

EXAMINATION REPORT OF
PLAZA INSURANCE COMPANY
WEST DES MOINES, IOWA
AS OF DECEMBER 31, 2018

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

PLAZA INSURANCE COMPANY

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2018

at its Home Office, 1300 Woodland Avenue, West Des Moines, Iowa. The report of such examination, containing applicable comments, explanations and financial data, is presented herein.

INTRODUCTION

Plaza Insurance Company, hereinafter referred to as the "Company", was last examined as of December 31, 2013, by the Iowa Insurance Division. In conjunction with this examination, the Ohio Insurance Department conducted an examination of the Company's ultimate parent, State Automobile Mutual Insurance Company (SAM). The Company is a participant in a pooling arrangement with the Parent and various members of the State Auto Group. As a result, reliance has been placed on the Ohio Insurance Department's examination of the pooling balances.

SCOPE OF THE EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2014 to the close of business on December 31, 2018, 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 originally organized on July 20, 1972 as a Georgia domestic property and casualty insurer known as Integon Mortgage Guaranty Corporation. During 1991, the Company re-domiciled from Georgia to Missouri, and changed its name to INGC National Insurance Company. The Company was renamed to USA National Insurance Company on November 16, 1992 and again to National Alliance Insurance Company (National Alliance) on March 31, 1993. As of May 15, 2002, the Company was 100% owned by Affinity Group Plans, Inc. (AGP), which was 100% owned by Motors Insurance Corporation (MIC). MIC was ultimately owned by General Motors Acceptance Corporation.

Effective July 2, 2007. Rockhill purchased the stock of AGP and AGP was merged with and into National Alliance, with National Alliance being the surviving entity. National Alliance was subsequently renamed Plaza Insurance Company. The Company was ultimately controlled by HBK Management LLC, which in turn was equally owned by five members. On September 21, 2007, Rockhill Holding Company (Rockhill Holding), which wholly owns Rockhill and the Company, acquired all outstanding shares of RTW, Inc. (RTW). RTW wholly owns ACIC and BCIC.

Effective February 9, 2009, State Automobile Mutual Insurance Company (SAM), an Ohio domiciled insurer, completed the acquisition of 100% of Rockhill Holding. Upon completion of this acquisition, SAM became the ultimate controlling entity for the Company. SAM owns 64% of State Auto Financial Corporation (STFC) whose shares are traded on NASDAQ under the listing symbol STFC.

Effective December 3, 2013 the company was re-domesticated to the State of Iowa.

CAPITAL STOCK

The Company has 2,000,000 shares of \$2.25 par value common stock authorized, issued, and outstanding. The Company has no preferred stock authorized, issued or outstanding.

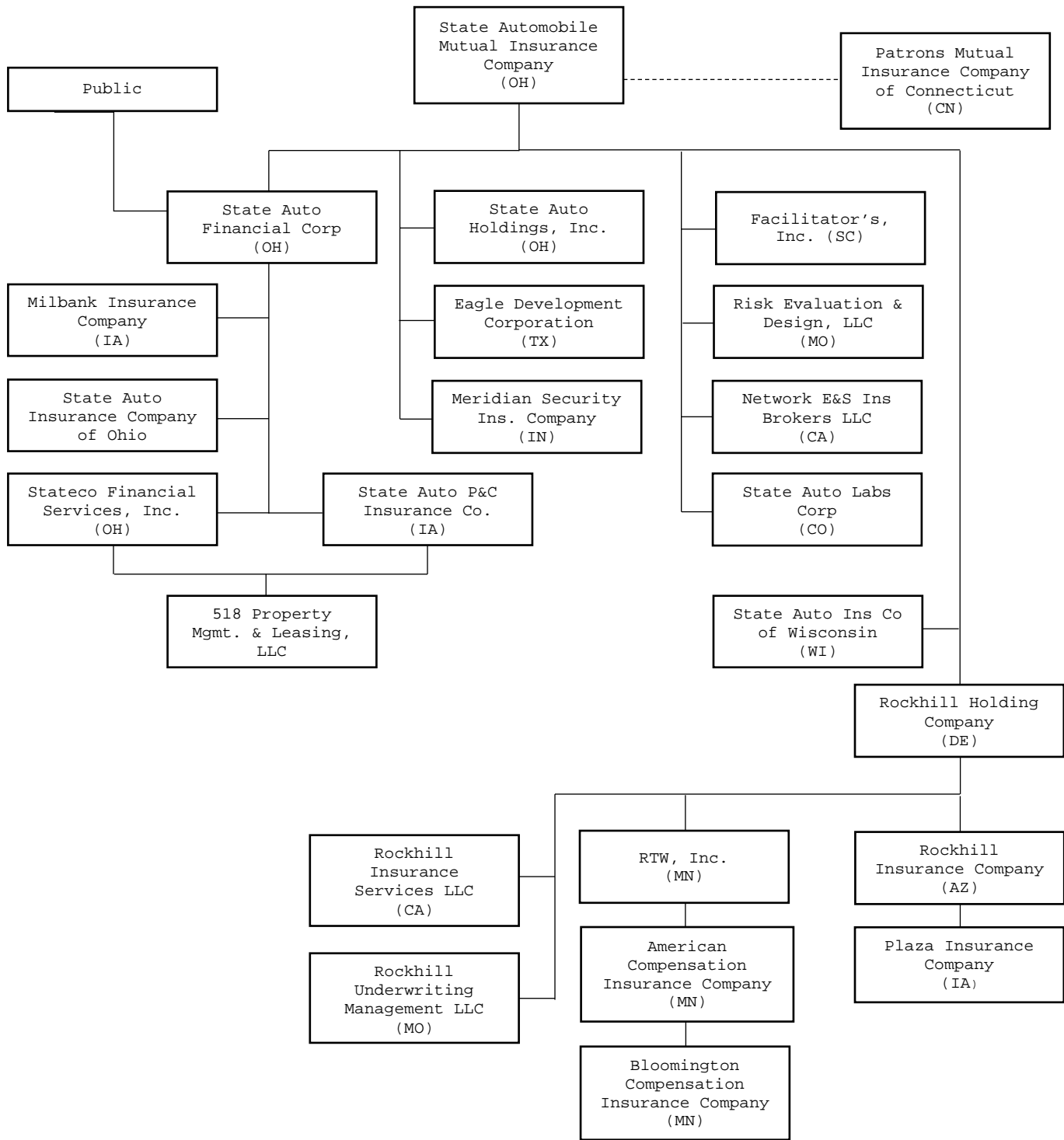
Dividends on common stock are paid as declared by the Board of Directors. Without prior approval of its domiciliary commissioner, dividends to shareholders are limited by the laws of the Company's state domicile, Iowa, to the greater of 10% of policyholder's surplus as of December 31, 2018 or 100% of net income from operations for the year of 2018. Accordingly, the maximum dividend payment that can be made to shareholders during 2019 without prior approval by the Iowa Insurance Division is \$564,415.

On August 10, 2018, the Board of Directors of the Company declared a \$4,000,000 extraordinary dividend to be paid to Rockhill Insurance Company. The dividend was paid in cash on September 6, 2018.

HOLDING COMPANY SYSTEM

The Company is a member of an Insurance Holding Company System as defined by Chapter 521A, Code of Iowa. For each year during the examination period and in accordance with statutory requirements, the Company filed holding company statements with the Iowa Insurance Division.

The ultimate controlling person is State Automobile Mutual Insurance Company, an Ohio domiciled insurer. The following displays the chain of ownership of the insurance companies as of December 31, 2018:



MANAGEMENT AND CONTROL

STOCKHOLDERS

The annual meeting of shareholders for the election of directors and the transaction of such other business as may be brought before the meeting shall be held within a period of six months after the close of each fiscal year of the corporation, on such day in such period as shall be designated by the Board of Directors, and at such time and at such place in or out of the State of Iowa. Special meetings of the shareholders may be held at any time and at any place in or out of the State of Iowa upon call by the President or Secretary or by majority of the members of the Board of Directors acting with or without a meeting.

BOARD OF DIRECTORS

The Bylaws provide that the business and affairs of the Company shall be managed by a Board of Directors. The number of directors which shall constitute the whole Board shall not be less than five nor more than 21, the exact number to be specified from time to time by the Bylaws or by resolution of the Board of Directors or by the shareholders at their annual meeting. Directors shall be elected for a one-year term.

The elected and qualified individuals serving as directors at December 31, 2018 are as follows. One vacancy was noted:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Robert E. Baker Mableton, GA	Executive Vice President DHR International	2019
Edwin J. Simcox Fishers, IN	President Emeritus Indiana Energy Association	2019
Roger P. Sugarman Columbus, OH	Attorney Kegler, Brown, Hill, & Ritter	2019
Michael J. Fiorile Columbus, OH	President and Chief Executive Officer Dispatch Printing Company	2020
Marsha P. Ryan New Albany, OH	Retired Chief Executive Officer and Administrator Ohio Bureau of Workers Compensation	2020
Dwight E. Smith Columbus, OH	Chief Executive Officer Sophisticated Systems Inc.	2020
James E. Kunk Dublin, OH	Regional President Huntington National Bank	2021
Michael E. Larocco Columbus, Ohio	President and Chief Executive Officer State Automobile Mutual Insurance Company	2021

All directors fees are paid by the ultimate parent with an amount allocated to the Company in accordance with a management agreement.

COMMITTEES

The following committees were appointed by the Board of Directors and serving as of December 31, 2018:

<u>Investment Committee</u>	<u>Audit Committee</u>	<u>Independent Committee</u>
James E. Kunk, Chair	Marsha P. Ryan	James E. Kunk
Michael E. Larocco	James E. Kunk	Marsha P. Ryan
Edwin J. Simcox	Roger P. Sugarman	Dwight E. Smith
		Roger P. Sugarman
		Edwin J. Simcox

OFFICERS

The Bylaws provide that the officers of the corporation shall consist of a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers and assistant officers as shall be elected by the Board of Directors. Any person may hold two or more offices at the same time, subject to approval of the Board of Directors, but no officer shall execute, acknowledge, or verify any instrument in more than one capacity if such instrument is required by law to be executed, acknowledged, or verified by two or more officers.

Duly elected officers serving as of December 31, 2018 were as follows:

Michael E. LaRocco	Chairman, President and Chief Executive Officer
Jason E. Berkey	Senior Vice President, Personal Lines
Melissa A. Centers	Senior Vice President, Secretary, General Counsel
Steve E. English	Senior Vice President, Chief Financial Officer
Kim B. Garland	Senior Vice President, Commercial Lines
Scott Jones	Vice President, Chief Investment Officer
Matthew S. Mrozek	Vice President, Chief Actuarial Officer
Matthew R. Pollak	Vice President, Treasurer, Chief Accounting Officer
John M. Petrucci	Senior Vice President, Customer Service
Elise d. Spriggs	Senior Vice President, Associate & External Relations
Paul M. Stachura	Senior Vice President, Chief CARE Officer
Gregory A. Tacchetti	Senior Vice President, Chief Information & Strategy

The salaries of these officers are 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 the 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 is likely to, conflict with the official duties of such person. While conflicts were disclosed on the signed conflict of interest statements, none were identified that would materially impact the Company.

CORPORATE RECORDS

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

The recorded minutes of the stockholders and Board of Directors were read and noted. The minutes appeared to be complete and were properly attested.

RELATED PARTY AGREEMENTS

Management Agreement

Through contractual agreements with affiliated companies within the State Auto Group, State Auto Property & Casualty Insurance Company provides employees, while State Automobile Mutual Insurance Company provides data processing and certain other data equipment and facilities as needed.

During 2018 and 2017, the following management and/or cost sharing agreements were effective:

- 1) "2015 Management and Operations Agreement" to which State Auto Mutual, State Auto Property & Casualty Insurance Company, Milbank, SA Ohio, Meridian Security, Patrons Mutual, State Auto Financial, Stateco, 518 Property Management and Leasing LLC, State Auto Holdings, Facilitators, Network, and SA Labs are parties;
- 2) "Midwest Management Agreement" to which SAM, State Auto Property & Casualty Insurance Company, and State Auto Insurance Company of Wisconsin are parties;
- 3) "RTW Consulting Services Agreement" to which SAM, State Auto Property & Casualty Insurance Company, Meridian Security Insurance Company, and Milbank Insurance Company entered into an agreement with RTW, Inc. an affiliate for overall claims case management for the workers' compensation program;
- 4) "Rockhill Management & Operations Agreement" to which SAM, State Auto Property & Casualty Insurance Company, Rockhill Insurance Company, Plaza Insurance Company, American Compensation Insurance Company, Bloomington Compensation Insurance Company, Rockhill Holding company, National Environmental Coverage Corporation, RTW, Inc., Rockhill Insurance Services, LLC., and Rockhill Underwriting Management, LLC. are parties;
- 5) "Rockhill-RUM Administrative Services Agreement" to which Rockhill Insurance Company and Rockhill Underwriting Management, LLC are parties;
- 6) "Rockhill-RIS Surplus Lines Broker Agreement" to which Rockhill Insurance Company and Rockhill Insurance Services, LLC are parties;
- 7) "Rockhill Cost Sharing Agreement" to which Rockhill Insurance Company, Rockhill Holding Company, and Rockhill Underwriting Management, LLC are parties;
- 8) "Rockhill-ACI Intercompany Management Agreement" to which American Compensation Insurance Company and RTW, Inc. are parties;
- 9) "Rockhill-BCI Intercompany Management Agreement" to which Bloomington Compensation Insurance Company and RTW, Inc. are parties;
- 10) "RUM Administrative Services Agreement" to which SAM and Rockhill Underwriting Management, LLC are parties;
- 11) "Stateco Investment Management Agreement" to which Stateco, a wholly owned subsidiary of STFC, provides investment management services to the Company for a fee based on the average fair value of the investment portfolio of the Company;
- 12) "RUM-ACI Intercompany Management Agreement" to which Rockhill Underwriting Management, LLC and American Compensation Insurance Company are parties;
- 13) "RUM Underwriting Services Agreement" to which Rockhill Underwriting Management, LLC and Plaza Insurance Company are parties;

14) "RTM Management Services Agreement" to which RTW, Inc. and Plaza Insurance Company are parties;

Each of the foregoing management and/or cost sharing agreements apportions or apportioned among the parties the actual costs of the services provided. With the exception of the "2015 Management & Operations Agreement", the "RTW Consulting Services Agreement", the "Rockhill Management & Operations Agreement", the "Rockhill Cost Sharing Agreement", the "RTW Administrative Services Agreement", the "RTW-ACI Intercompany Management Agreement", and the "RTW-BCI Intercompany Management", which provide for a management fee for services provided.

Federal Income Tax Allocation Agreement

The Company is party to a Tax Allocation Agreement with its parent, STFC and other named affiliates. The agreement provides for the allocation of federal income taxes based upon the taxes that each company would have paid if separate returns were filed.

Investment Agreement

The Company has an Investment Agreement with its affiliate, Stateco Financial Services, Inc. whereby Stateco has been designated as the investment manager. The agreement grants the investment manager the ability to select investments to purchase, allocate funds between tax free and taxable securities, and to make decisions with respect to the sale of investments and the timing of such sales. Expenses for these services are disclosed in a fee schedule contained in the agreement.

FIDELITY BONDS AND OTHER INSURANCE

The State Automobile Mutual Insurance Company and its subsidiaries, including the Company, are protected by a fidelity bond with a coverage limit of \$5,000,000.

Other insurable interests of the Company were protected by policies or insurance in force at December 31, 2018.

EMPLOYEES' WELFARE

All personnel services are provided by State Auto Property & Casualty Insurance Company through the Management Agreement. Employees receive group insurance coverage such as medical, life, and accidental death and dismemberment. In addition, retirement coverage is available through a pension plan, capital accumulation plan, and an employee stock purchase plan.

REINSURANCE

The Company participates in an intercompany quota share reinsurance pooling agreement with SAM and its subsidiaries and affiliates. Under the arrangement provide SAM assumes net premiums, losses, and expenses from each of the pooled companies and then cedes a portion of premiums, losses, and expenses to the pooled companies in specific percentages, with SAM retaining the balance of the pooled business. Below is a table listing the pooling percentages as of December 31, 2018:

<u>Name of Company</u>	<u>State of Domicile</u>	<u>Pool %</u>
State Automobile Mutual Insurance Company	Ohio	34.5%
State Auto Property & Casualty Insurance Company	Iowa	51.0%
Milbank Insurance Company	Iowa	14.0%
State Auto Ins. Company of WI	Wisconsin	0.0%

State Auto Ins Co. of OH	Ohio	0.0%
Meridian Security Ins. Co	Indiana	0.0%
Patrons Mutual Ins. Company	Connecticut	0.5%
Rockhill Ins. Company	Missouri	0.0%
Plaza Ins. Company	Iowa	0.0%
American Compensation Ins. Co.	Minnesota	0.0%
Bloomington Compensation Ins Co	Minnesota	0.0%

Assumed Reinsurance

The State Auto Group also participates in state insurance pools and associations. In general, these pools and associations are state sponsored and/or operated, impose mandatory participation by insurers doing business in that state, and offer coverage for hard to place risks at premium rates established by the state sponsor or operator, thereby transferring risk of loss to the participating insurers in exchange for premiums which may not be commensurate with the risk assumed. The Company assumes an insignificant amount of reinsurance from mandatory pools.

Ceded Reinsurance

Members of the State Auto Group follow the customary industry practice of reinsuring a portion of their exposures and paying to the reinsurers a portion of the premiums received. Insurance is ceded principally to reduce net liability on individual risks or for individual loss occurrences, including catastrophic losses.

Homeowners Quota Share

SAM entered into a 75% quota share reinsurance agreement with three reinsurers for the pooled homeowners business, effective December 31, 2011 and terminated on December 31, 2014. The quota share agreement was intended to deleverage the ratio of premiums written to surplus as well as to provide additional downside protection for homeowners catastrophe losses. Certain material adverse change clauses were incorporated into the agreement to ensure that the State Auto Group is implementing the necessary steps in order to become profitable in its homeowners line of business. There is also a cap on profitability to ensure that the reinsurers do not benefit excessively from the agreement.

Other Reinsurance Arrangements

Each member of the State Auto Group is party to working reinsurance treaties for casualty, workers' compensation and property lines with several reinsurers arranged through reinsurance intermediaries. These agreements are described in more detail below. The State Auto Group has also secured other reinsurance to limit the net cost of large loss events for certain types of coverage. The State Auto Group also makes use of facultative reinsurance for unique risk situations. The State Auto Group also participates in state insurance pools and associations. In general, these pools and associations are state sponsored and/or operated, impose mandatory participation by insurers doing business in that state, and offer coverage for hard-to-place risks at premium rates established by the state sponsor or operator, thereby transferring risk of loss to the participating insurers in exchange for premiums which may not be commensurate with the risk assumed.

Property Catastrophe

Members of the State Auto Group maintain a property catastrophe excess of loss reinsurance agreement, covering property catastrophe related events affecting at least two risks. This property catastrophe reinsurance agreement renewed as of July 1, 2018. Under this reinsurance agreement, the Group retains the first \$75.0 million of catastrophe loss, each occurrence, with a 5.0% co-participation on the next \$125.0

million of covered loss, each occurrence. The reinsurers are responsible for 95.0% of the catastrophe losses excess of \$75.0 million up to \$200.0 million, each occurrence. The State Auto Group is responsible for catastrophe losses above \$200.0 million.

Property Per Risk

As of July 1, 2018, the State Auto Group renewed the property per risk excess of loss reinsurance agreement. This reinsurance agreement provides individual property risk coverage for the State Auto Group for losses exceeding \$4.0 million. Claims arising from named storms and earthquake for Excess & Surplus property (currently in runoff) are excluded from this treaty. The reinsurers are responsible for 100.0% of the loss excess of the \$4.0 million retention for property business up to \$20.0 million of covered loss.

Casualty and Workers' Compensation

As of July 1, 2018, the State Auto Group renewed the casualty excess of loss reinsurance agreement. Under this reinsurance agreement, the State Auto Group is responsible for the first \$3.0 million of losses that involve workers' compensation, auto liability, other liability and umbrella liability policies. This reinsurance agreement provides coverage up to \$10.0 million, except for commercial umbrella policies, which are covered for limits up to \$15.0 million. Excess & Surplus casualty and programs risks are not subject to this casualty excess of loss reinsurance agreement.

Also, certain unusual claim situations involving extra contractual obligations, excess of policy limits, LAE coverage and multiple policy or coverage loss occurrences arising from bodily injury liability, property damage, uninsured motorist and personal injury protection are covered by a Clash reinsurance agreement that provides for \$30.0 million of coverage in excess of \$10.0 million retention for each loss occurrence. This Clash reinsurance coverage sits above the \$7.0 million excess of \$3.0 million arrangement. Policies underwritten by the Excess & Surplus casualty and programs units are not subject to this casualty excess of loss reinsurance agreement.

In addition, each company in the State Auto Group is party to a workers' compensation catastrophe insurance agreement that provides additional reinsurance coverage for workers' compensation losses involving multiple workers. Subject to \$10.0 million of retention, reinsurers are responsible for 100.0% of the excess over \$10.0 million up to \$30.0 million of covered loss. For loss amounts over \$30.0 million, the casualty excess of loss reinsurance agreement provides \$20.0 million coverage in excess of \$30.0 million. Workers' compensation catastrophe coverage is subject to a "Maximum Any One Life" limitation of \$10.0 million. This limitation means that losses associated with each worker may contribute no more than \$10.0 million to covered loss under these agreements. As of July 1, 2018, the State Auto Group terminated its reinsurance coverage for Excess & Surplus casualty and program casualty risks on a run-off basis, meaning treaty coverage remains in place only for those Excess & Surplus casualty and program casualty policies with effective dates prior to July 1, 2018, until the expiration of these policies.

The State Auto Group also utilized ceded reinsurance as part of an exit strategy involving their Oil & Gas business. This product line, which was previously written through Plaza Ins. Co. was discontinued in 2017 and, as part of an exit strategy, State Auto agreed to provide a temporary "fronting facility" for the buyer for a limited period of time. This accounts for a cession of \$54 million in premiums by Plaza in 2018.

STATUTORY DEPOSIT

The statement value of securities held in a custodial account and vested in the Insurance Commissioner of Iowa for the benefit of all policyholders totaled \$2,796,150.

Various other special deposits totaling \$2,941,347 are held in custodial accounts for other states and are not held for the protection of all policyholders of the Company.

TERRITORY AND PLAN OF OPERATION

The Company is authorized to transact business in every state and the District of Columbia.

The Company offers personal and commercial automobile and homeowners, workers' compensation, fire & allied, earthquake, other liability and surety. The Company currently writes direct business in 47 states and the District of Columbia.

GROWTH OF COMPANY

The following is historical financial data, as taken from the Company's annual statements for the years indicated:

<u>Year</u>	<u>Admitted Assets</u>	<u>Policyholders Surplus</u>	<u>Premiums Earned</u>	<u>Losses Incurred</u>	<u>Investment Income Earned</u>
2014	\$64,793,434	\$26,272,502	\$ -	\$ -	\$405,675
2015	61,888,677	26,787,433			428,987
2016	69,869,414	27,262,489			376,629
2017	65,556,283	27,689,645			369,904
2018	83,348,394	24,023,580			779,905

ACCOUNTS AND RECORDS

A trial balance was taken of the general ledger for the year 2018. The amounts were in agreement with, or reconciled to, the filed annual statement.

During the course of the examination no statutory violations or material differences with the amounts reflected in the financial statements, as presented in the annual statement at December 31, 2018, were identified.

F I N A N C I A L S T A T E M E N T S
A N D C O M M E N T S T H E R E O N

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, 2018.

ASSETS

	<u>Ledger</u>	Not <u>Admitted</u>	<u>Admitted</u>
Bonds	\$ 35,327,065	\$ -	\$ 35,327,065
Cash and short-term investments	5,799,097		5,799,097
Investment income due and accrued	168,592		168,592
Premiums in course of collection	115,823		115,823
Amounts recoverable from reinsurers	41,878,777		41,878,777
Receivable from parent and affiliates	58,832		58,832
Accounts receivable	208		208
	<hr/>	<hr/>	<hr/>
Total assets	\$ 83,348,394	\$ -	\$ 83,348,394

LIABILITIES, SURPLUS AND OTHER FUNDS

Reinsurance payable on paid losses and LAE		\$ 68,661
Current federal and foreign income taxes		120,558
Net deferred tax liability		32,902
Ceded reinsurance premiums payable		11,503,100
Amounts withheld		200,885
Provision for reinsurance		270,000
Payable to parent and affiliates		46,964,736
Miscellaneous liabilities		163,972
		<hr/>
Total liabilities		\$ 59,324,814
Common capital stock		\$4,500,000
Gross paid in and contributed capital		18,959,165
Unassigned funds (surplus)		564,415
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Surplus as regards policyholders		\$ 24,023,580
		<hr/>
Total liabilities and surplus		\$ 83,348,394

UNDERWRITING AND INVESTMENT EXHIBIT
ONE-YEAR PERIOD ENDING DECEMBER 31, 2018

STATEMENT OF INCOME

Investment Income

Net investment income earned	\$ 779,905	
Net realized capital gains (losses)	4,357	
Net investment income		784,262

Other Income

Govvermental fines and penalties	\$ (175,000)	
Total other income		\$ (175,000)

Net income before Federal income tax	\$ 609,262	
Federal and foreign income taxes incurred	116,216	
Net income		\$ 493,046

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2017		\$ 27,689,645
Net income		493,046
Change in net unrealized capital gains or (losses)		108,594
Change in net deferred income tax		(5,932)
Change in nonadmitted assets		0
Change in provision for reinsurance		(261,773)
Dividend to stockholders		(4,000,000)
Change in surplus as regard policyholders for the exam period		\$ (3,666,065)
Surplus as regards policyholders, December 31, 2018		\$ 24,023,580

CASH FLOW STATEMENT

Cash from Operations

Premiums collected net of reinsurance	\$ (8,053,921)	
Net investment income	866,066	
Miscellaneous income	(175,000)	
Total		<u>\$ (7,362,855)</u>
Benefit and loss related payments	\$ 10,643,074	
Federal income taxes paid (recovered)	105,907	
Total		<u>10,748,981</u>
 Net cash from operations		 <u>\$(18,111,836)</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	<u>\$ 2,656,730</u>	
Total investment proceeds		\$ 2,656,730
Cost of investments acquired (long-term only):		
Bonds	<u>\$ 15,515,150</u>	
Total investments acquired		<u>15,515,150</u>
 Net cash from investments		 <u>\$(12,858,420)</u>

Cash from Financing and Miscellaneous Sources

Cash provided (applied):		
Dividends to stockholders	\$ 4,000,000	
Other cash provided (applied)	<u>29,430,853</u>	
Net cash from financing and miscellaneous sources		<u>\$ 25,430,853</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash and short-term investments		\$ (5,539,403)
Cash and short-term investments:		
Beginning of year		<u>11,338,500</u>
End of year		<u>\$ 5,799,097</u>

UNDERWRITING AND INVESTMENT EXHIBIT
 FIVE-YEAR PERIOD ENDING DECEMBER 31, 2018

STATEMENT OF INCOME

Investment Income

Net investment income earned	\$ 2,361,100	
Net realized capital gains (losses)	182,491	
Net investment income		2,543,591

Other Income

Govvermental fines and penalties	\$ (175,000)	
Total other income		\$ (175,000)
Net income before Federal income tax		\$ 2,368,591
Federal and foreign income taxes incurred		373,641
Net income		\$ 1,994,950

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2013		\$ 25,082,774
Net income		\$ 1,994,950
Change in net unrealized capital gains or (losses)		279,516
Change in net deferred income tax		17,096
Change in nonadmitted assets		7,244
Change in provision for reinsurance		642,000
Dividend to stockholders		(4,000,000)
Change in surplus as regard policyholders for the exam period		\$ (1,059,194)
Surplus as regards policyholders, December 31, 2018		\$ 24,023,580

CONCLUSION

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

Respectfully submitted,

/s/ Daniel Mathis
Daniel Mathis, CFE
Assistant Chief Examiner
Iowa Insurance Division