

EXAMINATION REPORT OF
ADDISON INSURANCE COMPANY
CEDAR RAPIDS, IOWA
AS OF DECEMBER 31, 2023

Cedar Rapids, Iowa
April 2, 2025

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

ADDISON INSURANCE COMPANY

CEDAR RAPIDS, IOWA

AS OF DECEMBER 31, 2023

at its headquarters at 118 2nd Ave SE, Cedar Rapids, Iowa 52401.

INTRODUCTION

Addison Insurance Company, hereinafter referred to as the “Company”, was last examined, as of December 31, 2018. The examination reported herein was conducted as a coordinated examination of the United Fire Group, Inc. with the Insurance Division of Iowa acting as the Lead State. Representatives from the California Department of Insurance, Louisiana Department of Insurance, New Jersey Department of Banking and Insurance, Pennsylvania Insurance Department, and Texas Department of Insurance also participated.

The following insurance entities were examined as part of the coordinated examination, with separate examination reports prepared for each entity.

United Fire & Casualty Company (UFC)	IA
Addison Insurance Company (ADD)	IA
UFG Specialty Insurance Company (UFGS)	IA
Financial Pacific Insurance Company (FPIC)	CA
Lafayette Insurance Company (LAF)	LA
Mercer Insurance Company of NJ, Inc. (MNJ)	NJ
Franklin Insurance Company (FIC)	PA
Mercer Insurance Company (MIC)	PA
United Fire & Indemnity Company (UFI)	TX
United Fire Lloyds (UFL)	TX

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2019, to the close of business on December 31, 2023, 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.

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

HISTORY

The Company was incorporated August 6, 1985, as Addison Farmers' Insurance Company under the laws of Illinois.

In June 1990, United Fire & Casualty Company acquired all of the common stock shares of Addison Farmers' Insurance Company.

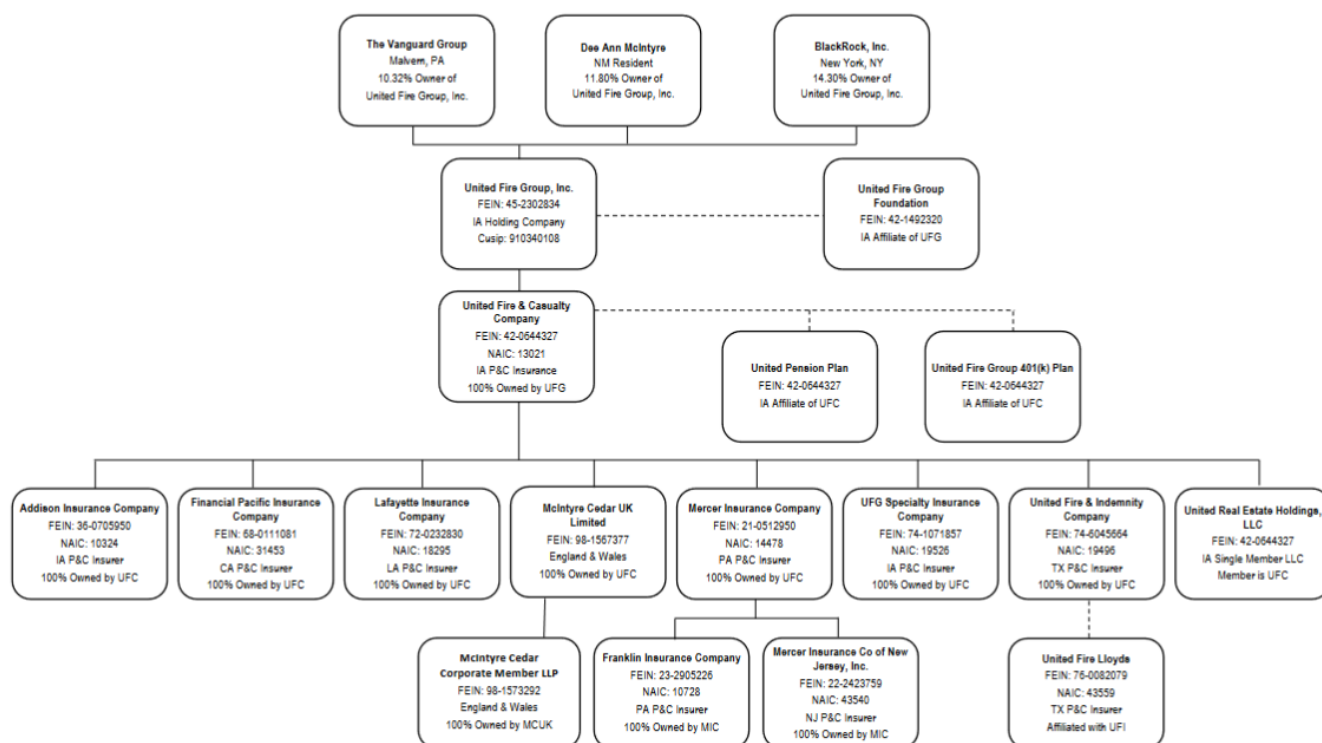
On March 1997, Addison Farmers' Insurance Company changed its name to Addison Insurance Company.

The Company re-domesticated from Illinois to Iowa effective July 1, 2010.

INSURANCE HOLDING COMPANY SYSTEM

United Fire Group, Inc. (UFG) is the Ultimate Parent member of a Holding Company System as defined by Chapter 521A, Code of Iowa. The authorized capital stock of UFG is 75,000,000 shares of common stock having a par value of \$.001, and 10,000,000 shares of serial preferred stock having no par value per share. At December 31, 2023, 25,269,842 common shares were outstanding and stockholders' equity totaled \$733,745,000.

An organizational chart identifying the Holding Company System as of December 31, 2023 follows:



CAPITAL STOCK AND DIVIDENDS THEREON

The authorized capital stock of the Company is \$10,000,000 represented by 1,000,000 shares of common stock with a par value of \$10 per share. Issued and outstanding capital, as of December 31, 2023, consists of 250,000 shares of common stock. Capital paid up and gross paid in and contributed surplus totaled \$2,500,000 and \$10,608,723, respectively. A cash dividend of \$4,500,000 was paid to the Parent, United Fire & Casualty Company, during 2020. The Company paid no ordinary dividends to its shareholders in 2023.

MANAGEMENT AND CONTROL

SHAREHOLDERS

The annual shareholders meeting, for the election of directors and for the transaction of such other business as may properly come before the meeting, shall be held on the third Wednesday in the month of May in each year. If such day shall be a legal holiday, the meeting shall be held on the following day. All outstanding shares are held by United Fire & Casualty Company.

BOARD OF DIRECTORS

The Bylaws provide that the business and affairs of the Company are managed by a Board of Directors consisting of at least five and no greater than nine in number. Each director shall hold office until the next annual meeting of shareholders and until the director's successor has been elected and qualified.

A regular meeting of the Board of Directors shall be held without other notice than as prescribed in the Bylaws immediately after, and at the same place as the annual meeting of shareholders.

Elected and qualified directors serving at December 31, 2023 were as follows:

<u>Name</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Alison B. Kaster Cedar Rapids, IA	Vice President, UFG Online and Project Management Office United Fire & Casualty Company	2024
Kevin J. Leidwinger Cedar Rapids, IA	President and Chief Executive Officer United Fire & Casualty Company	2024
Sarah E. Madsen North Liberty, IA	Vice President, Chief Legal Officer and Corporate Secretary United Fire & Casualty Company	2024
Eric J. Martin Marion, IA	Executive Vice President and Chief Financial Officer United Fire & Casualty Company	2024
James W. Noyce West Des Moines, IA	UFG Director, Chairman Former CEO & Director of FBL Financial Group, Inc.	2024
Julie A. Stephenson Midlothian, TX	Executive Vice President and Chief Operating Officer United Fire & Casualty Company	2024

OFFICERS

The Bylaws provide that the Board of Directors shall annually elect a President, one or more Vice Presidents, a Secretary, and a Treasurer. The Board of Directors may appoint other officers or assistant officers as it deems necessary.

Officers serving as of December 31, 2023, were as follows:

<u>Name</u>	<u>Title</u>
Kevin J. Leidwinger	President and Chief Executive Officer, Principal Executive Officer
Eric J. Martin	Executive Vice President, Chief Financial Officer, Principal Financial Officer
Julie A. Stephenson	Executive Vice President and Chief Operating Officer
Brian J. Frese	Vice President, Chief Technology Officer
Sarah E. Madsen	Vice President, Chief Legal Officer and Corporate Secretary
Janice A. Martin	Assistant Vice President and Treasurer

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

CONFLICT OF INTEREST

The Company has a documented conflict of interest policy and an established procedure for the annual disclosure to its Board of Directors and the UFG 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 Audit Committee.

CORPORATE RECORDS

The Articles of Incorporation and Bylaws were not amended during the period under review. The recorded minutes of the Shareholders and Board of Directors meetings were read and noted.

The minutes of the Action Without Meeting by Consent of Directors held during the third quarter of 2020, acknowledged the review and receipt of the Iowa Insurance Division Financial Examination Reports for the period from January 1, 2014, through December 31, 2018.

INTERCOMPANY AGREEMENTS

Agents' Balances Payment and Reimbursement Agreement

United Fire & Casualty Company (UFC) makes all payments to and receives all payments from appointed agents and insureds on behalf of the other insurance entities in the United Fire Group. All amounts due from agents are recorded as agents' receivables on the books of United Fire & Casualty Company. A corresponding 'payable to affiliate' is recorded by United Fire & Casualty Company for agents' receivables related to the other agreement members. Affiliated members record a 'receivable from affiliate' for the amounts due for their direct premiums written, less the direct commissions paid. Settlement of amounts payable for agents' balances shall be within 30 days following the end of each month. Any uncollected intercompany balances more than 60 days past due shall accrue interest at the rate of .25 percent. All non-admitted amounts and amounts collected which are considered 'unallocated remittances' are recorded on the books of United Fire & Casualty Company.

Intercompany Investment Apportionment Agreement

Under the terms of the agreement UFC will provide investment management services for itself and for the benefit of its subsidiary/affiliate companies. Each company to this Agreement will pay a proportionate share of the projected investment expenses incurred by UFC on a monthly basis. In exchange, UFC will charge each subsidiary/affiliate a pro-rata share of consolidated investment expenses based on the sum of the par value of its bonds and market value of its nonaffiliated securities in relation to that of the consolidated group. The projected investment expenses are calculated on an annual basis.

Intercompany Credit Agreements

UFC as the "Lender" - This Agreement allows each other group member to borrow a maximum of \$5 million from UFC on a short-term basis and at prevailing interest rates. Settlement of all minimum principal payments, interest, fees or other liabilities due under any of the Loan Documents will occur within 30 days from the end of the month in which they are incurred. Promissory notes issued as part of any Loan Documents will contain a duration no longer than one year.

UFC as the "Borrower" - This Agreement allows UFC to borrow funds, on a short-term basis and at prevailing interest rates from other member companies of the group. UFC may borrow up to 10% of any individual member company's statutory surplus, up to an aggregate amount of \$50,000,000. This will enable UFC to fund its own working capital requirements. Borrowers' obligation to repay advances under the Line of Credit shall be evidenced by a promissory note subjects to the terms and conditions stated in the Agreement. Settlement of all minimum principal payments, interest, fees or other liabilities due under any of the Loan Documents will occur within 30 days from the end of the month in which they are incurred. Promissory notes issued as part of any Loan Documents will contain a duration no longer than one year.

Tax Allocation Agreement

The United Fire Group, Inc. files a consolidated Federal income tax return with the method of allocation between the companies subject to a written agreement approved by the Board of Directors. The allocated tax liability for each insurer will not be greater than the tax liability it would have incurred if it had been filing separate tax returns. Intercompany balances are settled within 30 days after the filing of a return, an amendment, or receipt of a refund.

FIDELITY BOND AND OTHER INSURANCE

The Company and its affiliates are protected by an insurance company's fidelity bond in the amount of \$2,000,000 single limit and \$4,000,000 aggregate limit which meets the NAIC recommended minimum amount. Other coverages in place appear to adequately protect the interests of the Company. All policies are written with companies authorized to write in Iowa.

EMPLOYEES' WELFARE

The United Fire & Casualty Company provides eligible employees a core of health related benefits which include:

Medical insurance	Life insurance
Dental insurance	Long-term care
Vision insurance	Wellness program
Short- and long-term disability	

The United Fire & Casualty Company provides eligible employees retirement related benefits which include:

Employee Stock Purchase Plan
Pension Plan
401(k) Plan

REINSURANCE

INTER-COMPANY POOLING

All insurance affiliates belong to an intercompany reinsurance pooling arrangement whereby the companies cede all insurance business to United Fire & Casualty Company. The business that is ceded, plus the direct, assumed and ceded business of United Fire & Casualty Company is accumulated for pooling. Each subsidiary records their allocation from the pool as assumed business. Direct and net pooled premiums totaled \$1,014,277,155 and \$1,034,005,513, respectively, for 2023.

Pooling participation at December 31, 2023 is as follows:

United Fire & Casualty Company	64%
Mercer Insurance Company	9
Financial Pacific Insurance Company	8
Lafayette Insurance Company	7
Addison Insurance Company	4
Mercer Insurance Company of New Jersey	3
United Fire & Indemnity Company	2
UFG Specialty Insurance Company	1
Franklin Insurance Company	1
United Fire Lloyds	1

CEDED REINSURANCE

The United Fire Group utilizes reinsurance brokers to place external cover. Business ceded to external reinsurers for the pooled group is recorded on behalf of the pooled group by United Fire & Casualty Company. The following is the summary of each ceded treaty as of January 1, 2023.

Multiple Line Excess of Loss

This Contract is to indemnify the Company in respect of the liability that may accrue to the Company as a result of loss or losses under Policies in force at the inception of this Contract, or written or renewed during the term of this Contract by or on behalf of the Company, and classified by the Company as Property Business and Casualty Business including, but not limited to, Personal Umbrella, Commercial Umbrella, Employment Practices Liability, Workers' Compensation and Employers' Liability, subject to the terms and conditions herein contained.

Section A - Property – the reinsurer shall be liable in respect of each and every risk, each and every loss, for 100% of the ultimate net loss in excess of \$3,000,000 retention, subject to a maximum limit of liability to the reinsurer of \$8,000,000, each and every risk, each and every loss and \$24,000,000 of ultimate net loss in any one loss occurrence.

Section B - Casualty, Umbrella and Employment Practice Liability – the reinsurer shall be liable in respect of each and every loss occurrence, for 100% of the ultimate net loss in excess of \$3,000,000 retention, subject to a maximum limit of liability to the reinsurer of \$8,000,000, each and every loss occurrence. On business classified as Railroad Protective or Owners' and Contractors' Protective, a maximum of \$5,000,000 of each policy limit and any one loss occurrence shall apply, subject to a maximum limit of liability to the reinsurer of \$10,000,000 of ultimate net loss in the aggregate.

Section C – Basket (Applies to Sections A and B) - in the event a loss occurrence involves losses to both Section A and Section B business, irrespective of whether such losses exceed the applicable retentions provided under Section A and Section B above, the reinsurer shall be liable for 100% of the ultimate net loss in excess of \$3,000,000 each and every loss occurrence, subject to a limit of \$3,000,000 each and every loss occurrence.

Section D – Terrorism – in no event shall the Reinsurer's liability exceed \$24,000,00 of ultimate net loss in the aggregate for covered terrorism losses during the term of this contract.

Property Second Per Risk Excess of Loss

The Reinsurer shall be liable in respect of each and every risk, each and every loss, for one hundred percent (100%) of the amount of the Company's Ultimate Net Loss in excess of an initial Ultimate Net Loss of \$11,000,000, each and every risk, each and every loss; subject to a maximum limit of liability to the Reinsurer of \$14,000,000, each and every risk, each and every loss. However, in no event shall the Reinsurer's liability exceed \$14,000,000 on Ultimate Net Loss as respects all risks in any one Loss Occurrence. Notwithstanding the above, as respects Act of Terrorism, the Reinsurer's liability shall be limited to \$14,000,000 of Ultimate Net Loss.

Casualty Second Excess of Loss

The Reinsurers shall be liable in respect of each and every Loss Occurrence for one hundred percent (100%) of the amount of the Company's Ultimate Net Loss in excess of an initial Ultimate Net Loss of \$11,000,000, each and every Loss Occurrence; subject to a maximum limit of liability to the Reinsurers of \$9,000,000, each and every Loss Occurrence. Notwithstanding the above, as respects Acts of Terrorism, the Reinsurer's liability shall be limited to \$9,000,000 for all Loss Occurrence.

Casualty Third Excess of Loss

The Reinsurers shall be liable in respect of each and every Loss Occurrence for one hundred percent (100%) of the amount of the Company's Ultimate Net Loss in excess of an initial Ultimate Net Loss of \$20,000,000, each and every Loss Occurrence; subject to a maximum limit of liability to the Reinsurers of \$20,000,000, each and every Loss Occurrence. Notwithstanding the above, as respects Acts of Terrorism, the Reinsurer's liability shall be limited to \$20,000,000 for all Loss Occurrences.

Casualty Fourth Excess of Loss

The Reinsurers shall be liable in respect of each and every Loss Occurrence for one hundred percent (100%) of the amount of the Company's Ultimate Net Loss in excess of an initial Ultimate Net Loss of \$40,000,000, each and every Loss Occurrence; subject to a maximum limit of liability to the Reinsurers of \$20,000,000, each and every Loss Occurrence. Notwithstanding the above, as respects Acts of Terrorism, the Reinsurer's liability shall be limited to \$20,000,000 for all Loss Occurrences

Pillar Occurrence Excess of Loss

This contract applies to losses arising from Covered Perils under Policies classified by the company as follows: Property Policies that are in force at the inception of this Contract, or written or renewed during the term of this Contract by or on behalf of the Company; and Difference in Conditions and Earthquake that are in force at the inception of this Contract, written or renewed by or through Arrowhead General Insurance Agency, Inc., San Diego, California, (the "MGA"), for and on behalf of the Company.

The Company shall retain and be liable for the first \$6,000,000 of Net Loss arising out of any one Loss Occurrence, and the Reinsurer shall then be liable for the amount by which such Net Loss exceeds the Company's retention, but the liability of the Reinsurer hereunder shall not exceed \$10,000,000 as respects any one Loss Occurrence, nor shall it exceed \$30,000,000 as respects all Loss Occurrences commencing during the term of this Contract. Notwithstanding the provisions of paragraph above, no claim shall be recoverable hereunder unless and until paid Subject Excess Losses arising out of Loss Occurrences commencing during the term of this Contract exceed \$10,000,000 in the aggregate. This treaty is 90% placed.

Property Catastrophe Excess of Loss

This contract applies to losses arising from Covered Perils under Policies classified by the company as follows: Property Policies that are in force at the inception of this Contract, or written or renewed during the term of this Contract by or on behalf of the Company; and Difference in Conditions and Earthquake that are in force at the inception of this Contract, written or renewed by or through Arrowhead General Insurance Agency, Inc., San Diego, California, (the "MGA"), for and on behalf of the Company.

First Layer - The reinsurer shall be liable to indemnify the company for each and every loss occurrence, for 100% of the excess net loss above an initial net loss to the company of \$20,000,000 each and every loss occurrence; but the reinsurers shall not be liable for more than \$10,000,000 of net loss for each and every loss occurrence. The reinsurers' liability in respect of excess net loss for the contract period shall be limited to \$20,000,000 in all as respects all net loss on business covered as a result of all loss occurrences taking place during the contract. The First Layer is 71.50% placed.

Second Layer - The reinsurer shall be liable to indemnify the company for each and every loss occurrence, for 100% of the excess net loss above an initial net loss to the company of \$30,000,000 each and every loss occurrence; but the reinsurers shall not be liable for more than \$30,000,000 of net loss for each and every loss occurrence. The reinsurers' liability in respect of excess net loss for the contract period shall be limited to \$60,000,000 in all as respects all net loss on business covered as a result of all loss occurrences taking place during the contract. The Second Layer is 100% placed.

Third Layer - The reinsurer shall be liable to indemnify the company for each and every loss occurrence, for 100% of the excess net loss above an initial net loss to the company of \$60,000,000 each and every loss occurrence; but the reinsurers shall not be liable for more than \$70,000,000 of net loss for each and every loss occurrence. The reinsurers' liability in respect of excess net loss for the contract period shall be limited to \$140,000,000 in all as respects all net loss on business covered as a result of all loss occurrences taking place during the contract. The Third layer is 100% placed.

Fourth Layer - The Reinsurer shall be liable to indemnify the Company for each and every Loss Occurrence, for 100% of the excess Net Loss above an initial Net Loss to the Company of \$130,000,000 each and every Loss Occurrence; but the Reinsurer shall not be liable for more than \$70,000,000 of Net Loss for each and every Loss Occurrence. The Reinsurer's liability in respect of excess Net Loss hereunder for the Contract period shall be limited to \$140,000,000 in all as respects all Net Loss on Business Covered hereunder as a result of all Loss Occurrences taking place during the Contract. The Fourth Layer is 30% placed.

Private Fourth Layer - The Reinsurer shall be liable to indemnify the Company for each and every Loss Occurrence, for 100% of the excess Net Loss above an initial Net Loss to the Company of \$130,000,000 each and every Loss Occurrence; but the Reinsurer shall not be liable for more than \$50,000,000 of Net Loss for each and every Loss Occurrence. The Reinsurer's liability in respect of excess Net Loss hereunder for the Contract period shall be limited to \$100,000,000 in all as respects all Net Loss on Business Covered hereunder as a result of all Loss Occurrences taking place during the Contract. The Private Fourth Layer is 70% placed.

Earthquake Quota Share

This Contract applies to all Policies written by the Company and produced by Arrowhead General Insurance Agency, Inc., San Diego, California, and classified by the Company as Difference in Conditions Earthquake business in force at the inception of the term of this Contract or written with a Policy period (new or renewal) effective during the term of this Contract.

Quota Share – As respects to business covered, the Reinsurer shall be liable to, indemnify and reinsure the Company for its proportionate signed share of a one hundred percent (100%) quota share of the Company's net liability. In no event shall the Reinsurer's liability (including Extra-Contractual Obligations, Loss Excess of Policy Limits, and Loss Adjustment Expenses) for any one Loss Occurrence exceed its proportionate signed share of the lesser of One

Hundred Seventy Million Dollars (\$170,000,000) or six hundred eighty percent (680%) of the in-force gross written premium determined as of June 30, 2023. In no event shall the Reinsurer's liability (including Extra-Contractual Obligations, Loss Excess of Policy Limits, and Loss Adjustment Expenses) exceed its proportionate signed share of the lesser of Three Hundred Forty Million Dollars (\$340,000,000) or one thousand three hundred sixty percent (1360%) of the in-force gross written premium determined as of June 30, 2023 for all Loss Occurrences during the term of this Contract. The quota share inures to the benefit of the Property Catastrophe Excess of Loss. The quota share is 33.25% placed.

Surety Excess of Loss

This contract is to indemnify the Company in respect of the liability that may accrue to the Company as a result of loss or losses under Bonds classified as surety business by The Surety & Fidelity Association of America.

The reinsurer shall be liable in respect of any one Principal, any one loss discovered for the ultimate net loss over and above the initial ultimate net loss retention(s) set forth in the schedule below for any one Principal, any one loss discovered, subject to a limit of liability to the reinsurer as set forth in the schedule below for any one principal, any one loss discovered. Furthermore, the reinsurer's liability for all losses discovered during the term of this contract shall not exceed the aggregate limit amounts set forth in the schedule below:

Layer	Company's Retention	Reinsurer's Limits of Liability	
	Ultimate Net Loss in respect of any one Principal, any one Loss Discovered	Ultimate Net Loss in respect of any one Principal, any one Loss Discovered	Aggregate Limit- Ultimate Net Loss in respect of all Losses Discovered subject hereto
First	\$ 2,000,000	\$ 8,000,000	\$32,000,000
Second	\$10,000,000	\$15,000,000	\$30,000,000
Third	\$25,000,000	\$25,000,000	\$50,000,000

Specialty Casualty Variable Quota Share

This Contract is to indemnify the Company in respect of the liability that may accrue to the Company as a result of loss or losses under Policies classified by the Company as Umbrella Liability and Excess Liability business written by the Company's Specialty Division, written or renewed during the term of this Contract by or on behalf of the Company, subject to the terms and conditions herein contained.

The Company shall cede, and the Reinsurer shall accept as reinsurance, a variable quota share of all business reinsured hereunder, per the limits indicated in the chart below.

Policy Limit	Variable Cession Percentage
\$ 0 - \$3,000,000	20.0%
\$3,000,001 - \$4,000,000	25.0%
\$4,000,001 - \$5,000,000	40.0%

Professional Liability Quota Share

By this Contract the Company obligates itself to cede to the Reinsurer and the Reinsurer obligates itself to accept quota share reinsurance of the Company's Net Liability, Loss Adjustment Expense, Extra Contractual Obligations and/or Loss in Excess of Policy Limits under policies, contracts and binders of insurance or reinsurance issued, accepted or held covered provisionally or otherwise (hereinafter referred to as "Policies") issued or renewed at or after the effective time and date hereof, covering business classified by the Company as Professional Liability and related coverages produced and underwritten by Tango Specialty Insurance Services, LLC (hereinafter referred to as "Tango Specialty").

Quota Share - As respects business subject to this Contract, the Company shall cede to the Reinsurer and the Reinsurer agrees to accept a 100% share of the Company's Net Liability hereunder.

B. The maximum Policy limit subject to this Contract shall be \$3,000,000, or so deemed, per Claim Made or Occurrence, per insured, as applicable. The Company may issue one or more Policies to the same insured, for the same insured coverage so long as the total limits per insured for the same insured coverage do not exceed \$3,000,000, or so deemed, per Claim Made or Occurrence, per insured, as applicable. Notwithstanding the foregoing, the maximum Policy limits hereunder shall be further defined as follows:

1. As respects Senior Living Policies, \$2,000,000, or so deemed, per Claim Made or Occurrence, per insured, as applicable;
2. As respects Security Guard Policies, \$2,000,000, or so deemed, per Claim Made or Occurrence, per insured, as applicable.
3. As respects Actuarial Professional Liability Policies, \$2,000,000, or so deemed, per Claim Made or Occurrence, per insured, as applicable.
4. As respects Architects and Engineers Policies with structural or geotechnical engineers, as defined by the Company, \$1,000,000, or so deemed, per Claim Made or Occurrence, per insured, as applicable.
5. As respects Sexual Molestation Liability, as defined by the Company, \$1,000,000 sublimit on a primary basis and \$3,000,000 sublimit on an excess basis, or so deemed, per Claim Made or Occurrence, per insured, as applicable. Further, as respects Allied Health business, any Sexual Molestation Liability not written on an aggregated basis is hereby excluded from this Contract.

C. Notwithstanding the above, the Company may cede not greater than 15 Policies hereunder with limits excess of \$3,000,000, or so deemed, per Claim Made or Occurrence, per insured, as applicable, being the first 15 Policies with limits excess of \$3,000,000 bound by the Company and ceded to this Contract in chronological order per the date the Policy was bound. Such Policies with limits in excess of \$3,000,000 shall not exceed a limit of \$5,000,000 on a standalone or ventilated basis per Claim Made or Occurrence, per insured, as applicable, or \$5,000,000 in Net Written Premium.

D. Further notwithstanding the above, as respects Policies written on an Occurrence basis only, the Company may cede: (i) not greater than 15 Security Guard Professional Liability Policies with limits of \$2,000,000 or less, or so deemed, per Occurrence, per insured, as applicable, hereunder, being the first 15 Security Guard Policies bound by the Company and ceded to this Contract in chronological order per the date the Policy was bound, and/or (ii) not greater than 15 Policies for all other classes of business hereunder, being the first 15 Policies bound by the Company, ceded to this Contract in chronological order per the date the Policy was bound, with limits of \$2,000,000 or less, or so deemed, per Occurrence, per insured, as applicable. In addition, Claims-Made E&O coverage written by the Company that is packaged with General Liability Occurrence coverage is allowed hereunder and will not impact the Policy limitations expressed in this Paragraph D.

Marine Quota Share

By this Contract the Company obligates itself to cede to the Reinsurer and the Reinsurer obligates itself to accept quota share reinsurance of the Company's Net Liability under policies, contracts and binders of insurance or reinsurance issued, accepted or held covered provisionally or otherwise (hereinafter referred to as "Policies") issued or renewed at or after the effective time and date hereof, covering business classified by the Company as Marine Specialty-related coverages including Marine Liability, Marine Excess Liability/Bumbershoot, Hull & Machinery ("H&M"), Protection and Indemnity ("P&I") and Cargo produced and underwritten by Tango Specialty Insurance Services LLC ("Tango Specialty").

Quota Share - As respects business subject to this Contract, the Company shall cede to the Reinsurer and the Reinsurer agrees to accept a 100% share of the Company's Net Liability hereunder.

B. The maximum Policy limit subject to this Contract shall be \$5,000,000, or so deemed, per insured, as applicable, except for those Policies described in paragraph C below. Notwithstanding the foregoing, the maximum Policy limits hereunder shall be further defined as follows:

1. As respects Primary Marine Liability, \$5,000,000, or so deemed, per insured, as applicable;
2. As respects Excess Marine Liability and Bumbershoot, \$5,000,000, or so deemed, per insured, as applicable;
3. As respects Primary P&I, \$1,000,000, or so deemed, per insured, as applicable;
4. As respects Excess P&I, \$5,000,000, or so deemed, per insured, as applicable;
5. As respects Craft Hull, \$5,000,000, or so deemed, per insured and scheduled vessel, as applicable;
6. As respects Cargo, \$5,000,000, or so deemed, per insured, as applicable.

C. In addition, the maximum aggregate per event limit subject to this Contract as respects all Policies ceded hereunder shall not exceed \$20,000,000, or so deemed, per event, as applicable.

D. Notwithstanding anything to the contrary, the Company may cede no more than 25 Policies hereunder with limits in excess of \$5,000,000 per insured, being the first 25 policies with limits in excess of \$5,000,000 bound by the Company and ceded to this Contract in chronological order per the date the Policy was bound. However, the maximum Policy limit as respects such Policies is \$10,000,000 and no Policy with limits above \$10,000,000 shall be ceded to this Contract.

STATUTORY DEPOSIT

As of December 31, 2023, the book/adjusted carrying value of special deposits held in trust for the benefit of all policyholders totaled \$2,291,899.

TERRITORY AND PLAN OF OPERATION

The Company holds certificates of authority and is authorized to transact business in the following jurisdictions:

Colorado	Florida	Illinois
Indiana	Iowa	Kansas
Kentucky	Michigan	Minnesota
Missouri	Nebraska	North Dakota
Ohio	Pennsylvania	South Dakota
Texas	Wisconsin	

UFG's operations are managed from its corporate headquarters in Cedar Rapids, Iowa. The headquarters house the following mutual service departments/operations: Accounting, Administration, Corporate Underwriting, Business Enablement, Premium Audit and Direct Bill, Information Technology Services, Enterprise Analytics, Corporate Marketing, Reinsurance, Internal Audit, Legal, Human Resources, and Training.

Property and casualty insurance business for UFG is produced by approximately 1,000 independent agencies and underwritten through six regional offices:

Denver Branch	Westminster, Colorado
Princeton Branch	Ewing, New Jersey
Cedar Rapids Branch	Cedar Rapids, Iowa
Houston Branch	Webster, Texas
UFG Specialty Branch	Phoenix, Arizona
Sacramento Branch	Rocklin, California

Each branch office is staffed with administrative, claims, loss control, marketing and underwriting personnel to service the policies written. A claims office is also maintained in New Orleans, Louisiana.

The Company primarily writes commercial lines property and casualty insurance, including surety bonds. In 2020, the Company announced its intent to withdraw as a direct writer of personal lines insurance with the last exposures expected to this business expected to lapse by 2025.

GROWTH OF COMPANY

The following significant data, as taken from the office copies of the Company's filed annual statements for the years indicated, reflects the growth 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>
2019	\$ 132,090,920	\$ 45,130,105	\$ 43,478,893	\$ 27,070,557	\$ 3,422,152
2020	127,018,989	38,462,385	42,203,289	29,071,179	3,064,844
2021	123,425,950	40,667,664	37,931,799	21,651,336	2,610,919
2022	123,044,008	42,418,861	36,526,277	22,860,373	3,176,292
2023	127,663,228	41,470,776	39,355,788	26,537,987	3,677,669

ACCOUNTS AND RECORDS

The Company's general ledgers are maintained on an electronic, accrual basis. Trial balances were prepared for the examination years under review. 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.

SUBSEQUENT EVENTS

No significant subsequent events were noted.

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, 2023.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	<u>Ledger</u>	<u>Not Admitted</u>	<u>Admitted</u>
Bonds	\$ 115,033,300	\$	\$ 115,033,300
Cash and short-term investments	402,73		402,733
Investment income due and accrued	908,750		908,750
Uncollected premiums and agents' balances in the course of collection	3,512,099		3,512,099
Amounts recoverable from reinsurers	5,651,711		5,651,711
Current federal and foreign income tax recoverable and interest thereon	649,876		649,876
Net deferred tax asset	1,801,422	317,730	1,483,692
Guaranty funds receivable or on deposit	2,115		2,115
Receivables from parent; subsidiaries and affiliates	8,402		8,402
Miscellaneous Receivable - Investments	10,550		10,550
	<hr/>	<hr/>	<hr/>
Total assets	\$ 127,980,958	\$ 317,730	\$ 127,663,228

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$ 46,757,532
Reinsurance payable on paid losses and loss adjustment expenses	3,758,630
Loss adjustment expenses	8,760,438
Commissions payable; contingent commissions and other similar charges	1,247,197
Other expenses (excluding taxes; licenses and fees)	767,404
Taxes; licenses and fees (excluding federal and foreign income taxes)	197,050
Unearned premiums	19,635,879
Ceded reinsurance premiums payable (net of ceding commissions)	4,942,735
Miscellaneous Liability – State Assessments	125,587
	<hr/>
Total liabilities	\$ 86,192,452
	<hr/>
Common capital stock	\$ 2,500,000
Gross paid in and contributed surplus	10,608,723
Unassigned funds (surplus)	28,362,053
	<hr/>
Surplus as regards policyholders	\$ 41,470,776
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Total liabilities and surplus	\$ 127,663,228

STATEMENT OF INCOME

Underwriting Income

Premiums earned		\$ 39,355,788
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Deductions

Losses incurred	\$ 26,537,987	
Loss adjustment expenses incurred	3,852,887	
Other underwriting expenses incurred	14,788,595	
Total underwriting deductions		45,179,469

Net underwriting gain (loss)		\$ (5,823,681)
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Investment Income

Net investment income earned	\$ 3,677,669	
Net realized capital gains (losses) less capital gains tax	64,202	
Net investment income		\$ 3,741,871

Other Income

Net gain (loss) from agents' or premium balances charged off	\$ (18,675)	
Finance and service charges not included in premiums	110,329	
Miscellaneous Income/(Expense)	45	
Total other income		91,699

Net income before dividends to policyholders		\$ (1,990,110)
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Dividends to policyholders		102,277
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Net income before all other federal and foreign income taxes		(2,092,387)
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Federal and foreign income taxes incurred		(635,393)
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Net Income		\$ (1,456,994)
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CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, prior year		\$ 42,418,861
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Gain and (Losses in Surplus

Net Income		\$ (1,456,994)
Change in net unrealized capital gains or losses		(45,049)
Change in net deferred income tax		58,865
Change in non-admitted assets		(60,252)
Cumulative effect of changes in accounting principles		555,345

Change in surplus as regards policyholders for the year		\$ (948,085)
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Surplus as regards policyholders, December 31, 2023		\$ 41,470,776
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CASH FLOW STATEMENT

Cash from Operations

Premiums collected net of reinsurance	\$ 39,826,304	
Net investment income	4,076,970	
Miscellaneous income	<u>91,699</u>	
Total		<u>\$ 43,994,973</u>
Commissions, expenses paid and aggregate write-ins for deductions	\$ 18,089,019	
Dividends paid to policyholders	102,277	
Federal and foreign income taxes paid (recovered)	<u>(208,075)</u>	
Total		<u>\$ 41,208,188</u>
Net cash from operations		<u>\$ 2,786,785</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 4,812,530	
Stocks	<u>85,860</u>	
Total investment proceeds		\$ 4,898,390
Cost of investments acquired (long-term only):		
Bonds	<u>\$ 11,635,416</u>	
Total investments acquired		<u>\$11,635,416</u>
Net cash from investments		<u>\$ (6,737,025)</u>

Cash from Financing and Miscellaneous Sources

Other cash provided (applied)	<u>\$ 1,322,409</u>	
Net cash from financing and miscellaneous sources		<u>\$ 1,322,409</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net gain in cash and short-term investments	\$ (2,627,831)
Cash and short-term investments:	
Beginning of year	<u>3,030,565</u>
End of year	<u>\$ 402,734</u>

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 and INS Regulatory Insurance Services, Inc. participated in the examination and preparation of this report.

Respectfully submitted,

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