

EXAMINATION REPORT OF
GUIDEONE PROPERTY & CASUALTY INSURANCE COMPANY
WEST DES MOINES, IOWA
AS OF DECEMBER 31, 2022

West Des Moines, Iowa
April 23, 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, business affairs and financial condition of

GUIDEONE PROPERTY & CASUALTY INSURANCE COMPANY

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2022

at its Home Office, 1111 Ashworth Road, West Des Moines, Iowa.

INTRODUCTION

GuideOne 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, Noble Consulting Services, Inc., on behalf of the Iowa Insurance Division. The Parent companies, GuideOne Insurance Company and GuideOne Specialty Insurance Company, and subsidiary companies, GuideOne America Insurance Company, GuideOne Elite Insurance Company, and GuideOne National Insurance Company 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, 2022, 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 December 8, 1992 as the "Preferred Risk Reinsurance Company" for the purpose of providing insurance coverage. The Company commenced writing business on December 28, 1993.

The Company changed its name to Central Property & Casualty Insurance Company on October 1, 1993; Guidant Commercial Insurance Company on February 1, 1998; and GuideOne Commercial Insurance Company on April 26, 1999.

On June 24, 1999, the Company and GuideOne Consumer Insurance Company merged with the Company being the surviving entity. Also on that date, the Company changed its corporate name to "GuideOne Property & Casualty Insurance Company".

On April 1, 2021, the Company and the affiliate insurers that comprise the GuideOne group of companies reorganized under a mutual holding company structure in accordance with Iowa Law. GuideOne Property & Casualty Insurance Company is among six Iowa-domiciled property and casualty insurers that are subsidiaries of GuideOne Mutual Holding Company which comprise the GuideOne group ("GuideOne").

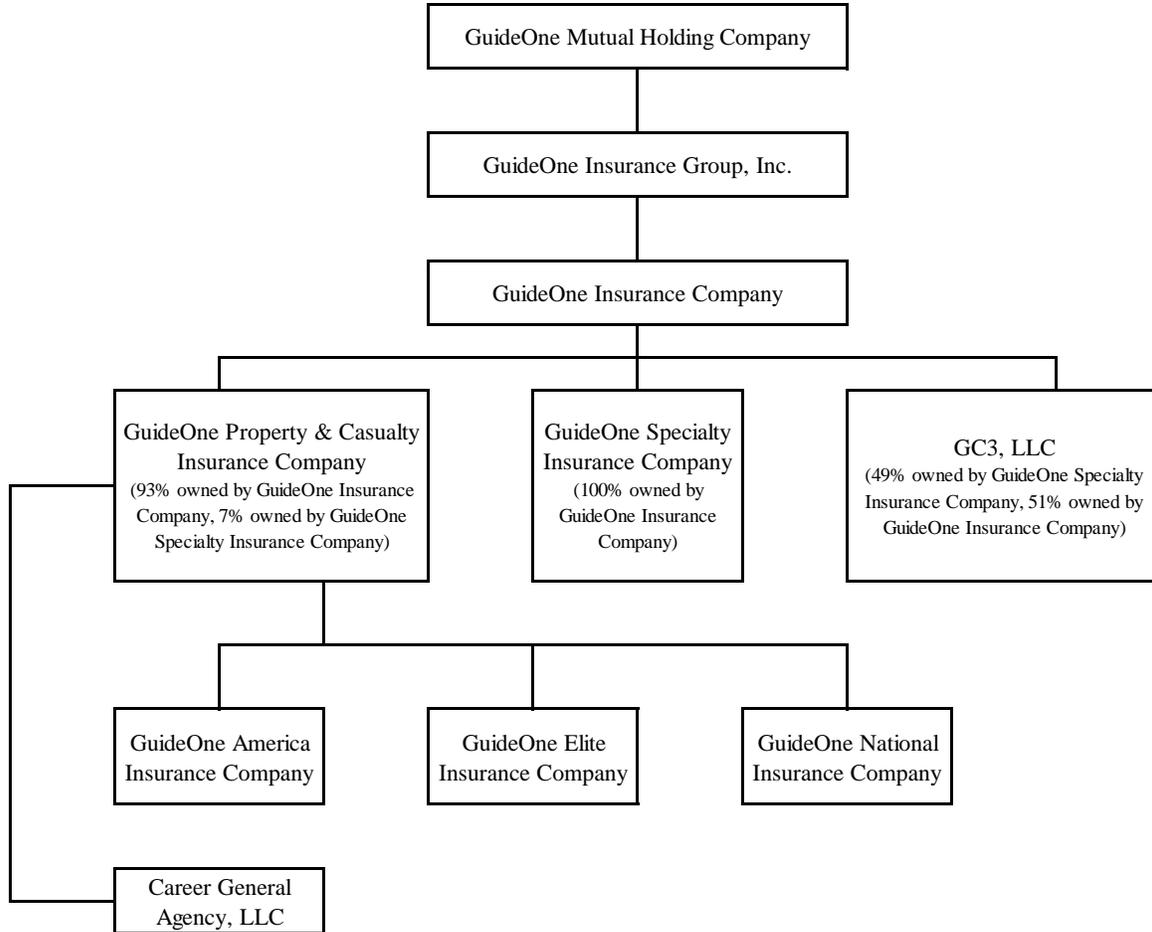
CAPITAL STOCK AND DIVIDENDS

Authorized capital stock consists of 10,000,000 shares of common stock, par value \$20 per share. Outstanding capital consists of 5,253,580 shares of common capital stock totaling \$105,071,600 and gross paid in and contributed surplus of \$22,582,568. All outstanding shares are held by GuideOne Insurance Company (4,898,125 shares) and GuideOne Specialty Insurance Company (355,455 shares). No dividends were paid during the examination period.

HOLDING COMPANY SYSTEM

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

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



MANAGEMENT AND CONTROL

SHAREHOLDERS

The Bylaws provide that the regular annual meeting of the shareholders shall be held on the second Thursday in May at 10:00 a.m. for the purposes of electing directors and for the transaction of such other business as may come before the meeting.

Special meetings of the shareholders may be called by the President or by the Board of Directors and shall be called by the Board of Directors at the request of the holders of not less than one-tenth of all outstanding shares of the Company entitled to vote at the meeting.

The Board of Directors may designate any place, either within or without the State of Iowa, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors.

A majority of the outstanding shares of the Company entitled to vote, represented in person or by proxy, shall constitute a quorum at the meeting of shareholders.

BOARD OF DIRECTORS

The Bylaws provide that the business and affairs of the Company shall be managed by a Board of Directors, of not less than five (5) nor more than twenty-one (21) members, as set by the Board. The directors are elected for a one-year term until the next annual meeting.

The board of directors may hold a regular annual meeting of the board, at a date, time and place to be set by resolution of the board.

Elected members serving as directors as of December 31, 2022, were as follows:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Bernard L. Hengesbaugh Wheaton, IL	Chairman of the Board, President & Chief Executive Officer GuideOne Insurance Group	2023
Timothy J. Fleming West Des Moines, IA	Senior Vice President Commercial Lines GuideOne Insurance Group	2023
Kenneth G. Cadematori Madison, CT	Senior Vice President, Chief Financial Officer GuideOne Insurance Group	2023
Brian H. Nelson Altoona, IA	Senior Vice President, Chief Claims Officer GuideOne Insurance Group	2023
Patrick K. Daley Summit, NJ	Senior Vice President, Chief Underwriting Officer GuideOne Insurance Group	2023

In December 2023, Bain Capital Insurance, the insurance investing unit of Bain Capital, and GuideOne Mutual Holding Company entered into an agreement to sell the operational platform of the Company to launch The Mutual Group, a new insurance platform serving the mutual insurance industry. This transaction (effective June 1, 2024) will result in changes to Executive Management and the Board. See additional details in the Subsequent Events section of the report.

All members of the Board of Directors are employees of GuideOne Insurance Company and do not receive any compensation, other than normal salary, for duties performed as a Board Member.

OFFICERS

The Bylaws provide that the officers of the Company shall be a Chairman of the Board, a President, one or more Vice Presidents, a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors. Any two

or more offices may be held by the same person except the offices of president and secretary. The Board is additionally empowered to elect or appoint such other officers as it may deem necessary.

Primary executive officers elected and serving, as of December 31, 2022, were as follows:

<u>Name</u>	<u>Title</u>
Bernard L. Hengesbaugh	Chairman of the Board, President and Chief Executive Officer
Andrew L. Noga	Senior Vice President, Secretary and General Counsel
Kenneth G. Cadematori	Senior Vice President, Chief Financial Officer & Treasurer
Adam K. Niebrugge	Senior Vice President, Chief Actuary
Richard W. Cullen	Senior Vice President, Programs
Brian H. Nelson	Senior Vice President, Chief Claims Officer
Patrick K. Daley	Senior Vice President, Chief Underwriter
Timothy J. Fleming	Senior Vice President, Commercial Lines

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

CONFLICT OF INTEREST STATEMENTS

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

CORPORATE RECORDS

The Articles and Bylaws were amended and restated January 21, 2022, to change the annual meeting of the shareholders to the second Thursday in May of each year to be cohesive with the annual meeting dates of the other insurance company subsidiaries of GuideOne.

INTERCOMPANY AGREEMENTS

Intercompany Operating Agreement

This agreement is between GuideOne Insurance Company and all companies within the GuideOne Insurance Group ("the Group"). GuideOne Insurance Company is obligated to provide employee and administrative services; office facilities; office supplies, equipment, furniture and fixtures, vehicles and other property. Costs are allocated to the companies of the Group based on acceptable accounting allocations. All intercompany balances shall be settled or paid no later than 90 days from the date of billing.

Consolidated Federal Income Tax Agreement

The following Companies file a consolidated Federal income tax return:

- GuideOne Insurance Company
- GuideOne America Insurance Company
- GuideOne Elite Insurance Company
- GuideOne National Insurance Company
- GuideOne Specialty Insurance Company
- GuideOne Property and Casualty Insurance Company

The written agreement, approved by the Board of Directors, states that the Parent and Subsidiaries agree that the consolidated tax liability for each year shall be allocated to the members of the group on the basis of the percentage of the total tax which the tax of such member, if computed on a separate return, would bear to the total amount of the taxes for all members of the group so computed.

FIDELITY BONDS AND OTHER INSURANCE

A \$10,000,000 fidelity bond, that meets the NAIC recommended minimum amount, covers the Company and named affiliates. Other coverages in place appear to adequately protect the interests of the Company. All policies are placed with companies authorized to transact business in the State of Iowa.

EMPLOYEES' WELFARE

Personnel services are provided to the insurance entities by GuideOne Insurance Company, through the intercompany operating agreement. Eligible employees are provided the following core benefits:

- 401(k) Savings Plan and Employee Incentive Plan
- Basic Employee Life Insurance
- Basic Accidental Death & Dismemberment Insurance
- Medical, Dental and Vision Plans on a contributory basis
- Telemedicine
- Paid time off
- Flexible Spending Plan
- Prepaid Legal Expense on a contributory basis
- Long and Short-term Disability

REINSURANCE

POOLING

The following GuideOne companies are parties to an Inter-company Pooling Agreement whereby the companies cede all insurance business to GuideOne Insurance Company, the Pool administrator. GuideOne Insurance Company retains 64% of the net business and cedes 20% to the Company and 16% to GuideOne Specialty Insurance Company.

- GuideOne Insurance Company
- GuideOne Specialty Insurance Company
- GuideOne Property & Casualty Insurance Company (the Company)
- GuideOne America Insurance Company
- GuideOne Elite Insurance Company
- GuideOne National Insurance Company

Cessions to excess of loss, quota share and 100% fronting arrangements with non-affiliated reinsurers are prior to inter-company pooling. All pool members are parties to the various reinsurance agreements with non-affiliated reinsurers.

CEDED REINSURANCE

The Company maintains treaty reinsurance contracts with third-party reinsurers that cover the Group's Core and Program segments; and a combination of facultative and treaty reinsurance that covers the open market Specialty Excess & Surplus (E&S) business that was discontinued starting in 2022. The discontinued E&S segment's treaties in effect as of December 31, 2022, consisted of treaties specific to the energy and financial lines of business, and facultative reinsurance on other property business.

The ongoing reinsurance program representing Core and Program writings has remained largely unchanged over the course of the examination period with the primary differences relating to changes in annual aggregate deductibles and layer coverage amounts. The casualty program consists of casualty excess of loss agreements which covered the commercial auto liability; senior living centers general liability (GL); sexual abuse and molestation (SAM); GL exclusive of SAM; umbrella; and workers' compensation medical and indemnity lines of business. One construction-related program also maintained quota share reinsurance specific to that program. The property program includes non-catastrophe property quota share, property excess per risk, and property excess catastrophe related to the property lines of business. The company also maintains cyber and boiler/machinery reinsurance with reinsurance partners that provide those products.

Specific coverages included the following details:

Property

Property per risk excess of loss treaties for accident year 2022 had terms of \$8 million excess of \$2 million with an annual aggregate deductible of \$8 million for the first layer, and \$15 million excess of \$10 million coverage for the second layer. A semi-automatic facultative facility for \$50 million excess of \$25 million was also in place, plus additional stand-alone facultative placed when needed. Additionally, a program segment-specific property excess per risk treaty had terms of \$25 million excess of \$20 million.

A property quota share treaty began June 1, 2021, whereby 50% of all non-catastrophe church property was ceded.

Property catastrophe excess of loss treaties provided layers of \$10 million excess of \$25 million, \$107.5 million excess of \$35 million, and \$30 million excess of \$232.5 million. Additionally, 2nd and 3rd event catastrophe excess of loss; catastrophe excess of loss weighted index, and aggregate excess of loss treaties were also in place.

Boiler and machinery, cyber (Core, business owner policy, and certain programs), and excess per loss (business owner policy and certain programs) is 100% ceded.

Casualty

Casualty excess of loss treaties having multiple layers for accident year 2022 had terms of \$8 million excess of \$2 million with an annual aggregate deductible of \$12 million, then \$15 million excess of \$10 million, then \$10 million excess of \$25 million covering all casualty business. The upper layers that provide coverage beyond individual policy limits were considered casualty catastrophe layers and included clash coverage.

STATUTORY DEPOSIT

The Company does not have special deposits held in trust for the protection of policyholders.

TERRITORY AND PLAN OF OPERATION

The Company, through the GuideOne brand, is a well-known insurer focusing on niche markets for religious organizations, nonprofit organizations and educational institutions.

The Company is only licensed in Iowa.

GROWTH OF COMPANY

The following historical data, taken from the Company's filed annual statements for the years indicated, reflects the financial position of the Company:

<u>Year</u>	<u>Admitted Assets</u>	<u>Surplus to Policyholders</u>	<u>Net Premiums Earned</u>	<u>Net Losses Incurred</u>	<u>Investment Income Earned</u>
2018	\$380,568,806	\$208,160,765	\$ 85,335,725	\$42,092,185	\$ 9,043,394
2019	381,241,358	215,756,246	91,696,086	45,396,946	7,450,866
2020	416,591,576	219,191,493	111,525,615	62,373,525	8,449,113
2021	480,481,879	235,749,750	114,451,992	66,200,481	11,948,357
2022	497,123,709	228,244,050	144,688,207	97,092,391	6,848,990

ACCOUNTS AND RECORDS

The figures contained in the Company's filed annual statements for the years under review were found to be in agreement or reconciled to those recorded in the general ledger for assets, liabilities, income, and disbursement accounts. The accounting records are generally maintained using electronically processed data, however various subsidiary records are maintained using manually prepared excel worksheets. Supporting electronic data files were reconciled to financial policy and claim records and confirmed in accordance with Financial Condition Examiners Handbook guidance.

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

On December 29, 2023, Bain Capital Insurance, the insurance investing unit of Bain Capital, entered into an agreement with GuideOne Mutual Holding Company to acquire the operational platform of the Company to launch The Mutual Group (TMG). TMG will act as an insurance operations service provider for the small to mid-sized mutual insurance industry. Services provided will include underwriting, reinsurance purchasing, policy administration, billing, and claims administration, with the GuideOne insurance group being the first client for TMG. A transition agreement is in place as the Company implements the change.

Effective January 1, 2024, Tim Fleming, stepped down as Senior Vice President Commercial Lines of GuideOne and was named Chief Executive Officer of TMG.

Also, as part of the transaction, the following management changes will be effective June 1, 2024:

- Bernie Hengesbaugh, to step down as President and Chief Executive Officer of GuideOne and serve as Executive Board Chair and Transition Officer of GuideOne
- Ken Cadematori, Chief Financial Officer to succeed Bernie Hengesbaugh as President and Chief Executive Officer of GuideOne
- Adam Niebrugge, Chief Actuary to succeed Ken Cadematori as Chief Financial Officer of GuideOne
- Paul Knutson, to step down as Senior Vice President, Alternate Distribution & Reinsurance of GuideOne to serve as Senior Vice President, Business Development of TMG
- Brian Nelson, to step down as Senior Vice President, Chief Claims Officer of GuideOne to serve as Senior Vice President, Chief Claims Officer of TMG
- Chris Steele, to step down as Vice President Operations of GuideOne to serve as Senior Vice President, Enterprise Operations of TMG

In addition, Richard Cullen left the company April 7, 2023. Paul Knutson assumed the role of Senior Vice President, Alternative Distribution and Reinsurance effective May 1, 2023. Patrick Daley left the company December 15, 2023. Joe Strickland assumed the role of Vice President, Chief Underwriting Officer effective October 9, 2023.

During 2023, the Company made capital contributions totaling \$5.4 million to GuideOne National Insurance Company.

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>Ledger</u>	<u>Not Admitted</u>	<u>Admitted</u>
Bonds	\$231,619,031		\$231,619,031
Preferred stocks	995,818		995,818
Common stocks	100,266,800		100,266,800
Mortgage loans on real estate	30,191,632		30,191,632
Cash and short-term investments	31,459,999		31,459,999
Other invested assets	16,173,693		16,173,693
Receivable for securities	166		166
Investment income due and accrued	1,700,233		1,700,233
Uncollected premiums and balances in course of collection	22,599,678		22,599,678
Premiums booked but deferred	31,156,427		31,156,427
Amounts recoverable from reinsurers	16,529,957		16,529,957
Funds held by or deposited with reinsurers	1,962,519		1,962,519
Net deferred tax asset	11,576,488	\$2,175,936	9,400,552
Guaranty funds receivable or on deposit	182,086		182,086
Other insurance receivables	2,674,342		2,674,342
Policyholder recoupment recoverable	<u>212,777</u>	<u> </u>	<u>212,777</u>
 Total assets	 <u>\$499,299,645</u>	 <u>\$2,175,936</u>	 <u>\$497,123,709</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$148,961,657
Reinsurance payable on paid losses	1,700,800
Loss adjustment expenses	15,759,051
Commissions payable, contingent and other	5,396,776
Other expenses	2,744,836
Taxes, licenses and fees	1,207,806
Current federal income taxes	1,454,547
Unearned premiums	78,642,204
Advance premium	900,210
Ceded reinsurance premiums payable	12,828,549
Funds held by company under reinsurance treaties	9,803,467
Amounts withheld or retained	11,279
Remittance and items not allocated	935,317
Drafts outstanding	1,735
Payable to parent and affiliates	480,961
Retroactive reinsurance recoverable	<u>(11,949,536)</u>
 Total Liabilities	 <u>\$268,879,659</u>
 Common capital stock	 105,071,600
Gross paid in and contributed capital	22,582,568
Unassigned funds (surplus)	<u>100,589,882</u>
 Surplus as regards to policyholders	 <u>\$228,244,050</u>
 Total liabilities and surplus	 <u>\$497,123,709</u>

STATEMENT OF INCOME

<u>Underwriting Income</u>	
Premiums earned	\$144,688,207
<u>Deductions</u>	
Losses incurred	\$97,092,391
Loss expenses incurred	11,116,486
Other underwriting expenses incurred	<u>47,966,766</u>
Total underwriting deductions	<u>156,175,643</u>
Net underwriting gain (loss)	\$ (11,487,436)
<u>Investment Income</u>	
Net investment income earned	\$ 6,848,990
Net realized capital gains (losses)	<u>(6,406,177)</u>
Net investment income	442,813
<u>Other Income</u>	
Net (loss) from agents' balances charged off	\$ (122,914)
Finance and service charges not included in premiums	146,904
Aggregate write-ins for miscellaneous income	<u>86,000</u>
Total other income	<u>109,990</u>
Net income before federal income tax	\$ (10,934,633)
Federal and foreign income taxes incurred	<u>308,457</u>
Net Income	<u>\$ (10,626,176)</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2021	\$235,749,750
<u>Gains and (Losses) in Surplus</u>	
Net Income	\$ (10,626,176)
Change in net unrealized capital gains or (losses)	4,067,374
Change in net deferred income tax	(2,478,133)
Change in non-admitted assets	<u>1,531,236</u>
Change in surplus as regards policyholders for the year	<u>\$ (7,505,699)</u>
Surplus as regards policyholders, December 31, 2022	<u>\$228,244,050</u>

CASH FLOW STATEMENT

Cash from Operations

Premiums collected net of reinsurance	\$141,855,758	
Net investment income	7,189,737	
Miscellaneous income	<u>232,904</u>	
Total		\$149,278,398
Benefit and loss related payments	\$ 79,855,668	
Commissions, expenses paid and aggregate write-ins for deductions	<u>60,310,697</u>	
Total		\$140,166,365
Net cash from operations		<u>\$ 9,112,034</u>

Cash from Investments

Proceeds from investments sold, matured or repaid		
Bonds	\$ 20,460,896	
Stocks	170,223	
Mortgage loans	1,978,414	
Real estate	5,965	
Other invested assets	2,838,797	
Miscellaneous proceeds	21	
Total investment proceeds		<u>\$ 25,454,316</u>
Cost of investments acquired (long-term only):		
Bonds	\$ 21,573,745	
Stocks	6,242,105	
Mortgage loans	6,451,238	
Other invested assets	108,282	
Total investments acquired		<u>\$ 34,375,371</u>
Net cash from investments		<u>\$ (8,921,054)</u>

Cash from Financing and Miscellaneous Sources

Other cash provided (applied)	\$ 18,638,755	
Net cash from financing and miscellaneous sources		<u>\$ 18,638,755</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash and short-term investments		\$ 18,829,734
Cash and short-term investments:		
Beginning of year		<u>12,630,264</u>
End of year		<u>\$ 31,459,999</u>

CONCLUSION

Acknowledgment is hereby made of the cooperation and assistance extended by the officers and employees of the Company during this examination.

In addition to the undersigned, examiners from the Iowa Insurance Division and Noble Consulting Services, Inc. participated in the examination and the preparation of this report.

A review of loss and loss adjusting expense reserves was performed under the direction of Robert Daniel, ACAS, MAAA, Director & Consulting Actuary, Merlino & Associates.

A review of the information technology system was performed by Carol Riley, AES, CISA, CGEIT, CRISC, CDPSE, IT examiner for Noble Consulting Services, Inc.

Respectfully submitted,

/s/ Dan McBay

Dan McBay, CFE, CPA, CGMA, ARe
Examiner-in-Charge
Noble Consulting Services, Inc. on behalf of the
Iowa Insurance Division

/s/ Amanda Theisen

Amanda Theisen, CFE, PIR, MCM
Supervisor and Assistant Chief Examiner
Iowa Insurance Division