

EXAMINATION REPORT OF
FARM BUREAU PROPERTY & CASUALTY INSURANCE COMPANY
WEST DES MOINES, IOWA
AS OF DECEMBER 31, 2021

West Des Moines, Iowa
April 4, 2023

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

FARM BUREAU PROPERTY & CASUALTY INSURANCE COMPANY

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2021

at its Home Office, 5400 University Avenue, West Des Moines, Iowa.

INTRODUCTION

Farm Bureau Property & Casualty Insurance Company, hereinafter referred to as the “Company,” was last examined as of December 31, 2017. 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, Western Agricultural Insurance Company (WAIC), and affiliates, Farm Bureau Life Insurance Company (FBLIC), Greenfields Life Insurance Company (GLIC), were 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, 2018, 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 February 23, 1939, as a mutual assessment association called the “Iowa Farm Mutual Insurance Company”. It commenced business on May 10, 1939, writing automobile insurance for the members of the Iowa Farm Bureau Federation. Following automobile insurance, general liability writings commenced in 1943 and multiple lines in 1953.

1958 - The Company became successor by merger with “Iowa Mutual Hail Insurance Company”. Concurrent with the merger, the corporate title of Farm Bureau Mutual Insurance Company was adopted.

1999 - The Company merged with South Dakota Farm Bureau Mutual Insurance Company, with the Company being the survivor.

2002 - The Company merged with affiliate Western Farm Bureau Mutual Insurance Company, with the Company being the survivor.

2002 - The Company’s wholly owned subsidiary, Utah Farm Bureau Insurance Company was dissolved, and the business absorbed by the Company.

2003 - The Company merged with Farm Bureau Mutual Insurance Company, Inc. and Farm Bureau Insurance Company of Nebraska, with the Company being the survivor.

2006 - The Company purchased Crop1 Insurance Direct, Inc. (Crop1), a managing general agency offering the Federal Multi-peril Crop Insurance product.

2010 - Farm Bureau Property & Casualty Insurance Company, a stock insurance company, was created as a result of the conversion of Farm Bureau Mutual Insurance Company to a mutual holding company system. At the same time, an intermediate holding company named Farm Bureau Multi-State Services, Inc. was formed and currently owns all the outstanding shares of the Company.

2012 - Crop1 was dissolved and its assets of \$2.9 million and liabilities of \$3.5 million were transferred to the Company.

2021 - The Company acquired approximately 39.5% of the common stock of FBL Financial Group, Inc., the parent of Farm Bureau Life Insurance Company. The transaction resulted in the privatization of FBL Financial Group, which is now owned solely by the Company and the Iowa Farm Bureau Federation.

CAPITAL STOCK AND DIVIDENDS THEREON

The total number of shares of capital stock of all classes, which the Company shall have the authority to issue is twenty thousand shares (20,000), which shall be divided into classes of which ten thousand shares (10,000) without par value shall be designated preferred stock, and ten thousand shares (10,000), without par value shall be designated common stock.

The Company has 10,000 shares of authorized and issued stock with stated value of \$500 per share. The Company reported common capital stock of \$5,000,000 as of December 31, 2021. The Company has no preferred stock outstanding.

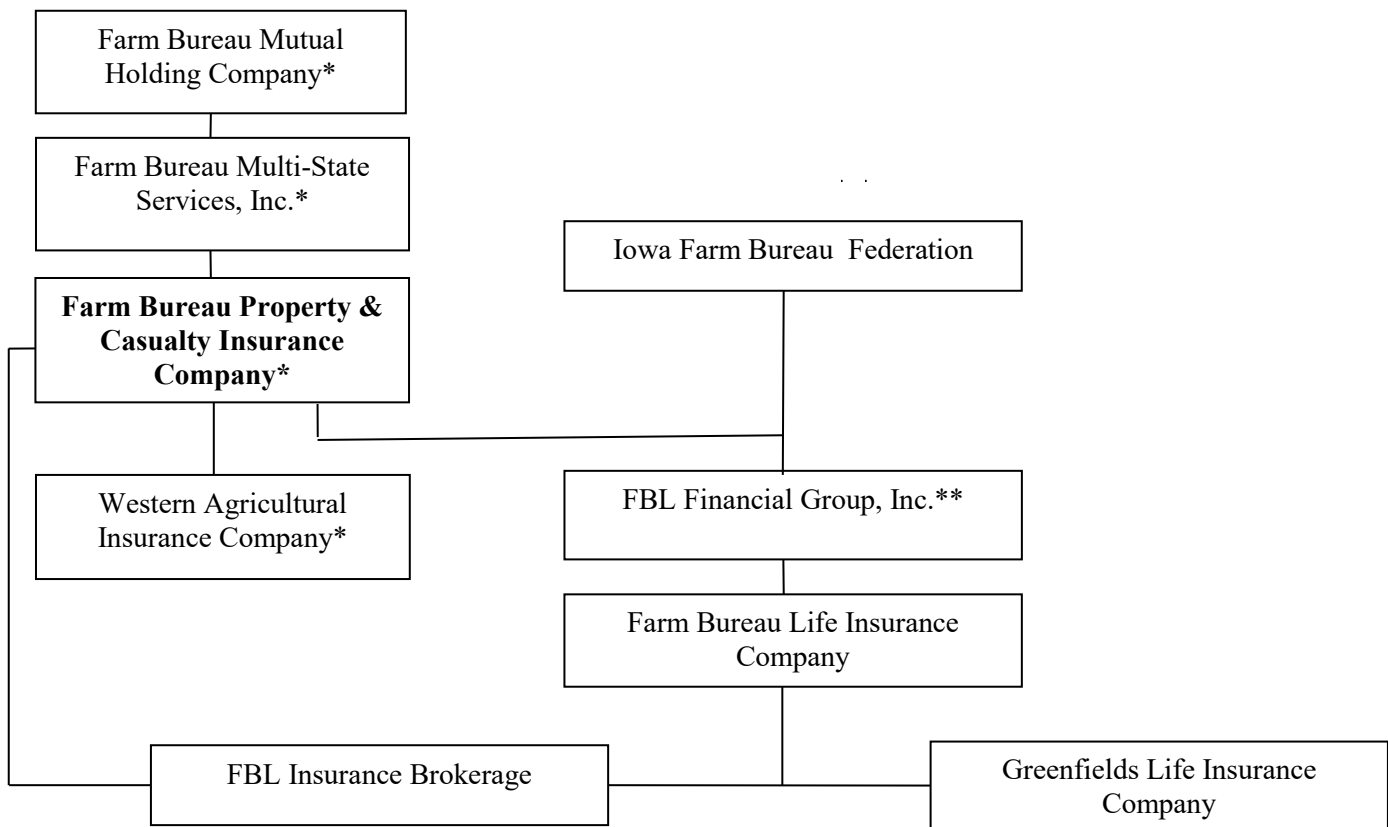
The Company did not pay any dividends during the examination period.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Holding Company System as defined by Chapter 521A, Code of Iowa. The Company and its subsidiary, WAIC, are managed by FBL Financial Group, Inc., under a management services agreement. The Iowa Farm Bureau Federation owns seventy-two percent (72%) of the total voting interest stock of FBL Financial Group, Inc., and the Company owns twenty-eight percent (28%) of the total voting interest stock of FBL Financial Group, Inc.

The appropriate forms, as mandated under the Iowa Code regarding insurance company holding systems, were filed for each year under review.

An organizational chart identifying the insurance companies within the Holding Company System is as follows:



*Managed by FBL Financial Group, Inc. through management services agreement

**The Iowa Farm Bureau Federation owns seventy-two percent (72%) of the total voting interest stock of FBL Financial Group, Inc., and FBPCIC owns twenty-eight percent (28%) of the total voting interest stock of FBL Financial Group, Inc.

MANAGEMENT AND CONTROL

FARM BUREAU MUTUAL HOLDING COMPANY

Every individual, partnership, public or private corporation, board or association, trustee, administrator, executor, or other legal entity to whom a policy or contract of insurance has been issued or may hereafter be issued by Farm Bureau

Property & Casualty Insurance Company shall be a member of this corporation and be entitled to the rights and privileges of such membership, so long as said policy or contract is in force and effect.

The regular annual meeting of the members shall be held each year at the Farm Bureau Building, 5400 University Avenue, West Des Moines, Polk County, Iowa on the second Tuesday in June at 10:00 a.m. If the Board of Directors shall determine that such meeting shall be held at a place other than West Des Moines, Iowa, or at a date or at a time other than stated above, notice thereof shall be given to the members in writing and mailed to the members' last known address as shown by the books and records of the corporation at least fifteen (15) days prior to such meeting.

Special meetings of the members may be called by the Chairman and shall be called upon written request of a majority of the Board of Directors or upon written request of one-fourth (1/4) of the members. Such request must specify the purpose for which the meeting is to be called, and the business to be considered at the meeting shall be limited to that stated in such written notice. Not less than twenty (20) days' written notice of all such special meetings shall be given to each member at the last known address of such member.

There shall be two classes of Directors: Class A Directors and Class B Directors. The Board of Directors shall consist of not less than five (5), nor more than twenty-one (21) Class A members and not less than two (2) nor more than (4) Class B members. Neither Class of Directors need be residents of the State of Iowa but must be members of the corporation.

The number of Class A members of the Board of Directors and the number to be elected from each state shall be determined by the following formula. Each state in which Farm Bureau Property & Casualty Insurance Company is licensed and authorized to transact insurance business and serves as the primary provider of property-casualty insurance for members of that state's Farm Bureau corporation shall be entitled to nominate one Class A Director. Additionally, when the percentage of direct written premium sold by Farm Bureau Property & Casualty Insurance Company in any state exceeds 15% of the direct written premium of Farm Bureau Property & Casualty Insurance Company, such state shall be entitled to nominate a second-Class A Director. When such premium of any state exceeds 25% of the direct written premium of Farm Bureau Property & Casualty Insurance Company, such state shall be entitled to nominate a third-Class A Director, and when such premium exceeds 35% of the direct written premium, such state shall be entitled to nominate a fourth-Class A Director. In no event shall any state be entitled to more than four Class A Directors.

There shall be at least two Class B Directors and no more than four Class B Directors, the precise number of which shall be determined by the Nominating and Corporate Governance Committee and approved by the Board of Directors.

FARM BUREAU MEMBERSHIP REQUIREMENT

In order to be qualified to purchase a policy of insurance from the Company, the policyholder must be a County and/or State Farm Bureau member in good standing, or a state Farm Bureau corporation, or its cooperating County Farm Bureau associations, located in any state in which this corporation is or has been authorized to transact its insurance business.

A member in good standing of a County and/or State Farm Bureau shall be defined to mean an individual, partnership, agricultural agency, cooperative association, limited liability company or corporation, whose dues to a County Farm Bureau which is cooperating with any state Farm Bureau corporation (or to a State Farm Bureau if it is a State that does not have County Farm Bureau memberships), of any state in which this Company is authorized and licensed to transact its insurance business, have been paid at the time the policy of insurance of this Company is issued to such member and shall remain a member in good standing so long as his or its dues to the County and/or State Farm Bureau are paid in full. Individuals or entities subject to state law exemptions or state Farm Bureau corporations' waiver of requirements of paying dues in order to purchase or maintain insurance are deemed to be members in good standing for purposes of this provision.

When a policyholder in this Company shall cease to be a member in good standing of a County and/or State Farm Bureau as above provided, the policyholder's policy or policies of insurance in Farm Bureau Property & Casualty Insurance Company shall be subject to non-renewal in the manner provided in the policy, and no new policy or policies shall be issued

until such policyholder's status as a County and/or State Farm Bureau member in good standing has been restored.

SHAREHOLDERS

The annual meeting of the shareholders of the Company shall be held each year at the Farm Bureau Building, 5400 University Avenue, West Des Moines, Polk County, Iowa, on the second Tuesday in June at 10:00 a.m., or at such other date and time as determined by the Board of Directors. At such annual meeting, the shareholders of the Company shall elect the Board of Directors and the shareholders shall transact such other business as shall properly come before them. 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 Chairman and shall be called upon written request of a majority of the Board of Directors or upon written request of holders of one-fourth (1/4) of the shares. Not less than twenty (20) days' written notice all such special meetings shall be given to each member at the last known address of such shareholder.

BOARD OF DIRECTORS

The By-Laws stipulate that the business and affairs of this corporation shall be managed by a Board of Directors of not less than five (5) or more than twenty-one (21) Directors, the specific number of which to be set from time to time, by resolution, of the Board of Directors. Only individuals seated as directors of Farm Bureau Mutual Holding Company may be directors of this Company.

The regular annual meeting of the Board of Directors shall be held upon adjournment of the annual meeting of the shareholders. Other regular meetings shall be held on call of the Chairman.

Special meetings of the Board of Directors may be called by the Chairman and shall be called by the Chairman, at the request of a majority of the directors, at and on such time and date as the Chairman shall determine.

The members of the Board of Directors, as reflected on the December 31, 2021, Annual Statement, are as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term</u>
Wesley K. Austen Ankeny, IA	Retired Insurance Executive	2022
Richard W. Felts Liberty, KS	Grain and Livestock Producer	2022
Ron B. Gibson Ogden, UT	Dairy Businessman	2022
Jeffery A. Grossenbacher Bern, KS	Self Employed Farmer	2022
Joe D. Heinrich Maquoketa, IA	Farmer	2022
Donald K. Kemp Urbandale, IA	Self Employed	2022

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term</u>
Mark A. McHargue Marquette, NE	Farmer	2022
Craig W. Ogden Loving, NM	Farmer/Rancher	2022
James D. Sipes Manter, KS	Farmer	2022
Stefanie A. Smallhouse Benson, AZ	Farm/Rancher	2022
Scott E. VanderWal Volga, SD	Agricultural Production	2022
Sherry A. Vinton Whitman, NE	Rancher	2022

COMMITTEES

The Board of Directors may from time to time appoint such 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.

The Executive Committee, when the Board of Directors is not in session, shall have and may exercise all of the authority of the Board of Directors not otherwise delegated to other committees and except to the extent, if any, that such authority shall be limited by the resolution appointing the Executive Committee, except such powers as shall, from time to time, have been expressly invested and delegated by the Board of Directors in other committee or committees, and except also that it shall not have the authority of the Board of Directors in reference to amending the Articles of Incorporation, adopting a plan of merger or consolidation, to appoint or remove Executive Officers, or amending the By-Laws of the Company, to authorize shareholder dividends or other distributions, to approve or propose to shareholders action that Iowa law requires to be approved by shareholders. The individual members of the Executive Committee must be either a member of the Board of Directors or an officer of this Company. All other Committees shall, when the Board of Directors is not in session, perform the duties and exercise the powers delegated to it in the resolution designating and constituting the same.

The Investment Committee shall have the duty and the power to authorize and direct the mode, manner, and time of making and calling in investments, and the sale or transfer of investments and the reinvestment of the proceeds thereof, and to examine all funds and securities as often as they deem necessary or when required to do so by the Board of Directors. The Investments Committee shall have the duty and authority from time to time and whenever necessary to authorize the execution of all contracts, deed, conveyances, and any other instruments of the Company necessary for the assignment, transfer, and sale of investments of the Company requiring corporate signature.

The Board of Directors shall appoint an Audit and Budget committee consisting of any number of members of the Board of Directors as it may designate, consistent with the Articles of Incorporation, the By-Laws, and the laws of Iowa. The Audit-Budget committee shall select and engage on behalf of the Company, and fix the compensation of, a firm of certified public accountants whose duty it shall be to audit the books and accounts of the Company and its subsidiaries of the fiscal year in which they are appointed, and who shall report to such committee. The committee shall confer with the auditors and shall determine, and from time to time shall report to the Board of Directors upon, the scope of the auditing of the books and accounts of the Company and its subsidiaries. The committee shall also be responsible for determining that the business practices and conduct of employees and other representatives of the Company and its subsidiaries comply with

the policies and procedures of the Company. None of the members of the audit committee shall be officers or employees of the Company. The committee shall review the annual budget of the Company, as recommended by management, and approve with such modifications as this committee deems appropriate. The committee may additionally meet at such times as it deems appropriate to review the company's operational performance and compliance with the annual budget.

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

Audit & Budget Committee

Scott E. VanderWal, Chair
 Ron B. Gibson
 Jeffery A. Grossenbacher
 Donald K. Kemp
 Mark A. McHargue

Investment Committee

Jeffrey A. Whitehead, Chair
 Daniel D. Pitcher
 Donald J. Seibel
 Kelli A. Eddy
 Jay W. Seiboldt

Executive Committee

Richard W. Felts, Chair
 Mark A. McHargue
 Daniel D. Pitcher

Nominating & Corporate Governance Committee

Wesley K. Austen, Chair
 Craig W. Ogden
 Stefanie A. Smallhouse
 Sherry A. Vinton

OFFICERS

The executive officers of the Company shall be a Chairman, a Vice Chairman, a Chief Executive Officer, 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, except for the offices of President and Secretary. The Board of Directors may elect or appoint any other officers as it may deem necessary.

The By-Laws provide that the officers of the Company shall be elected annually by the Board of Directors at its regular annual meeting. The term of office of the Chairman, the Vice Chairman, the Chief Executive Officer, the Secretary, and the Treasurer shall be for one (1) year, or until their successors are elected and qualified. The term of office of all other elected or appointed officers shall be at the will and pleasure of the Board of Directors or until an officer has resigned or been removed in the manner hereinafter provided.

Any officer or agent may be removed, with or without cause, by the Board of Directors whenever in its judgment the best interests of the Company will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

The officers appointed and serving as of December 31, 2021, were as follows:

<u>Name</u>	<u>Title</u>
Richard W. Felts	Chairman
Mark A. McHargue	Vice Chairman
Daniel D. Pitcher	Chief Executive Officer
Donald J. Seibel	Chief Financial Officer, Treasurer
Martin J. Schwager	Senior Vice President, Secretary
Jeffrey A. Whitehead	Chief Investment Officer
Sanjeev K. Singh	Chief Information Officer
Jay W. Seiboldt	Chief Operating Officer - Property & Casualty
Kelli A. Eddy	Vice President – Property & Casualty
Daniel M. Koster	Vice President, Marketing and Agency Services
Ronald L. Mead	Vice President, Sales and Distribution
Lori K. Geadelmann	Vice President & Assistant Secretary

The total 2021 compensation of those officers listed in the Compensation Exhibit of the Annual Statement is shown in Exhibit A to be found immediately following the signature page of this report.

CONFLICT OF INTEREST STATEMENTS

The Company has an established procedure for annual disclosure to its Board of Directors of any material interest or affiliation of its officers or directors, which is in conflict with their official duties. The disclosures were found to be signed annually with any possible conflicts disclosed to the Company's Board of Directors.

CORPORATE RECORDS

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

The Bylaws were amended on November 12, 2018, to restate Section 12 of Article VI. COMMITTEES, which covers the Investment Committee of the Board of Directors and now states in part that the Board of Directors shall designate a Chairman among individuals appointed (to the Investment Committee).

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

The Examination Report prepared by the Iowa Insurance Division, as of December 31, 2017, was accepted as presented at the Audit & Budget Committee of the Board of Directors meeting held on November 18, 2019.

INTERCOMPANY AGREEMENTS

Management Service Agreement

The Company entered into a Management Service Agreement with FBL Financial Group, Inc. The agreement provides general business, administration, and management services to the Company. The fee is fixed amount set annually. In addition, Farm Bureau Management Corporation, a wholly owned subsidiary of the Iowa Farm Bureau Federation, provides certain management services to the Company under a separate arrangement with FBL Financial Group, Inc., which automatically renews each year on July 1, unless canceled by either party. The management contracts indicate that FBL Financial Group, Inc. provides the following services: personnel management, risk management, data processing, regulation and licensing compliance, underwriting, claims processing, legal services, actuarial services, policyholder relations, marketing, investment, financial and accounting services. These contracts are subject to such terms, conditions, and performance measures, if any, as approved annually by the Company's Board of Directors.

Investment Advisory Services Agreement

The Company entered into an Investment Advisory Services Agreement with FBL Financial Services, Inc. a subsidiary of FBL Financial Group, Inc. The agreement provides for investment research and advice; management of the investment and reinvestment of securities, bonds and like instruments; and related accounting services. The compensation for services rendered is determined in accordance with a fee schedule based upon the assets held in the Company's portfolio. Effective January 1, 2022, FBL Financial Services, Inc. was dissolved, and investment expenses are allocated directly as provided under the management contract with FBL Financial Group, Inc.

Consolidated Tax Allocation Agreement

The Company and WAIC, entered into a Consolidated Tax Allocation Agreement with Farm Bureau Mutual Holding Company and Farm Bureau Multi-State Services, Inc. The agreement provides the method of tax allocation between

companies is subject to a written agreement approved by the Company's Board of Directors. Allocation is based upon separate return calculations with current credit provided for net losses utilized.

Expense Allocation Agreement

The Company entered into an Expense Allocation Agreement with FBL Financial Group, Inc., and its affiliates. The agreement provides that the Company owns or leases certain items of personal property which are made available for use by affiliates and the Company, and its affiliates are allocated a share of expenses based on cost and time studies that are updated annually.

Leasing Service Agreement

The Company entered into a Leasing Service Agreement with FBL Leasing Services, Inc., an indirect subsidiary of FBL Financial Group, Inc. The agreement provides leasing arrangements for equipment, including but not limited to furniture, computers, software, and communications equipment. The lessees pay FBL Leasing Services, Inc. monthly rent equal to the depreciation for software and equipment, plus a financing fee and sales tax when applicable.

Casualty Company Service Agreement

The Company and WAIC entered into a Casualty Company Services Agreement with FBLIC. The agreement provides that the Company be responsible for development and management of the FBLIC's agency force for a fee based on production.

Service Agreement with FBL Insurance Brokerage

The Company entered into a Service Agreement with FBL Insurance Brokerage. The agreement provides that FBL Insurance Brokerage, LLC act as general agent for the sale of certain products with other carriers. Upon receipt of commission from other carriers, FBL Insurance Brokerage, LLC will pay the commissions to the Company, less a service fee.

Reciprocal Line of Credit Agreement

The Company entered into a Reciprocal Line of Credit Agreement with WAIC. The agreement allows for either company to borrow from the other in the form of a short-term note not to exceed \$10 million with interest equal to the three-month LIBOR. No loans were outstanding related to this agreement.

Royalty Agreements

The Company is licensed with Farm Bureau organizations in states in its market territory to use "Farm Bureau" and "FB" designations. American Farm Bureau Federation is the owner of the Farm Bureau and FB designations and related trademarks and service marks including the "FB design" which has been registered as a service mark with the U.S. Patent and Trademark Office. Under the state membership agreements between the American Farm Bureau Federation and state Farm Bureau federations, use of such trade names and marks in each state is restricted to members of the state federation and their approved affiliates. The Company is licensed with Farm Bureau organizations to use the "Farm Bureau" and "FB" designations in the states of Iowa, Minnesota, Nebraska, Kansas, South Dakota, Utah, Arizona, and New Mexico.

FIDELITY BOND AND OTHER INSURANCE

The Company and its affiliates are insured by umbrella liability insurance policies with aggregate limits of liability of \$50 million; private company directors and officers and employment practices insurance policies with aggregate limits of \$50 million; and fiduciary liability insurance policy with coverage limits of \$10 million, 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

FBL Financial Group, Inc. sponsors or participates in multiple benefit plans, including a multiemployer defined plan, a defined contribution plan and postretirement benefit plans. All employees are direct employees of FBL Financial Group, Inc. and related plan expenses are allocated to the Company, affiliates, and unaffiliated organization. The Company has no direct legal obligation for benefits under these plans.

The multiemployer defined benefit plan (the Plan) covers substantially all employees of the group who had attained age 21 and were employed prior to January 1, 2013. Benefits are based on years of service and employees' compensation. Those participants who had not attained age 40 and ten years of service as of January 1, 2013, no longer accrue additional years or service in the plan. Net periodic pension cost of the plan is allocated between participants generally on a basis of time incurred by the respective employees for each company.

In addition to the Plan discussed above, FBL Financial Group, Inc. also sponsors a nonqualified plan, FBL Financial Group Supplemental Retirement Plan (the Supplemental Plan) that mirrors the Plan. Benefits are based on the portion of participant compensation that exceeds the qualified plan IRS compensation limits. The Supplemental Plan is unfunded. The expense of the Supplemental Plan, similar to the Plan, is based on the allocation of FBL employees' allocation of time to the Company.

The 401(k) defined contribution plan covers substantially all employees of the group and includes matching contributions. Costs are allocated among the affiliates on basis of time incurred by the respective employees for each company. New employees and current employees who had not attained age 40 and ten years of service as of January 1, 2013, and who are employed on December 31 are eligible to receive a discretionary company contribution.

The Company and its affiliates sponsor a plan that provides group term life insurance benefits to retirees who worked full-time for ten years and attained age 55 while in service. This benefit was no longer offered effective December 31, 2016, such that no new participants will enter the plan. The Company has also established deferred compensation plans for certain key current and former employees of the group and have certain other benefit plans which provide for retirement and other benefits.

The Company and its affiliates also offer Cafeteria Plan benefit structure to employees with core benefits, cafeteria optional benefits, and other benefits.

REINSURANCE

INTERCOMPANY POOLING

The Company is a participant in an intercompany pooling arrangement with WAIC, which was amended effective January 1, 2020. The participant's pooled percentages were 100% for the Company and 0% for WAIC, as of December 31, 2021.

The agreement provides that WAIC cede to the Company all its insurance business and assumes back from the Company an amount equal to its participation in the agreement. Also, losses, loss adjustment expenses, and other underwriting and administrative expenses are prorated among the participants based on their participation in the agreement. All participants are named insureds on the various property and liability reinsurance agreements maintained with non-affiliated reinsurers that cover business subject to the pooling agreement, except for the 100% crop and livestock quota share agreements with Ace American Insurance Company, which is only in the name of WAIC, and crop stop loss agreements with non-affiliated reinsurers, which is only in the name of the Company. Cessions to non-affiliated reinsurers occur prior to the cession of pooled business to the Company, as the lead company.

The agreement also included a commutation of WAIC's 8% pooled liability for 2019 and prior accident years to the Company which results in the transfer of all WAIC's insurance risk to the Company totaling \$102.7 million, as well as transfer of WAIC's assets to support the risks assumed by the Company. Given the Company's sole owner ownership of WAIC, the transaction does not leave either company in any better position than the other, based upon risks assumed and capital maintained, in comparison to each of the company's positions prior to the transaction.

Amounts due under the reinsurance pooling agreement between the companies are settled quarterly except for those balances related to crop insurance, which are settled annually after the related annual settlement has occurred with Ace American Insurance Company. Assumed premium from intercompany pooling reported for 2021 totaled \$180,639,000.

ASSUMED

Premium for crop hail and multi-peril crop insurance lines of business are written by WAIC and are ceded 100% to ACE American Insurance Company (ACE). Rain & Hail L.L.C., as the Managing General Agent, administers all the business, which is subject to the Federal Crop Insurance Corporation Standard Reinsurance Agreement. The Company assumes from ACE an amount of ACE's net retained book premium equal to 50% of the gross premium written by WAIC. Assumed premium from ACE reported for 2021 totaled \$73,784,000.

The Company participates in various mandatory/voluntary pools and associations. Assumed premium from pools and associations reported for 2021 totaled \$1,476,000.

CEDED

The Company and WAIC are named insureds on all reinsurance treaties except for the crop hail and multi-peril crop insurance stop loss contracts. Ceded reinsurance is primarily with authorized reinsurers. Ceded unaffiliated premium reported for 2021 totaled \$89,049,296. A summary of the ceded reinsurance program is as follows:

Property Per Risk Excess of Loss

Covers loss or losses classified by the Company as property risks, including but not limited to those provided under the property sections of homeowners multiple peril policies, farmowners multiple peril policies, and commercial multiple peril policies, automobile physical damage, and earthquake.

Exhibit A - First Layer

No claim will be made hereunder unless the Company has first sustained an ultimate net loss of \$1,000,000 each risk. The reinsurers will then indemnify the Company for the amount of ultimate net loss in excess of \$1,000,000 each risk. The limit of liability to the reinsurers will not exceed \$1,000,000 each risk, subject to a loss occurrence limitation of \$3,000,000. Should any loss involve this reinsurance, the obligation of the reinsurers will be reinstated immediately and automatically as to any subsequent loss for the full amount of reinsurance as set forth above. Notwithstanding the foregoing, prior to any recovery under this first layer during the term of this contract, the Company will first retain 100% of ultimate net loss otherwise recoverable hereunder until an annual aggregate deductible of \$2,500,000 has been satisfied.

Exhibit B - Second Layer

No claim will be made hereunder unless the Company has first sustained an ultimate net loss of \$2,000,000 each risk. The reinsurers will then indemnify the Company for the amount of ultimate net loss in excess of \$2,000,000 each risk. The limit of liability to the reinsurers will not exceed \$8,000,000 each risk, subject to a loss occurrence limitation of \$16,000,000.

Property Per Risk Automatic Facultative Excess of Loss

Covers loss or losses classified by the Company as property risks, including but not limited to those provided under the property sections of homeowners multiple peril policies, farmowners multiple peril policies, and commercial multiple peril policies, automobile physical damage, and earthquake.

- A. No claim will be made hereunder unless the Company has first sustained a combined loss and loss adjustment expense of \$10,000,000 each risk. The reinsurer will then indemnify the Company for the amount of loss in excess of \$10,000,000. The limit of liability to the reinsurer will not exceed the lesser of the following:
1. The amount ceded, per the bordereau prepared by or on behalf of the Company as per the provisions of the Reports and Remittances Article, plus loss adjustment expense, plus actual loss sustained for any automobile physical damage exposure up to \$1,500,000 (unless a special acceptance for any automobile physical damage exposure greater than \$1,500,000 has been granted under the Special Acceptances Article and ceded per the bordereau), each loss, each risk; or
 2. \$35,000,000 each loss, each risk.

It is also understood and agreed that the limit of liability to the reinsurer will not exceed \$52,500,000 each loss occurrence. Should any loss involve this reinsurance, the obligation of the reinsurers will be reinstated immediately and automatically as to any subsequent loss for the full amount of reinsurance as set forth above.

- B. The limit of liability to the reinsurer will not exceed \$20,000,000 with respect to all losses and loss adjustment expense arising out of earthquake (as defined in the Company's policies) under this contract.

Property Catastrophe Occurrence

Covers loss or losses classified by the Company as property risks, including but not limited to those provided under the property sections of homeowners multiple peril policies, farmowners multiple peril policies, and commercial multiple peril policies, and automobile physical damage.

No claim will be made hereunder unless the Company has first sustained an ultimate net loss equal to the first amount of ultimate net loss, shown as the Company's Retention, for that excess layer, arising out of each loss occurrence. The reinsurer will then be liable, as respects each excess layer, for the amount by which such ultimate net loss exceeds the Company's applicable retention, but the reinsurer's liability under such excess layer will not exceed the amount shown as reinsurers per occurrence limit for that excess layer, as respects any one loss occurrence. Notwithstanding the foregoing, prior to any recovery under the first excess layer during the term of this contract, the Company will first retain 100% of ultimate net loss otherwise recoverable hereunder until an annual aggregate deductible of \$5,000,000 has been satisfied.

Schedule A

	<u>Company's Retention</u>	<u>Per Occurrence Limit</u>	<u>Reinsurer's Annual Limit</u>
First Excess:	\$ 70,000,000	\$ 30,000,000	\$ 60,000,000
Second Excess:	100,000,000	60,000,000	120,000,000
Third Excess:	160,000,000	170,000,000	340,000,000
Fourth Excess	330,000,000	95,000,000	190,000,000

Property Aggregate Catastrophe Excess of Loss

Covers loss or losses classified by the Company as property risks, including but not limited to those provided under the property sections of homeowners multiple peril policies, farmowners multiple peril policies, and commercial multiple peril policies, and automobile physical damage.

No claim will be made hereunder unless the Company's aggregate catastrophe losses equal \$190,000,000 of ultimate net loss. The reinsurer will then be liable for the amount by which such aggregate catastrophe losses exceeds the Company's applicable retention, but the reinsurer's liability will not exceed \$140,000,000.

Workers Compensation Excess of Loss

Covers loss or losses classified by the Company as workers compensation and employers liability, including but not limited to losses arising from an act of terrorism.

Exhibit A – First Layer

No claim will be made hereunder unless the Company has first sustained an ultimate net loss of \$1,000,000 each occurrence. The reinsurers will then indemnify the Company for the amount of ultimate net loss in excess of \$1,000,000 each occurrence. The limit of liability to the reinsurers will not exceed \$4,000,000 each occurrence. As respects any loss arising from communicable disease that is categorized as a pandemic by the World Health Organization and/or the U.S. Centers for Disease Control and Prevention, the reinsurer's liability will not exceed \$4,000,000 as respects all occurrences during the term of this contract.

Exhibit B – Second Layer

No claim will be made hereunder unless the Company has first sustained an ultimate net loss of \$5,000,000 each occurrence. The reinsurers will then indemnify the Company for the amount of ultimate net loss in excess of \$5,000,000 each occurrence. The limit of liability to the reinsurers will not exceed \$5,000,000 each occurrence. As respects any loss arising from communicable disease that is categorized as a pandemic by the World Health Organization and/or the U.S. Centers for Disease Control and Prevention, the reinsurer's liability will not exceed \$5,000,000 as respects all occurrences during the term of this contract.

Exhibit C – Third Layer

No claim will be made hereunder unless the Company has first sustained an ultimate net loss of \$10,000,000 each occurrence. The Reinsurers will then indemnify the Company for the amount of ultimate net loss in excess of \$10,000,000 each occurrence. The limit of liability to the reinsurers will not exceed \$10,000,000 each occurrence. As respects any loss arising from Communicable Disease that is categorized as a pandemic by the World Health Organization and/or the U.S. Centers for Disease Control and Prevention, the reinsurer's liability will not exceed \$10,000,000 as respects all occurrences during the term of this contract.

Exhibit D – Fourth Layer

No claim will be made hereunder unless the Company has first sustained an ultimate net loss of \$20,000,000 each Occurrence. The Reinsurers will then indemnify the Company for the amount of ultimate net loss in excess of \$20,000,000 each occurrence. The limit of liability to the reinsurers will not exceed \$10,000,000 each occurrence. As respects any loss arising from Communicable Disease that is categorized as a pandemic by the World Health Organization and/or the U.S. Centers for Disease Control and Prevention, the reinsurer's liability will not exceed \$10,000,000 as respects all occurrences during the term of this contract.

Exhibit E – Fifth Layer

No claim will be made hereunder unless the Company has first sustained an ultimate net loss of \$30,000,000 each occurrence. The reinsurers will then indemnify the Company for the amount of ultimate net loss in excess of \$30,000,000 each occurrence. The limit of liability to the reinsurers will not exceed \$10,000,000 each occurrence. Notwithstanding the foregoing, the maximum contribution to ultimate net loss as respects any one person will be \$30,000,000, from the ground up, any one occurrence.

Minnesota - Workers Compensation Reinsurance Association (WCRA)

This agreement reinsurers the members' Minnesota workers' compensation liability during the indicated coverage period for benefits pursuant to Minn. Stat. Ch. 176 in excess of the members' retention limit for the period. The Company's stated retention was \$1,000,000.

Nuclear, Biological, Chemical and Radioactive Terrorism Excess Reinsurance Coverage

Covers nuclear, chemical, biological, and/or radioactive terrorism which may accrue to the Company under its policies in force at the effective date hereof or issued or renewed on or after that date and classified by the Company as property and workers compensation business.

No claim will be made hereunder unless the Company has first sustained an ultimate net loss of \$1,000,000 each occurrence. The reinsurers will then indemnify the Company for the amount of ultimate net loss in excess of \$1,000,000 each occurrence. The limit of liability to the reinsurers will not exceed \$25,000,000 each occurrence.

Pollution Liability Quota Share

The Company will cede to the reinsurers, and the reinsurers will accept, a 70.0% quota share participation for all losses under policies classified by the Company as providing limited farm/ranch pollution coverage. However, the reinsurer's liability shall not exceed 70.0% of the following limits:

1. \$2,000,000 per policy, per occurrence
2. \$4,000,000 per policy, per occurrence
3. \$4,000,000 each occurrence

The reinsurer shall be liable for its proportionate share of loss adjustment expense (payable whether or not the Company has paid or has become liable to pay any loss under its policy), extra contractual obligations and/or excess limits liability in addition to its limit of liability under this contract as set forth above.

Liability and Umbrella Excess of Loss

The reinsurer will reimburse the Company on an excess of loss basis for its share of the amount of ultimate net loss that the Company has paid as a result of loss events for the lines of businesses or business classed by the Company:

- Class Group I(a) (primary liability) including but not limited to:
 - i. automobile, including all coverages (other than physical damage to insured vehicles) that are written in compliance with no fault laws of any state or province and in compliance with the "Motor Carrier Act of 1980."
 - ii. general liability, including farmowners multiple peril (casualty provisions only); homeowners multiple peril (casualty provisions only); commercial multiple peril (casualty provisions only); other liability (except umbrella); liquor liability, when written in conjunction with general liability policies; employers' liability, including occupational disease, when written in conjunction with farm liability or general liability policies;

employee benefits liability; fellow employee coverage; professional liability on all coverages permitted by exception to the malpractice exclusion

- Class Group I(b) (umbrella) including but not limited to:
 - i. This group covers the Company’s umbrella policies and endorsements included within any one of the following class groups:
 - a) personal;
 - b) farm and ranch; and
 - c) commercial

The Company shall retain the amount of ultimate net loss arising out of each loss event that does not exceed the retention. Reinsurer shall then be liable for the amount of ultimate net loss that exceeds the retention. Reinsurer’s liability shall never exceed the applicable limit of liability, which is layered. Retentions and limits of liability are as follows:

Retention	\$1,750,000
Maximum Policy Limits:	
Per occurrence BI/PD	\$2,000,000
Employers Liability	\$2,000,000
Umbrella	\$5,000,000
Ag Spraying Pollution	\$1,000,000
Animal Waste Liability	\$1,000,000
Communicable Disease	\$2,000,000 per loss event/\$4,000,000 for all loss events combined

Umbrella Quota Share

The reinsurer will reimburse the Company on a quota share basis for reinsurer’s reinsurance percentage of the amount of ultimate net loss that the Company has paid as a result of loss events involving any in force or new or renewal umbrella Policy issued by the Reinsured to a qualified risk.

The agreement covers the Company’s Umbrella Policies and endorsements that are included within any one of the following class groups:

1. Personal;
2. Farm and Ranch;
3. Commercial; and
4. Falls within the reinsurer’s Umbrella Underwriting Authority; and
5. Are protected by Minimum Underlying Limits and/or Self-Insured Retention

Reinsurer’s maximum liability including its aggregate limit under this agreement shall correspond to the reinsurance percentage of treaty capacity for each policy limit layer included under any class group as follows:

Class Group	Policy Limit Layer	Treaty Capacity	Reinsurance Percentage	Commission Percentage
Personal*	1	\$1,000,000	0%	0%
Personal*	2	\$1,000,000	0%	0%
Personal*	3	\$1,000,000	0%	0%
Personal*	4	\$1,000,000	0%	0%
Personal*	5	\$1,000,000	0%	0%
Personal	6	\$5,000,000	100.0%	22.5%
Personal	7	\$5,000,000	100.0%	22.5%

Personal	8	\$5,000,000	100.0%	22.5%
Farm & Ranch*	1	\$1,000,000	0%	0%
Farm & Ranch*	2	\$1,000,000	0%	0%
Farm & Ranch*	3	\$1,000,000	0%	0%
Farm & Ranch*	4	\$1,000,000	0%	0%
Farm & Ranch*	5	\$1,000,000	0%	0%
Farm & Ranch	6	\$5,000,000	100.0%	22.5%
Farm & Ranch	7	\$5,000,000	100.0%	22.5%
Farm & Ranch	8	\$5,000,000	100.0%	22.5%
Commercial*	1	\$1,000,000	0%	0%
Commercial*	2	\$1,000,000	0%	0%
Commercial*	3	\$1,000,000	0%	0%
Commercial*	4	\$1,000,000	0%	0%
Commercial*	5	\$1,000,000	0%	0%
Commercial	6	\$5,000,000	100.0%	22.5%
Commercial	7	\$5,000,000	100.0%	22.5%
Commercial	8	\$5,000,000	100.0%	22.5%

*Reinsured under the liability and umbrella excess of loss reinsurance agreement between the reinsured and American Agricultural Insurance Company.

Cyber Coverage Quota Share

The Company shall reinsure with the reinsurer and the reinsurer shall accept as reinsurance from the Company all cyber coverage (i) written by the Company on the cyber coverage and/or data breach coverage form provided by the reinsurer to the Company, and (ii) underwritten in accordance with the Company's cyber coverage underwriting guidelines.

The reinsurer's liability under this agreement shall attach simultaneously with that of the Company on a quota share basis for the Company's ultimate net loss for all new and renewal cyber coverage policies issued by the Company and effective on or after the commencement date.

The Company shall contract with a vendor that provides data breach services on claims under the Company's cyber coverage policies reinsured under this agreement provided that the third-party data breach services provider and the contract terms between the Company and such third-party data breach services provider are acceptable to the reinsurer.

The Company shall cede under this agreement and the reinsurer shall accept as reinsurance a 100% quota share participation of the Company's ultimate net loss under each cyber coverage policy as respects the business covered under this agreement.

The Company shall retain net for its own account, and not subject to any other reinsurance, the remaining 0% quota share participation of its ultimate net loss under each cyber coverage policy as respects the business covered under this agreement.

The maximum cyber coverage policy limit shall not be an amount greater than \$1,000,000.

Equipment Breakdown Quota Share

The reinsurer obligates itself to accept as reinsurance of the Company and the Company obligates itself to cede to the reinsurer 100% of the Company's net retained liability, as herein defined, under:

- A. Equipment breakdown endorsements to commercial multi-peril insurance policies and equipment breakdown coverage sections, contracts and binders issued or renewed by the Company during the period this treaty remains in force;
- B. Equipment breakdown insurance policies written on risks of the type covered under the Company's commercial multi-peril program;
- C. Equipment breakdown endorsements, equipment breakdown coverage sections, contracts and binders issued or renewed by the Company to AgMax property program policies;
- D. Equipment breakdown endorsements, equipment breakdown coverage sections, contract and binders or renewed by the Company to Farm/Ranch policies;
- E. Equipment breakdown endorsements, equipment breakdown coverage sections, contracts and binders issued or renewed by the Company to homeowners policies including farm and ranch dwellings; and
- F. Other policies agreed to in writing between the Company and the reinsurer, such agreement to form an endorsement to this treaty.

As respects commercial and farmowners business, cessions by the Company under this treaty shall not exceed a limit of liability of \$100,000,000 on any one risk without prior written agreement of the reinsurer.

As respects homeowners business, cessions by the Company under this treaty shall not exceed a limit of liability of \$100,000 per occurrence per risk without prior written agreement of the reinsurer.

Employment Practices Liability Reinsurance Agreement

The Company obligates itself to cede to the reinsurer and the reinsurer obligates itself to accept as reinsurance 100% of the Company's liability for loss (including defense costs), under and EPL coverage form attached to new, renewal and in-force policies on or after the effective date of this agreement.

The reinsurer's liability for loss, excluding policies issued to insureds domiciled in New Mexico, shall not exceed \$250,000 each wrongful employment act, subject to the annual aggregate limit in the policy not to exceed \$250,000. For policies issued to insureds domiciled in New Mexico, the reinsurer's liability for loss, shall not exceed \$500,000 each wrongful employment act, subject to the annual aggregate limit in the policy not to exceed \$500,000.

The reinsurer shall have a maximum limit of \$1,000,000 for each wrongful employment act, subject to the annual aggregate limit in the Policy not to exceed \$1,000,000.

Crop Hail Stop Loss Multiple Year Reinsurance Agreement

The reinsurer agrees to reinsure the excess liability which may accrue to the Company, including those written and produced by Rain and Hail L.L.C. written or renewed for the 2020 and 2021 Crop Seasons, and classified by the Company as crop hail.

The Company shall retain and be liable for an amount of ultimate net loss for that crop season, shown as the Company's retention. The reinsurer shall then be liable for 100% of the amount by which the Company's ultimate net loss for that crop season exceeds the retention hereunder, but the liability of the reinsurer for that crop season shall not exceed the amount shown as the reinsurer's limit of liability.

	First Excess	Second Excess
Company Retention	85% of Subject Net Earned Premium	85% of Subject Net Earned Premium plus the lesser of \$3,500,000 or 35% of Subject Net Earned Premium
Reinsurer's Limit of Liability	100% of 35% of Subject net Earned Premium or 100% of \$3,500,000, whichever is the lesser	100% of 30% of Subject Net Earned Premium or 100% of \$3,000,000, whichever is the lesser

Multiple Peril Crop Insurance (MPCI) Stop Loss Multiple Year Reinsurance Agreement

The reinsurer agrees to reinsure the excess liability which may accrue to the Company, including those written and produced by Rain and Hail L.L.C. written or renewed for the 2020 and 2021 crop seasons, and classified by the Company as Federal Crop Insurance Corporation (FCIC) MPCI business.

The Company shall retain and be liable for an amount of aggregate retained MPCI ultimate net loss for the crop season, shown as the Company's retention. The reinsurer shall then be liable for 100% of the amount by which the Company's aggregate retained MPCI ultimate net loss exceeds the applicable retention, but the liability of the reinsurer shall not exceed the amount shown as the reinsurer's limit.

	First Layer	Second Layer	Third Layer	Fourth Layer	Fifth Layer
Company's Retention	99% of the Subject Net Earned Premium	99% of the Subject Net Earned Premium plus the lesser of \$2,550,000 or 3% of Subject Net Earned Premium	99% of the Subject Net Earned Premium plus the lesser of \$6,800,000 or 8% of Subject Net Earned Premium	99% of the Subject Net Earned Premium plus the lesser of \$17,000,000 or 20% of Subject Net Earned Premium	99% of the Subject Net Earned Premium plus the lesser of \$32,300,000 or 38% of Subject Net Earned Premium
Reinsurer's Limit	The lesser of 100% of \$2,550,000 or 100% of 3% of Subject Net Earned Premium	The lesser of 100% of \$4,250,000 or 100% of 5% of Subject Net Earned Premium	The lesser of 100% of \$10,200,000 or 100% of 12% of Subject Net Earned Premium	The lesser of 100% of \$15,300,000 or 100% of 18% of Subject Net Earned Premium	The lesser of 100% of \$6,800,000 or 100% of 8% of Subject Net Earned Premium

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 \$2,997,027.

The book/adjusted value of securities held in custodial accounts for the exclusive protection of New Mexico policyholders totaled \$612,725.

TERRITORY AND PLAN OF OPERATION

The Company operates solely as a property and casualty insurance company and markets personal and commercial lines of insurance products to Farm Bureau members, farmers, ranchers and agriculture affiliated individuals and businesses in rural, suburban, and small metropolitan areas in its eight core Midwest and Western states.

The Company serves their customers through a mix of personal lines, agriculture, and other commercial lines. The primary personal lines product is a package policy, Farm Bureau Members Choice, offering several coverages under a single policy with a single premium and deductible. In addition, the Company's focus is on providing products for the agricultural market supported by AgMax products and various crop insurance products.

The Company utilizes an eight-state distribution channel with approximately 850 captive agents and agency managers. The captive agency force sells multi-line property and casualty, and cross sells life, and other supporting insurance products through various affiliates. Distribution is managed by the Company via Regional State Vice Presidents who are responsible for both property and casualty and affiliate product distribution. The property and casualty renewal book is owned by the property and casualty companies.

The Company is authorized to write business in the following jurisdictions:

Arizona	Minnesota	New Mexico
Iowa	Missouri	South Dakota
Kansas	Nebraska	Utah

The bulk of direct premium writings in 2021 came from four states: Iowa, Kansas, Nebraska, and Minnesota constituting approximately 79% of total premium written.

GROWTH OF COMPANY

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

<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>
2018	\$ 2,732,272,606	\$ 1,469,516,925	\$ 1,259,989,539	\$ 695,379,160	\$ 73,008,643
2019	2,899,829,594	1,604,106,191	1,293,150,299	803,284,720	80,082,372
2020	3,148,751,233	1,783,815,751	1,393,716,494	812,013,850	194,728,557
2021	3,261,402,504	1,791,153,524	1,455,846,963	901,646,787	99,402,807

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 EVENT

No subsequent events were noted during the examination.

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>	<u>Not Admitted</u>	<u>Admitted</u>
Bonds	\$ 1,864,232,316	\$ -	\$ 1,864,232,316
Stocks:			
Preferred stocks	10,126,130	-	10,126,130
Common stocks	765,181,645	161,910,923	603,270,722
Mortgage loans on real estate:			
First liens	52,816,882	-	52,816,882
Real estate:			
Occupied by the company	18,459,416	-	18,459,416
Production of income	54,900	-	54,900
Cash and short-term investments	104,430,887	-	104,430,887
Other invested assets	82,125,686	273,250	81,852,436
Receivable for securities	117,725	-	117,725
Aggregate write-ins for invested assets	268,930	268,930	-
Investment income due and accrued	15,602,526	-	15,602,526
Premiums and considerations:			
Uncollected premiums in course of collection	108,182,030	1,382,948	106,799,082
Deferred premiums booked and not yet due	321,856,022	-	321,856,022
Reinsurance:			
Amounts recoverable from reinsurers	9,290,805	-	9,290,805
Funds held with reinsured companies	57,372	-	57,372
Other amounts receivable	1,642,593	-	1,642,593
Current federal and foreign income tax recoverable	6,991,099	-	6,991,099
Net deferred tax asset	86,911,328	42,185,159	44,726,169
Guaranty funds receivable	138,374	-	138,374
Electronic data processing equipment and software	4,697,068	4,697,068	-
Furniture and equipment	157,796	157,796	-
Receivables from parent, subsidiaries, and affiliates	8,038,293	-	8,038,293
Health care and other amounts receivable	1,213,591	1,213,591	-
Aggregate write-ins for other-than-invested assets:			
Deposit administration funds	10,898,755	-	10,898,755
Prepaid pension costs	<u>74,959,983</u>	<u>74,959,983</u>	<u>-</u>
 Total assets	 <u>\$ 3,548,452,152</u>	 <u>\$ 287,049,648</u>	 <u>\$ 3,261,402,504</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$ 491,644,560
Reinsurance payable on paid losses and loss adjustment expenses	487,305
Loss adjustment expenses	66,254,329
Commissions payable, contingent and other	33,278,855
Other expenses	36,492,639
Taxes, licenses and fees	4,967,930
Borrowed money	30,952,354
Unearned premiums	742,202,570
Advance premium	11,005,634
Ceded reinsurance premiums payable	20,632,196
Funds held by company under reinsurance treaties	1,507,146
Amounts withheld or retained for account of others	1,471,543
Remittances and items not allocated	763,025
Provision for reinsurance	612,386
Payable to parent, subsidiaries, and affiliates	9,920,480
Payable for securities	223,540
Deferred compensation	17,601,714
Other liabilities	168,774
State prescribed required reserve	62,000
Total liabilities	<u>\$ 1,470,248,980</u>
Common Capital Stock	\$ 5,000,000
Deferred gain on sale/leaseback	2,737,195
Unassigned funds (surplus)	<u>1,783,416,329</u>
Surplus as regards policyholders	<u>\$ 1,791,153,524</u>
Total liabilities and surplus	<u>\$ 3,261,402,504</u>

STATEMENT OF INCOME

Underwriting Income

Premiums earned \$ 1,455,846,963

Deductions

Losses incurred \$ 901,646,787
Loss adjustment expenses incurred 90,414,064
Other underwriting expenses incurred 413,814,102
Total underwriting deductions \$ 1,405,874,953

Net underwriting gain (loss) \$ 49,972,010

Investment Income

Net investment income earned \$ 99,402,807
Net realized capital gains (losses) 18,710,102
Net investment gain (loss) \$ 118,112,909

Other Income

Net gain (loss) from agents' or premium balances charged off \$ (3,081,952)
Finance and service charges not included in premiums 2,218,742
Aggregate write-ins for miscellaneous income 194,526
Total other income \$ (668,684)

Net income before dividends to policyholders \$ 167,416,325

Dividends to policyholders -

Net income before federal income tax \$ 167,416,325

Federal and foreign income taxes incurred 26,061,176

Net income \$ 141,355,059

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2020 \$ 1,783,815,751

Gains and (Losses) in Surplus

Net income \$ 141,355,059
Change in net unrealized capital gains or (losses) (3,170,733)
Change in net deferred income tax 73,298,746
Change in non-admitted assets (207,768,476)
Change in provision for reinsurance 521,614
Aggregate write-ins for gains and losses in surplus 3,101,563

Change in surplus as regards policyholders for the year \$ 7,337,773

Surplus as regards policyholders, December 31, 2021 \$ 1,791,153,524

CASH FLOW STATEMENT

Cash from Operations

Premiums collected net of reinsurance	\$ 1,483,632,556	
Net investment income	99,328,825	
Miscellaneous income	<u>10,054</u>	
Total		\$ 1,582,971,435
Benefit and loss related payments	\$ 842,812,211	
Commissions, expenses paid and aggregate write-ins	488,283,379	
Dividends to policyholders	-	
Federal income taxes (paid) recovered	<u>53,885,075</u>	
Total		<u>\$ 1,384,980,665</u>
Net cash from operations		<u>\$ 197,990,770</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 475,967,712	
Stocks	45,537,481	
Mortgage loans	3,576,830	
Real estate	4,489,602	
Other invested assets	19,127,784	
Net gains or (losses) on cash and short-term investments	<u>(146)</u>	
Total investment proceeds		\$ 548,699,263
Cost of investments acquired (long-term only):		
Bonds	\$ 166,553,141	
Stocks	580,353,734	
Mortgage loans	16,750,000	
Real estate	1,053,678	
Other invested assets	35,300,067	
Miscellaneous applications	<u>2,048,780</u>	
Total investments acquired		<u>\$ 802,059,400</u>
Net cash from investments		<u>\$ (253,360,137)</u>

Cash from Financing and Miscellaneous Sources

Borrowed Funds	\$ (13,200,000)	
Other cash provided (applied)	<u>10,495,915</u>	
Net cash from financing and miscellaneous sources		<u>\$ (2,704,085)</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	\$ (58,073,452)
Cash, cash equivalents and short-term investments:	
Beginning of year	<u>162,504,339</u>
End of period	<u>\$ 104,430,887</u>

CONCLUSION

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

In addition to the undersigned, Jan Moenck, CFE, Chris Rushford, CFE, CPA, Dave Heppen, FCAS, MAAA, Andrew Chandler, ACAS, MAAA, and Adam Janney of Risk & Regulatory Consulting, LLC; and Alex Matovu, Josh Pietan, and Mick Jepson; 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