

EXAMINATION REPORT OF
FARMERS MUTUAL INSURANCE ASSOCIATION
SIOUX COUNTY, HULL, IOWA
AS OF DECEMBER 31, 2020

Hull, Iowa
October 22, 2021

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

Commissioner Ommen:

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

FARMERS MUTUAL INSURANCE ASSOCIATION

SIOUX COUNTY, HULL, IOWA

AS OF DECEMBER 31, 2020

at remotely from the Home Office, 1010 Main Street, Hull, Iowa. The report, containing applicable comments and financial data, is presented herein.

INTRODUCTION

The Farmers Mutual Insurance Association, hereinafter referred to as the "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 intervening 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 1886 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 1946. On July 1, 2011, the Association converted to an Association operating under the provisions of Chapter 518A of the Code of Iowa.

Effective July 1, 2012, the Association was the surviving entity of a merger with Farmers Mutual Insurance Association of Merville, Iowa, through an assumption and reinsurance agreement.

MANAGEMENT AND CONTROL

MEMBERSHIP

The membership consists of those persons or organizations having insurance written by the Association which is in full force and effect.

The annual meeting of the members is held at Hull, Iowa on the second Tuesday in March at 1:30 p.m. Special meetings may be called by the President upon request of

the majority of members of the Board of Directors or upon written request of one-fourth of the members of the association 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 each question to be decided regardless of the number of policies owned by the member. Voting by proxy is not permitted. One more member than the number of directors fixed by resolution of the Board of Directors present 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 twelve directors, each elected by a majority vote at the annual meeting of the members for terms of three years. No member shall be eligible for election as a director upon attaining the age of 72. 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>Address</u>	<u>Term Expires</u>
Jim Jensen	Larchwood, Iowa	2020
Joe Schlenger	Cleghorn, Iowa	2020
Phil Landman	Hull, Iowa	2020
Brad Van Heuvelen	Rock Valley, Iowa	2021
Roger Fedders	Ireton, Iowa	2021
Gerald Van Roekel - Vice Chair	Orange City, Iowa	2021
John Van Gorp - Chairman	Sheldon, Iowa	2022
Brian Sadler	Correctionville, Iowa	2022

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

Directors receive a fee of \$750 for each meeting attended and reimbursement of travel expense. The directors receive an annual retainer of \$2,500. Directors also receive \$100 for any conference call or special meeting.

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.

<u>Executive Committee</u>	<u>Underwriting Committee</u>	<u>Nominating Committee</u>
John Van Gorp	John Van Gorp	Joe Schlenger
Gerald Van Roekel	Joe Schlenger	Jim Jensen
Joe Schlenger	Roger Fedders	Brian Sadler
	Gerald Van Roekel	
<u>Compensation Committee</u>	<u>Investment Committee</u>	
John Van Gorp	John Van Gorp	
Gerald Van Roekel	Jim Jensen	
Brian Sadler	Phil Landman	
Phil Landman	Brad Van Heuvelen	

The Association President is an ex-officio member of all committees.

OFFICERS

At its regular annual meeting, the Board of Directors elects for a term of one year a Chairman, Vice Chairman, President, Vice President, Treasurer, and Secretary, and may elect such other officers as specified in the By-Laws or as it may deem advisable. Any of such offices may be combined, except that of President and Secretary. In its discretion, it may leave unfilled for any such period as it may fix by resolution, any office except that of President, Treasurer and Secretary.

David Heynen replaced Wilbur Maas as President on August 1, 2018. David Van Lingen replaced Wilbur Maas as Secretary/Treasurer on December 31, 2020.

Officers serving at December 31, 2020 were:

<u>Name</u>	<u>Office</u>
John Van Gorp	Chairman
Gerald Van Roekel	Vice Chairman
Dave Heynen	President
David Van Lingen	Secretary/Treasurer

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

CONFLICT OF INTEREST

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

CORPORATE RECORDS

The Articles of Incorporation and Bylaws were not amended or substituted during the examination period. Western Cherokee Mutual Insurance Association merged into the Association.

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 and accepted at the December 6, 2016 Board meeting.

AFFILIATED AGENCY

The Association owns its Home Office building and shares five percent of the space with Hull Mutual Insurance Agency (HMIA), which is 100 percent owned by the Association. HMIA produced two percent of the Association's business and received \$51,434 in commissions during 2020. HMIA is managed by the President of the Association, with three other Association employees spending less than eleven percent of their time on HMIA. These four individuals were paid \$56,789 by the Association for HMIA duties.

FIDELITY BONDS AND OTHER INSURANCE

The Association is protected by a blanket bond in the amount of \$400,000 for any one loss occurrence. The bond is written for a one-year period.

Policies for other coverages are as follows:

- Workers' compensation and employers' liability
- Professional liability
- Officers' and directors' liability
- Building and contents
- General liability
- Commercial Auto
- Umbrella liability

Adequate insurance is placed with authorized insurers except professional liability, 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, long-term disability and life insurance by the Association. A defined benefit plan, provided to all full-time eligible employees hired prior to 2011, was terminated in 2020, at which time the Association settled with employees that participated in the plan. The Association annually contributed \$140,000, \$100,000, \$100,000 and \$475,000 from 2016 to 2019, respectively.

A Simplified Employee Pension, originally for employees hired after January 1, 2011, was extended to all employees in 2020 after the termination of the defined benefit plan. The Association annually pays 5% of employees' salary, which in total during the examination period was \$0, \$0, \$37,870, \$51,773 and \$58,227, respectively. Total bonuses annually paid by the Association in the examination period were \$28,700, \$29,700, \$29,700, \$29,700 and \$31,500, respectively.

Prior to the current examination period, the Association purchased a life insurance policy valued at \$48,852, an annuity valued at \$89,660 and long-term care policy that is unlimited in total with a maximum of \$250 per day for the recent former President/Treasurer. The LTC policy includes the spouse of the former President/Treasurer as a beneficiary.

REINSURANCE

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

Property Per Risk Excess of Loss

First layer includes the reinsurer paying 100 percent of each risk in excess of retention of \$300,000 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 per risk in excess of \$20,000,000 is excluded from coverage.

Property Catastrophe Excess of Loss

First \$2,000,000 of ultimate net loss caused by any one disaster, accident or loss. An occurrence is includes all the losses sustained by the company during any 96 hour consecutive period.

Property Aggregate Excess of Loss

First \$18,000,000 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

Risks in excess of the Association's reinsurance contract limit of \$20,000,000 are ceded on a facultative basis. As of December 31, 2020, there was one risks identified which warranted facultative agreements.

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

The Association is authorized to transact business in the State of Iowa as a state mutual insurance association under the provisions of Chapter 518A, Code of Iowa. Business is written in the following fifteen counties in the State of Iowa: Lyon, Osceola, Dickinson, Sioux, O'Brien, Clay, Plymouth, Cherokee, Buena Vista, Woodbury, Ida, Sac, Monona, Crawford and Carroll. It was noted, from a review of numerous applications of policies in force, that all permanent risks are in the authorized territory.

PRODUCER LICENSING

Business is produced by 270 licensed agents.

Policies are written on an annual basis with an annual anniversary that requires agents submit a policy review form every three years. Premiums are payable annually, semi-annually or by EFT. EFT payments may be made on a monthly, quarterly, semi-annual or annual basis.

POLICY FORMS AND UNDERWRITING PRACTICES

The Association has policies in force on farm property, homeowners and rental property 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.

ADVERTISING

The Association's advertising material was reviewed during the examination period with no violations noted under the provisions of the Iowa Administrative Code.

RATING AND STATISTICAL REPORTING

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

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 for a total of \$27,037 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 claims reviewed, nearly all were paid within ten days from the date sufficient information was received to pay the claim. All fourteen claims tested did not have signatures by insured. Ten of the fourteen were not signed by the adjuster.

COMPLAINT REGISTER

The Association maintains a complaint register as promulgated by rules set forth in Chapter 15, Iowa Insurance Regulations. One Association complaints was received during the examination period, which was resolved timely and in keeping with the Iowa laws and regulations.

CREDIT SCORES

Credit scoring is not used by the Association.

GROWTH OF THE ASSOCIATION

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

<u>YEAR</u>	<u>Admitted Assets</u>	<u>Surplus to Policyholders</u>	<u>Premiums Earned</u>	<u>Losses Incurred</u>	<u>Investment Income Earned</u>
2016	\$38,952,386	\$26,850,435	\$13,321,567	\$ 9,621,741	\$1,177,725
2017	41,473,176	29,430,349	14,883,103	9,750,832	1,299,400
2018	48,118,949	34,671,835	16,604,296	7,748,908	1,508,769
2019	53,050,669	39,129,368	17,736,292	10,105,014	1,448,262
2020	58,975,660	45,977,901	18,347,165	7,434,912	1,516,405

UNDERWRITING EXPERIENCE

Underwriting experience as reflected by the Association's filed annual statements for the five year period ended December 31, 2020 was as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
Premiums earned	\$13,334,900	\$14,883,103	\$16,604,296	\$17,736,292	\$18,920,938	\$81,479,529
<u>Incurred Deductions</u>						
Losses	\$ 9,747,996	\$ 9,750,832	\$ 7,748,908	\$10,105,014	\$ 6,882,711	\$44,235,461
Loss adjustment expenses	686,519	758,176	897,370	1,068,214	1,126,207	4,536,486
Commissions	2,864,032	3,448,229	3,647,633	3,840,544	3,512,994	17,313,432
Salaries	408,118	442,938	518,358	505,262	528,841	2,403,517
Taxes, licenses and fees	228,452	238,906	261,242	273,588	269,607	1,271,795
Other underwriting expenses	<u>500,392</u>	<u>516,755</u>	<u>683,297</u>	<u>805,056</u>	<u>645,086</u>	<u>3,150,586</u>
Total deductions	<u>\$14,435,509</u>	<u>\$15,155,836</u>	<u>\$13,756,808</u>	<u>\$16,597,678</u>	<u>\$12,965,446</u>	<u>\$72,911,277</u>
Net underwriting gain (loss)	<u>\$ (1,100,609)</u>	<u>\$ (272,733)</u>	<u>\$ 2,847,488</u>	<u>\$ 1,138,614</u>	<u>\$ 5,955,492</u>	<u>\$ 8,568,252</u>

Expressed in % of incurred deductions to earned premiums:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
<u>Incurred Deductions</u>						
Losses	73.1%	65.5%	46.7%	57.0%	36.4%	54.3%
Loss adjustment expenses	5.1	5.1	5.4	6.0	6.0	5.6
Commissions	21.5	23.1	22.0	21.8	18.5	21.2
Salaries	3.1	3.0	3.1	2.8	2.8	2.9
Taxes, licenses and fees	1.7	1.6	1.6	1.5	1.4	1.6
Other underwriting expenses	<u>3.8</u>	<u>3.5</u>	<u>4.1</u>	<u>4.5</u>	<u>3.4</u>	<u>3.9</u>
Total deductions	<u>108.3%</u>	<u>101.8%</u>	<u>82.9%</u>	<u>93.6%</u>	<u>68.5%</u>	<u>89.5%</u>
Net underwriting gain (loss)	<u>(8.3)%</u>	<u>(1.8)%</u>	<u>17.1%</u>	<u>6.4%</u>	<u>31.5%</u>	<u>10.5%</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.

Greater care should be used during the completion of Schedule D of the Annual Statement. Fifty-two checks, for a total of \$23,873, were outstanding for more than three years as of the examination date. FDIC insurance limit exceeded consistently by balance of the Association checking account.

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 \$6,796,378,633. The Association's statutory minimum surplus level as of December 31, 2020 was \$6,796,379. It is noted the Association's surplus level to minimum surplus level ratio was 6.8/1. The reported surplus/statutory minimum ratio average for the Chapter 518A licensed industry at December 31, 2020 was 8.4/1.

SUBSEQUENT EVENTS

During 2021, The Association was undergoing an extensive building addition to the Home Office which was had an anticipated completion in December, 2021 and acquisition of land for a parking lot.

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

<u>ASSETS</u>			
	<u>Assets</u>	Not <u>Admitted</u>	Net <u>Assets</u>
Bonds	\$33,736,746	\$	\$33,736,746
Preferred stocks	2,287,640		2,287,640
Common stocks	16,525,232		16,525,232
Properties occupied by the Association	840,580	11,197	829,383
Cash	1,815,661		1,815,661
Cash equivalents	3,004,827		3,004,827
Investment income due and accrued	322,590		322,590
Uncollected premiums	691,696		691,696
Deferred premiums, agents' balances	3,398,669		3,398,669
Reinsurance: Other amounts receivable	154,798		154,796
Aggregate write-ins for other than invested assets:			
Annuity	89,660	89,660	
EFT receivable	99,178	99,178	
Automobiles	87,004	87,004	
Underwriting fees receivable	1,587		1,587
Cash surrender value of life insurance	48,852	48,852	
Liability premiums receivable	<u>29,578</u>	<u> </u>	<u>29,578</u>
Total Assets	<u>\$63,134,298</u>	<u>335,891</u>	<u>\$62,798,407</u>
 <u>LIABILITIES AND SURPLUS</u> 			
Losses			\$ 2,235,169
Loss adjusting expenses			218,072
Commissions payable			610,196
Other expenses			24,698
Taxes, licenses and fees			4,662
Current federal taxes			65,854
Unearned premiums			11,786,037
Advance premiums			413,681
Ceded reinsurance premiums payable			429,990
Amounts withheld or retained by company			<u>106,947</u>
Total liabilities			<u>\$15,895,306</u>
Surplus as regards policyholders			<u>46,903,101</u>
Total Liabilities and Surplus			<u>\$62,798,407</u>

UNDERWRITING AND INVESTMENT EXHIBIT

ONE YEAR PERIOD ENDED DECEMBER 31, 2020

STATEMENT OF INCOME

<u>Underwriting income</u>	
Premiums earned	\$18,920,938
 <u>Deductions</u>	
Losses incurred	\$6,882,711
Loss expenses incurred	1,126,207
Other underwriting expenses incurred	<u>4,956,528</u>
Total underwriting deductions	<u>12,965,446</u>
Net underwriting gain (loss)	<u>\$ 5,955,492</u>
 <u>Investment income</u>	
Net investment income earned	\$ 1,516,405
Net realized capital gain (loss)	<u>(72,805)</u>
Net investment gain (loss)	<u>1,443,600</u>
 <u>Other income</u>	
Finance and service charges not included in premiums	\$ 33,597
Aggregate write-ins for other income:	
Miscellaneous	<u>97,911</u>
Total other income	<u>131,508</u>
 Net income before federal income taxes	 \$ 7,530,600
 Federal income taxes incurred	 <u>1,105,854</u>
 Net income	 <u>\$ 6,424,746</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2019	<u>\$39,129,368</u>
 <u>Gains (Losses) in Surplus</u>	
Net income	\$ 6,424,746
Net unrealized capital gains (losses)	1,411,182
Change in non-admitted assets	<u>(62,195)</u>
Change in surplus as regards policyholders for the period	<u>\$ 7,773,733</u>
 Surplus as regards policyholders, December 31, 2020	 <u>\$46,903,101</u>

UNDERWRITING AND INVESTMENT EXHIBIT

FIVE-YEAR PERIOD ENDED DECEMBER 31, 2020

STATEMENT OF INCOME

<u>Underwriting income</u>		
Premiums earned		\$81,479,529
<u>Deductions</u>		
Losses incurred	\$44,235,461	
Loss expenses incurred	4,536,486	
Other underwriting expenses incurred	<u>24,139,330</u>	
Total underwriting deductions		<u>72,911,277</u>
Net underwriting gain (loss)		<u>\$ 8,568,252</u>
<u>Investment income</u>		
Net investment income earned		\$ 6,950,561
Net realized capital gain (loss)		<u>(49,359)</u>
Net investment gain (loss)		<u>\$ 6,901,202</u>
<u>Other income</u>		
Finance and service charges not included in premiums		\$ 122,139
Aggregate write-ins for other income:		
Miscellaneous income		<u>427,837</u>
Total Other income		<u>549,976</u>
Net income before federal income taxes		\$16,019,430
Federal income taxes		<u>2,281,908</u>
Net income		<u>\$13,737,522</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2015		<u>\$26,311,460</u>
<u>Gains (Losses) in Surplus</u>		
Net income		\$13,737,522
Net unrealized capital gains (losses)		4,399,390
Change in non-admitted assets		(84,721)
Aggregate Write-ins:		
Assumption of Western Cherokee Mutual Insurance Association		<u>2,539,450</u>
Change in surplus as regards policyholders		<u>\$20,591,641</u>
Surplus as regards policyholders, December 31, 2020		<u>\$46,903,101</u>

CASH FLOW STATEMENT

Cash from Operations

Premiums collected net of reinsurance	\$16,760,198
Net investment income	1,557,633
Miscellaneous income	<u>131,508</u>
Total	<u>\$18,449,339</u>
Benefit and loss related payments	\$ 6,844,728
Commissions, expenses paid and aggregate write-ins	5,895,831
Federal income taxes paid (recovered) net	<u>972,000</u>
Total	<u>\$13,712,559</u>
Net cash from operations	<u>\$ 4,736,780</u>

Cash from Investments

Proceeds from investments sold, matured and repaid:	
Bonds	\$ 4,738,410
Stocks	<u>922,451</u>
Total investment proceeds	<u>\$ 5,660,861</u>
Cost of investments acquired (long-term) only:	
Bonds	\$ 7,188,637
Stocks	2,274,348
Real estate	<u>141,374</u>
Total investments acquired	<u>\$ 9,604,359</u>
Net cash from investments	<u>\$(3,943,498)</u>

Cash from Financing and Miscellaneous Sources

Other cash provided (applied)	<u>\$ 2,541,749</u>
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Reconciliation of Cash and Short-Term Investments

Net change in cash and short-term investments	\$ 3,335,031
Cash and short-term investments:	
Beginning of year	<u>\$ 1,485,457</u>
End of year	<u>\$ 4,820,488</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>			
Bonds	\$33,473,046	\$33,736,746	\$ 263,700
Preferred Stock	2,551,340	2,287,640	(263,700)
Real estate	840,580	829,383	(11,197)
Cash	3,050,334	1,815,661	(1,234,673)
Cash equivalent	1,757,792	3,003,083	1,245,291
Uncollected premiums	31,097	691,696	660,599
Deferred premiums		3,398,669	3,398,669
Aggregate write-ins:			
Annuity	89,660		(89,660)
Cash surrender of life insurance	48,852		(48,852)
EFT Receivable	99,178		(99,178)
<u>Liability</u>			
Losses	\$ 2,787,370	\$ 2,235,169	\$ 552,201
Loss adjustment expenses	25,167	218,072	(192,905)
Commissions payable	743,967	610,196	133,771
Current federal income taxes	41,000	65,854	(24,854)
Unearned premiums	8,387,358	11,786,037	(3,398,679)
Amounts withheld or retained by company	1,358	106,947	(105,589)
Aggregate write-ins for liabilities:			
Deferred comp	138,512		<u>138,512</u>
Net increase in surplus			<u>\$ 925,200</u>
Surplus per Association			<u>\$45,977,901</u>
Surplus per examination			<u>\$46,903,101</u>

During the period under review, surplus funds increased \$20,591,641 from the amount of \$26,311,460 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:

<u>Bonds</u>	<u>\$33,736,746</u>
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This asset was increased \$263,700 to reclassify investments reported as Preferred stock.

Preferred stock \$ 2,287,640

This asset was decreased \$263,700 to reclassify bonds reported as Preferred stock.

Real estate \$ 829,383

This asset was decreased \$11,197 to non-admit the book value of an improvement not approved by the Insurance Division.

Cash \$ 1,815,661

This asset was decreased by \$1,234,673 to reclassify a money market account of \$1,247,035 to Cash equivalents and including bank account balance of \$12,362 of Hull Mutual Insurance Agency.

Cash equivalent \$ 3,003,083

This asset was increased by \$1,245,291 to reclassify a money market account from Cash.

Uncollected premiums \$ 691,696

This asset was increased \$660,599 primarily due to including Current receivables.

Deferred premiums \$ 3,398,669

This asset was increased \$3,398,669 to reclassify the Deferred premiums that were offset from Unearned premiums.

Aggregate write-ins: Annuity \$ _____

This asset was decreased by \$89,660 as a former officer and not the Association is the beneficiary of this investment.

Aggregate write-ins: Cash surrender value of life insurance \$ _____

This asset was decreased by \$48,852 as a former officer rather than the Association is the beneficiary of this investment.

EFT Receivable \$ _____

This asset was decreased by \$99,178 as these EFT payments are included in uncollected premiums.

Losses \$ 2,235,169

This liability was decreased by \$552,201 to reflect actual loss development.

Unpaid adjustment expenses \$ 218,072

An analysis of loss adjustment expenses to losses incurred applied to the loss reserves resulted in an increase to this liability of \$192,905.

Commissions payable \$ 610,196

This liability was decreased by \$133,771 primarily due to reclassifying equipment breakdown and liability premiums payable to Amounts withheld or retained by company.

Current federal income taxes \$ 65,854

This liability was increased by \$24,854 to properly report the income taxes due as of December 31, 2020.

Unearned premiums \$ 11,786,037

This liability was increased \$3,398,679 to reclassify Deferred premiums, a contra-liability, to an asset line-item.

Amounts withheld or retained by company \$ 106,947

This liability was increased \$105,589 primarily due to reclassifying equipment breakdown and liability premiums payable from Commissions payable.

Aggregate write-ins for liabilities: Deferred comp \$ _____

This liability was decreased \$138,512 due to non-admitting the offsetting aggregate asset write-ins of annuity and cash surrender value of life insurance.

CONCLUSION

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

Respectfully submitted,

/s/ Jerry P. Cihota

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