

EXAMINATION REPORT OF  
IOWA RIVER MUTUAL INSURANCE ASSOCIATION  
HARDIN COUNTY, ELDORA, IOWA  
AS OF DECEMBER 31, 2016

Eldora, Iowa  
May 15, 2017

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

IOWA RIVER MUTUAL INSURANCE ASSOCIATION

ELDORA, IOWA

AS OF DECEMBER 31, 2016

at its Home Office, 1515 Edgington Avenue, Eldora, Iowa. The report, containing applicable comments and financial data, is presented herein.

SCOPE OF EXAMINATION

This examination covers the period from December 31, 2011 to December 31, 2016. The examination was conducted in accordance with the procedures established by the Insurance Division of Iowa and generally accepted insurance examination standards.

HISTORY

The Association was incorporated in 1871 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 1954. Approval granted by Iowa Insurance Division on December 21, 2012 for the Association to become a state mutual insurance association under Chapter 518A, Code of Iowa.

With change to a 518A on September 27, 2012, Association changed name from Hardin County Mutual Insurance Association to Iowa River Mutual Insurance Association.

Association was surviving entity with merger with Iowa Valley Mutual Insurance Association on January 1, 2013. Association was surviving entity with merger with Franklin County Farmers Mutual Insurance Association effective January 1, 2016.

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 on the fourth Monday in March at 10:30 a.m. was changed in 2012 from Iowa Falls to Eldora, Iowa. The location change was noted in amended Articles. Special meetings may be called by the President upon request of the Board of Directors 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. A majority of the Board of Directors plus one member 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 director is elected as provided in the Bylaws at the annual meeting of the members for terms of three years. The Association's articles were revised in 2013 to increase number of directors allowed from nine members. Any vacancy on the Board may be filled for the unexpired term by a majority vote of the remaining directors. Board numbers fluctuated during the Examination period as noted on the Annual Statements as follows: twelve in 2013, nine in 2014 and eleven in 2016.

Directors serving at December 31, 2016 were:

<u>Name</u>	<u>Address</u>	<u>Term Expires</u>
Dale Butson	Hampton, Iowa	2017
Dallas Muhlenbruch	Dows, Iowa	2017
Mark Guy	Iowa Falls Iowa	2017
John C. Mackin	Marshalltown, Iowa	2017
Dwight Schuneman	Eldora, Iowa	2017
William Patten	Clemons, Iowa	2018
Mark Hilleman	State Center, Iowa	2018
Steve Perry	New Providence, Iowa	2018
Duane Swart	Iowa Falls, Iowa	2019
Gary Claypool	Hampton, Iowa	2019
Brenda Mosher	Conrad, Iowa	2019

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

Directors receive a base fee of \$150 for each meeting attended and reimbursement of travel expense. If the Director is in the process of obtaining a board certification from the National Association of Mutual Insurance Companies (NAMIC), he or she will receive a fee of \$200 per meeting. Directors with the NAMIC Farm Mutual Director Certification receive a fee of \$300 per meeting.

At the 2017 Members' annual meeting, members elected Director Mark Guy to a one year term in order to maintain a well classified board.

COMMITTEES

For the committees noted below, the Board of Directors made the following appointments:

<u>Executive</u>	<u>Audit and Finance</u>
Mark Hilleman	William Patten
Dwight Schuneman	John Mackin
Steve Perry	Jim Titus
Kendall Lunsford	

OFFICERS

At its annual meeting, the Board of Directors elects for a term of one year a President, Vice President, Treasurer and Secretary and may appoint such other officers as it may deem advisable. Any of such offices may be combined except that of President and Secretary.

Officers serving at December 31, 2016 were:

<u>Name</u>	<u>Office</u>
Kendall Lunsford	President
Mark Hilleman	Chairman
Steve Perry	Secretary
Jim Titus	Vice President-Treasurer

Salaries and remunerations of officers are shown in Exhibit A following this report.

#### CONFLICT OF INTEREST

Conflict of interest statements were signed annually by all officers, directors and key employees. Those signing conflicts of interest that acted as agents did not disclose this conflict of interest.

Both the Board Chairman and the Board Secretary failed to recuse themselves from a vote on salaries during the December 10, 2012 board meeting.

#### CORPORATE RECORDS

The Articles of Incorporation were amended on September 27, 2012 to change the Association to a state mutual operating under Code Chapter 518A and the new name "Iowa River Mutual Insurance Association". The membership meeting location was changed from Iowa Falls to Eldora, Iowa.

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, 2011 was reviewed and accepted at the March 25, 2013 Board meeting.

Revised By-Laws were approved by the Board at its March 25, 2013 meeting. The Iowa Insurance Division was properly notified of the revision.

Articles of Incorporation were amended for the Association to become a state mutual under Iowa Code Chapter 518A and to document its merger with Iowa Valley Mutual Insurance Association. In addition, the Association name changed from Hardin County Mutual Insurance Association to Iowa River Mutual Insurance Association. The home office location changed from Iowa Falls to Eldora, Iowa. Members approved the Articles in a special meeting on September 27, 2012. Approval by Iowa Insurance Division on December 21, 2012.

Articles of Incorporation were amended for merger with Franklin County Farmers Mutual Insurance Association effective January 1, 2016. Members approved of Articles in a special meeting on November 15, 2015. Articles were approved by the Iowa Insurance Division on December 23, 2015.

The number of directors decreased from twelve to nine in 2014 and increased from nine to eleven in 2016 as noted in the Annual Statements. Articles stated that By-Laws specify the number of directors. By-Laws were not amended to account for the changes in the number of directors that was required by Articles.

#### FIDELITY BONDS AND OTHER INSURANCE

The Association is protected by a blanket bond in the amount of \$500,000 for any one loss occurrence. The bond is written for a three-year period and the indemnity is noncumulative.

Policies for other coverages are as follows:

- Workers' compensation and employers' liability
- Professional liability
- Officers' and directors' liability
- Business Property
- General liability
- Business automobile liability and physical damage
- Employment practices liability
- Cyber security liability
- Business umbrella

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 offered health insurance coverage. Single plan is paid by the Association. Full-time eligible employees are also provided long-term disability and accidental death and dismemberment insurance by the Association.

Association set up a Section 125 Cafeteria Plan in 2014 for payroll deductions for healthcare. Company contributes \$1,000 to the employee's account for payment of deductibles.

Retirement benefit contributions were made to a Simplified Employee Pension (SEP) based on ten percent of the full-time eligible employee's salary. Contributions of \$11,467, \$24,080, \$28,098, \$27,485, and \$37,182 were paid by the Association in 2012, 2013, 2014, 2015, and 2016, respectively. Employees may contribute an additional five percent per year of their salaries to the SEP plan.

#### REINSURANCE

The Association has reinsurance contracts in force as of December 31, 2016 with an authorized insurer which provide the following:

##### Per Risk Excess of Loss

First \$300,000 of ultimate net loss per risk is retained by Association. First layer has a maximum recovery of \$1,000,000. Second layer has a recovery of \$4,000,000 in excess of \$1,000,000. Third layer has a maximum recovery of \$15,000,000 in excess of \$5,000,000. Association is required to provide a timely notification to reinsurer of any risks exceeding \$10,000,000.

##### Catastrophe Excess of Loss

First \$1,000,000 of ultimate net loss per catastrophe is retained by the Association. 100% of ultimate net loss in excess of retention is covered by the reinsurer.

##### Aggregate Excess of Loss

First \$2,500,000 of ultimate net losses in aggregate is retained by Association. 100% of ultimate net loss in excess of retention is covered by the reinsurer.

### Facultative Quota Share

While facultative reinsurance was available, no risks were identified which would warrant a facultative agreement.

### Reinsurance - General

Reinsurance attachments appear to be in compliance with Iowa statutes.

### MARKET CONDUCT

#### TERRITORY AND PLAN OF OPERATION

The Association is authorized to transact business in the following thirty one counties: Kossuth, Winnebago, Worth, Mitchell, Howard, Hancock, Cerro Gordo, Floyd, Chickasaw, Pocahontas, Humboldt, Wright, Franklin, Butler, Bremer, Calhoun, Webster, Hamilton, Hardin, Grundy, Black Hawk, Greene, Boone, Story, Marshall, Tama, Guthrie, Dallas, Polk, Jasper, and Poweshiek counties.

Changes during the Examination period related to authorized territory are noted below:

- As of December 31, 2011, Association wrote in the following eight counties: Hardin, Hamilton, Wright, Story, Marshall, Franklin, Butler and Grundy.
- As of January 1, 2013, merger with Iowa Valley Mutual resulted in increase of thirteen counties to a total of twenty-two counties.
- As of December 31, 2015, territory was expanded by seven additional counties: Pocahontas, Calhoun, Greene, Winnebago, Worth, Mitchell and Howard to twenty-nine counties.
- In 2016, Dallas and Guthrie counties were added to the current total of thirty-one counties.

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 213 appointed agents from forty insurance agencies. Association does not own an agency.

#### ADVERTISING

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

#### 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, homeowners and country homeowners classes in insurance covering wind, fire, 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 for a continuous period with premiums payable quarterly, annually or semi-annually. The Association underwrites these policies every three years.

TREATMENT OF POLICYHOLDERS

CLAIMS

From a review of numerous claims, it appeared that the Association made prompt and equitable settlements which were in keeping with the terms of the policy contracts.

COMPLAINT REGISTER

Association stated that they did not have any complaints during the Examination period. Confirmed with Iowa Insurance Division bureau handling complaints.

GROWTH OF ASSOCIATION

The following historical financial data taken from annual statements.

	Admitted	Surplus to	Premiums	Losses	Investment
	<u>Assets</u>	<u>Policyholders</u>	<u>Earned</u>	<u>Incurred</u>	<u>Income Earned</u>
2012	5,783,695	5,234,995	767,407	171,778	232,325
2013 *	9,922,308	8,728,396	1,955,347	556,422	332,923
2014	9,038,221	8,054,192	1,713,351	1,693,319	357,527
2015	9,766,477	8,528,059	1,774,041	469,472	299,523
2016 **	15,679,464	13,320,793	3,344,355	1,374,703	435,128

\* - On January 1, 2013, Iowa Valley Mutual Insurance Association merged into Association.

\*\* - On January 1, 2016, Franklin County Farmers Mutual Insurance Association merged into Association.

UNDERWRITING EXPERIENCE  
FIVE-YEAR PERIOD ENDED DECEMBER 6

<u>Classification</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
Premiums earned	<u>\$2,304,813</u>	<u>\$1,955,347</u>	<u>\$1,713,351</u>	<u>\$1,774,041</u>	<u>\$3,344,355</u>	<u>\$11,091,907</u>
Incurred Deductions:						
Losses	\$ 486,565	\$ 556,422	\$1,693,319	\$ 469,472	\$1,374,703	\$ 4,580,481
Loss adjustment expenses	159,050	106,283	78,734	153,713	190,956	688,736
Commissions	276,469	318,430	312,986	344,683	611,853	1,864,421
Salaries	285,264	276,191	280,040	238,861	298,584	1,378,940
Taxes, licenses and fees	43,846	25,214	22,652	21,009	41,580	154,301
Other underwriting expenses	<u>927,757</u>	<u>262,075</u>	<u>276,165</u>	<u>276,236</u>	<u>461,512</u>	<u>2,203,745</u>
Total deductions	<u>2,178,951</u>	<u>1,544,615</u>	<u>2,663,896</u>	<u>1,503,974</u>	<u>2,979,188</u>	<u>10,870,624</u>
Underwriting gain (loss)	<u>\$ 125,862</u>	<u>\$ 410,732</u>	<u>\$ (950,545)</u>	<u>\$ 270,067</u>	<u>\$ 365,167</u>	<u>\$ 221,283</u>

Expressed in ratios of expenses incurred deductions to premiums earned, the percentages would be:

<u>Incurred Deductions</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
Losses	21.11%	28.46%	98.83%	26.46%	41.11%	41.30%
Loss adjustment expenses	6.90	5.44	4.60	8.66	5.71	6.21
Commissions	12.00	16.29	18.27	19.43	18.30	16.81
Salaries	12.38	14.12	16.34	13.48	8.92	12.43
Taxes, licenses and fees	1.90	1.28	1.32	1.18	1.24	1.39
Other underwriting expenses	<u>40.25</u>	<u>13.40</u>	<u>16.12</u>	<u>15.57</u>	<u>13.80</u>	<u>19.87</u>
Total deductions	<u>94.54%</u>	<u>78.99%</u>	<u>155.48%</u>	<u>84.78%</u>	<u>89.08%</u>	<u>98.01%</u>
Net underwriting gain (loss)	<u>5.46%</u>	<u>21.01%</u>	<u>(55.48)%</u>	<u>15.22%</u>	<u>10.92%</u>	<u>1.99%</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, 2016 relative to security custodial requirements.

Members annual meeting minutes in 2015 were silent regarding the establishment of a quorum.

In accordance with Section 518A.37, Code of Iowa, surplus must be maintained at a level of not less than two 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 \$1,203,863,533. The Association's statutory minimum surplus level as of December 31, 2016 was \$1,203,864. It is noted the Association's surplus level to minimum surplus level ratio was 10.9/1. The reported surplus/statutory minimum ratio average for the Chapter 518A licensed industry at December 31, 2016 was 9.2/1.

SUBSEQUENT EVENT

The Association is in the process of setting up an Agent's Contingent Bonus Commission program. The Association is working with Iowa Insurance Division to obtain approval to implement the program.

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

	<u>ASSETS</u>		
	<u>Assets</u>	<u>Not Admitted</u>	<u>Admitted</u>
Bonds	\$ 9,513,945		\$ 9,513,945
Stocks:			
Preferred stocks	424,257		424,257
Common stocks	2,914,068		2,914,068
Real estate:			
Properties occupied by the Association	196,594		196,594
Cash	1,995,856	\$ 161	1,995,695
Investment income due and accrued	102,909		102,909
Uncollected premiums and agents' balances in the course of collection	93,514		93,514
Deferred premiums, agents' balances and Installments booked but deferred and not yet due	321,392		321,392
Current federal and foreign income tax	110,177		110,177
Electronic data processing equipment and software	5,246		5,246
Furniture and equipment	15,961	15,961	
Aggregate write-ins for other than invested assets:			
Automobiles	62,461	62,461	
Miscellaneous receivable	1,500		1,500
Iowa FAIR Plan	1,527	1,527	
Overwrite fees	<u>167</u>	<u>0</u>	<u>167</u>
Total Assets	<u>\$15,759,574</u>	<u>\$80,110</u>	<u>\$15,679,464</u>

LIABILITIES AND SURPLUS

Losses		\$ 341,674
Loss adjusting expenses		6,125
Commissions payable, contingent commissions and other similar charges		99,708
Other expenses		20,476
Taxes, licenses and fees		26,541
Unearned premiums		1,677,567
Advance premiums		105,534
Ceded reinsurance premiums payable		76,853
Amounts withheld or retained by company for account of others		<u>4,193</u>
 Total liabilities		 \$ 2,358,671
 Surplus as regards policyholders		 <u>\$13,320,793</u>
 Total Liabilities and Surplus		 <u>\$15,679,464</u>

UNDERWRITING AND INVESTMENT EXHIBIT

ONE YEAR PERIOD ENDED DECEMBER 31, 2016  
STATEMENT OF INCOME

<u>Underwriting Income</u>		
Premiums earned		\$ 3,344,355
 <u>Incurred Deductions</u>		
Losses incurred	\$1,374,703	
Loss expenses incurred	190,956	
Commissions	611,853	
Salaries	298,584	
Taxes, licenses and fees	74,648	
Other underwriting expenses incurred	<u>428,444</u>	
Total underwriting deductions		<u>2,979,188</u>
Net underwriting gain (loss)		\$ 365,167
 <u>Investment Income</u>		
Net investment income earned	\$ 435,128	
Net realized capital gain (loss)	<u>101,001</u>	
Net investment gain (loss)		\$ 536,129
 <u>Other Income</u>		
Premiums collected for others	\$ 67,466	
Overwrite fees	<u>1,843</u>	
Other income		<u>69,309</u>
Net income before Federal and foreign income taxes		\$ 970,605
Federal and foreign income taxes incurred		<u>87,753</u>
Net income		<u>\$ 882,852</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2015		\$ 8,528,059
 <u>Gains and (Losses) in Surplus</u>		
Net income		\$ 882,852
Change in net unrealized capital gains or (losses)		107,572
Change in non-admitted assets		61,952
Assumption of Franklin County Mutual		<u>3,740,358</u>
Change in surplus as regards policyholders for the for the period		<u>\$ 4,792,734</u>
Surplus as regards policyholders, December 31, 2016		<u>\$13,320,793</u>

UNDERWRITING AND INVESTMENT EXHIBIT

FIVE YEAR PERIOD ENDED DECEMBER 31, 2016

STATEMENT OF INCOME

<u>Underwriting Income</u>		
Premiums earned		\$11,091,907
<u>Incurred Deductions</u>		
Losses incurred	\$4,580,481	
Loss expenses incurred	688,736	
Commissions	1,864,421	
Salaries	1,378,940	
Taxes, licenses and fees	154,301	
Other underwriting expenses incurred	<u>2,203,745</u>	
Total underwriting deductions		<u>10,870,624</u>
Net underwriting gain (loss)		\$ 221,283
<u>Investment Income</u>		
Net investment income earned	\$1,742,030	
Net realized capital gain (loss)	<u>616,016</u>	
Net investment gain (loss)		\$ 2,358,046
<u>Other Income</u>		
Aggregate write-ins for miscellaneous income:		
Non SSAP Reporting related to merger	\$ 244,107	
Commissions received due to merger	25,931	
Premiums collected for others	111,437	
Overwrite fees	5,399	
Federal tax refund related to merger	<u>12,459</u>	
Other income		<u>\$ 399,333</u>
Net income before federal and foreign income taxes		\$ 2,978,662
Federal and foreign income taxes incurred		<u>305,248</u>
Net income		<u>\$ 2,673,414</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2011	\$ 6,965,309
<u>GAINS AND (LOSSES) IN SURPLUS</u>	
Net income	\$ 2,673,414
Net unrealized capital gains (losses)	(3,168)
Change in non-admitted assets	(56,412)
Record merged company prior non admitted asset	818
Corrections on merger	474
Assumption of Franklin County	<u>3,740,358</u>
Change in surplus as regards policyholders for the for the period	<u>\$ 6,355,484</u>
Surplus as regards policyholders, December 31, 2016	<u>\$13,320,793</u>

CASH FLOW

Cash from Operations

Premiums collected net of reinsurance	\$ 4,007,580
Net investment income	430,243
Miscellaneous income	<u>69,146</u>
Total	<u>\$ 4,506,969</u>

Benefit and loss related payments	\$ 1,158,758
Commissions, expenses paid and aggregate write-ins	1,454,492
Federal income taxes paid (recovered) net	<u>130,155</u>
Total	<u>\$ 2,743,405</u>

Net cash from operations \$ 1,763,564

Cash from Investments

Proceeds from investments sold, matured and repaid:	
Bonds	\$ 755,223
Stocks	1,293,419
Real estate	<u>117,501</u>
Total investment proceeds	<u>\$ 2,166,143</u>

Cost of investments acquired (long-term) only	
Bonds	\$ 4,847,660
Stocks	2,178,243
Real estate	33,817
Miscellaneous applications	<u>114,014</u>
Total investments acquired	<u>\$ 7,173,734</u>

Net cash from investments \$(5,007,591)

Cash from Financing and Miscellaneous Sources

Other cash provided (applied) \$ 3,659,145

Net cash from financing and miscellaneous sources \$ 3,659,145

Reconciliation of Cash and Short-Term Investments

Net change in cash and short-term investments	\$ 415,118
Cash and short-term investments:	
Beginning of year	<u>\$ 1,580,577</u>
End of year	<u>\$ 1,995,695</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	\$9,468,245	\$9,513,945	\$ 45,700
Preferred stock	469,957	424,257	(45,700)
Cash	1,995,856	1,995,695	(161)
Investment income	104,471	102,909	(1,562)
Current federal income tax		110,177	110,177
<u>Liabilities</u>			
Losses	471,477	341,674	129,803
Unearned premiums	1,678,797	1,677,567	1,230
Amounts withheld or retained by company	(77,326)	4,193	<u>(81,519)</u>
Net increase in surplus			\$ 157,968
Surplus per Association			<u>\$13,162,825</u>
Surplus per examination			<u>\$13,320,793</u>

During the period under review, surplus funds increased \$6,355,484 from the amount of \$6,965,309 as shown in the last previous examination reports. 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:

Bonds \$9,513,945

This asset was increased \$45,700 to reclassify a bond that was originally classified to preferred stock.

Preferred stock \$ 424,257

This asset was decreased \$45,700 to reclassify a bond that was originally classified to preferred stock.

Cash \$1,995,695

This asset was decreased \$161 to properly report the actual cash balance.

Investment income \$ 102,909

The asset was decreased \$1,562 to account for the proper accrual of bond interest.

Current federal income tax \$ 110,177

The asset was increased \$110,177 to account for the actual federal income tax refund that was due from the Internal Revenue Service.

Losses \$ 341,674

The liability was decreased \$129,803 to reflect the actual loss development and estimate of outstanding losses.

Unearned premiums \$1,677,567

This liability increased \$1,230 to account for unpaid premiums in current and prior year included in the 40% method of liability calculation.

Amounts withheld or retained by company \$ 4,193

This liability was increased \$81,519 to properly account for amounts that are to be paid that were originally retained from others.

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, CPA, CFE  
Examiner Specialist  
Iowa Insurance Division