|-----------------------|

Cash from Financing and Miscellaneous Sources

| | |
|-------------------------------|-----------------|
| Other cash provided (applied) | <u>\$ 6,189</u> |
|-------------------------------|-----------------|

Reconciliation of Cash and Short-Term Investments

| | |
|---|-------------------|
| Net change in cash and short-term investments | \$ (3,530,119) |
| Cash and short-term investments: | |
| Beginning of year | \$ 4,136,589 |
| End of year | <u>\$ 606,470</u> |

SURPLUS AS REGARDS POLICYHOLDERS

The changes which resulted in the net increase are shown in the following statement of differences:

| <u>Classification</u> | <u>Association Annual Statement</u> | <u>Examination Financial Statement</u> | <u>Surplus Increase (Decrease)</u> |
|--------------------------|---|--|--|
| <u>Assets</u> | | | |
| Cash | \$ 191,641 | \$ 192,507 | \$ 866 |
| Cash equivalents | 414,830 | 413,965 | (865) |
| Bonds | 10,561,504 | 10,371,679 | (189,825) |
| Real estate: occupied | 139,716 | 93,775 | (45,941) |
| Uncollected premiums | 31,723 | 133,027 | 101,304 |
| Deferred premiums | | 418,018 | 418,018 |
| <u>Liabilities</u> | | | |
| Losses | \$ 853,752 | \$ 885,611 | \$ (31,859) |
| Loss adjustment expenses | 3,892 | 177,852 | (173,960) |
| Commissions payable | 136,338 | 161,321 | (24,983) |
| Unearned premiums | <u>2,419,009</u> | <u>2,469,088</u> | <u>(50,079)</u> |
| Net increase in surplus | | | <u>\$ 2,676</u> |
| Surplus per Association | | | <u>19,561,633</u> |
| Surplus per Examination | | | <u>\$19,564,309</u> |

During the period under review, surplus funds increased \$7,811,484 from the amount of \$11,752,825 as shown in the last previous examination report. An operating statement reflecting that increase is contained in the financial section.

COMMENTS

The major changes in the Association's financial statement were due to the following:

Cash \$ 192,507

This asset was increased \$866 due to reclassifying cash in custodial account from cash equivalents.

Cash equivalents \$ 413,965

This asset was decreased \$865 due to reclassifying cash in custodial account.

Bonds \$10,371,679

This asset was decreased \$189,825 to non-admit the book value of bonds purchased as non-investment grade.

Real estate: occupied \$ 93,775

This asset was decreased \$45,941 to non-admit one of the two home offices and a real estate improvement made without approval.

Uncollected premiums \$ 133,027

This asset was increased \$101,304 due to including "Current receivables" portion of uncollected premiums.

Deferred premiums \$ 418,018

This asset was increased \$418,018 due to including "Deferred premiums" as this is a 518A Association.

Losses \$ 885,611

Loss reserves increased by \$31,859 to reflect the actual loss development.

Loss adjustment expense \$ 177,852

This liability was increased \$173,960 due to application of ratio of paid losses to paid adjusting expenses relative to the examination loss reserves.

Commissions payable \$ 161,321

This liability was increased \$24,983 due to including Current and Past Due 1-30 Days commissions.

Unearned premiums \$ 2,469,088

This liability was increased \$50,079 due to including Inland marine unearned premiums.

CONCLUSION

The cooperation and assistance extended by the officers and personnel of the Association is hereby acknowledged.

Respectfully submitted,

/s/ Jerry P. Cihota
JERRY P. CIHOTA, CFE
Examiner Specialist
Iowa Insurance Division

EXHIBIT A

Salaries, fees and other remuneration paid to the Association's officers and directors during the year ended December 31, 2020 were as follows:

Officers

| <u>Name</u> | <u>Office</u> | <u>Salary</u> | <u>Bonus</u> | <u>401k</u> | <u>Mileage Expenses</u> |
|-----------------|-----------------|---------------|--------------|-------------|-------------------------|
| Jake Lohmann | Pres./Treas. | \$29,231 | \$ | \$2,192 | \$ 868 |
| Darryl Brickman | Vice-Pres./Sec. | 92,008 | 8,860 | 7,565 | 3,303 |
| Neil Wilkinson | Chairman | | | | |
| Gale Brinkman | Vice Chairman | | | | |

Directors

| <u>Name</u> | <u>Office</u> | 2019*** <u>Board Fees</u> | 2020*** <u>Board Fees</u> |
|---------------------|---------------|------------------------------|------------------------------|
| Deborah McWhirter | Board | \$2,275 | \$2,450 |
| Doug Sheppard | Board | 1,225 | 2,450 |
| Duane Harms | Board | 1,750 | 2,100 |
| Neil Wilkinson | Chairman | 1,575 | 1,925 |
| Vernon Ingalls | Board | 1,400 | 1,575 |
| Terrance Stecklein* | Board | 1,750 | 2,975 |
| Gale Brinkman | Vice-Chairman | 2,100 | 2,275 |
| Steven Knoploh** | Board | 2,100 | 2,100 |
| Rex Ackerman | Board | 1,050 | 1,225 |

* Director is a partner in Smith Insurance Agency, which was paid \$129,313 in commissions in 2020. Profit share of \$11,538 were paid to this agency in 2020.

** Director is a partner in Community Insurance of Iowa, which was paid \$156,662 in commissions in 2020.

*** Board fees earned in 2019 and 2020 were paid in 2020.