

EXAMINATION REPORT OF
IMT INSURANCE COMPANY
WEST DES MOINES, IOWA
AS OF DECEMBER 31, 2020

West Des Moines, Iowa
September 27, 2021

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

IMT INSURANCE COMPANY

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2020

at its Home Office, 7825 Mills Civic Parkway, West Des Moines, Iowa.

INTRODUCTION

IMT Insurance Company, hereinafter referred to as the “Company”, was last examined as of December 31, 2015. The examination reported herein was conducted as an examination of an insurance holding company group by the contracting firm, Risk & Regulatory Consulting, LLC, and examiners of the Iowa Insurance Division. The Company’s affiliate, Wadena Insurance Company, was also examined as part of the holding company group.

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.

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

HISTORY

The Company's corporate existence commenced December 1883, as the Iowa Mutual Tornado, Cyclone and Windstorm Insurance Association. The Association was authorized to write insurance as is now enumerated under Chapter 518A, Code of Iowa. Through subsequent amendments to the Articles of Incorporation, the following changes were made:

1958 – The Company became authorized to conduct business under Chapter 515, Code of Iowa and the corporate existence was made perpetual.

1970 – The corporate title was changed to IMT Insurance Company (Mutual).

2007 – The Company converted from a mutual to a stock company and changed the name to IMT Insurance Company. IMT is now 100% owned by the IMT Mutual Holding Company.

2012 – IMT Insurance Company has a 100% interest in the form of 50,000 shares of common stock in IMT Corporation, a non-insurance company, previously owned by IMT Mutual Holding Company.

CAPITAL STOCK AND DIVIDENDS THEREON

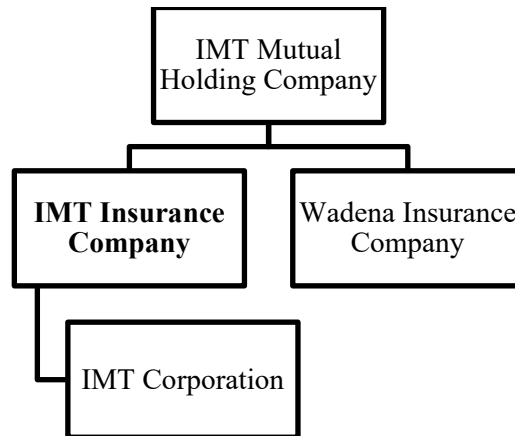
The aggregate number of shares of stock the Company is authorized to issue is 10,000,000 shares of Class A common stock, \$1 par value and 10,000 shares of cumulative, non-voting preferred stock, \$1 par value. Issued and outstanding capital, as of December 31, 2020, consists of 2,500,000 shares of Class A common stock. The Company did not pay shareholder dividends during the examination period.

Effective August 1, 2016, IMT Mutual Holding Company became the sponsor of the non-contributory defined benefit pension plan. In connection with the change in sponsorship, IMT Mutual Holding Company assumed a \$24,247,930 liability from the Company. The Company recognized a \$24,247,930 increase in gross paid-in and contributed surplus.

HOLDING COMPANY ACT

The Company is a member of a Holding Company System as defined by Chapter 521A, Code of Iowa. Articles of Incorporation for the IMT Mutual Holding Company were filed with the Iowa Secretary of State and approved by the Iowa Insurance Commissioner on December 27, 2006. In conjunction with the formation of the Holding Company, IMT Insurance Company transferred ownership of Wadena Insurance Company to IMT Mutual Holding Company.

The appropriate filings, as mandated under the Iowa Code regarding insurance company holding systems, were filed for each year under review. An organizational chart follows:



MANAGEMENT AND CONTROL

Mutual Holding Company Membership

Every individual, partnership, public or private corporation, board or association, trustee or other legal entity to whom a policy of insurance has been issued by IMT Insurance Company shall be a member of the Holding Company and be entitled to the rights and privileges of such membership as defined in the Articles of Incorporation and Bylaws. Each member shall be entitled to one vote regardless of the number of policies issued to such members. Twenty-five (25) members of the corporation present in person or represented by proxy at any meeting shall constitute a quorum for the transaction of business.

The annual meeting of the members shall be held at the Holding Company’s principal place of business and shall be held on the third Thursday of April at 1:00 p.m.

The Mutual Holding Company shall at all times remain the holder and owner, directly or indirectly, of at least a majority of the voting shares of IMT Insurance Company or any other corporation engaged in the business of insurance.

The business and affairs of the Holding Company shall be managed by or under the direction of the Board of Directors. The number of directors which shall constitute the whole Board of Directors shall be not less than five (5) nor more than fifteen (15). As the term of office of each director expires, a successor shall be elected by the members of the Holding Company at the next annual meeting of the members for a term not to exceed three years.

The Board of Directors, at its regular annual meeting, shall elect a Chairman, a President, a Secretary and a Treasurer. In addition, it may elect such other officers as it deems necessary for the proper operation of the Holding Company.

Directors and officers of the IMT Mutual Holding Company are the same as those elected and appointed for IMT Insurance Company and Wadena Insurance Company.

Shareholders

The annual shareholders meeting, 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, either within or without the State of Iowa, on the third Thursday in April of each year at 2:00 p.m., or at such other time on said day as shall be fixed by the Board of Directors. A majority of the shares issued and outstanding represented either in person or by proxy shall constitute a quorum for the transaction of business. Each shareholder shall be entitled to one (1) vote for

each share of stock standing in his, her, or its name on the books of the Corporation, whether represented in person or by proxy.

Special meetings of the shareholders may be called by the President, the Board of Directors, or the holders of not less than one-tenth of all the shares entitled to vote at the meeting or by any two (2) officers of the Corporation other than the President.

Board of Directors

The Bylaws provide that the business and affairs of the Company are managed by or under, the direction of the Board of Directors and shall consist of not less than five (5) nor more than fifteen (15) members, with the exact number of members to be set by action of the Board.

The Board of Directors shall be divided into three classes, each class as nearly as possible to consist of one-third (1/3) of the membership, and the Board shall be so constituted that the terms of office of Directors of each class shall expire every three years from the date of their election. No person shall be elected as a Director after he or she attains age 75.

The regular annual meeting shall be held upon adjournment of the annual meeting of the shareholders. Any other regular meeting shall be held on call of the President or the Executive Committee. All meetings of the Board shall be at the Home Office of the Company or at such other locality, either within or without the State of Iowa as the President determines. The hour at which other regular meetings of the Board of Directors shall convene shall be fixed by the President or the Executive Committee as to each such meeting. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Elected and qualified directors as of December 31, 2020 were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term</u>
Richard C. Keith Scottsdale, Arizona	Chairman of the Board IMT Insurance Company	2021
¹ David W. Treimer Hartley, Iowa	Proprietor Treimer's Insurance Agency, Inc.	2021
Richard M. Willis Waukee, Iowa	Proprietor Willis Auto Campus	2021
Brian L. Anderson Ames, Iowa	Retired Proprietor of an Insurance Agency	2022
Thomas R. Bernau Des Moines, Iowa	Director, President Arona Corporation and Bernau Corporation	2022
Sharon K. Heaton Murrayville, Illinois	Retired Proprietor of an Insurance Agency	2022
¹ Cynthia M. Burns Marshfield, Wisconsin	Proprietor Burns Insurance Agency	2023

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term</u>
Denny M. Dennis Phoenix, Arizona	Retired Attorney	2023
Mark J. Ellsworth Bennington, Nebraska	Certified Public Accountant and Consultant Mark J. Ellsworth, PLC	2023
Sean M. Kennedy St. Charles, Iowa	President and Chief Executive Officer IMT Insurance Company	2023
¹ Bryan R. Kouri Sioux Falls, South Dakota	Proprietor Kouri and Associates	2023

¹These directors are also appointed producers with the Company.

The members of the Board of Directors, while attending meetings or traveling in the interest or affairs of the Company, shall be entitled to reimbursement for their transportation, out-of-pocket expenses and per diem compensation that is determined, from time to time, by resolution of the Board of Directors. No compensation shall be paid to any Director who is compensated as an employee of the Company, its parent or affiliate.

Committees

The Board of Directors may, at its regular annual meeting, appoint an Executive Committee, and may at such meeting, or from time to time, appoint such other committees, with such name or names as it may determine. The appointment of any such committee and the delegation thereto of authority shall not relieve the Board of Directors, or any member thereof, of any responsibility imposed by law. Each member of any committee shall hold office until the next regular annual meeting of the Board of Directors and until a successor is elected and qualified.

The committees and their membership as of December 31, 2020 are as follows:

Executive Committee

Richard C. Keith, Chairperson
Sean M. Kennedy
Richard M. Willis
Sharon K. Heaton
Mark J. Ellsworth
Bradley J. Buchanan, Secretary (non-voting)

Executive Compensation Committee

Richard M. Willis, Chairperson
Thomas R. Bernau
Denny M. Dennis
Richard C. Keith
Sean M. Kennedy, Exofficio (non-voting)

Nominating Committee

David W. Treimer, Chairperson
Richard C. Keith
Richard M. Willis
Sean M. Kennedy
Bradley J. Buchanan, Secretary (non-voting)

Investment Committee

Thomas R. Bernau, Chairperson
Richard C. Keith
Brian L. Anderson
David W. Treimer
Sean M. Kennedy
Bradley J. Buchanan, Secretary (non-voting)

Audit Committee

Mark J. Ellsworth, Chairperson
Richard C. Keith
Richard M. Willis
Sharon K. Heaton
Brian L. Anderson
Sean M. Kennedy
Brad J. Buchanan, Secretary (non-voting)

Officers

The Executive Officers of the Corporation shall be a Chairman, a President, one or more Vice Presidents, a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. Any two offices may be held by the same person. The officers of the Corporation shall be elected annually by the Board of Directors at its regular annual meeting. Each officer shall hold office until a successor has been duly elected and has qualified, or until death, or resignation, or has been removed in the manner hereinafter provided.

Duly elected officers at December 31, 2020 were as follows:

<u>Name</u>	<u>Title</u>
Richard C. Keith	Chairman of the Board
Sean M. Kennedy	President and Chief Executive Officer
Gregory J. Blythe	Vice President and Treasurer
Bradley J. Buchanan	Vice President and Secretary
Chris A. Owenson	Vice President
Jeffrey A. Wilson	Vice President
Matt Casey	Vice President
Brian C. Nietzel	Vice President
Travis Mcaplin	Vice President
Marsha A. Aldridge	Vice President

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

CONFLICT OF INTEREST STATEMENTS

The Company has a documented conflict of interest policy and an established procedure for the annual disclosure to its Board of Directors and Audit Committee of any material interest or affiliation on the part of its directors, officers or key employees which is in, or likely to, conflict with the official duties of such person. While conflicts were disclosed, none were found to have a material impact on the Company and all were addressed by the Audit Committee.

CORPORATE RECORDS

There were no amendments to the Articles of Incorporation or Bylaws during the examination period.

The Examination Report prepared by the Iowa Insurance Division, as of December 31, 2015, was accepted as presented at the Board meeting held October 17, 2017.

RELATED PARTY AGREEMENTS

Tax Allocation Agreement

IMT Mutual Holding Company, IMT Insurance Company, Wadena Insurance Company and IMT Corporation are part of an amended and restated tax allocation agreement effective August 1, 2016.

Expense Allocation Agreement

IMT Mutual Holding Company, IMT Insurance Company, Wadena Insurance Company and IMT Corporation are part of an amended and restated expense allocation agreement effective January 1, 2018.

FIDELITY BONDS AND OTHER INSURANCE

The Company and its affiliates, are protected by an umbrella liability insurance policy. Private company directors and officers and employment practices liability is limited to \$15,000,000; fiduciary liability is limited to \$10,000,000; and insurance company bond with extended coverages including fidelity insurance is limited to \$5,000,000, which meets the NAIC's suggested minimum amount of coverage.

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

EMPLOYEES' WELFARE

The Company has a variety of benefit plans available for their employees, including executive life insurance, employee group term life, short and long-term disability and business travel accident insurance on a non-contributory basis. A comprehensive major medical health program, group dental, and vision are in place with employee contributions required. Group universal life and long-term care insurance are available on a voluntary basis. The Company sponsors a non-contributory defined benefit pension plan covering all of its employees hired prior to June 1, 2015. A 401K safe-harbor plan is in place whereby the employee is always 100% vested in their own contributions and a two year vesting schedule for the Company's contributions. In addition, a profit sharing plan is available if the Company experiences an underwriting gain based on the growth, non-storm loss ratio, and underwriting return on surplus and if eligible employees meet their performance objectives.

REINSURANCE

Intercompany Pooling

The Company is the lead participant in a 100% intercompany pooling agreement with its affiliate, Wadena Insurance Company. The original pooling agreement, effective January 1, 2007, provided for the pool allocation of 95% to IMT Insurance Company and 5% to Wadena Insurance Company. The agreement was amended July 1, 2010 to 100% participation by the Company. In conjunction with the Amended and Restated Pooling Agreement and the Commutation and Release Agreement, the Company received \$22,400,007 in cash and securities for the net insurance liabilities transferred from Wadena Insurance Company.

Assumed pool premiums reported for 2020 totaled \$171,501,637.

Assumed

The Company participates in the National Workers Compensation Reinsurance Pool. Total unaffiliated assumed premiums for 2020 are \$453,511.

Ceded

The Company is a named reinsured with their affiliate, Wadena Insurance Company, on various ceded reinsurance treaties, placed primarily with authorized reinsurers. Ceded non-affiliated premiums reported for 2020 totaled \$31,599,758. Ceded reinsurance cover is as follows:

Multiple Line Excess of Loss

Covers property and casualty risks including Glass, Burglary, Theft, Workers' Compensation, Employers' Liability, Personal Auto Liability and Commercial Auto Liability. Excludes Auto Physical Damage.

First Multiple Line

As respects Property business, the reinsurer shall be liable with respect to each risk, each loss for 100% of the ultimate net loss in excess of \$600,000, but the reinsurer shall not be liable for more than \$400,000 in respect of each risk, each loss, nor for more than \$1,200,000 as respects any one loss occurrence.

As respects Casualty business, the reinsurer shall be liable with respect to loss occurrence for 100% of the ultimate net loss in excess of \$600,000, but the reinsurer shall not be liable for more than \$400,000 each loss occurrence. With respect to Workers' Compensation and Employers' Liability the reinsurer shall not be liable for more than \$1,200,000 annual aggregate with respect to terrorism.

In the event a loss occurrence involves losses under both Property and Casualty business, the reinsurer shall be liable with respect to each loss occurrence for 100% of the ultimate net loss which is in excess of \$600,000 each loss occurrence, but the reinsurer shall not be liable for more than \$600,000.

Second Multiple Line

As respects Property business, the reinsurer shall be liable with respect to each risk, each loss for 100% of the ultimate net loss in excess of \$1,000,000, but the reinsurer shall not be liable for more than \$4,000,000 in respect of each risk, each loss, nor for more than \$8,000,000 as respects any one loss occurrence.

As respects Casualty business, the reinsurer shall be liable with respect to loss occurrence for 100% of the ultimate net loss in excess of \$1,000,000, but the reinsurer shall not be liable for more than \$4,000,000 each loss occurrence. With respect to Workers' Compensation and Employers' Liability the reinsurer shall not be liable for more than \$8,000,000 annual aggregate with respect to terrorism.

Third Multiple Line

As respects Property Business, the reinsurer shall be liable with respect to each risk, each loss for 100% of the ultimate net loss in excess of \$5,000,000, but the reinsurer shall not be liable for more than \$2,500,000 in respect of each risk, each loss, nor for more than \$5,000,000 as respects all loss occurrences.

As respects Casualty business, the reinsurer shall be liable with respect to each loss occurrence for 100% of the ultimate net loss which is in excess of \$5,000,000 each loss occurrence, but the reinsurer shall not be liable for more than \$5,000,000 each loss occurrence. As respects any losses from terrorism under Workers' Compensation and Employers' Liability business the aggregate Reinsurer's limit for the term of this Contract is \$5,000,000. As respects all Casualty business, the reinsurer's aggregate limit for all loss occurrences, including any applicable terrorism is \$10,000,000.

Workers' Compensation Excess of Loss

As respects Workers' Compensation and Employers' Liability business, the reinsurer shall be liable with respect to each loss occurrence for one hundred percent (100%) of the ultimate net loss which is in excess of \$10,000,000 each loss occurrence, but the reinsurer shall not be liable for more than \$15,000,000 each loss occurrence. The reinsurer shall not be liable for more than \$15,000,000 aggregate with respect to Terrorism and \$30,000,000 for all occurrences (including any applicable terrorism).

The maximum limit for Employers' Liability business is \$2,000,000 unless a higher limit is mandated by applicable law or regulation.

Umbrella Quota Share

Covers business classified as Personal, Farm or Commercial Umbrella business. As respects each policy, the Company shall retain as its own net retention a 20% quota share part of the first \$1,000,000 of the policy limit and shall cede to the reinsurer an 80% quota share of the first \$1,000,000 of policy limit. The Company shall cede a 100% quota share of the next \$9,000,000 of policy limit. In no event shall the reinsurer's share of any loss, any policy exceed \$9,800,000 plus a pro rata share of the loss adjustment expenses, as defined in the contract, not to exceed an additional \$9,800,000, any loss, any policy. All loss arising from terrorism shall not exceed \$9,800,000 as respects all loss occurrences.

Surety and Fidelity Per Principal Excess of Loss

First Excess – The Company shall retain the first \$500,000 of ultimate net loss as respects each loss discovered, each principal or each loss event. The reinsurer shall be liable up to a limit of \$500,000 not to exceed an aggregate limit of \$1,500,000.

Second Excess – The Company shall retain the first \$1,000,000 of ultimate net loss as respects each loss discovered, each principal or each loss event. The reinsurer shall be liable up to a limit of \$1,500,000 not to exceed an aggregate limit of \$3,000,000.

Third Excess – The Company shall retain the first \$2,500,000 of ultimate net loss as respects each loss discovered, each principal or each loss event. The reinsurer shall be liable up to a limit of \$5,000,000 not to exceed an aggregate limit of \$5,000,000.

Property Catastrophe Excess of Loss

First Excess – The reinsurer shall indemnify the Company for 100% of the amount, if any, by which the losses and loss adjustment expenses resulting from one loss occurrence exceed an ultimate net loss to the Company of \$12,500,000. The reinsurer shall be liable for such ultimate net loss, subject to a limit of liability of \$17,500,000, as respects any one loss occurrence. The Reinsurer's limit of liability under this Exhibit, as respects all loss occurrences during the term of this contract, shall not exceed \$35,000,000.

Second Excess – The reinsurer shall indemnify the Company for 100% of the amount, if any, by which the losses and loss adjustment expenses resulting from one loss occurrence exceed an ultimate net loss to the Company of \$30,000,000. The reinsurer shall be liable for such ultimate net loss, subject to a limit of liability of \$50,000,000, as respects any one loss occurrence. The Reinsurer's limit of liability under this Exhibit, as respects all loss occurrences during the term of this contract, shall not exceed \$100,000,000.

Third Excess – The reinsurer shall indemnify the Company for 100% of the amount, if any, by which the losses and loss adjustment expenses resulting from one loss occurrence exceed an ultimate net loss to the Company of \$80,000,000. The reinsurer shall be liable for such ultimate net loss, subject to a limit of liability of

\$30,000,000, as respects any one loss occurrence. The Reinsurer's limit of liability under this Exhibit, as respects all loss occurrences during the term of this contract, shall not exceed \$60,000,000.

Property Aggregate Excess of Loss

The Company shall retain and be liable for an aggregate amount of ultimate net loss equal to \$20,000,000 for event losses for the term. The reinsurer shall then be liable for the amount by which the Company's aggregate ultimate net loss exceeds the Company's retention, but the liability of the reinsurer shall not exceed \$25,000,000.

Losses arising out of loss occurrences commencing during the term may not contribute to the ultimate net loss unless the Company's total losses arising out of the loss occurrence exceed \$2,000,000. If total losses from any one loss occurrence exceeds \$2,000,000, then the amount in excess of \$2,000,000 shall contribute to the ultimate net loss. The maximum ultimate net loss contribution per loss occurrence is \$10,500,000 in excess of \$2,000,000.

STATUTORY DEPOSIT

The book/adjusted carrying value of securities held in a custodial account, and vested in the Iowa Commissioner of Insurance for the benefit of all policyholders, totaled \$1,596,916.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to write business in the states of Arizona, Illinois, Indiana, Iowa, Minnesota, Missouri, Nebraska, North Dakota, South Dakota and Wisconsin. However, the Company is not currently writing in Arizona, Indiana, Missouri, and North Dakota. Iowa accounted for over 52% of the 2020 direct written premiums.

The Company's major lines of business are homeowners, other liability, and workers' compensation. The Company also writes commercial automobile and commercial liability including business owners, golf course package and other niche market packages such as small restaurants, small grocery stores, veterinarians and bed and breakfasts.

IMT provides personal automobile coverage through a sister company, Wadena Insurance Company.

Additionally, IMT Insurance Company continues to work in conjunction with the county mutual associations by underwriting the Commercial Property Liability that is attached by endorsement to the property policy written by the county/farm mutuals. The Company also continues to license those agencies that produce business for the county/farm mutuals.

IMT operates under the American Agency System, the Company markets its products through approximately 972 independent agencies.

GROWTH OF COMPANY

The following information was obtained from the filed copies of the annual statements.

<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	\$ 366,870,033	\$ 179,084,431	\$ 210,852,128	\$ 102,522,422	\$ 6,668,696
2017	396,023,844	175,528,140	223,581,563	150,401,207	8,161,866
2018	407,661,380	149,361,220	246,789,072	174,998,417	7,022,027
2019	446,592,614	163,435,543	260,597,443	164,005,248	8,465,126
2020	477,383,760	186,028,480	254,344,590	140,627,387	9,234,227

ACCOUNTS AND RECORDS

Trial balances were prepared for all years of the examination period. Amounts from the general ledger accounts were reconciled and found to be in agreement with balances reported on the filed annual statements for assets, liabilities, income or disbursements.

During the course of the examination, no material aggregate surplus difference was identified from the amount reflected in the financial statements, as presented in the annual statement at December 31, 2020.

SUBSEQUENT EVENT

COVID-19 Pandemic

The Iowa Insurance Division continues to monitor the impact of the COVID-19 global pandemic on all of its domestic insurers, including the Company.

FINANCIAL STATEMENTS
AND COMMENTS THEREON

NOTE: Except as otherwise stated, the financial statements immediately following reflect only the transactions for the period ending December 31, 2020 and the assets and liabilities as of this date. Schedules may not add or tie precisely due to rounding.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	<u>Ledger</u>	Not <u>Admitted</u>	<u>Admitted</u>
Bonds	\$ 236,383,717	\$ -	\$ 236,383,717
Common stocks	75,753,005	-	75,753,005
Real estate: occupied by the company	32,654,318	-	32,654,318
Cash and short-term investments	14,971,922	-	14,971,922
Other invested assets	37,565,666	-	37,565,666
Aggregate write-ins for invested assets	2,978	-	2,978
Investment income due and accrued	1,342,737	-	1,342,737
Uncollected premiums in course of collection	7,106,843	66,739	7,040,104
Deferred premiums booked and not yet due	48,642,789	-	48,642,789
Amounts recoverable from reinsurers	649,604	3,834	645,770
Current federal and foreign income tax recoverable	1,992,358	-	1,992,358
Net deferred tax asset	2,070,575	-	2,070,575
Electronic data processing equipment and software	2,342,613	1,010,531	1,332,083
Furniture and equipment	142,031	142,031	-
Receivables from parent, subsidiaries and affiliates	505,922	-	505,922
Cash surrender value of life insurance	16,479,816	-	16,479,816
Automobiles	1,658,194	1,658,194	-
Miscellaneous accounts receivable	822	822	-
Other assets non-admitted	<u>750,369</u>	<u>750,369</u>	<u>-</u>
 Total assets	 <u>\$ 481,016,279</u>	 <u>\$ 3,632,519</u>	 <u>\$ 477,383,760</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$ 111,226,568
Reinsurance payable on paid losses and loss adjustment expenses	90,155
Loss adjustment expenses	26,627,533
Commissions payable, contingent and other	7,055,022
Other expenses	6,133,120
Taxes, licenses and fees	898,293
Unearned premiums	114,894,668
Advance premium	2,540,977
Ceded reinsurance premiums payable	726,672
Funds held by company under reinsurance treaties	5,243,384
Amounts withheld or retained for account of others	3,922,518
Remittances and items not allocated	363,669
Drafts outstanding	11,328,823
Payable to parent, subsidiaries and affiliates	<u>303,878</u>
 Total liabilities	 <u>\$ 291,355,281</u>
 Common Capital Stock	 \$ 2,500,000
Gross Paid-In and Contributed Surplus	30,963,250
Unassigned funds (surplus)	<u>152,565,230</u>
 Surplus as regards policyholders	 <u>\$ 186,028,480</u>
 Total liabilities and surplus	 <u>\$ 477,383,761</u>

STATEMENT OF INCOME

Underwriting Income

Premiums earned \$ 254,344,590

Deductions

Losses incurred \$ 140,627,387

Loss adjustment expenses incurred 23,924,040

Other underwriting expenses incurred 80,976,132

Total underwriting deductions \$ 245,527,560

Net underwriting gain (loss) \$ 8,817,031

Investment Income

Net investment income earned \$ 9,234,227

Net realized capital gains (losses) 4,992,372

Net investment gain (loss) \$ 14,226,599

Other Income

Net gain (loss) from agents' or premium balances charged off \$ (294,751)

Finance and service charges not included in premiums 878,335

Aggregate write-ins for misc. income 326,009

Total other income \$ 909,594

Net income before dividends to policyholders \$ 23,953,223

Dividends to policyholders 1,137,165

Net income before federal income tax \$ 22,816,058

Federal and foreign income taxes incurred 1,845,647

Net income \$ 20,970,411

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2019 \$ 163,435,543

Gains and (Losses) in Surplus

Net income \$ 20,970,411

Change in net unrealized capital gains or (losses) 4,246,407

Change in net deferred income tax (1,319,082)

Change in non-admitted assets (1,304,800)

Change in surplus as regards policyholders for the year \$ 22,592,937

Surplus as regards policyholders, December 31, 2020 \$ 186,028,480

CASH FLOW STATEMENT

Cash from Operations

Premiums collected net of reinsurance	\$ 253,381,347	
Net investment income	9,947,075	
Miscellaneous income	<u>909,594</u>	
Total		\$ 264,238,016
Benefit and loss related payments	\$ 142,061,578	
Commissions, expenses paid and aggregate write-ins	101,815,899	
Dividends to policyholders	1,137,165	
Federal income taxes (paid) recovered	<u>(4,580,441)</u>	
Total		<u>\$ 240,434,200</u>
Net cash from operations		<u>\$ 23,803,816</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 64,969,815	
Stocks	19,724,292	
Other Invested Assets	<u>941,912</u>	
Total investment proceeds		\$ 85,636,019
Cost of investments acquired (long-term only):		
Bonds	\$ 82,619,481	
Stocks	11,521,001	
Real estate	12,051,553	
Other invested assets	<u>3,736,411</u>	
Total investments acquired		<u>\$ 109,928,446</u>
Net cash from investments		<u>\$ (24,292,427)</u>

Cash from Financing and Miscellaneous Sources

Borrowed Funds	(50,373)	
Other cash provided (applied)	<u>\$ 6,984,655</u>	
Net cash from financing and miscellaneous sources		<u>\$ 6,934,281</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	\$ 6,445,671
Cash, cash equivalents and short-term investments:	
Beginning of year	<u>8,526,252</u>
End of period	<u>\$ 14,971,923</u>

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Company is hereby acknowledged.

In addition to the undersigned, Randy Guzman, Mick Jepson, and Aaron Syverson; Examiners for the Iowa Insurance Division, participated in the examination and preparation of this report.

A review of losses and related items was performed under the direction of Jennifer Balester, FCAS, MAAA, and Jayson Farrell, FCAS, MAAA, of Risk & Regulatory Consulting.

Respectfully submitted,

/s/ Joshua J. Johnson
Joshua J. Johnson, CFE
Examiner in Charge
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