

EXAMINATION REPORT OF
FARMERS MUTUAL HAIL INSURANCE COMPANY OF IOWA
WEST DES MOINES, IOWA
AS OF DECEMBER 31, 2021

HONORABLE DOUG OMMEN
Commissioner of Insurance
Insurance Division
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

FARMERS MUTUAL HAIL INSURANCE COMPANY OF IOWA

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2021

at its Home Office, 6785 Westown Parkway, West Des Moines, Iowa.

INTRODUCTION

Farmers Mutual Hail Insurance Company of Iowa, hereinafter referred to as the “Company”, was last examined as of December 31, 2016. 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 subsidiary, FMH Ag Risk Insurance Company (FMH Ag Risk), was also examined as part of the holding company group, with a separate examination report prepared for each entity.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2017, to the close of business on December 31, 2021, 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 we 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 was incorporated on March 4, 1893, as a crop hail assessment insurance association under the name of Farmers Mutual Hail Association of Iowa, with its Home Office located in Early, Iowa. In 1941, the Company adopted its present name, Farmers Mutual Hail Insurance Company of Iowa (FMH) and in 1950 the Company's existence was made perpetual. In addition, the issuance of non-assessable policies and the writing of multiple lines were approved.

On December 20, 1991, the Company acquired Farmers Union Co-operative Insurance Company of Nebraska, Inc. (FUCIC) and contributed \$5,000,000 to their surplus. October 1, 2011, the Company entered into a loss portfolio agreement with FUCIC. The loss portfolio transfer moved all insurance related business activities and obligations of the subsidiary onto the Company's books. On September 30, 2014, FUCIC merged into the Company.

On April 1, 2011, Central Iowa Mutual Insurance Association (CIM) merged into the Company. The Company issued assumption of policy obligations and liability endorsement certificates to all CIM policyholders. As a result of the statutory merger, the Company also owns 100% of the stock in C.I.M. Agency.

On April 18, 2011, the 100% owned subsidiary, Farmers Mutual Hail Insurance Company (FMHIC,) was formed in Iowa as a shell company holding required investments mandated by the state of Iowa. Effective September 30, 2015, FMHIC was merged into the Company.

On February 3, 2014, the Company purchased 1% economic ownership with 51% voting rights in Stratus, LLC. Stratus, LLC provides reinsurance brokerage services and expertise for the Company.

On April 1, 2015, the Company acquired all issued and outstanding capital stock shares of John Deere Insurance Company, along with its affiliate John Deere Risk Protection, Inc., from Deere and Company and subsequently renamed the affiliates FMH Ag Risk Insurance Company and FMH Risk Protection, Inc., respectively.

On February 21, 2020, the Company acquired 50% membership interest in TruAcre Technology, LLC. TruAcre Technology, LLC is a provider of precision farming equipment and technical services and is headquartered in Muscatine, Iowa. The acquisition allowed the Company to operationally expand into digital ag solutions.

SURPLUS NOTES

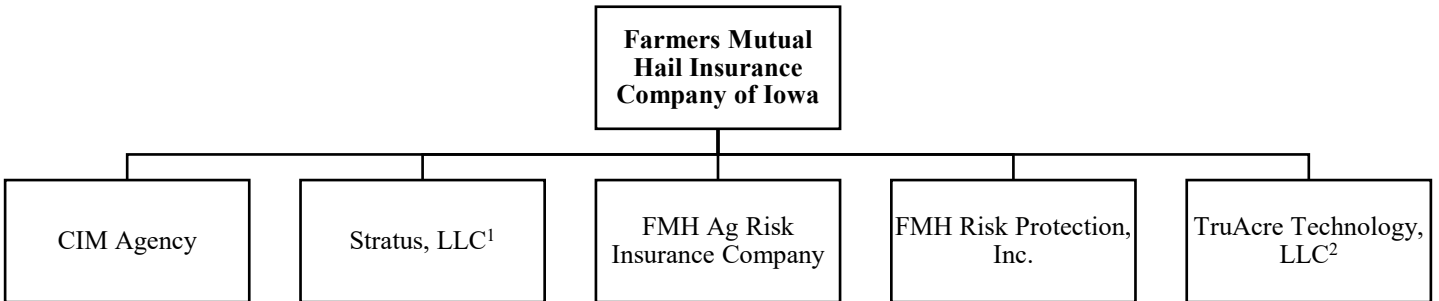
On March 31, 2015, the Company issued a \$60 million surplus note to American Equity Investment Life Insurance Company (AEL) and Fidelity & Guaranty Life Insurance Company (FGLIC), each holding \$30 million of the note issued. The surplus note bears interest at 7.375% per annum. The note matures April 15, 2035. The Company, at its option and upon notice, may prepay all or part of the note any time after the tenth anniversary of the note closing.

Interest payments made to AEL and FGLIC during the examination period and approved by the Iowa Insurance Division, were as follows:

2017 - \$4,425,000
2018 - \$3,503,125
2019 - \$4,425,000
2020 - \$4,425,000
2021 - \$4,425,000

HOLDING COMPANY ACT

The Company is a member of a Mutual Insurance Holding Company System and properly filed Holding Company Registrations in accordance with Chapter 521A, Code of Iowa. The Company is the ultimate parent of Farmers Mutual Hail Insurance Company of Iowa Group, and owns all the outstanding common stock of its subsidiaries, CIM Agency, FMH Ag Risk Insurance Company, and FMH Risk Protection, Inc.



¹ The Company has 1% economic ownership and 51% voting rights of Stratus, LLC.

² The Company owns 50% of TruAcre Technology, LLC.

MANAGEMENT AND CONTROL

MEMBERSHIP

A person becomes and is a member of the Company while holding an eligible policy that is in force. Each member shall be entitled to one vote at any regular or special meeting of the members upon all matters of business, including the election of directors which vote may be exercised in person or by written proxy.

The regular annual meeting of the members of the Company for the election of Directors and the transaction of other business shall be held at the Home Office in West Des Moines, Iowa, at 10:00 o'clock A.M. on the first Monday after the first Saturday in March of each year. The location of this meeting will be determined annually by the president of the Company, and be made known publicly sixty days in advance, or as otherwise required by law. A special meeting of the members may be called by the President or Secretary, if deemed necessary, or such a meeting shall be called by the President upon written request of a majority of the members of the Board, or upon written request of a majority of the members, by giving ten (10) days' written notice. The number of members on the Board of Directors plus one present in person at any annual or special meeting of the members shall constitute a quorum for the transaction of business at any meeting of the members.

BOARD OF DIRECTORS

The number of Directors which shall constitute the whole Board of Directors shall be not less than five nor more than eleven. Directors shall be elected for a term not to exceed three years and as nearly as may be, one-third thereof shall be elected annually by the members of the Company at the regular annual meeting of the members. The Board of Directors may, as provided in the Bylaws, be divided into not more than three classes with the members of one class being elected at each annual meeting. There is no limit on the number of terms a Director may serve. Vacancies occurring in the Board of Directors shall be filled by the remaining Directors by the appointment of qualified persons to hold office for the remainder of the term. Any vacancy occurring on the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors to hold office for the remainder of the unexpired term of the director being replaced.

The annual meeting of the Board of Directors shall be held immediately after the adjournment of the annual meeting of the members; and the Board of Directors shall have the power to hold special meetings, with the exception of

the annual meeting, within or without the State of Iowa, at such places as may be designated by the Bylaws or by resolution of the Board. Special meetings of the Board of Directors may be called at any time by the President or Secretary or any two members of the Board by giving five days written notice in writing to the members of the Board. The members of the Board of Directors shall have the power to waive notice of any special meeting by unanimous consent.

All meetings of the Board of Directors shall require a quorum present for the transaction of business. A quorum shall represent 50% of the total number of sitting Directors on the entire Board plus one additional Director. Meetings shall be conducted in the usual manner of such meetings, and any action of the Board of Directors shall only become official upon approval through formal vote providing for majority approval by those Directors present at the meeting in which the action is taken. The President of the Company shall at all times be privileged to vote on any action of the Board.

At December 31, 2021, duly elected and serving as Directors were:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term</u>
Ronald P. Rutledge Urbandale, Iowa	Retired - Chairman of the Board Farmers Mutual Hail Insurance Company of Iowa	2023
Shannon D. Rutledge Altoona, Iowa	President and Chief Executive Officer Farmers Mutual Hail Insurance Company of Iowa	2023
Darin L. Roggenburg Clive, Iowa	Executive Vice President, Chief Financial Officer, and Treasurer Farmers Mutual Hail Insurance Company of Iowa	2023
Deborah L. Ladehoff Clive, Iowa	Senior Vice President, Secretary Farmers Mutual Hail Insurance Company of Iowa	2024
James A. Brost St. Croix Falls, Wisconsin	Retired – Independent Director Farmers Mutual Hail Insurance Company of Iowa	2022
Curtis B. Swain Van Meter, Iowa	Vice President, General Counsel Farmers Mutual Hail Insurance Company of Iowa	2024
William A. Rutledge Polk City, Iowa	Vice President, Claims Manager, Assistant Secretary Farmers Mutual Hail Insurance Company of Iowa	2022

Compensation for Directors shall be fixed by the Board of Directors and is currently set at \$80,000 per year.

COMMITTEES

The Board of Directors, by resolution adopted by a majority of the whole Board, may designate three or more Directors of the Company to constitute an executive committee who shall have and may exercise all of the authority of the Board in the management of the Company, except (1) fill vacancies among the Directors or a committee of Directors, (2) amend the Bylaws, (3) adopt a plan of merger or consolidation, and (4) remove an Officer. The Board of Directors by resolution adopted by a majority of the whole Board may designate other committees. Each committee to consist of at least one Director of the Company, and to the extent provided in the resolution or the Bylaws of the Company shall have and may exercise powers and authority of the Board of Directors, subject to the limitations set forth in resolution.

Members of the Executive Committee, Investment Committee, Management Committee or any other committee shall be appointed for such term as the Board may designate in the resolution establishing the committee, but may be removed at any time by a vote of a majority of all the directors; and vacancies on a committee may be filled by vote of the Board.

The committees and their membership as of December 31, 2021, are as follows:

Executive Committee

Ronald P. Rutledge
Shannon D. Rutledge
Darin L. Roggenburg

Audit Committee

Darin L. Roggenburg
James A. Brost

Investment Committee

Ronald P. Rutledge
Darin L. Roggenburg
Shannon D. Rutledge

Compensation Committee

Deborah L. Ladehoff
Darin L. Roggenburg
James A. Brost

OFFICERS

Each year the Board, at its regular annual meeting, shall elect by a majority vote a president, who shall be a member of the Board of Directors, a secretary, and a treasurer, and any other officers it may elect as it may deem advisable. Any of said offices may be combined and held by one person, except that of president and secretary.

Duly elected officers at December 31, 2021 were as follows:

<u>Name</u>	<u>Title</u>
Shannon D. Rutledge	President and Chief Executive Officer
Darin L. Roggenburg	Executive Vice President, Treasurer and Chief Financial Officer
Deborah Ladehoff	Senior Vice President, Secretary
Kenneth J. Liljedahl	Senior Vice President, Corporate Administration
Ronald J. Kuethe	Executive Vice President, Chief Risk Officer
Patrick J. Faga	Executive Vice President, Chief Marketing Officer
Bryant J. Tjeerdsma	Senior Vice President, Crop Insurance Underwriting
Kevin A. Johnson	Senior Vice President, Sales
Scott W. McEntee	Senior Vice President, Accounting, Controller, Assistant Treasurer
David A. DeCapp	Senior Vice President, Marketing

The compensation of the Senior Management Team is shown in Exhibit A to be found immediately following the signature page of this report.

CONFLICT OF INTEREST STATEMENTS

The Company has a written conflict of interest policy statement with procedures in place for the Board of Directors to review annual disclosures of any material interest or affiliation on behalf the Company's officers or directors, which is in conflict with their official duties at the Company.

The Company was not able to produce evidence of a completed and signed conflict of interest statement forms for certain officers and directors during the examination period.

CORPORATE RECORDS

There were no amendments to the Company's Articles of Incorporation during the examination period.

The Bylaws were amended and restated on November 2, 2017 to establish the four (4) standing committees of the Board and to designate the Secretary keep records of all the proceedings of all meetings of the established committees.

The minutes from the meetings of policyholders, the Board of Directors and the committees of the Board were reviewed for the examination period. The Company was not able to produce the meeting minutes for certain Investment

Committee and Compensation Committee meetings during the examination period for review.

The Examination Report prepared by the Iowa Insurance Division, as of December 31, 2016, was accepted as presented to the Board of Directors at a meeting held on May 14, 2018.

INTERCOMPANY AGREEMENTS

Management Service Agreements

The Company entered into a Management Services Agreement with FMH Ag Risk Insurance Company to provide investment management and advisory services upon the terms and conditions described in the agreement. The agreement shall be for an initial five-year term and, unless timely notification is given, shall be automatically renewed for additional one-year terms.

The Company entered into Management Services Agreement with FMH Risk Protection, Inc. to provide business and organizational strategy, accounting services, legal services, regulatory services, financial and investment management and advisory services, investment banking and financial services, and strategic and corporate advisory services. The agreement shall be for an initial five-year term and, unless timely notification is given, shall be automatically renewed for additional one-year terms.

The Company entered into Management Services Agreement with CIM Agency to provide business and organizational strategy, accounting services, legal services, regulatory services, actuarial services, financial and investment management and advisory services, investment banking and financial, strategic and corporate advisory. The Agreement shall be for an initial five-year term and, unless timely notification is given, shall be automatically renewed for additional one-year terms.

Federal Tax Sharing Agreement

The Company's federal income tax return is consolidated with FMH Ag Risk Insurance Company, FMH Risk Protection, Inc. and CIM Agency. The method of allocation between the companies is subject to a written agreement, approved by the Board of Directors. Allocation is based upon separate calculations with current credit provided for net losses utilized. Intercompany tax balances are settled annually. As member of the consolidated tax group, the Company has joint and several liability for the tax liabilities of each member of the group should such member be unable to satisfy its obligation to the agreement.

FIDELITY BONDS AND OTHER INSURANCE

The Company is protected against loss from any fraudulent or dishonest acts from any of the Company's directors, officers, or employees up to a \$2,000,000 single loss limit of liability, 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.

EMPLOYEE WELFARE

The Company offers competitive compensation including incentive compensation. The Company also offers comprehensive benefits including medical, dental, vision, group life, and long-term disability insurance coverages for its employees.

The Company sponsored a defined benefit pension plan covering U.S. employees. On November 16, 2012 the Company amended the retirement plan, freezing the entry into the plan after December 31, 2012. The accrued benefit is frozen effective December 31, 2012 and no additional benefits shall accrue after such date.

The Company also sponsors a non-qualified defined benefit pension plan and postretirement plan.

As of December 31, 2021, the Company's financial reporting of pension liabilities was accrued in accordance with actuarially determined amounts with an offset to the pension cost accrual for the incremental asset amortization.

The Company also offers a defined contribution plan that covers substantially all employees and is designed to provide retirement benefits. Participants were permitted to contribute up to 100% of their qualifying earnings in 2021, in accordance with IRS guidelines. The Company will contribute an additional 50% of the first 4% of wages that are contributed by each participant. These contributions are 100% vested. In addition, the Company may make an additional matching contribution after the plan year based on years of services. These contributions are vested over 6 years.

REINSURANCE

ASSUMED

The Company's assumed business is primarily focused on smaller and regional insurance companies with no or limited coastal risk exposures. The Company assumed reinsurance business from non-affiliated insurance companies on direct basis and through Regional Treaty Services Corporation, a reinsurance intermediary manager for the purpose of administering, underwriting, binding, and otherwise managing, on the Company's behalf, reinsurance of the business produced by Guy Carpenter & Company, LLC pursuant to a regional accounts and property facultative program services agreement. The spread of risk includes direct reinsurance for county mutuals in Midwestern states, small to medium sized regional companies, global coverage placed in the broker market, and crop business where not written on a direct basis. Non-affiliated assumed reinsurance premiums totaled \$44,573,420 for 2021.

Crop Hail Private Quota Share Reinsurance Agreement - Palliser Insurance Company Limited

The Company entered into a Crop Hail Private Quota Share Reinsurance Agreement with Palliser Insurance Company Limited. The agreement provides that Palliser Insurance Company Limited cede 42.86% of its crop hail private liability on all business to the Company.

Quota Share Reinsurance Agreement

The Company entered into a Quota Share Reinsurance Agreement with FMH Ag Risk Insurance Company. The agreement provides that the Company assumes 100% of all business written, including crop hail, crop hail private products, and multiple peril crop insurance. Affiliated assumed reinsurance premiums totaled \$229,063,538 for 2021.

CEDED

The Company has several ceded reinsurance contracts specific to each of the main business segments: Crop, P&C, Reinsurance, and a Corporate Stop Loss contract in place that serves as a top layer of protection for all business segments. Ceded reinsurance premiums totaled \$631,060,810 for 2021.

Multi-Peril Crop Insurance (MPCI) Standard Reinsurance Agreement

The Standard Reinsurance Agreement is a cooperative financial assistance agreement between the Federal Crop Insurance Corporation (FCIC) and the Company. FCIC is a government corporation within the USDA authorized to carry out programs of the Federal Crop Insurance Act. The Risk Management Agency acts on behalf of FCIC to administer all Federal crop insurance programs. The SRA establishes the terms under which the FCIC provides reinsurance and subsidies on eligible crop insurance contracts sold by the Company. By regulation, an insurance company must be in good financial standing and in compliance with the state laws where domiciled and writing business prior to being considered for approval of an SRA.

The Company may designate an eligible crop insurance contract to the Assigned Risk Fund by State. Contracts not specifically designated will automatically be assigned to the Commercial Fund by State. The Company shall retain a 20%

interest in premium and associated ultimate net losses in the Assigned Risk Fund in each State with the remainder ceded to the FCIC. The Company shall retain at least a 35% interest in premium and associated ultimate net losses in the Commercial Fund in each State with the remainder ceded to the FCIC.

RAMP Crop Insurance Aggregate Excess of Loss Reinsurance Agreement

The reinsurer shall indemnify the Company for 100% of the amount, if any, by which the aggregate of the Company's Subject Net Loss exceeds an amount equal to 115.0% of the sum of the Company's subject net premium for business as respects the 2021 RAMP crop insurance season. However, the reinsurer's liability for subject net loss in the aggregate shall not exceed \$5,640,000 or 100.0% of 30.0% of the sum of the Company's subject net premium, whichever the lesser. The contract applies only to that portion of any loss with respect to RAMP crop insurance business that the Company retains net for its own account (prior to deduction of any reinsurance that inures solely to the benefit of the Company).

MPCI and Private Products Quota Share Reinsurance Agreement

For each of the respective 2019, 2020 and 2021 MPCI and private products reinsurance years, the Company shall cede to the reinsurer and the reinsurer shall assume a 100% quota share of a mutually agreed upon premium figure. This mutually agreed upon premium figure shall in no instance be less than \$50 million dollars for MPCI and private products business combined for each such year, but may be greater than \$50 million dollars if agreed upon by both parties for the given MPCI and private products reinsurance year. The Company may maintain the RAMP aggregate stop loss reinsurance contract under which premium and recoveries shall insure to the benefit of this contract. This contract applies only to the portion of any loss, or with respect to MPCI business only to that portion of any loss or gain, that the Company retains net for its own account (prior to deduction of any reinsurance that inures solely to the benefit of the Company).

Crop Insurance Quota Share Reinsurance Agreement

The Company hereby cedes, and the reinsurer hereby accepts 100% of the quota share amount and the liability thereon as respects the underwriting gain or underwriting loss of the Company's MPCI business and crop hail and Named Peril (CHNP) business, less any reinsurance that inures to the benefit of this contract, equal to an amount determined by dividing \$109,000,000 by the Company's sum premium (as hereinafter defined).

The ceded liability hereunder shall be split between MPCI and CHNP in the same proportion that the net retained premiums and gross CHNP premiums bear to the Company's crop premiums for each respective year. In addition to its liability set forth above, the reinsurer shall be liable for its quota share amount of 100% of extra contractual obligations and its quota share amount of 100% of loss in excess of policy limits and its quota share amount of 100% of all declaratory judgment expense, all as defined herein. The reinsurer shall also be liable for its quota share amount of any losses, fines, fees and/or penalties under the current Standard Reinsurance Agreement, unless otherwise excluded hereunder.

Multiple Year Combined Crop Aggregate Excess of Loss Reinsurance Agreement

The reinsurer will be liable for the liability which may accrue to the Company as a result of any loss or losses on policies classified by the Company as crop hail and MPCI businesses.

The reinsurer shall indemnify the Company for 100% of the amount, if any, by which the aggregate of the Company's ultimate net loss exceeds an amount equal to 90.0% of the Company's subject premium for business as respects the 2021 crop season. However, the reinsurer's liability for ultimate net loss in the aggregate shall not exceed \$83,990,797 or 100% of 10% of the Company's subject premium, whichever the lesser.

Multiple Year MCPI Aggregate Excess of Loss Reinsurance Agreement (Layers 1-3)

The contract is to indemnify the Company in respect of the liability that may accrue to the Company as respects policies classified by the Company as MPCPI business. The terms and conditions for 2021 crop season are provided in the schedule below:

	First Layer	Second Layer	Third Layer
Company's Retention	100% of net retained premium for the crop season.	100% of net retained premium for the crop season plus the lesser of estimated net retained premium, or 5% of the Company's net retained premium for the crop season	100% of net retained premium for the crop season plus the lesser of estimated net retained premium, or 20% of the Company's net retained premium for the crop season.
Reinsurer's Limit	100% of 5% of net retained premium for the crop season or 100% of estimated net retained premium, whichever is lesser.	100% of 15% of net retained premium for the crop season or 100% of estimated net retained premium, whichever is lesser.	100% of 20% of net retained premium for the crop season or 100% of estimated net retained premium, whichever is lesser.

Property Per Risk Excess of Loss Reinsurance Agreement

The reinsurer agrees to reinsure the net excess liability of the Company resulting from any loss occurrence(s) during the term of this contract under policies, bonds, contracts, binders, or agreements of insurance or reinsurance in force or which may be written or renewed by the Company during the term of this contract and are classified by the Company as direct property written by the Company's property and casualty division.

The reinsurer shall be liable for 100% of the ultimate net loss in excess of \$2,000,000 each and every risk, each loss subject to a limit of \$6,000,000 each and every risk, each loss, and further subject to a limit of \$15,000,000 any one loss occurrence.

Equipment Breakdown Quota Share Reinsurance Agreement

The reinsurer shall be liable for 100% of the Company's net retained liability under equipment breakdown endorsements to farmowners and homeowners policies.

Farmowners cessions by the Company under this treaty shall not exceed a limit of liability of \$25,000,000 on any one risk without prior written agreement of the reinsurer. It is agreed and understood that for the purposes of this treaty, one policy constitutes as one risk.

Homeowners cessions by the Company under this treaty shall not exceed a limit of liability of \$50,000 on any one risk without prior written agreement of the reinsurer. It is agreed and understood that for the purposes of this treaty one policy constitutes as one risk.

Property Catastrophe Excess of Loss Reinsurance Agreement (Layers 1-2)

The reinsurer agrees to reinsure the net excess liability of the Company resulting from any loss occurrence(s) during the term of this contract under policies, bonds, contracts, binders, or agreements of insurance or reinsurance in force or which may be written or renewed by the Company during the term of this contract and are classified by the Company as direct property written by the Company's property and casualty division, including automobile physical damage comprehensive coverage.

First (Layer) Property Catastrophe Excess of Loss Reinsurance - The reinsurer shall be liable with respect to each and every loss occurrence, for 100% of the ultimate net loss, which is in excess of \$5,000,000, but the reinsurer shall not be liable for more than \$5,000,000 in respect of each and every loss occurrence.

Second (Layer) Property Catastrophe Excess of Loss Reinsurance - The reinsurer shall be liable with respect to each and every loss occurrence, for 100% of the ultimate net loss, which is in excess of \$10,000,000, but the reinsurer shall not be liable for more than \$15,000,000 in respect of each and every loss occurrence.

Property Catastrophe Excess of Loss Reinsurance Agreement (Layer 3 - P&C and Assumed Reinsurance)

The reinsurer agrees to reinsure the net excess liability of the Company resulting from any loss or losses) during the term of this contract under policies, bonds, contracts, binders, or agreements of insurance or reinsurance, or other evidences of liability, which are issued, accepted or held covered provisionally or otherwise, to a county mutual, by or on behalf of the Company and which are in force or written or renewed by the Company during the term of this contract and are classified by the Company as property, including automobile physical damage comprehensive coverage.

Third (Layer) Property Catastrophe Excess of Loss Reinsurance - The reinsurer shall be liable with respect to each and every loss occurrence, for 100% of the ultimate net loss, which is in excess of \$25,000,000, but the reinsurer shall not be liable for more than \$20,000,000 in respect of each and every loss occurrence.

Multi Line Reinsurance Agreement (P&C and Assumed Reinsurance)

The reinsurer agrees to reinsure the net excess liability of the Company resulting from any loss occurrence(s) during the term of this contract under policies, bonds, contracts, binders, or agreements of insurance or reinsurance in force or which may be written or renewed by the Company during the term of this contract and are classified by the Company as follows:

- A. Direct and assumed casualty business, including, but not limited to:
 - a. Farmowners, homeowners, private passenger automobile liability, personal liability, and assumed county mutual liability business;
 - b. Personal and farm umbrella business; and
- B. Direct property business

Casualty (Umbrella Only) Excess of Loss Reinsurance - As respects to all umbrella business only the reinsurer shall be liable for 100% of the ultimate net loss in excess of \$1,000,000 each and every policy, subject to a limit of \$4,000,000 each and every policy.

Casualty (Including Umbrella) Excess of Loss Reinsurance - As respects all casualty and umbrella business the reinsurer shall be liable for 100% of the ultimate net loss in excess of \$300,000 each and every loss occurrence, subject to a limit of \$4,700,000 each and every loss occurrence.

Property Excess of Loss - As respects all property business, the reinsurer shall be liable for 100% of the ultimate net loss in excess of \$500,000 each and every risk, each and every loss occurrence, subject to a limit of \$1,500,000 each and every risk, each and every loss occurrence, and further subject to a limit of \$4,500,000 any one loss occurrence.

Multi-Line (Basket) Excess of Loss Reinsurance - In the event a loss occurrence involves losses to both property and casualty (including umbrella) business, irrespective of whether such losses exceed the applicable retentions provided, the reinsurer shall be liable in respect of each and every loss occurrence for 100% of the ultimate net loss in excess of \$500,000 each and every loss occurrence subject to a limit of \$1,300,000 each and every loss occurrence.

Original Insured Market Loss Warranty Excess of Loss Reinsurance Agreement (P&C and Assumed Reinsurance)

This contract is to indemnify the Company in respect of the liability that may accrue to the Company as a result of loss or losses arising from earthquake and any ensuing loss, under policies classified by the Company as property business, including boiler and machinery losses from property business.

The reinsurer shall be liable in respect of each and every loss occurrence for the ultimate net loss over and above an initial ultimate net loss of \$25,000 up to a limit liability of \$7,500,000 each and every loss occurrence. For purposes of this contract, the term "Loss Occurrence" shall be understood to mean all individual losses arising out of and directly occasioned by one catastrophe.

Property Aggregate Excess of Loss Reinsurance Agreement (P&C and Assumed Reinsurance)

The reinsurer agrees to reinsure the net excess liability of the Company resulting from any loss or losses) during the term of this contract under policies, bonds, contracts, binders, or agreements of insurance or reinsurance, or other evidences of liability, which are issued, accepted or held covered provisionally or otherwise, to a county mutual, by or on behalf of the Company and which are in force or written or renewed by the Company during the term of this contract and are classified by the Company as property, including automobile physical damage.

The reinsurer shall be liable for an amount of ultimate net loss equal to the lesser of a loss ratio of 65% or \$28,304,000 in excess of the greater of the Company's retention of an amount of ultimate net loss equal to a loss ratio of 80% or \$23,233,000.

County Mutual Property Facultative Per Risk Reinsurance Agreement

Retentions and limits vary per individual risk with a minimum retention of \$1,000,000 and maximum reinsurer's limit of \$4,000,000.

County Mutual Equipment Breakdown Quota Share Reinsurance Agreement

This treaty applies to policies written by the Company's assumed business. The reinsurer shall be liable for 100% of the Company's net retained liability under Equipment Breakdown endorsements to Farmowners and Homeowners policies or Equipment Breakdown coverage sections within Commercial and Homeowners policies.

Farmowners cessions by the Company under this treaty shall not exceed a limit of liability of \$50,000,000 on any one risk without prior written agreement of the reinsurer. It is agreed and understood that for the purposes of this treaty, one policy constitutes as one risk.

Homeowners cessions by the Company under this treaty shall not exceed a limit of liability of \$100,000 on any one risk without prior written agreement of the reinsurer. It is agreed and understood that for the purposes of this treaty one policy constitutes as one risk.

Corporate Stop Loss Reinsurance Agreement

The reinsurer agrees to reinsure the excess liability which may accrue to the Company under its policies, contracts, and binders of direct insurance and assumed reinsurance as follows:

1. Business written and classified by the Company as crop hail and allied lines insurance
2. Business written and classified by the Company as FCIC MPCl
3. Business in forces, written on a direct basis and classified by the Company as business written by the Company's property and casualty division
4. Business in force classified by the Company as all other business (not business classified as crop hail, FCIC MPCl, or property and casualty division business)

The reinsurer shall be liable for 97.5% of the amount by which the Company's net loss exceeds the Company's retention, but the liability of the reinsurer shall not exceed the greater of 97.5% of 17.5% of the Company's total subject net earned premium or 97.5% of \$138,900,000. But in no event shall the liability of the reinsurer exceed 97.5% of \$145,000,000. The Company shall retain an amount of total ultimate net loss equal to 85% of the Company's total subject net earned premium.

STATUTORY DEPOSIT

The book/adjusted carrying value of securities held in an authorized custodial account, and vested in the Iowa Commissioner of Insurance for the benefit of all policyholders, totaled \$2,379,815. The book/adjusted carrying value of securities held for special deposits by the following jurisdictions were:

Arkansas	\$ 50,000	New Mexico	\$300,896
Delaware	\$100,000	North Carolina	\$210,004
Georgia	\$ 45,018		

TERRITORY AND PLAN OF OPERATION

The Company is licensed to write business in 43 states and is an accredited reinsurer in 3 states through a network of 960 contracted agencies and over 3,600 licensed and appointed agents. The Company specializes in writing crop insurance both crop hail and government subsidized MPC. Direct written premiums totaled \$913,896,594 for 2021. A small book of property/casualty business is also written. The Company is currently licensed to write property and casualty lines in eleven states through a network of over 240 contracted agencies and almost 1,200 licensed and appointed agents. Direct written premium in the State of Iowa was \$207,584,010, which was 22.7% of the Company's total direct written premium in 2021.

MPC is a federally subsidized farm risk management program under the auspices of the FCIC and administered by the FCIC's Risk Management Agency (RMA). The program is designed to encourage farmers to share, through premium payments, in the federal government's risk management system. The current program, authorized by Congress in 1980 and modified in subsequent legislation, provides premium subsidies and reinsurance protection on eligible crop insurance contracts. The program is administered by the RMA and offered through private carriers pursuant to a Standard Reinsurance Agreement contract.

GROWTH OF COMPANY

The growth of the Company is reflected by the following data taken from the filed annual statements for the years indicated.

<u>Year</u>	<u>Admitted Assets</u>	<u>Surplus to Policyholders</u>	<u>Net Premium Earned</u>	<u>Net Losses Incurred</u>	<u>Investment Income Earned</u>
2017	\$752,064,465	\$450,893,015	\$458,168,561	\$299,414,609	\$5,846,132
2018	781,163,404	436,792,355	488,560,677	375,462,675	7,036,646
2019	805,780,096	448,104,966	602,658,620	503,545,449	5,514,048
2020	758,733,021	426,426,744	532,880,094	454,738,416	5,550,945
2021	917,561,429	478,238,663	552,230,405	387,687,335	3,763,707

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 on December 31, 2021.

SUBSEQUENT EVENTS

On March 7, 2022, the Board voted to proceed with steps necessary to terminate the pension plan. The termination was completed on 03/08/2023. The Company accrued a settlement expense of \$23,980,318 at December 31, 2022. It was anticipated that a short fall of in the amount of \$4,800,000 would be needed to settle the plan, that amount had increased to

\$6,651,659 on the actual settlement date.

On December 29, 2022, the Company dissolved its relationship with TruAcre Technology, LLC. The Company acquired some of the assets of TruAcre at the time of dissolution and contributed them to the newly formed affiliate company, FMH Precision Solutions, LLC.

On May 3, 2023, the Company announced the launch of its newest company, Ag Brokerage Solutions (ABS), a unique brokerage company built for farmers and their agents who specialize in the field of agriculture. ABS offers ag-focused insurance products for agents to supplement their offerings and provide coverage for a wider variety of risks. It's a comprehensive outlet for all things agriculture to help FMH agent partners grow their business and allow customers to continue their farming legacy. ABS currently provides admitted coverage options for agribusiness, animal mortality, farm and ranch, equine operations, personal lines, pet, transportation, workers' compensation, and commercial lines. Excess and Surplus solutions for agricultural-related exposures are slated for release in late 2023.

On May 16, 2023, the Company announced their exit of the property & casualty insurance market. The Company plans to send non-renewal notices in September 2023 and anticipates a complete exit by December 31, 2024.

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, 2021.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	<u>Ledger</u>	Not <u>Admitted</u>	<u>Admitted</u>
Bonds	\$113,097,091	\$ -	\$113,097,091
Stocks:			
Common stocks	219,036,259	157,658	218,878,601
Real estate:			
Occupied by the company	11,720,576	-	11,720,576
Cash and short-term investments	79,352,872	-	79,352,872
Other invested assets	33,773,892	157,375	33,616,517
Investment income due and accrued	1,316,400	702,844	613,556
Premiums and considerations:			
Uncollected premiums in course of collection	46,575,418	2,026,318	44,549,100
Reinsurance:			
Amounts recoverable from reinsurers	28,461,402	-	28,461,402
Funds held with reinsured companies	113,874	-	113,874
Current federal and foreign income tax recoverable	3,372,538	-	3,372,538
Net deferred tax asset	2,426,312	-	2,426,312
Electronic data processing equipment and software	252,684	175,386	77,298
Furniture and equipment	210,828	210,828	-
Health care and other amounts receivable	204,046	204,046	-
Aggregate write-ins for other-than-invested assets:	393,045,428	11,763,735	381,281,693
Total Assets excluding separate, segregated, and protected accounts	<u>932,959,619</u>	<u>15,398,190</u>	<u>917,561,429</u>
 Total assets	 <u>\$932,959,619</u>	 <u>\$ 15,398,190</u>	 <u>\$917,561,429</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$230,537,836
Reinsurance payable on paid losses and loss adjustment expenses	2,461,244
Loss adjustment expenses	9,364,291
Commissions payable, contingent and other	33,338,705
Other expenses	2,829,256
Taxes, licenses and fees	1,135,415
Unearned premiums	36,910,856
Advance premium	870,435
Ceded reinsurance premiums payable	90,542,153
Amounts withheld or retained for account of others	300,231
Remittances and items not allocated	(5,382)
Provision for reinsurance	229,063
Payable to parent, subsidiaries, and affiliates	58,388
Aggregate write-ins for liabilities	<u>30,750,276</u>
 Total liabilities	 <u>\$439,322,767</u>
 Surplus notes	 \$ 60,000,000
Unassigned funds (surplus)	<u>418,238,663</u>
 Surplus as regards policyholders	 <u>\$478,238,663</u>
 Total liabilities and surplus	 <u>\$917,561,429</u>

STATEMENT OF INCOME

Underwriting Income

Premiums earned \$552,230,405

Deductions

Losses incurred \$387,687,335
Loss adjustment expenses incurred 30,577,112
Other underwriting expenses incurred 92,929,275
Total underwriting deductions \$511,193,723

Net underwriting gain \$ 41,036,682

Investment Income

Net investment income earned \$ 3,763,707
Net realized capital gains 14,028,407
Net investment gain \$ 17,792,114

Other Income

Net (loss) from agents' or premium balances charged off \$ (201,992)
Finance and service charges not included in premiums 73,498
Aggregate write-ins for miscellaneous income 24,296
Total other income \$ (104,198)

Net income before dividends to policyholders \$ 58,724,598

Dividends to policyholders -

Net income before federal income tax \$ 58,724,598

Federal and foreign income taxes incurred 9,251,200

Net income \$ 49,473,398

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2020 \$426,426,744

Gains and (Losses) in Surplus

Net income \$ 49,473,398
Change in net unrealized capital gains 1,560,148
Change in net unrealized foreign exchange capital gain 23,693
Change in net deferred income tax 3,077,562
Change in non-admitted assets (9,204,175)
Change in provision for reinsurance (100,114)
Aggregate write-ins for gains and losses in surplus 6,981,407

Change in surplus as regards policyholders for the year \$ 51,811,918

Surplus as regards policyholders, December 31, 2021 \$478,238,663

CASH FLOW STATEMENT

Cash from Operations

Premiums collected net of reinsurance	\$ 612,529,440	
Net investment income	3,826,290	
Miscellaneous income	<u>(104,199)</u>	
Total		\$ 616,251,531
Benefit and loss related payments	\$ 268,948,623	
Commissions, expenses paid and aggregate write-ins	110,926,175	
Federal income taxes (paid) recovered	<u>(6,280,357)</u>	
Total		<u>\$ 373,594,441</u>
Net cash from operations		<u>\$ 242,657,090</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 19,933,273	
Stocks	51,226,216	
Other invested assets	3,599,041	
Miscellaneous proceeds	<u>329,091</u>	
Total investment proceeds		\$ 75,087,621
Cost of investments acquired (long-term only):		
Bonds	\$ 35,658,334	
Stocks	21,143,744	
Real estate	42,261	
Other invested assets	5,866,492	
Miscellaneous applications	<u>104,248</u>	
Total investments acquired		<u>\$ 62,815,079</u>
Net cash from investments		<u>\$ 12,272,543</u>

Cash from Financing and Miscellaneous Sources

Other cash provided (applied)	<u>\$(278,827,999)</u>	
Net cash from financing and miscellaneous sources		<u>\$(278,827,999)</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	\$ (23,898,366)
Cash, cash equivalents and short-term investments:	
Beginning of year	<u>103,251,238</u>
End of period	<u>\$ 79,352,872</u>

CONCLUSION

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

In addition to the undersigned Dave Heppen, FCAS, MAAA, Andrew Chandler, ACAS, MAAA, and Michael Hall, FCAS, MAAA, of Risk & Regulatory Consulting, LLC; and Alex Matovu, Aaron Syverson, and Mick Jepsen; Examiners for the Iowa Insurance Division, participated in the examination and preparation of this report.

Respectfully submitted,

/s/ Joshua J. Johnson
Joshua J. Johnson, CFE
Examiner in Charge
Risk & Regulatory Consulting, LLC
On behalf of the Iowa Insurance Division

/s/ Amanda Theisen
Amanda Theisen, CFE
Supervisor and Assistant Chief Examiner
Iowa Insurance Division