

EXAMINATION REPORT OF
CLINTON MUTUAL PLATE GLASS ASSOCIATION
CLINTON, IOWA
AS OF DECEMBER 31, 2019

Clinton, Iowa
June 1, 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

CLINTON MUTUAL PLATE GLASS ASSOCIATION

CLINTON, IOWA

AS OF DECEMBER 31, 2019

at the home of the Secretary, 4553 180th Street, Clinton, Iowa. The report, containing applicable comments and financial data, is presented herein.

INTRODUCTION

Clinton Mutual Plate Glass Mutual Insurance Association, hereinafter referred to as the "Association", was last examined as of December 31, 2016. The examination reported herein was conducted by the Iowa Insurance Division.

SCOPE OF EXAMINATION

This examination covers the period from December 31, 2016 to December 31, 2019. The examination was conducted in accordance with the procedures established by the Insurance Division of Iowa and generally accepted insurance examination standards. 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, 2019.

HISTORY

The Association organized in 1902 and was incorporated in 1917 as a county mutual insurance assessment association for the purpose of insuring the property of its members against hazards and risks as permitted by Chapter 518, Code of Iowa.

During 1969, the Association changed to a state mutual insurance association under the provisions of Chapter 518A, Code of Iowa. Effective June of 2012, the Association changed to a county mutual insurance association under the provisions of Chapter 518, Code of Iowa.

The corporate existence was made perpetual in March of 1977. The Articles of Incorporation were amended to reflect the perpetual existence.

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 Clinton, Iowa on the fourth Thursday in February at 3:30 p.m. Special meetings may be called by 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 or by proxy is entitled to one vote on any question to be decided. Voting by proxy is permitted. The number of directors plus one member shall constitute a quorum at a members meeting. A quorum was not obtained at each of the members meetings during the Examination period.

BOARD OF DIRECTORS

The corporate powers of the Association are vested in a Board of not less than five nor more than nine directors, each elected by a majority vote at the annual meeting of the members for terms of one year. Any vacancy on the Board may be filled for the unexpired term by a majority vote of the remaining directors. The number of directors increased from eight to nine in 2018. The minutes did not document the Board's approval of the increase as required in the Articles of Incorporation. A majority of the directors shall constitute a quorum at any meeting of the Board of Directors.

Directors serving at December 31, 2019 were:

<u>Name</u>	<u>Address</u>	<u>Term</u>
James Andresen	Clinton, Iowa	2018
Susan Richeson	Camanche, Iowa	2018
Juliann Bray	Clinton, Iowa	2018
Bernard Holtkamp	Camanche, Iowa	2018
MaDonna Pinter	Camanche, Iowa	2018
Jolene Burnett	Clinton, Iowa	2018
Bobbi Lee Boegel	Clinton, Iowa	2018
Brian Donnelly	Maquoketa, Iowa	2018
Carrie Donaire	Clinton, Iowa	2018

The annual meeting of the Board shall be held immediately after the annual meeting of the members, and thereafter on the call of the Secretary.

The Directors, other than the President and Treasurer, receive \$50 per quarterly meeting, whether attending the meeting or not. The President and the Treasurer are paid \$596 annually.

OFFICERS

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

Officers serving at December 31, 2019 were:

<u>Name</u>	<u>Office</u>
James Andresen	President
Susan Richeson	Vice-President
Juliann Bray	Secretary
Bernard Holtkamp	Treasurer

Salaries and remuneration of officers are shown in Schedule A immediately 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 restated during the period covered by this examination.

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, 2016 was discussed but did not document the Board's approval of the report during the August 23, 2018 Board meeting.

FIDELITY BONDS AND OTHER INSURANCE

The Association is protected by a blanket bond in the amount of \$15,000 for any one loss occurrence for each of the four officers. The bond is written for an annual period and the indemnity is noncumulative.

The Association does not have adequate insurance to address business, professional and directors' and officers' liability.

TERRITORY AND PLAN OF OPERATION

The Association is authorized to transact business in Clinton, Scott, Jackson, Jones, and Cedar counties under the provisions of Chapter 518, Code of Iowa. It was noted, from a review of numerous applications of policies in force, that risks appeared to be located within the authorized territory.

At the present time, business is produced by seven licensed agents. The Secretary produced 86% of the Association's business during 2019.

The Association is limited by its Articles of Incorporation to insure risks covering the loss or damage from accidental breakage of plate, art, stained and cathedral glass and all other kinds of glass specifically insured.

All policies are written for a one year period, which may be extended for not more than four successive periods of one year, each by endorsement. Premiums are payable annually. Policies have zero deductibles. It was noted when reviewing the applications that the Association does not pictures of the insured property.

UNDERWRITING EXPERIENCE

THREE-YEAR PERIOD ENDED DECEMBER 31, 2019

<u>Classification</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total</u>
Premiums earned	<u>\$12,117</u>	<u>\$ 11,740</u>	<u>\$11,172</u>	<u>\$ 35,029</u>
<u>Incurred deductions:</u>				
Losses	\$ 5,944	\$ 1,197	\$ 2,386	\$ 9,527
Commissions	3,107	4,051	3,586	10,744
Taxes, licenses and fees	263	359	239	861
Other underwriting expenses	<u>10,743</u>	<u>18,863</u>	<u>10,371</u>	<u>39,977</u>
Total deductions	<u>\$20,057</u>	<u>\$ 24,470</u>	<u>\$16,582</u>	<u>\$ 61,109</u>
Underwriting gain or (loss)	<u>\$(7,940)</u>	<u>\$(12,730)</u>	<u>\$(5,410)</u>	<u>\$(26,080)</u>

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total</u>
<u>Incurred deductions:</u>				
Losses	49.1%	10.2%	21.4%	27.2%
Commissions	25.6	34.5	32.1	30.7
Taxes, licenses and fees	2.2	3.1	2.1	2.5
Other underwriting expenses	<u>88.7</u>	<u>160.7</u>	<u>92.8</u>	<u>114.1</u>
Total deductions	<u>165.5%</u>	<u>208.4%</u>	<u>148.4%</u>	<u>174.5%</u>
Underwriting gain or (loss)	<u>(65.5)%</u>	<u>(108.4)%</u>	<u>(48.4)%</u>	<u>(74.5)%</u>

REINSURANCE

The Association had a reinsurance contract in force as of December 31, 2019 with an authorized insurer which provides the following:

Aggregate Excess of Loss

One hundred percent of the amount in excess of 280 percent of the Association's net earned premium was ceded to the reinsurer for 2019. The estimated attachment point was \$44,800.

CLAIMS

The Association has an agreement with two local glass repair contractors, which are paid directly by the Association, to provide service to the policyholders. All

claims paid during 2017 through 2019 were reviewed. The number of claims incurred were 8, 3, and 3 in each year of the examination, respectively.

No proofs of loss exist for any of these claims, nor does an adjuster or insured sign the invoice. The only record that the Association retains is the contractor's billing of the glass repair.

A review of the timeliness of claim payments showed that 10 of the 14 claims payments took over 21 days from occurrence to paid date. The Secretary-Manager explained that until the glass is fixed, payment is not made. Also, claims may take a while to settle because of weather conditions such as low temperatures and high moisture. All claims are paid regardless of fault.

EMPLOYEE WELFARE

The Association operates in the Association Secretary's home in exchange for a rent payment of \$6,000, annually.

ACCOUNTS AND RECORDS

Office copies of the filed annual statements for 2019 was not found to be in agreement with or reconciled to the general ledger balances of assets, liabilities, income and disbursements as general ledger was not available for each of the years of the examination. Bank statements and check registers were used to reconcile the 2015 and 2016 annual statements.

The balance of Ledger Assets did not agree to the Association's assets on the annual statement in 2017 and 2019.

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 is not collecting all premiums in a timely manner. Premiums on 3 of 48 policies were paid at least 3 months after the due date. The time frame to obtain documentation was unusually long and required many more attempts than what is typical for a farm mutual examination.

In accordance with Section 518.25, Code of Iowa, surplus must be maintained at a level of not less than fifty thousand dollars or one-tenth of one percent of the gross risk in force, whichever is greater. At December 31, 2019, the gross risk in force for the Association was \$271,789. The Association's statutory minimum surplus level at December 31, 2019 was \$50,000. It is noted the Association's surplus level to minimum surplus level ratio was 7.5/1. The reported surplus/statutory minimum ratio average for Chapter 518 licensed industry at December 31, 2019 was 8.1/1.

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, 2019 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>Nonledger</u>	<u>Not Admitted</u>	<u>Admitted</u>
Bank balances:				
Subject to check	\$ 9,691			\$ 9,691
On interest	369,470			369,470
Cash in office	41			41
Accrued interest	_____	\$881	\$ _____	_____ 881
Total	<u>\$379,202</u>	<u>\$881</u>	<u>\$ _____</u>	<u>\$380,083</u>

LIABILITIES AND SURPLUS

Taxes payable				\$ 135
Unearned premiums				_____ 5,467
Total liabilities				<u>\$ 5,602</u>
Surplus as regards policyholders				<u>\$374,481</u>
Total liabilities and surplus				<u>\$380,083</u>

INCOME AND DISBURSEMENTS
AND
RECONCILIATION OF LEDGER ASSETS

Ledger assets, December 31, 2018 \$375,731

INCOME

Net premiums and fees	\$ 10,991
Net interest received on bonds	5,676
Interest received on bank deposits	3
To reconcile	<u>3,419</u>

Total income \$ 20,089

Total assets and income \$395,820

DISBURSEMENTS

Net losses paid \$ 2,386

Operation Expense

Commissions	\$3,586
Boards, bureaus and associations	154
Insurance	300
Directors' compensation	2,592
Rent and rent items	6,076
Legal and auditing	40
State insurance taxes	135
Insurance Division licenses and fees	140
Miscellaneous	<u>1,209</u>

Total operating expense \$ 14,232

Total disbursements \$ 16,618

Balance - ledger assets, December 31, 2019 \$379,202

UNDERWRITING AND INVESTMENT EXHIBIT

ONE-YEAR PERIOD ENDED DECEMBER 31, 2019

STATEMENT OF INCOME

Underwriting Income

Premiums earned \$ 11,172

Deductions

Losses incurred \$ 2,386

Other operating expenses incurred 14,196

Total underwriting deductions \$ 16,582

Net underwriting gain (loss) (5,410)

Investment Income

Net investment income earned \$ 6,560

Miscellaneous Income

Reconciling item \$ 3,419

Net income \$ 4,569

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2018 \$369,912

Gains and (Losses) in Surplus

Net income \$ 4,569

Surplus as regards policyholders, December 31, 2019 \$374,481

UNDERWRITING AND INVESTMENT EXHIBIT

THREE-YEAR PERIOD ENDED DECEMBER 31, 2019

STATEMENT OF INCOME

Underwriting Income

Premiums earned \$ 35,029

Deductions

Losses incurred \$ 9,527

Other operating expenses incurred 51,582

Total underwriting deductions \$ 61,109

Net underwriting gain (loss) \$ (26,080)

Investment Income

Net investment income earned \$ 18,587

Other Income

Reconciling item \$ 3,208

Net income \$ (4,285)

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2016 \$377,992

Gains and (Losses) in Surplus

Net income \$ (4,285)

Unrealized capital change 774

Change in surplus as regards policyholders for the year \$ (3,511)

Surplus as regards policyholders, December 31, 2019 \$374,481

SURPLUS AS REGARDS POLICYHOLDERS

The change which resulted in a net increase is 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>			
Accrued interest	\$ _____	\$881	\$ 881
Net change in surplus			<u>881</u>
Surplus per Association			<u>\$373,600</u>
Surplus per examination			<u>\$374,481</u>

During the period under review, surplus funds decreased \$3,511 from the amount of \$377,992 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>Accrued interest</u>	<u>\$ 881</u>
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This asset was created to reflect accrued interest on Certificate of Deposits.

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