

EXAMINATION REPORT OF
PHARMACISTS MUTUAL INSURANCE COMPANY
ALGONA, IOWA
AS OF DECEMBER 31, 2022

Algona, Iowa
May 15, 2024

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, affairs and financial condition of

PHARMACISTS MUTUAL INSURANCE COMPANY

ALGONA, IOWA

AS OF DECEMBER 31, 2022

with its headquarters at 808 Highway 18 West, Algona, Iowa 50511.

INTRODUCTION

Pharmacists Mutual Insurance Company, hereinafter referred to as the “Company” or “PHMIC”, was previously examined as of December 31, 2017, by the Iowa Insurance Division. The Company’s wholly owned subsidiary, Chiron Insurance Company (“CIC”), was examined concurrently with this examination with a separate 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, 2022, including any material transactions and 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 (“Handbook”). The Handbook requires that the Division plan and perform the examination to evaluate the financial condition, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

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

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

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

HISTORY

The Company was incorporated October 16, 1909, as the Retail Druggists Mutual Insurance Association of Iowa. In 1920 the Company, by proper legal procedures, was transformed from an association to a mutual company and changed its name to Druggists Mutual Insurance Company of Iowa. By amendment to the Articles of Incorporation in 1950, the Company's corporate existence was made perpetual. By proper amendment to the Articles of Incorporation in 1992, the present corporate title, Pharmacists Mutual Insurance Company, was adopted.

SURPLUS NOTES

On August 26, 2019, the Company issued three surplus notes totaling \$25,000,000 to Everest Reinsurance, Fidelity & Guaranty Life Insurance, and Employers Reassurance Corporation. The surplus notes bear interest at 7.375% per annum and payable semi-annually in arrears.

Interest Paid on Surplus Notes

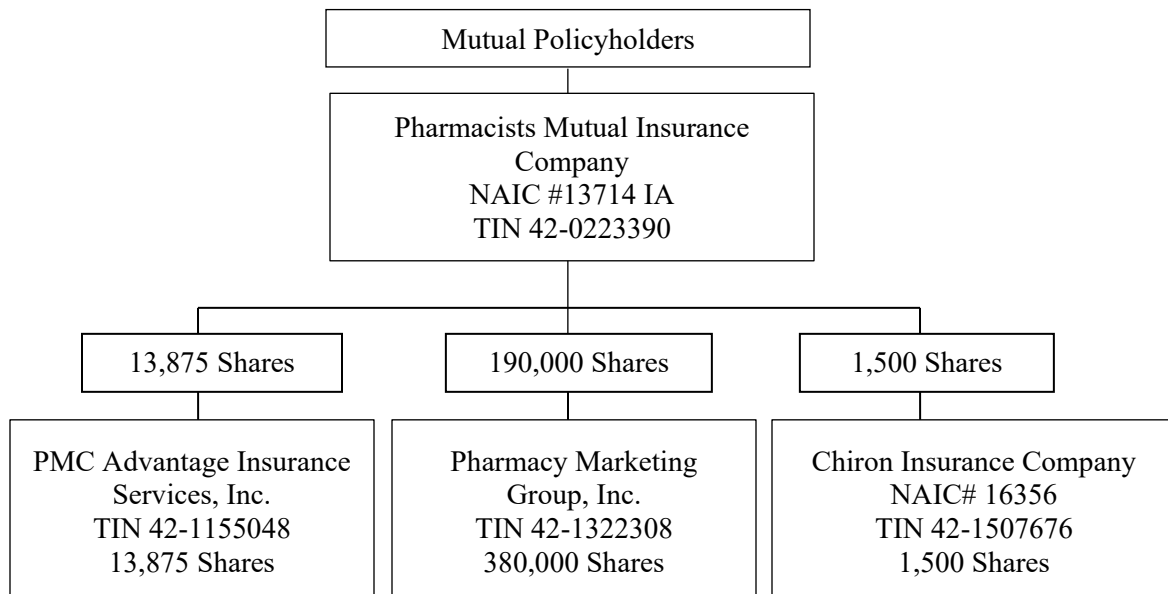
<u>Year</u>	<u>Interest Paid</u>
2018	\$ -
2019	303,085
2020	1,843,750
2021	1,843,750
2022	1,853,853

No principal repayments were made.

INSURANCE HOLDING COMPANY SYSTEM

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

An organizational chart, as of December 31, 2022, identifying the Insurance Holding Company System is listed below:



MANAGEMENT AND CONTROL

MEMBERSHIP

Any person or other legal entity who is a policyholder with Pharmacists Mutual Insurance Company shall be a member of the company. Membership shall commence on the effective date of his/her/its insurance policy and shall continue so long as his/her/its insurance policy continues in force.

Every member shall be entitled to cast one (1) vote in person or by proxy on all matters which come before the membership at any regular or special meeting of the members regardless of the number of policies in force in the name of the member, the amount of insurance carried, or the amount of premium paid.

The annual meeting of members shall be held on the third Friday in May each year. The annual meeting shall commence at 9:00 A.M. and shall be held at the company's principal place of business, in Algona, Iowa, unless some other location is stated in the notice of the annual meeting. At each annual meeting, the members shall elect individuals to serve on the Board of Directors, if there are terms up for election or re-election, for the next succeeding year by a majority vote of those members present in person or by proxy. The membership shall also transact such other business as may properly come before the meeting.

Fifty of the members entitled to vote, who are present in person or represented by proxy, shall constitute a quorum at any meeting of members. If a quorum is present, the affirmative vote of a majority of the members at the meeting and entitled to vote, or represented by proxy, shall be the act of the members.

BOARD OF DIRECTORS

The affairs of the Company shall be managed by a Board of Directors consisting of not less than five (5) or more than twenty-one (21) directors. The Board of Directors shall determine the number of Directors to be seated within this range. Directors shall be divided into and be elected by class so as to provide for staggered three (3) year terms of office with the election of one class occurring at each annual meeting. No Director may serve more than seven (7) full three (3) year terms on the Board, plus any portion of an unexpired term to which the Director was elected.

A regular meeting of the Board of Directors shall be held immediately after, and at the same place as, the annual meeting of members. Special meetings of the Board of Directors may be called by or at the request of the CEO, the Chair of the Board, or any three (3) directors.

A majority of the Board of Directors shall constitute a quorum for the transaction of any business at any regular or special meeting.

The Board of Directors serving as of December 31, 2022, were:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Donnie C. Calhoun Anniston, Alabama	Registered Pharmacist Calhoun Compounding Pharmacy	2023
Susan L. Sutter Burnett, Wisconsin	Registered Pharmacist (retired) Marshland Pharmacies, Inc.	2023
Edward J. Yorty* Algona, Iowa	President & Chief Executive Officer Pharmacists Mutual Insurance Company	2023

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Felix A. Gallagher Des Moines, Iowa	Registered Pharmacist Pharmacy Solutions, LLC	2024
Kirk M. Hayes (Chair) Algona, Iowa	Retired President & Chief Executive Officer Pharmacists Mutual Insurance Company	2024
Holly W. Henry Friday Harbor, Washington	Registered Pharmacist Friday Harbor Drug	2024
Forrest M. James Raleigh, North Carolina	Registered Pharmacist James and Associates	2024
Richard B. Moon Frewsburg, New York	Registered Pharmacist Pharmacy Innovations	2024
Kelly S. Selby Denton, Texas	Registered Pharmacist Community Pharmacy	2024
Johnathan C. Grether Algona, Iowa	Chief Operating Officer (retired) Pharmacists Mutual Insurance Company	2025
Randall S. Myers Carey, Ohio	Registered Pharmacist Harry's Pharmacy	2025
Steven T. Simenson Ramsey, Minnesota	Registered Pharmacist Goodrich Pharmacy	2025

* Effective July 12, 2023, the Board accepted the resignation of Ed Yorty as CEO & President. On August 15, 2023, the Board elected Thomas Aaron Pearce to serve as the President and CEO.

Directors may be paid their expenses of attendance at meetings of the Board of Directors or any special or standing committee meetings and may receive a fee for such attendance as set by the Board. No such payment shall preclude any Director from serving the corporation in any other capacity and receiving compensation therefore.

COMMITTEES

The Board of Directors at each annual meeting shall appoint an Executive Committee, Investment Committee, Audit Committee or such other committees as the Board of Directors deems appropriate. Membership in the Executive and Investment Committee shall consist of the CEO and two or more other members of the Board of Directors. The Audit Committee shall consist of three directors who are not also employees of the Company. Membership in other committees shall consist of three or more members of the Board of Directors.

The following are the Committees of the Board of Directors (collectively, “Committees”):

Executive Committee
Audit Committee Corporate
Enterprise Risk Management & Environmental Sustainability
Nominating & Governance Committee
Compensation Committee
Planning Committee
Investment Committee

OFFICERS

The officers of the Company shall be elected by the Board of Directors and shall be: Chief Executive Officer, President, Secretary, and Treasurer who shall perform such duties as the Board of Directors may require. The Board of Directors shall have authority from time to time to elect a Chief Operating Officer, a Chief Financial Officer, and any other officers as may be needed for the effective operation of the Company.

The duly elected officers of the Company at December 31, 2022 are listed below:

<u>Name</u>	<u>Title</u>
Edward J. Yorty*	President, Chief Executive Officer
William S. Hedges	Treasurer, Chief Financial Officer
Shirley A. Pierson	Chief Operating Officer
Brian J. Rakers	Senior Vice President, Sales
Peter E. Lambert	Senior Vice President, Claims Management
Derrick D. Shannon	Chief Actuary & Senior Vice President, Personal Insurance
Don R. McGuire	Secretary, General Counsel
Alison A. VanOtterloo	Senior Vice President, Commercial and Professional Insurance
Steven M. Hoskins	Senior Vice President, Agency Operations

* Effective July 12, 2023, the Board accepted the resignation of Ed Yorty as CEO & President. On August 15, 2023, the Board elected Thomas Aaron Pearce to serve as the President and CEO.

The compensation for the above officers is shown in Exhibit A to be found immediately following the signature page of this report.

CONFLICT OF INTEREST

The Company has an established procedure for annual disclosure to its Board of Directors of any material interest or affiliation on the part of its officers, directors or key employees which is in, or likely to, conflict with the official duties of such person. No disclosures were made during the exam period.

During the review of Board Committee minutes, it was noted that a Board Director violated the Company’s Conflict of Interest policy in 2022. The Board Director’s term ended in 2023 and is no longer on the Board.

CORPORATE RECORDS

The Articles of Incorporation were not amended during the examination period.

The Bylaws were amended and restated May 18, 2018, to make the following changes:

- Updates to requirements for election or re-election terms and adding business items to the agenda.
- If a successor for a Board position is not elected and qualified, the position is eliminated, unless the number of Directors is below the requirement, in which case the remaining directors shall elect to a Director to fill the vacancy until the next shareholder meeting.
- Removed the statement that Directors serving on the Board as of January 1, 2015, are eligible to serve under the seven (7) term limitation.
- Special meetings of the Board of Directors may be called by the Chair of the Board.

The Bylaws were amended and restated December 17, 2020, to make the following changes:

- Authorization for the Board to appoint and set compensation for the officers; updates to the responsibilities of officers.
- Change the one (1) year terms for Board members to three (3) year terms if the length of service at the beginning of the term is less than a total of twenty-one (21) years and to remove Directors who attain the age of seventy (70).

The Bylaws were amended and restated November 10, 2021, to make the following changes:

- To update the definition of a member and adding that each member is entitled to cast one (1) vote regardless of policies in force or premium paid.
- To allow Director positions to be nominated to one-, two-, or three-year terms as needed, and updated language on Director reelection and terms.

The Bylaws were amended and restated August 17, 2022, to add that the Chief Executive Officer may remove any officer, other than the President, Chief Operating Officer, or Chief Financial Officer, for cause or for poor performance, or violation of Company policies or violation of state or federal laws or regulations.

The minutes of the meetings of the members, the Board of Directors and the committees of the Board were reviewed for the examination period.

The examination report, for the period ending December 31, 2017, was received by the Audit Committee and approved by the Board of Directors at the August 20, 2019, meeting.

INTERCOMPANY AGREEMENTS

Tax Sharing Agreement

The Company has an agreement with PMC Advantage Insurance Services, Inc. and Chiron Insurance Company where the basis of the allocation of the income tax on the consolidated tax return would be based upon separate tax return calculations with credit for net losses. The intercompany tax balances shall be settled within 45 days of filing the consolidated return.

Management and Service Cost Sharing Agreement

The Company has an agreement with PMC Advantage Insurance Services, Inc. and Chiron Insurance Company where the Company shall provide office space, equipment, support staff, personnel administration, and marketing services. The Company shall also be reimbursed for cost allocations on a quarterly basis within 45 days of the end of each quarter.

FIDELITY BONDS AND OTHER INSURANCE

The Company is protected by a Financial Institution Bond with limits of \$5 million per single loss and a shared aggregate loss limit of \$10 million. The bond is written by an authorized insurer. It was noted that the coverage exceeds the NAIC suggested minimum coverage.

Other insurable interests appeared to be adequately protected by insurance policies currently in force and those policies were written by companies authorized to transact business in the state of Iowa.

EMPLOYEES' WELFARE

The Company provides a 401(k)savings plan (match plus discretionary), workers' compensation insurance, life insurance, health insurance, dental insurance, long-term disability insurance, short-term disability insurance, a vision discount plan, an employee assistance program, and flexible spending accounts for all employees who qualify. The cost of the benefits is borne by the Company except for vision and a portion of the medical and dental insurance.

REINSURANCE

A review found that reinsurance agreements entered into during the examination years contained proper insolvency clauses and none of the contract provisions were noted to be outside the general practice of the industry. Specific reinsurance terms are as follows:

AFFILIATED ASSUMED

Quota Share Reinsurance Contract

The Company has an agreement with CIC, where CIC cedes a 90% share of Gross Net Earned Premium Income. Additionally, CIC receives a 40% commission on all premiums ceded.

CEDED

Multiline Excess of Loss

The Company maintains a property and casualty multiline excess of loss contract which cover workers' compensation, auto, commercial and homeowners multiple peril, businessowners, other bodily injury and property damage liability (including medical payments and personal injury), Pharmacists', Dentists', Supplemental Health Care Services, and Veterinarians' professional liability, employee benefits liability, fire, allied lines, and inland marine (including boatowners liability). The contract provides the Company's first layer of reinsurance coverage for the following:

<u>Line of Business</u>	<u>Company Retention</u>	<u>Reinsurers' Liability</u>	<u>Maximum Calendar Limit</u>
Workers Compensation	\$ 1,000,000	\$ 2,000,000	
Property		\$ 4,000,000	
Liability		\$ 2,000,000	No Limit

Property Per Risk Excess of Loss

The Company has excess property reinsurance agreements which cover business classified as fire, allied lines, inland marine (including boatowners), commercial multiple peril (property coverages), businessowners (property coverages) and homeowners multiple peril (property coverages). The reinsurer is liable in respect of each loss, each risk, for the ultimate net loss over and above the initial ultimate net loss of \$5,000,000 for each loss, each risk, subject to a limit of liability to the reinsurer of \$30,000,000 each loss, each risk, and further subject to a limit of liability to the reinsurer of \$60,000,000, each loss occurrence and \$90,000,000 in respect of all losses under the contract.

Property Catastrophe Excess of Loss

The Company maintains five layers of catastrophe reinsurance contracts which cover property coverages only including auto comprehensive (auto physical damage other than collision), and glass. These contracts reinsure the Company against 100 percent of the ultimate net loss, any one loss occurrence, as follows:

<u>Layer</u>	<u>Company Retention</u>	<u>Reinsurers' Occurrence Limit</u>	<u>Reinsurers' Maximum Liability</u>
First	\$ 3,000,000	\$ 7,000,000	\$ 21,000,000
Second	10,000,000	15,000,000	30,000,000
Third	25,000,000	18,000,000	36,000,000
Fourth	43,000,000	10,000,000	20,000,000
Fifth	53,000,000	17,000,000	34,000,000

Property Catastrophe Aggregate Excess of Loss

The Company maintains a property catastrophe excess of loss contract which covers property classes for the perils of lightning, windstorm, hail, tornado, including ensuing collapse and water damage, brush fire or wildfire, flood, freeze, winter storm and riot, vandalism and malicious mischief.

The reinsurer shall be liable for the amount by which the ultimate net loss exceeds \$5,000,000 in the aggregate for all loss occurrences commencing during the term of the contract. The liability of the reinsurer in aggregate for all loss occurrences commencing during the period of the contract shall not exceed \$6,000,000.

No more than \$3,000,000 from any one loss occurrence shall be the subject of the contract. Further, the Company shall retain \$500,000 of ultimate net loss from each loss occurrence, resulting in a net contribution of not more than \$2,500,000 from any one loss occurrence to the liability of the reinsurer.

Casualty and Workers' Compensation Excess of Loss

The Company maintains casualty excess of loss contracts which cover workers' compensation, auto liability, commercial and homeowners multiple peril liability, businessowners liability, other bodily injury, and property damage liability (including medical payments and personal injury), Pharmacists', Dentists', Supplemental Healthcare Services, and Veterinarian's professional liability, employee benefits liability and boatowners liability. These coverages are as follows:

<u>Layer</u>	<u>Company Retention</u>	<u>Reinsurers' Liability</u>	<u>Terrorism Coverage</u>	<u>Maximum Calendar Limit</u>
Second (Casualty Excess of Loss)	\$3,000,000	\$7,000,000	\$7,000,000	\$28,000,000
Third (Casualty Excess of Loss)	\$10,000,000	\$10,000,000	\$10,000,000	\$30,000,000
Fourth (Casualty Excess of Loss)	\$20,000,000	\$15,000,000	\$30,000,000	\$30,000,000
First (Workers' Compensation)	\$3,000,000	\$2,000,000	\$2,000,000	\$10,000,000
Second (Workers' Compensation)	\$5,000,000	\$5,000,000	\$5,000,000	\$10,000,000
Third (Workers' Compensation)	\$10,000,000	\$10,000,000	\$10,000,000	\$20,000,000
Fourth (Workers' Compensation)	\$20,000,000	\$10,000,000	\$10,000,000	\$20,000,000
Fifth (Workers' Compensation)	\$30,000,000	\$10,000,000	\$10,000,000	\$20,000,000

Umbrella and Pharmacy Services Professional Liability

Coverage A – Umbrella Liability: The Company shall cede a 90% quota share of the first \$1,000,000 of ultimate net loss, each loss occurrence, each policy. The Company shall also cede a 95% quota share up to \$9,000,000 in respect to each loss occurrence, each policy, for the ultimate net loss over and above \$1,000,000.

Coverage B – Pharmacy Services Professional Liability: The Company shall cede a 95% quota share up to \$9,000,000 in respect of each loss occurrence, each policy for the ultimate net loss over and above an initial ultimate net loss of \$1,000,000.

The reinsurer shall be bound to pay a proportion of the loss adjustment expenses in the ratio that the reinsurer's loss payment bears to the total ultimate net loss, with such payment in addition to the stated limits.

Boiler and Machinery Quota Share – 100 percent.

Cyber Liability – 100 percent up to \$1,000,000.

Employment Practices Liability, Sexual Misconduct and Physical Abuse Liability Quota Share – 80 percent up to \$1,000,000.

STATUTORY DEPOSIT

The book/adjusted carrying value of special deposits held in trust, which are not held for the protection of all policyholders of the Company, totaled \$38,514,653 and are as follows:

Arkansas	\$ 175,077	Nevada	\$ 336,950
California	33,125,621	New Mexico	411,563
Delaware	146,597	North Carolina	349,895
Florida	249,237	Oregon	750,000
Georgia	199,790	South Carolina	224,648
Idaho	399,583	Virginia	224,082
Massachusetts	776,763	Puerto Rico	1,144,847

The book/adjusted carrying value of special deposits held in trust for the protection of all policyholders is \$3,427,969 as of December 31, 2022.

TERRITORY AND PLAN OF OPERATION

The Company writes commercial package policies including commercial multiple peril, workers' compensation, and professional liability coverage. Products are marketed through employee agents and select independent agencies and brokers. The majority of policyholders are pharmacists and independent pharmacy owners, though the Company has expanded into other growing markets such as dentists, veterinarians, home healthcare operations, durable medical equipment providers, nursing homes, grocery stores, and gift and card shops. In 2022, the Company discontinued writing new personal lines business, and began non-renewing personal lines business in May 2023.

At December 31, 2022, the Company was authorized to transact business in all U.S. States, and is also licensed in Puerto Rico and District of Columbia. As of 1/1/2024, the Company discontinued writing new business in Puerto Rico.

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>
2018	\$ 333,161,716	\$ 137,507,996	\$116,671,489	\$ 57,851,800	\$ 6,653,034
2019	391,420,257	175,561,605	133,927,690	64,613,237	5,975,024
2020	418,748,947	172,192,558	133,703,495	85,250,318	4,334,972
2021	440,553,392	176,623,091	141,140,595	77,771,839	7,080,730
2022	429,347,070	133,988,531	147,105,036	118,017,467	4,283,281

ACCOUNTS AND RECORDS

Trial balances of the Company's general ledgers were taken for each year under examination and were found to be in agreement with the office copies of the filed annual statements for those years. Cash receipts and disbursements were tested to the extent deemed necessary.

During the course of the examination, no material aggregate surplus difference was identified from the amount reflected in the financial statements, as presented in the annual statement at December 31, 2022.

SUBSEQUENT EVENTS

Effective July 12, 2023, the Board accepted the resignation of Ed Yorty as CEO & President. On August 15, 2023, the Board elected Thomas Aaron Pearce to serve as the President and CEO.

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, 2022.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	<u>Assets</u>	<u>Non-Admitted</u>	<u>Admitted</u>
Bonds	\$ 261,512,726	\$	\$ 261,512,726
Preferred stocks	4,056,580		4,056,580
Common stocks	39,983,830	287,361	39,696,469
Real estate properties occupied by the company	23,917,690		23,917,690
Real estate properties held for the production of income	1,387,502		1,387,502
Cash, cash equivalents and short-term investments	8,008,770		8,008,770
Other invested assets	9,387,112		9,387,112
Investment income due and accrued	2,207,253		2,207,253
Uncollected premiums and agents' balances in the course of collection	2,026,761	6,914	2,019,847
Deferred premiums, agents' balances and installments booked but not yet due	55,055,934	103,300	54,952,634
Amounts recoverable from reinsurers	3,193,399		3,193,399
Other amounts receivable under reinsurance contracts	526,000		526,000
Current federal and foreign income tax recoverable	1,860,772		1,860,772
Net deferred tax asset	14,788,000	6,355,000	8,433,000
Guaranty funds receivable or on deposit	327,917		327,917
Electronic data processing equipment and software	1,041,657	818,838	222,819
Furniture and equipment	279,309		279,309
Receivables from parent, subsidiaries and affiliates	1,028,986		1,028,986
Healthcare and other amounts receivable	8,573	8,573	
Cash surrender value life insurance	6,451,779		6,451,779
Equity/deposits in pools and assoc, receivables & other	191,435	35,620	155,815
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 437,241,985	\$ 7,894,915	\$ 429,347,070

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$ 138,666,650
Reinsurance payable on paid losses and loss adjustment expense	560,321
Loss adjustment expenses	40,565,610
Commissions payable, contingent commissions and other similar charges	1,228,916
Other expenses (excluding taxes, licenses and fees)	9,395,846
Taxes, licenses and fees (excluding federal and foreign income taxes)	1,403,716
Borrowed money	16,500,000
Unearned premiums	76,275,704
Advance premiums	910,687
Dividends declared and unpaid: Policyholders	203,739
Ceded reinsurance premiums payable (net of ceding commissions)	740,672
Funds held by company under reinsurance treaties	42,243
Amounts withheld or retained by company for account of others	120,732
Payable to parent, subsidiaries and affiliates	665,688
Deferred compensation payable	7,592,043
Other miscellaneous payables	485,972
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Total Liabilities	\$ 295,358,539
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Surplus notes	25,000,000
Unassigned funds (surplus)	108,988,531
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Surplus as regards policyholders	133,988,531
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Total Liabilities, Capital and Surplus	\$ 429,347,070
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STATEMENT OF INCOME

Underwriting Income

Premiums earned \$ 147,105,036

Deductions

Losses incurred \$ 118,017,467

Loss adjustment expenses incurred 24,568,848

Other underwriting expenses incurred 54,507,859

Total underwriting deductions \$ 197,094,174

Net underwriting gain \$ (49,989,138)

Investment Income

Net investment income earned \$ 4,283,281

Net realized capital gains (662,471)

Net investment gain \$ 3,620,810

Other Income

Net (loss) from agents' or premium balances charged off \$ (282,333)

Finance and service charges not included in premiums 185,896

State tax reimbursements & other 801,701

Total other income \$ 705,264

Net income before dividends to policyholders \$ (45,663,054)

Dividends to policyholders 63,810

Net income before federal income tax \$ (45,726,874)

Federal and foreign income taxes incurred (1,731,667)

Net income \$ (43,995,207)

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2021 \$ 176,623,091

Gains and (Losses) in Surplus

Net income \$ (43,995,207)

Change in net unrealized capital gains (7,427,792)

Change in net deferred income tax 7,841,000

Change in non-admitted assets (12,576)

Change in provision for reinsurance 60,077

Change in retiree health accrual 591,626

Change in retirement gift accrual 308,312

Change in surplus as regards policyholders for the year \$ (42,634,560)

Surplus as regards policyholders, December 31, 2022 \$ 133,988,531

CASH FLOW

Cash from Operations

Premiums collected net of reinsurance	\$ 50,762,165	
Net investment income	7,142,648	
Miscellaneous income	705,264	
Total		\$ 158,610,077
Benefit and loss related payments	\$ 84,690,681	
Commissions, expenses paid and aggregate write-ins for deductions	69,734,602	
Dividend to policyholders	197,210	
Federal and foreign income taxes paid (recovered)	(2,067,800)	
Total		152,554,693
Net cash from operations		\$ 6,055,384

Cash from Investments

Proceeds from investments sold, matured or repaid:

Bonds	\$ 30,223,837	
Stocks	2,847,578	
Miscellaneous	2,165,357	
Total investment proceeds		\$ 35,236,772
Cost of investments acquired:		
Bonds	\$ 30,486,989	
Stocks	2,361,424	
Real estate	1,592,538	
Other invested assets	4,459,395	
Miscellaneous applications	(34,445)	
Total investments acquired		38,865,901
Net cash from investments		\$ (3,629,129)

Cash from Financing and Miscellaneous Sources

Borrowed funds	\$ (8,869,242)	
Other cash provided (applied)	3,580,540	
Net cash from financing and miscellaneous sources		\$ (5,288,702)

Reconciliation of Cash, Cash Equivalents, and Short-Term Investments

Net change in cash, cash equivalents and short-term investments		\$ (2,862,447)
Cash, cash equivalents and short-term investments:		
Beginning of year		10,871,217
End of year		\$ 8,008,770

CONCLUSION

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

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

Respectfully submitted,

/s/ Bob Wong
Bob Wong, CFE
Examiner-in-Charge
Iowa Insurance Division
State of Iowa