

EXAMINATION REPORT OF
CUMIS INSURANCE SOCIETY, INC.
WAVERLY, IOWA
AS OF DECEMBER 31, 2020

Madison, Wisconsin
March 28, 2022

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

Commissioner:

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

CUMIS INSURANCE SOCIETY, INC.

WAVERLY, IOWA

AS OF DECEMBER 31, 2020

with its principal place of business at 2000 Heritage Way, Waverly, Iowa and executive headquarters at 5910 Mineral Point Road, Madison, Wisconsin.

INTRODUCTION

CUMIS Insurance Society, Inc., hereinafter referred to as the “Company”, was last examined as of December 31, 2015 by the Iowa Insurance Division (“Division”).

The examination reported herein was conducted by the Division as a coordinated examination of an insurance holding company group. The coordinated examination includes the Company’s affiliates, CMFG Life Insurance Company (“CMFG Life”), MEMBERS Life Insurance Company (“MLIC”), and CUMIS Specialty Insurance Company, Inc. (“CSIC”), which were also examined by the Division. The Company’s affiliate, CUMIS Mortgage Reinsurance Company (“CMRC”) was examined by the Wisconsin Office of the Commissioner of Insurance (“Wisconsin OCOI”) as part of the coordinated examination.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2016 to the close of business on December 31, 2020, including any material transactions and/or events occurring and noted subsequent to the examination period.

The examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. The Handbook requires that the Division plan and perform the examination to evaluate the financial condition, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles.

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

The examination report includes significant findings of fact and general information of the insurer and its financial condition.

HISTORY

The Company is a property and casualty insurance company organized in Wisconsin on May 23, 1960, primarily to serve the insurance needs of credit unions and their members. Following a vote of the shareholders on April 20, 2007 and upon approval by the Insurance Commissioners of Wisconsin and Iowa, the Company re-domesticated to Iowa effective May 3, 2007.

CAPITAL STOCK AND DIVIDENDS TO STOCKHOLDERS

The Company has 2,000,000 shares of common stock with a par value of \$4 per share authorized, and 1,457,872 shares issued and outstanding as of December 31, 2020. The common stock has unlimited voting rights and is entitled to the net assets of the Corporation upon dissolution.

Dividends paid to CUNA Mutual Investment Corporation ("CMIC") during the examination period were as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2016 | \$ 0 |
| 2017 | 0 |
| 2018 | 80,000,000 |
| 2019 | 60,000,000 |
| 2020 | 80,000,000 |

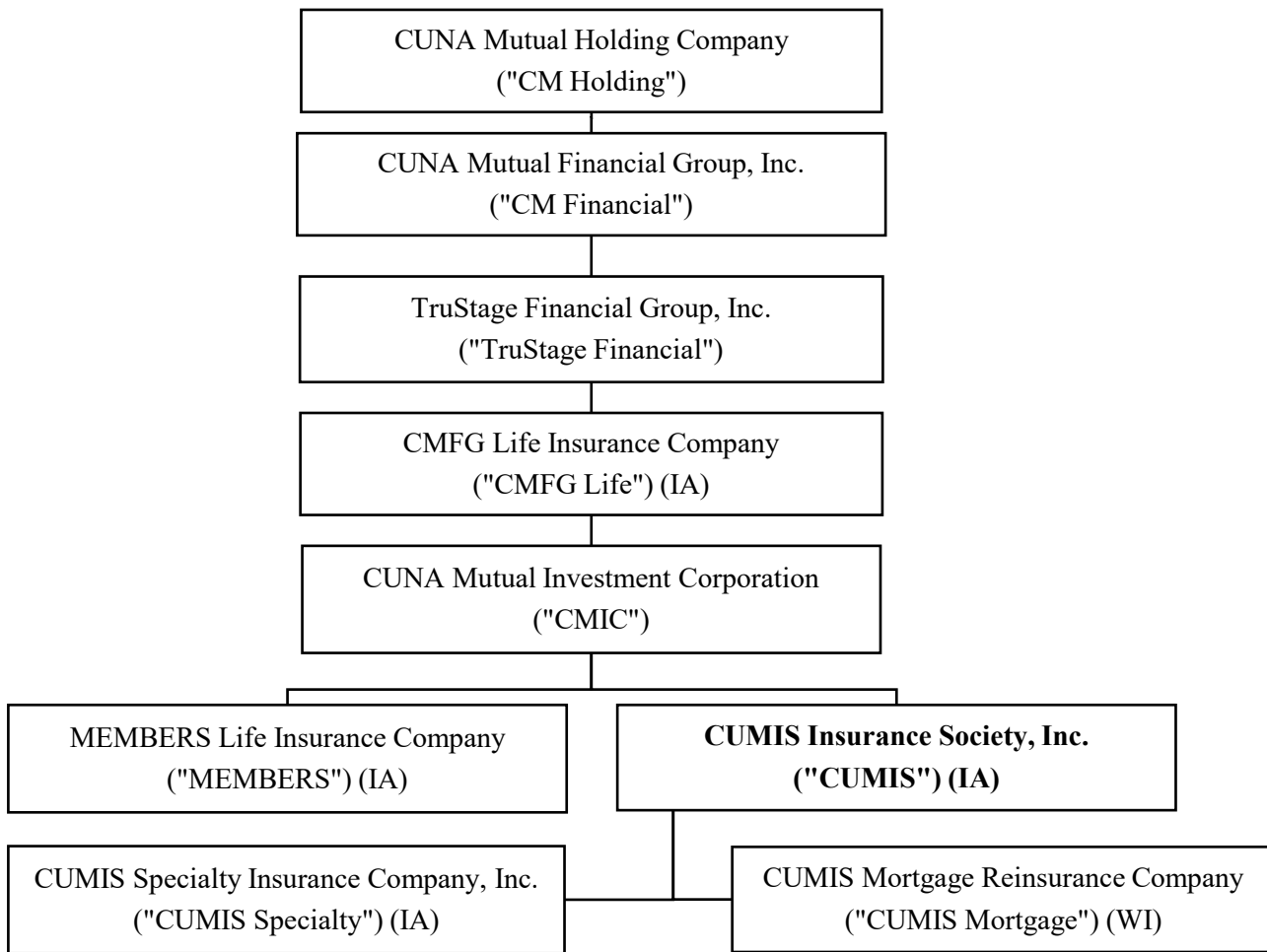
MUTUAL INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Mutual Insurance Holding Company System as defined by Chapter 521A, Code of Iowa. An Insurance Holding Company System Registration Statement was filed annually with the Iowa Insurance Division for each year of the examination period.

The Company is a wholly owned subsidiary of CMIC. Cuna Mutual Holding Company ("CM Holding"), a mutual insurance holding company formed on January 21, 2012, is the ultimate controlling person for the group.

CM Holding is a separately dedicated corporate entity, without shareholders as such, but with an ownership/equity interest which, by law, is attributable to policy owners of the Company who are characterized in CM Holding's Articles of Incorporation as Members.

An abbreviated organizational chart identifying the Companies within the Holding Company System follows:



MANAGEMENT AND CONTROL

Shareholders

The Bylaws specify that the annual meeting of the shareholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at such place, time and date as the Board of Directors shall fix, provided that if no such date is fixed, then such meeting shall be held on the first Monday in the month of June in each year at a time and place designated by the Board of Directors.

Special meetings of the shareholders, for the consideration of such matters as may be named in the call for such meetings called by the President or the Board of Directors, and shall be called by the Board of Directors upon the written demand, signed, dated and delivered to the Secretary, of the holders of at least ten percent of all the votes entitled to be cast on any issue proposed to be considered at the meeting.

At all meetings of the shareholders, a shareholder entitled to vote may vote in person or by proxy filed with the Secretary at or before such meeting. An appointment of a proxy is valid for eleven months from the date of its execution, unless a longer period is expressly provided in the appointment form. Shareholders shall be entitled to one

vote for each share of stock standing in his or her name on the records of the Corporation. The affirmative vote of the holders of at least a majority of the votes cast by the shareholders voting at the meeting shall be required for approval of all actions required by law to be approved by the shareholders.

At any meeting of the shareholders, a majority of the outstanding shares of stock entitled to be voted, represented either in person or by proxy, shall be necessary to constitute a quorum, but less than a quorum may adjourn from time to time as it may desire, without notice other than by announcement at the meeting, until the holders of the number of shares of stock requisite to constitute a quorum shall be present in person or by proxy. At such adjourned meeting at which a quorum shall be present, any business may be transacted that might have been transacted at the meeting as originally provided in the notices.

Board of Directors

The Bylaws provide that the business and affairs of the Company shall be managed under the direction of the Board of Directors which shall consist of not less than five nor more than fifteen directors. Each director, including a director elected to fill a vacancy, shall hold office until the next succeeding annual meeting and until a successor has been elected and qualified, or until his or her death, resignation or removal.

Immediately after the final adjournment of each annual meeting of the shareholders for the election of directors, the Board of Directors shall meet, at the same place where said meeting of shareholders finally adjourned, for the purpose of organization, the election of officers and the transaction of other business. Special meetings of the Board of Directors shall be held whenever called by the President at the time being in office and shall call such a meeting upon request of a majority of the members of the Board of Directors. A quorum of the Board of Directors consists of a majority of the number of directors.

The directors duly elected and serving as of December 31, 2020 were as follows:

| <u>Name and Address</u> | <u>Principal Business Affiliation</u> | <u>Term Expires</u> |
|--------------------------------------|--|---------------------|
| Michael F. Anderson Madison, WI | CUNA Mutual Group Senior Vice President and Chief Legal Officer | 2021 |
| David G. Brown W. Hyannisport, MA | CUNA Mutual Group Executive Vice President and Chief Investment Officer | 2021 |
| David L. Sweitzer Madison, WI | CUNA Mutual Group Senior Vice President, Consumer and Advisor Experience | 2021 |
| Robert N. Trunzo* Brookfield, WI | CUNA Mutual Group President and Chief Executive Officer | 2021 |
| Laureen A. Winger Sun Prairie, WI | CUNA Mutual Group Executive Vice President and Chief Financial Officer | 2021 |

*Chair

All directors were re-elected at the annual meeting of the shareholder held on June 7, 2021.

Committees

The Board of Directors by resolution adopted by the affirmative vote of a majority of all of the directors then in office, may create one or more committees, appoint members of the Board of Directors to serve on the committees and designate other members of the Board of Directors to serve as alternates. If an Audit Committee is required under the National Association of Insurance Commissioners' Model Audit Rule, the Board of Directors by the affirmative vote of a majority of all of the directors then in office, may appoint members of the board of directors of the parent holding company, CUNA Mutual Holding Company, to serve on the Audit Committee. The Audit Committee of CUNA Mutual Holding Company may elect to serve as the Audit Committee of the Corporation upon written notice of such election to the Iowa Insurance Commissioner.

The Board of Directors of CM Holding has established an Audit Committee for the Company pursuant to the authority in the Model Audit Rule. Each member of the Committee will be independent in accordance with the Model Audit Rule. The Committee meets twice a year to carry out its oversight responsibilities which include exercising authority and responsibility to annually appoint, retain, compensate, evaluate and terminate, when appropriate, the Company's external auditor, and to oversee the work of the external auditor; reviewing the process for internal control over the Company's financial reporting, including a review of Management's Report of Internal Control Over Financial Reporting for the Company; overseeing all un-remediated significant deficiencies and material weaknesses in the Company's internal control; and annually reviewing the Company's significant financial risks and exposures and their impact on respective audit plans.

The membership of the Committee as of December 31, 2020 was as follows:

| <u>Name</u> | <u>Principal Occupation</u> |
|--|---|
| Robert J. Marzec Carefree, AZ | Retired Audit Partner PricewaterhouseCoopers, LLC |
| Tyrone E. Muse II Vestal, NY | President and Chief Executive Officer Visions Federal Credit Union |
| Angela K. Owens* Flower Mound, TX | Vice President and Controller American Airlines |
| Jacqueline S. Shoback Brookline, MA | Co-founder and Managing Director OWI Ventures, LLC |

*Chair

Officers

The principal officers of the Company shall be the President, Secretary, and Treasurer as elected by the Board of Directors. Other officers and assistant officers may be elected or appointed by the President as he or she may deem necessary.

Any two or more offices may be held by the same person. The principal officers of the Company shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. Each officer shall hold office until his/her successor shall have been duly elected or until his/her death or until he/she shall resign or shall have been removed.

The President shall, when present, preside at all meetings of the shareholders and of the Board of Directors. The President shall have authority, subject to such rules as may be prescribed by the Board of Directors, to appoint such agents and employees of the Company as the President shall deem necessary, to prescribe their powers, duties

and compensation, and to delegate authority to them. Such agents and employees shall hold office at the discretion of the President.

The principal officers serving at December 31, 2020 were as follows:

| <u>Name</u> | <u>Title</u> |
|----------------------|---|
| Robert Trunzo | President and Chief Executive Officer |
| Brian Borakove | Treasurer |
| Paul Barbato | Secretary |
| Laureen Winger | Executive Vice President and Chief Financial and Product Officer |
| David Brown | Executive Vice President and Chief Investment Officer |
| Cedric Ellis | Executive Vice President and Chief Enterprise Services Officer |
| Linda Nedelcoff | Executive Vice President and Chief Strategy and Human Resources Officer |
| James Power | Executive Vice President and Chief Experience Officer |
| Alycia Slick | Senior Vice President, Chief Actuary |
| David Sweitzer | Senior Vice President, Consumer and Advisor Experience |
| Tom Martorana | Senior Vice President, Customer Operations |
| Christopher Copeland | Senior Vice President, Product Solutions |
| Mike Anderson | Senior Vice President and Chief Legal Officer |
| Christopher Roe | Senior Vice President, Corporate and Legislative Affairs |
| Jay Isaacson | Vice President, P&C Solutions |
| Alan Schecher | Vice President and Chief Risk and Assurance Officer |
| Emily Gnam | Vice President and Chief Ethics and Compliance Officer |

As part of executive restructuring in 2021, Christopher Copeland was promoted to Senior Vice President, Chief Product Officer. Laureen Winger retains the adjusted title of Executive Vice President, Chief Financial Officer.

Amy Cameron was promoted to Executive Vice President, Chief Investment Officer from Senior Managing Director – Head of Private Asset Classes on September 13, 2021. David Brown retains the adjusted title of Executive Vice President, CUNA Mutual Group, and is currently serving in an advisory capacity until his upcoming retirement later in 2022.

David Sweitzer was promoted to Executive Vice President and Chief Experience Officer on February 15, 2021, replacing James Power who retired from the Company on December 31, 2021.

The salaries for the above officers are shown in Exhibit A, found immediately following the signature page of this report.

CONFLICT OF INTEREST

The Company has an established procedure for annual disclosure to its Board of Directors of any material interest or affiliation on the part of its officers, directors or key employees which is in conflict with, or is likely to be in conflict with the official duties of such person.

The Company requires its officers and directors to complete conflict-of-interest statements and disclose any known or potential conflict of interest as part of the annual disclosure process. The examiners requested to review the conflict of interest statements completed by the Company's officers and directors for each year of the period covered by this examination. No exceptions were noted.

CORPORATE RECORDS

Neither the Articles of Incorporation nor the Bylaws of the Company were amended or restated during the period under examination.

The recorded minutes of the meetings of the Shareholder, Board of Directors, and Committees were read and noted. They appeared to be complete and were found to be properly attested.

The Audit Committee of CM Holding reviewed and accepted the 2015 Examination Report of the Company at its meeting on February 8, 2017.

FIDELITY BOND AND OTHER INSURANCE

Under a financial institution bond, CM Holding and affiliated companies are protected against loss from any fraudulent or dishonest act of any employee up to \$25,000,000 each loss occurrence and \$50,000,000 aggregate limit of liability.

The other interests of the Company appear to be adequately protected through coverages afforded by policies in force with admitted insurers.

RELATED PARTY AGREEMENTS

Cost Sharing Agreement

CMFG Life and its affiliates have a cost sharing agreement whereby CMFG Life provides its affiliates, including the Company, with certain administrative, accounting, legal, office, personnel, and market services along with office space and office equipment. Fees are paid monthly.

Investment Advisory Agreement

The Company has an investment advisory agreement with MEMBERS Capital Advisors (“MCA”), an affiliate, whereby MCA provides investment advisory services to the Company. MCA is authorized to delegate some or all of its investment adviser duties to one or more subadvisors.

Tax Sharing Agreement

Effective February 1, 2012, the Company and its affiliates entered into a Tax Sharing Agreement with CM Holding, whereas, CM Holding is the common parent corporation of the affiliated group of companies.

The Agreement reflects the restructuring of the Affiliated Group and the formation of CM Holding and an intermediate holding company, CUNA Mutual Financial Group, Inc., effective on January 31, 2012.

Procurement, Disbursement, Billing and Collection Services Agreement

Under the CUNA Mutual Group Cost Sharing Procurement, Disbursement, Billing & Collection Agreement among CMFG Life and its affiliates, CMFG Life provides billing, collection, disbursement, procurement and other services to its affiliates, including the Company. Affiliates also provide goods and services to one another. CMFG Life acts as “common paymaster” for CUNA Mutual Group.

EMPLOYEE WELFARE

All employee services are provided by CMFG Life. CMFG Life offers several benefit plans to its employees, including: defined contribution-401(k), pension, deferred compensation, healthcare, dental, prescription, workers compensation, group life insurance, group dental insurance, long-term and short-term disability, and flex benefits plans.

REINSURANCE

The reinsurance contracts of the Company were reviewed and no contract provisions were found to be outside the custom of the industry. All contracts had acceptable insolvency clauses and transfer of risk. The Company has no reinsurance contracts with unauthorized reinsurers.

Affiliated Pooling and Quota Share

CUMIS Specialty cedes 100% of its business to the Company. Prior to January 1, 2015, the Company ceded to CUMIS Specialty 10% of the net loss in respect to the pooled business. Effective January 1, 2015, this agreement was converted to a 100% quota share agreement with the pooling agreement commuted through a transfer of cash and invested funds.

Non-Affiliated Assumed

Quota Share – Liberty Mutual Insurance Company

The Company assumes a quota share percentage of business classified as TruStage Auto & Home business, as defined in the Second Restated Marketing Agreement as personal markets (homeowners and automobile business). The percentage assumed varies by distribution channel. The Company assumes 40% of each risk generated through the Company's marketing efforts and 25% of each qualifying risk generated through the direct writer's agent network.

Quota Share – Beazley Insurance Company

The Company assumes a 35% quota share of Cyber Liability policies written on Beazley paper through the Company's brokerage area for the credit union protection area.

Non-Affiliated Ceded

Fidelity/DVE Excess of Loss

First Layer: The reinsurer shall indemnify the Company for the amount of ultimate net loss in excess of \$15,000,000 each and every loss, coverage and insured. The limit of liability will not exceed \$10,000,000 each and every loss, coverage and insured. The limit of liability to the Reinsurers will not exceed \$10,000,000 each and every loss occurrence, subject to an aggregate of \$40,000,000 during the term of the contract after consideration of the reinstatement provisions.

Second Layer: The reinsurer shall indemnify the Company for the amount of ultimate net loss in excess of \$25,000,000 each and every loss, coverage and insured. The limit of liability will not exceed \$25,000,000 each and every loss, coverage and insured. The limit of liability to the Reinsurers will not exceed \$25,000,000 each and every loss occurrence, subject to an aggregate of \$50,000,000 during the term of the contract after consideration of the reinstatement provisions.

The Agreement includes reinstatement provisions and has a 100% total placement.

Fidelity/DVE Contingency Excess of Loss

The reinsurer shall indemnify the Company for the ultimate net loss in excess of \$50,000,000 each and every loss occurrence. The limit of liability will not exceed \$75,000,000 with respect to each and every loss occurrence subject to an aggregate of \$150,000,000 during the term of the contract after consideration of the reinstatement provisions.

The Agreement includes a reinstatement provision and has a 100% total placement.

Casualty Excess of Loss

Covers: losses occurring and /or claims made that may accrue to the Company under all policies classified by the Company as Casualty, including but not limited to the Liability section of Habitational Lines, the Liability section of Commercial Multi-Peril, Umbrella Liability, Excess Liability, Employment Practices Liability, Automobile Liability, Employer's Liability, and the Liability portion of Safe Deposit Box.

The reinsurer shall indemnify the Company for the amount of ultimate net loss in excess of \$5,000,000 any one loss occurrence. The limit of liability will not exceed \$11,000,000 with respect to any one loss occurrence subject to an aggregate of \$22,000,000 during the term of the contract after consideration of the reinstatement provisions.

The Agreement includes a reinstatement provision and has a 60% total placement.

Three Layer Property Catastrophe Excess of Loss

Covers: Property, including but not limited to, Commercial Property, Homeowners, Automobile Physical Damage, Collateral Protection, and the Property portion of Safe Deposit Box.

First Layer: The reinsurer shall indemnify the Company for the amount of ultimate net loss in excess of \$20,000,000 any one loss occurrence. The limit of liability will not exceed \$20,000,000 with respect to any one loss occurrence subject to an aggregate of \$40,000,000 during the term of the contract after consideration of the reinstatement provisions. This layer has an 80% total placement.

Second Layer: The reinsurer shall indemnify the Company for the amount of ultimate net loss in excess of \$40,000,000 any one loss occurrence. The limit of liability will not exceed \$40,000,000 with respect to any one loss occurrence subject to an aggregate of \$80,000,000 during the term of the contract after consideration of the reinstatement provisions. This layer has an 85% total placement.

Third Layer: The reinsurer shall indemnify the Company for the amount of ultimate net loss in excess of \$80,000,000 any one loss occurrence. The limit of liability will not exceed \$70,000,000 with respect to any one loss occurrence subject to an aggregate of \$140,000,000 during the term of the contract after consideration of the reinstatement provisions. This layer has a 100% total placement.

Private Property Catastrophe Excess of Loss Top Layer

Covers: Property, including but not limited to, Commercial Property, Homeowners, Automobile Physical Damage, Collateral Protection, and the Property portion of Safe Deposit Box.

The reinsurer shall indemnify the Company for the amount of ultimate net loss in excess of \$150,000,000 any one loss occurrence. The limit of liability will not exceed \$25,000,000 with respect to any one loss occurrence subject to an aggregate of \$50,000,000 during the term of the contract after consideration of the reinstatement provisions. This layer has a 100% total placement.

STATUTORY DEPOSIT

As of December 31, 2020, the book/adjusted carrying value of special deposits held in trust by the Iowa Insurance Commissioner for the benefit of all policyholders totaled \$2,513,573. A schedule of the book/adjusted carrying value of all other special deposits held for the benefit of policyholders in the respective jurisdiction follows:

| | | | |
|---------------|------------|---------------------|------------|
| Arkansas | \$ 175,950 | New Mexico | \$ 502,715 |
| California | 2,850,959 | North Carolina | 351,900 |
| Delaware | 150,814 | Oregon | 452,443 |
| Florida | 150,814 | Virginia | 628,393 |
| Georgia | 200,000 | Guam | 60,326 |
| Massachusetts | 50,271 | Puerto Rico | 1,005,429 |
| Montana | 50,271 | U.S. Virgin Islands | 502,715 |

TERRITORY AND PLAN OF OPERATION

The Company is authorized to transact business in all fifty states, the District of Columbia and several foreign jurisdictions.

The Company markets commercial property and casualty and collateral protection products to credit unions, utilizing salaried representatives. The Company also assumes business written by other insurers for credit unions and credit union members, principally homeowners, auto and certain commercial property insurance.

GROWTH OF COMPANY

The following data, as taken from the office copies of the Company's filed annual statements for the years indicated, reflects the growth of the Company:

(000's) omitted

| <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> |
|-------------|----------------------------|-------------------------------------|------------------------------------|------------------------------------|---|
| 2016 | \$1,832,590 | \$ 869,240 | \$795,443 | \$469,604 | \$56,385 |
| 2017 | 2,002,755 | 911,007 | 858,770 | 531,425 | 57,935 |
| 2018 | 2,050,041 | 942,355 | 889,051 | 520,741 | 74,556 |
| 2019 | 2,180,549 | 1,008,619 | 882,101 | 502,287 | 69,399 |
| 2020 | 2,261,947 | 1,042,920 | 908,265 | 532,770 | 70,541 |

ACCOUNTS AND RECORDS

The Company uses electronic data processing equipment and related software for processing and maintaining its accounts, records and files. In certain areas, an imaging system is used to maintain documents on the computer system rather than maintaining the original documents (paper) or other media (microfilm, microfiche etc.). The Information Systems controls were reviewed by this examination. No material exceptions were noted to accepted control practices and procedures.

The trial balance of the Company's general ledger was taken for 2020 and was found to be in agreement with the office copy of the filed annual statement.

The records in the Company's policy master file were sampled and tested by comparing data contained in supporting documents to data contained in the computer records. No material discrepancies were noted.

During the course of examination, no statutory violations or material differences with the amounts reflected in the financial statements, as presented in the annual statement at December 31, 2020, were identified.

SUBSEQUENT EVENTS

COVID-19 Pandemic

In March 2020, the World Health Organization declared Coronavirus disease (COVID-19) a pandemic. As of the date of this report, there is significant uncertainty as to the impact the pandemic will have on the economy, insurance industry and the Company. In addition, this uncertainty has contributed to extreme volatility in the financial markets. As such, the Iowa Insurance Division will continue to monitor COVID-19 developments.

Dividend Paid

The Company paid a dividend of cash and securities of \$80,000,000 to CMIC on October 28, 2021.

FINANCIAL STATEMENTS
AND COMMENTS THEREON

Note: The following financial statements are based on the statutory financial statements filed by the Company with the Iowa Insurance Division and present the financial condition of the Company for the period ending December 31, 2020.

ASSETS

| | <u>Ledger</u> | <u>Non-Admitted</u> | <u>Admitted</u> |
|--|------------------------|---------------------|------------------------|
| Bonds | \$1,687,664,607 | | \$1,687,664,607 |
| Preferred stocks | 56,642,938 | | 56,642,938 |
| Common stocks | 154,957,592 | | 154,957,592 |
| Cash and cash equivalents | 5,820,801 | | 5,820,801 |
| Other invested assets | 21,582,620 | | 21,582,620 |
| Receivable for securities | 76,746 | | 76,746 |
| Securities lending reinvested collateral asset | 31,001,151 | | 31,001,151 |
| Investment income due and accrued | 17,136,637 | | 17,136,637 |
| Uncollected premiums and agents' balances in the course of collection | 256,873,652 | 810,437 | 256,063,215 |
| Deferred premiums and agents' balances booked but deferred | 525,685 | | 525,685 |
| Amounts recoverable from reinsurers | 378,147 | | 378,147 |
| Net deferred tax asset | 28,676,647 | | 28,676,647 |
| Guaranty funds receivable or on deposit | 86,000 | | 86,000 |
| Receivable from parent, subsidiaries and affiliates | 148,184 | | 148,184 |
| Items not allocated | 205,982 | 205,985 | (3) |
| Amounts due from AIPSO and underwriting pools | 155,895 | | 155,895 |
| Prepaid expenses | 4,372,376 | 4,372,376 | |
| Other miscellaneous assets | 1,392,510 | 362,361 | 1,030,149 |
| Advances | <u>50,000</u> | <u>50,000</u> | <u>0</u> |
| Total Assets | <u>\$2,267,748,171</u> | <u>\$5,801,159</u> | <u>\$2,261,947,012</u> |

LIABILITIES, SURPLUS AND OTHER FUNDS

| | |
|---|----------------------------|
| Losses | \$ 385,143,512 |
| Reinsurance payable on paid losses and loss adjustment expenses | 84,592,875 |
| Loss adjustment expenses | 44,954,203 |
| Other expenses | 3,860,768 |
| Taxes, licenses and fees (excluding federal income taxes) | 1,266,824 |
| Current federal and foreign income taxes | 18,830,104 |
| Unearned premiums | 520,494,449 |
| Advance premium | 61,035,594 |
| Ceded reinsurance premiums payable | 418,500 |
| Funds held by company under reinsurance treaties | 5,057 |
| Amounts withheld or retained by company for account of others | 26,390,093 |
| Remittances and items not allocated | 758,730 |
| Provision for reinsurance | 667,000 |
| Payable to parent, subsidiaries and affiliates | 26,918,992 |
| Derivatives | 369,860 |
| Payable for securities | 76,746 |
| Payable for securities lending | 31,001,151 |
| Experience refunds liability | 19,220,431 |
| Ceded retroactive workers' compensation reserves | <u>(6,978,257)</u> |
| Total Liabilities | <u>\$1,219,026,630</u> |
| Common capital stock | \$ 5,831,488 |
| Gross paid in and contributed surplus | 63,352,016 |
| Unassigned funds (surplus) | <u>973,736,877</u> |
| Surplus as regards policyholders | <u>\$1,042,920,381</u> |
| Total Liabilities, Surplus and Other Funds | <u>\$2,261,947,011</u> |

STATEMENT OF INCOME

Underwriting Income

Premiums earned \$ 908,264,826

Deductions

Losses incurred 532,769,505

Loss adjustment expenses incurred 53,393,370

Other underwriting expenses incurred 267,438,438

Total underwriting deductions 853,601,313

Net underwriting gain (loss) 54,663,514

Investment Income

Net investment income earned 70,541,306

Net realized capital gains or (losses) 14,098,841

Net investment gain (loss) 84,640,147

Other Income

Net gain (loss) from agents' or premium balances charged off (3,264,203)

Miscellaneous income 2,534,394

Total other income (729,808)

Net income before Federal income tax \$ 138,573,853

Federal and foreign income taxes incurred 22,601,216

Net Income \$ 115,972,637

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2019 \$1,008,618,690

Gains and (Losses) in Surplus

Net income 115,972,637

Change in net unrealized capital gains or (losses) (3,646,190)

Change in net unrealized foreign exchange capital gain (loss) 335,548

Change in net deferred income tax 3,429,086

Change in non-admitted assets (1,932,590)

Change in provision for reinsurance 143,200

Dividends to stockholders (80,000,000)

Change in surplus as regards policyholders for the year 34,301,691

Surplus as regards policyholders, December 31, 2020 \$1,042,920,381

CASH FLOW STATEMENT

Cash from Operations

| | |
|---|-----------------------|
| Premiums collected net of reinsurance | \$ 943,889,122 |
| Net investment income | 72,449,748 |
| Miscellaneous income | <u>248,037</u> |
| Total | 1,016,586,907 |
| Benefit and loss related payments | 506,969,348 |
| Commissions, expenses paid and aggregate write-ins for deductions | 328,691,682 |
| Federal and foreign income taxes paid | <u>20,581,254</u> |
| Total | 856,242,283 |
| Net cash from operations | <u>\$ 160,344,624</u> |

Cash from Investments

Proceeds from investments sold, matured or repaid:

| | |
|--|-----------------------|
| Bonds | \$ 219,651,733 |
| Stocks | 33,749,683 |
| Other invested assets | 5,146 |
| Net gains or (losses) on cash, cash equivalents and short-term investments | (74,804) |
| Miscellaneous proceeds | <u>15,388,519</u> |
| Total investment proceeds | <u>\$ 268,720,277</u> |

Cost of investments acquired (long-term only):

| | |
|----------------------------|-------------------------|
| Bonds | \$ 375,895,056 |
| Stocks | 47,097,264 |
| Other invested assets | 1,252,218 |
| Miscellaneous applications | <u>242,553</u> |
| Total investments acquired | <u>\$ 424,487,091</u> |
| Net cash from investments | <u>\$ (155,766,814)</u> |

Cash from Financing and Miscellaneous Sources

Cash provided:

| | |
|---|------------------------|
| Dividends to stockholders | \$ 334,353 |
| Other cash provided (applied) | <u>(15,335,508)</u> |
| Net cash from financing and miscellaneous sources | <u>\$ (15,669,861)</u> |

RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

| | |
|---|------------------------|
| Net change in cash, cash equivalents and short-term investments | <u>\$ (11,092,051)</u> |
| Cash, cash equivalents and short-term investments: | |
| Beginning of year | 16,912,852 |
| End of period | <u>\$ 5,820,801</u> |

CONCLUSION

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

In addition to the undersigned, examiners from the Iowa Insurance Division, Risk & Regulatory Consulting, LLC, information systems and actuarial specialists, and JP Consulting, investment specialists, participated in the examination and the preparation of this report.

Respectfully submitted,

/s/ Thomas Allen
Thomas Allen, CFE
Examiner-in-Charge
Examination Resources, LLC on behalf of the Iowa
Insurance Division
State of Iowa

/s/ Daniel Mathis
Daniel Mathis, CFE
Chief Examiner
Iowa Insurance Division
State of Iowa