

EXAMINATION REPORT OF
WESTERN IOWA MUTUAL INSURANCE ASSOCIATION
COUNCIL BLUFFS, IOWA
AS OF DECEMBER 31, 2016

Council Bluffs, Iowa
May 17, 2018

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

Commissioner Ommen:

In accordance with your authorization and pursuant to Iowa statutory provisions, an examination has been made of the records, affairs and financial condition of the

WESTERN IOWA MUTUAL INSURANCE ASSOCIATION

COUNCIL BLUFFS, IOWA

AS OF DECEMBER 31, 2016

at its Home Office, 127 Pearl Street, Council Bluffs, Iowa.

INTRODUCTION

Western Iowa Mutual Insurance Association, hereinafter referred to as the "Association", was last examined as of December 31, 2011. The examination reported herein was conducted by the Iowa Insurance Division.

SCOPE OF EXAMINATION

This examination covers the intervening period from December 31, 2011 through December 31, 2016, the date of the present examination.

The examination was conducted in accordance with procedures recommended by the Financial Condition (E) Committee of the National Association of Insurance Commissioners, and other generally accepted insurance examination standards. A general review and survey was made of the Association's operations and business transactions during the stated period. Accounting methods, internal control procedures, records and other supporting evidences were examined or tested by appropriate methods to the extent deemed adequate. The Association's assets were verified and evaluated and the liabilities determined to reflect herein a statement of its financial condition as of December 31, 2016.

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.

The Articles of Incorporation were amended and substituted on June 24, 1993 changing the Association to a state mutual assessment insurance association under Chapter 518A, Code of Iowa.

The Articles of Incorporation and Bylaws were amended and substituted to change the Association's name from Pottawattamie Mutual Insurance Association to Western Iowa Mutual Insurance Association effective October 1, 1998.

Effective January 1, 2002, Warren County Mutual Insurance Association of Indianola merged with the Association.

Effective January 1, 2003, Farmers Mutual Insurance Association of Bedford merged with the Association.

MANAGEMENT AND CONTROL

MEMBERSHIP

Article V of the Articles of Incorporation states in part, "The membership of the Association shall consist of every individual, co-partnership, public or private corporation, board or association, trustee, administrator, executor, organization or other legal entity having insurance herein. Membership and insurance may be obtained only upon written application signed by the applicant and shall cease when such insurance is canceled or terminates for any cause".

The regular annual meeting of the members shall be held in Council Bluffs, Iowa on the second Thursday in March at 1:30 p.m. Special meetings of the members may be called by the President and shall be called by him upon request of the majority of the members of the Board of Directors or upon written request of one-fourth of the members of the Association. Due notice of the time and place of special meetings shall be given to the members as specified in the Bylaws.

Each member present is entitled to one vote on each question voted on at any membership meeting regardless of the number of policies owned by the member. No voting shall be permitted by proxy. A quorum shall be one more member than the number of directors authorized by the Bylaws.

BOARD OF DIRECTORS

The corporate powers of the Association are vested in a Board of not less than five nor more than fifteen members, the exact number being set from time-to-time by resolution of the Board of Directors. As the term of a director expires, a successor shall be elected by the members of the Association at the regular annual meeting of the members for a term not to exceed three years. Any vacancy on the Board may be filled for the unexpired term by a majority vote of the remaining directors. Directors must be residents of the State of Iowa within the Association's writing area and must be members of the Association.

Directors serving as of December 31, 2016 were:

<u>Name</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Gary E. Forristall Macedonia, Iowa	Farmer	2017
Tracy L. Hass Council Bluffs, Iowa	District Manager US Bank	2017
Ricky L. Killion Council Bluffs, Iowa	Vice President American National Bank	2017
Paul E. Ackley Bedford, Iowa	Farmer	2018
Jack E. Osborn Walnut, Iowa	Farmer	2018
Gary F. Smith Glenwood, Iowa	Farmer	2018
Robert D. Adkins, Jr. Council Bluffs, Iowa	Farmer	2019

<u>Name</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
James R. O'Neill Logan, Iowa	Farmer	2019
John A. Paul Henderson, Iowa	President/Treasurer Western Iowa Mutual	2019

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 Secretary. A majority present constitutes a quorum for the transaction of business.

Directors receive a \$400 fee for each meeting attended, special committee meetings and special committee work consuming a day's time and \$200 for committee meetings of one-half day or less. Executive Committee members receive a fee of \$450 for each executive committee meeting attended. In addition, directors receive reimbursement of travel expenses of 54 cents per mile.

COMMITTEES

The Board of Directors shall appoint such committees as may be necessary to transact business of the Association.

The President and at least two members of the Board of Directors shall constitute an Executive Committee with such powers as specified in the Bylaws or as the Board of Directors may delegate.

Serving on each committee at December 31, 2016 were:

Executive Committee

Ricky L. Killion
Paul E. Ackley
John A. Paul

Finance Committee

Gary E. Forristall
Robert D. Adkins, Jr.
Ricky L. Killion
John A. Paul

Agency Committee

Paul E. Ackley
Jack E. Osborn
James R. O'Neill
John A. Paul

Audit Committee

Robert D. Adkins, Jr.
Gary E. Forristall
Ricky L. Killion
Gary Smith
John A. Paul

Pension Committee

Robert D. Adkins, Jr.
Gary E. Forristall
Ricky L. Killion
Gary F. Smith
John A. Paul

OFFICERS

The Board of Directors, at its annual meeting each year, shall elect for a term of one year a Chairman, Vice Chairman, President, Vice President, Treasurer, Secretary, and such other officers as deemed necessary. Any offices may be combined except that of President and Secretary. The Board of Directors may leave unfilled, for any period as it may fix by resolution, any office except that of President, Treasurer and Secretary.

Duly elected and qualified officers serving the Association as of December 31, 2016 were as follows:

<u>Name</u>	<u>Title</u>
Ricky L. Killion	Chairman of the Board
John A. Paul	Vice Chairman of the Board
Paul E. Ackley	Past Chairman of the Board
John A. Paul	President and Treasurer
Gary F. Forristall	Secretary

The salaries and other remunerations of officers and directors are shown in Exhibit A, found immediately after the signature page of this report.

CONFLICT OF INTEREST

The Association has an established procedure for disclosure to its Board of Directors of any material interest or affiliation on the part of any of its officers or directors which is in or likely to be in conflict with the official duties of such person. Statements are circulated and signed annually by members of the Board, officers and responsible employees. No conflicts were disclosed.

CORPORATE RECORDS

The Articles of Incorporation were not amended during the examination period.

The Bylaws were amended in 2011 to state that any director who has more than two unexcused absences from board meetings during a 12 month period from March 31 in any year until April 1 of the next year may be removed by a majority vote of the board.

The Association's restated Bylaws were amended on June 1, 2016 to set the number of directors at not less than 5 nor more than 15, as set by resolution of the board of directors. Directors must be residents of the State of Iowa, in the Company's writing area and members of the Association. The Bylaws were also amended to allow special meetings of the Board of Directors called by the President and shall be called at the request of a majority of directors at a time and place determined by the President. Five days written or email notice should be given for such special meetings.

The recorded minutes of the membership, Board of Directors, Executive Committee and Audit Committee meetings were read and noted. They appeared to be properly attested. The December 31, 2011 Examination Report was read and approved at the December 12, 2012. Board of Directors meeting.

FIDELITY BOND AND OTHER INSURANCE

The Association is protected by a financial institution bond in the amount of \$250,000 for any one loss occurrence and in aggregate. The bond is written for a three year period. It meets the minimum requirements established by the N.A.I.C.

Policies for other coverages, placed with authorized insurers, were as follows:

- Workers' compensation and employers' liability
- Commercial property insurance
- Commercial liability insurance
- Commercial umbrella liability
- Business automobile
- Flood insurance

In addition, the Association has a directors' and officers' liability and professional liability policy in force with a non-admitted insurer qualified to write excess and surplus lines coverage in Iowa.

EMPLOYEES' WELFARE

Full-time eligible employees are provided hospital, medical, dental, group life and accidental death and dismemberment insurance with 100 percent of the premiums paid by the Association. Long-term and short-term disability benefits are provided to eligible employees with 50 percent of the premiums paid by the Association and the remaining 50 percent paid by the employee. The Association also provides accidental death and dismemberment insurance to all directors and spouses.

The Association makes retirement contributions into a defined benefit pension plan for all full-time eligible employees. Contributions made during the examination period were \$35,000 for 2012, \$35,000 for 2013, \$0 for 2014, \$30,000 for 2015 and \$30,000 for 2016. The pension plan was frozen relative to new participants, effective June 30, 2009.

Effective May 1, 2011, the Association established a 401k retirement plan which matches dollar for dollar any employee contribution from one percent to three percent and contributes up to four percent maximum if each employee contributes five percent into the plan. Employees are eligible to participate in the plan after one year of service and having worked 1,000 hours. The Association made plan contributions during the examination period of \$15,470 (2012), \$16,409 (2013), \$13,997 (2014), \$14,691 (2015), and \$13,296 (2016).

REINSURANCE

Reinsurance treaties in force as of December 31, 2016 with an authorized insurer providing coverage for all property business written by the Association were as follows:

CEDED

First Per Risk Excess of Loss Property

\$150,000 in excess of \$150,000 in respect to each and every risk resulting from one loss occurrence. The reinsurer's limit of liability shall be \$150,000 in respect to each and every loss occurrence.

Second Per Risk Excess of Loss Property

\$450,000 in excess of \$300,000 in respect to each and every risk resulting from one loss occurrence. The reinsurer's limit of liability shall be \$450,000 in respect to each and every loss occurrence.

Third Per Risk Excess of Loss Property

\$750,000 in excess of \$750,000 in respect to each and every risk resulting from one loss occurrence. The reinsurer's limit of the liability shall be \$750,000 in respect to each and every loss occurrence.

First Aggregate Excess of Loss Property

100 percent in excess of an amount equal to 67.50 percent of the Association's net premiums written, of the aggregate net losses, including loss adjustment expenses, which occur during any annual period. Net premiums written shall be defined as gross written premiums during an annual period before dividends or any other extraordinary payments to policyholders, less returns for cancellations and

loss reinsurance premiums inuring to the benefit of this contract ceded during that annual period.

The reinsurer's limit of liability shall be 100 percent of 52.50 percent of the Association's net premiums written, in respect to net losses, including loss adjusting expenses, incurred by the Association during the annual period of this contract.

In respect to each annual period of this contract, the Association shall retain net for its own account, an amount of net losses, including loss adjustment expenses, equal to not less than 67.50 percent of the Association's net written premium.

In the event the loss ratio exceeds the retention hereunder, the reinsurer shall pay to the Association the difference between the actual loss ratio and the retention. This contract shall then be adjusted periodically during the annual period, and the balance due either party shall then be paid.

Second Aggregate Excess of Loss Property

100 percent in excess of an amount equal to 120 percent of the Association's net premiums written, of the aggregate net losses, including loss adjustment expenses, which occur during any annual period.

The reinsurer's limit of liability shall be 100 percent of all net losses, including loss adjusting expenses, incurred by the Association during the annual period of this contract.

In respect to each annual period of this contract, the Association shall retain net for its own account, an amount of net losses, including loss adjustment expenses, equal to not less than 120 percent of the Association's net written premium.

In the event the loss ratio exceeds the retention hereunder, the reinsurer shall pay to the Association the difference between the actual loss ratio and the retention. This contract shall then be adjusted periodically during the annual period, and the balance due either party shall then be paid.

Aggregate Excess of Loss Adjusting Expense

100 percent in excess of an amount equal to the Association's attachment point.

Property Pro Rata Facultative

The Association did not use this type of reinsurance during the examination period.

Excess Property Facultative Per Risk

Association retains \$1,500,000 of loss. Reinsurer will cover up to policy limits of each risk.

Risks in excess of the Association's reinsurance contract limits are ceded on a facultative basis. As of December 31, 2016 there were 19 risks identified which warranted facultative coverage.

Effective January 1, 2017 reinsurance contract retentions were increased to \$5,000,000. As a result, several facultative contracts were cancelled leaving 5 risks warranting facultative coverage.

Reinsurance - General

The Association was in compliance with the surplus exposure requirement.

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. It is authorized to transact business in 48 counties in the State of Iowa. The permitted writing territory is composed of the following counties: Pottawattamie, Harrison, Shelby, Cass, Mills, Montgomery, Fremont, Page, Taylor, Ringgold, Decatur, Wayne, Appanoose, Adams, Union, Clarke, Lucas, Monroe, Adair, Madison, Warren, Marion, Audubon, Guthrie, Dallas, Polk, Jasper, Monona, Crawford, Carroll, Greene, Boone, Story, Marshall, Woodbury, Ida, Sac, Calhoun, Webster, Hamilton, Hardin, Plymouth, Cherokee, Buena Vista, Pocahontas, Humboldt, Wright, and Franklin.

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

At the present time, business is produced by approximately 93 licensed and approved agents.

Policies are underwritten every three years with premiums payable annually, semi-annually, quarterly, or monthly.

ADVERTISING

The Association's advertising material consists primarily of newspaper and radio advertisements. These items were reviewed during the examination with no violations noted.

RATING AND STATISTICAL REPORTING

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 policies in force on farm personal property and homeowners classes of insurance covering fire, allied lines and inland marine.

The policies and endorsements utilized by the Association are approved by the Board of Directors prior to usage.

TREATMENT OF POLICYHOLDERS

Claims

Adjustment of claims is handled primarily by the Association's salaried Home Office personnel. In October 2010, the Association entered into a Catastrophe Assistance Program with their reinsurer to bring in outside independent adjusters to assist with claims.

Numerous claim files were reviewed, including both closed by payment and closed without payment to determine adequacy of loss reserves and the treatment of policyholders. Of the claims reviewed, 100 percent were paid within fifteen days from the date sufficient information was received to pay the claim. It appeared that the Association made prompt and equitable settlements which were in keeping with the terms of the policy contracts.

Complaints

The Association does maintain a complaint register as promulgated by rules set forth in Chapter 15, Iowa Insurance Regulations. All Association complaints received during the examination period were found to be resolved in a timely and satisfactory manner in keeping with Iowa laws and regulations.

GROWTH OF THE ASSOCIATION

The following historical data was taken from office copies of filed annual statements for the years indicated:

<u>Year</u>	<u>Admitted Assets</u>	<u>Surplus to Policyholders</u>	<u>Net Premiums Earned</u>	<u>Net Losses Incurred</u>	<u>Investment Income Earned</u>
2012	10,232,871	7,027,622	4,028,046	1,696,736	215,114
2013	11,798,296	8,127,413	4,362,851	2,418,991	188,060
2014	12,385,180	7,408,430	4,412,421	4,039,802	130,458
2015	11,055,231	7,264,778	4,224,834	2,033,974	166,047
2016	12,075,651	8,808,932	3,907,112	1,354,691	160,309

UNDERWRITING EXPERIENCE

Underwriting experience as reflected by the Association's annual statements for the five-year period ended December 31, 2016 was as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
Premiums earned	\$4,043,846	\$ 4,362,851	\$ 4,412,421	\$4,224,834	\$3,889,250	\$20,933,202
<u>Incurred Deductions</u>						
Losses	\$1,699,680	\$ 2,418,991	\$ 4,039,802	\$2,033,974	\$1,444,947	\$11,637,394
Loss adjustment expenses	418,371	437,038	305,245	365,505	409,103	1,935,262
Commissions	826,863	900,076	850,940	845,498	849,804	4,273,181
Other underwriting expenses	803,927	821,124	753,251	740,834	690,140	3,809,276
Total deductions	\$3,748,841	\$ 4,577,229	\$ 5,949,238	\$3,985,811	\$3,393,994	\$21,655,113
Net underwriting gain (loss)	\$ 295,005	\$ (214,378)	\$ (1,536,817)	\$ 239,023	\$ 495,256	\$ (721,911)

Expressed in percentages of incurred deductions to earned premiums the ratios are as follows:

<u>Incurred Deductions</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
Losses incurred	42.03%	55.44%	91.56%	48.14%	37.15%	55.59%
Loss expenses incurred	10.34	10.02	6.92	8.65	10.52	9.25
Commissions	20.45	20.63	19.28	20.01	21.85	20.41
Other underwriting expenses	19.88	18.82	17.07	17.54	17.75	18.20
Total underwriting deductions	92.70%	104.91%	134.83%	94.34%	87.27%	103.45%
Net underwriting gain (loss)	7.30%	(4.91%)	(34.83%)	5.66%	12.73%	(3.45%)

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 balance 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 were proved by comparison and reconciliation to the monthly bank statements.

The Association was in compliance with the Commissioner's bulletin 97-6 at December 31, 2016 relative to security custodial requirements.

The Association has a \$2,000,000 line of credit with an established bank, American National Bank. The interest rate is equivalent to the New York Prime interest rate.

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, 2016, the gross risk in force for the Association was \$1,429,098,117. The Association's statutory minimum surplus level as of December 31, 2016 was \$1,429,098. It is noted the Association's surplus level to minimum surplus level ratio was 6.1/1. The reported surplus/statutory minimum ratio average for Chapter 518A licensed industry at December 31, 2016 was 8.5/1.

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, 2016 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>Ledger</u>	<u>Not Admitted</u>	<u>Admitted</u>
Bonds	\$ 3,871,265	\$	\$ 3,871,265
Stocks:			
Preferred	0		0
Common	6,372,267		6,372,267
Properties occupied by the Association	72,954		72,954
Cash holdings	292,007		292,007
Short-term investments	935,908		935,908
Investment income due and accrued	49,717		49,717
Premiums and agents' balances in course of collection	78,779	512	78,267
Deferred premiums, agents' balances and installments booked by deferred, not yet due	379,479		379,479
Amounts recoverable from reinsurers	2,351		2,351
Electronic data processing equipment and software	16,570	3,039	13,531
Furniture and equipment	1,013	1,013	0
Automobiles	18,998	18,998	0
Miscellaneous receivable	4,354		4,354
	<hr/>	<hr/>	<hr/>
Total assets	\$12,095,662	\$ 23,562	\$12,072,100

LIABILITIES AND SURPLUS

Losses		\$ 455,149
Loss adjusting expenses		23,804
Commissions payable, contingent commissions and other similar charges		155,609
Other expenses		6,706
Taxes, licenses and fees		2,726
Unearned premiums		2,473,903
Advance premiums		89,917
Ceded reinsurance premiums payable		(840)
Amounts withheld or retained by Association for account of others		33,789
Unfunded pension liability		124,910
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Total liabilities		\$ 3,365,673
Surplus as regards policyholders		8,706,427
		<hr/>
Total liabilities and surplus		\$12,072,100

UNDERWRITING AND INVESTMENT EXHIBIT

FOR THE ONE YEAR PERIOD DECEMBER 31, 2016

STATEMENT OF INCOME

<u>Underwriting Income</u>		
Premiums earned		\$ 3,889,250
<u>Deductions</u>		
Losses incurred	\$1,444,947	
Loss expenses incurred	409,103	
Other underwriting expenses incurred	<u>1,539,944</u>	
Total underwriting deductions		<u>3,393,994</u>
Net underwriting gain (loss)		\$ 495,256
<u>Investment Income</u>		
Net investment income earned		160,309
Net realized capital gain (loss)		62,608
<u>Other Income</u>		
Finance and service charges not included in premiums		15,156
Aggregate write-ins for miscellaneous income:		
Miscellaneous income		6,600
Overwrite fees		<u>32,273</u>
Net income before dividends to policyholders and before Federal and foreign income taxes		<u>\$ 772,202</u>
Dividends to policyholders		
Net income after dividends to policyholders but before Federal and foreign income taxes		\$ 772,202
Federal and foreign income taxes incurred		<u>0</u>
Net income		<u>\$ 772,202</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2015		<u>\$ 7,264,778</u>
<u>Gains and (Losses) in Surplus</u>		
Net income		\$ 772,202
Net unrealized capital gains (losses)		685,267
Change in non-admitted assets		3,403
Change in unfunded pension liability		(19,223)
Change in surplus as regards policyholders for the period		<u>\$ 1,441,649</u>
Surplus as regards policyholders, December 31, 2016		<u>\$ 8,706,427</u>

UNDERWRITING AND INVESTMENT EXHIBIT

FOR THE FIVE-YEAR PERIOD DECEMBER 31, 2016

STATEMENT OF INCOME

<u>Underwriting Income</u>		
Premiums earned		\$20,933,202
<u>Deductions</u>		
Losses incurred	\$11,637,394	
Loss expenses incurred	1,935,262	
Other underwriting expenses incurred	<u>8,082,457</u>	
Total underwriting deductions		<u>21,655,113</u>
Net underwriting gain (loss)		\$ (721,911)
<u>Investment Income</u>		
Net investment income earned		859,988
Net realized capital gain (loss)		453,234
<u>Other Income</u>		
Finance and service charges not included in premiums		74,877
Aggregate write-ins for miscellaneous income:		
Miscellaneous income		31,874
Overwrite fee		<u>149,890</u>
Net income before dividends to policyholders and before Federal and foreign income taxes		<u>\$ 847,952</u>
Dividends to policyholders		
Net income after dividends to policyholders but before Federal and foreign income taxes		\$ 847,952
Federal and foreign income taxes incurred		<u>0</u>
Net income		<u>\$ 847,952</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2011		<u>\$ 6,110,510</u>
<u>Gains and (Losses) in Surplus</u>		
Net income		\$ 847,952
Net unrealized capital gains (losses)		1,666,315
Change in non-admitted assets		23,520
Aggregate write-ins for gains (losses) in surplus:		
Change in unfunded pension liability		<u>58,130</u>
Change in surplus as regards policyholders for the period		<u>\$ 2,595,917</u>
Surplus as regards policyholders, December 31, 2016		<u>\$ 8,706,427</u>

SURPLUS AS REGARDS POLICYHOLDERS

Examination changes which resulted in a net decrease to surplus are shown in the following statement of differences:

	<u>Association Annual Statement</u>	<u>Examination Financial Statement</u>	<u>Surplus Increase (Decrease)</u>
<u>Assets</u>			
Premiums and agents' balances in course of collection	\$ 78,779	\$ 78,267	\$(512)
Electronic data processing equipment & software	16,570	13,531	(3,039)
<u>Liabilities</u>			
<u>Losses</u>			
Loss adjustment expenses	364,893	455,149	(90,256)
Commissions payable	31,944	23,804	8,140
Advance premium	156,121	155,609	512
Ceded reinsurance premiums payable	76,639	89,917	(13,278)
	(4,912)	(840)	<u>(4,072)</u>
Net change in surplus			\$ (102,505)
Surplus per Association			<u>8,808,932</u>
Surplus per examination			<u>\$8,706,427</u>

During the period under review, surplus funds increased \$2,595,917 from the amount of \$6,110,510 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 statements were due to the following:

Premiums and agents' balances in course of collection \$ 78,267

The asset was decreased \$512 to reflect the amount of premiums received.

Electronic data processing equipment & software \$ 13,531

The asset was decreased by \$3,039 to reflect the required three year depreciable lives on all such equipment.

Losses \$455,149

The loss reserves were increased \$90,256 to reflect actual claim development.

Loss adjustment expenses \$ 23,804

An analysis of paid expenses to paid losses applied to the loss reserved resulted in an \$8,140 decrease in this liability.

Commissions payable \$155,609

The liability was decreased \$512 to reflect the actual commissions paid subsequent to year end.

Advance premiums \$ 89,917

Advance premiums were increased by \$13,278 to report the liability before deducting applicable agent commissions.

Ceded reinsurance premiums payable \$ (840)

The liability was increased \$4,072 to reflect the actual reinsurance premium refund for the 2016 contract year.

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Association during the course of this examination is hereby acknowledged.

Respectfully submitted,

/s/ Kris Sterler

Kris Sterler, CPA
Kris E. Sterler, CPA PLC
Representing the State of Iowa