

EXAMINATION REPORT OF
GREAT PLAINS CASUALTY, INC.
CEDAR RAPIDS, IOWA
AS OF DECEMBER 31, 2019

Cedar Rapids, Iowa
September 21, 2020

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

GREAT PLAINS CASUALTY, INC.

CEDAR RAPIDS, IOWA

AS OF DECEMBER 31, 2019

at its Home Office, 3930 16th Avenue SW, Cedar Rapids, Iowa.

INTRODUCTION

Great Plains Casualty, Inc., hereinafter referred to as the “Company”, was last examined as of December 31, 2014. The examination reported herein was conducted by the Iowa Insurance Division.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2015 to the close of business on December 31, 2019, 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

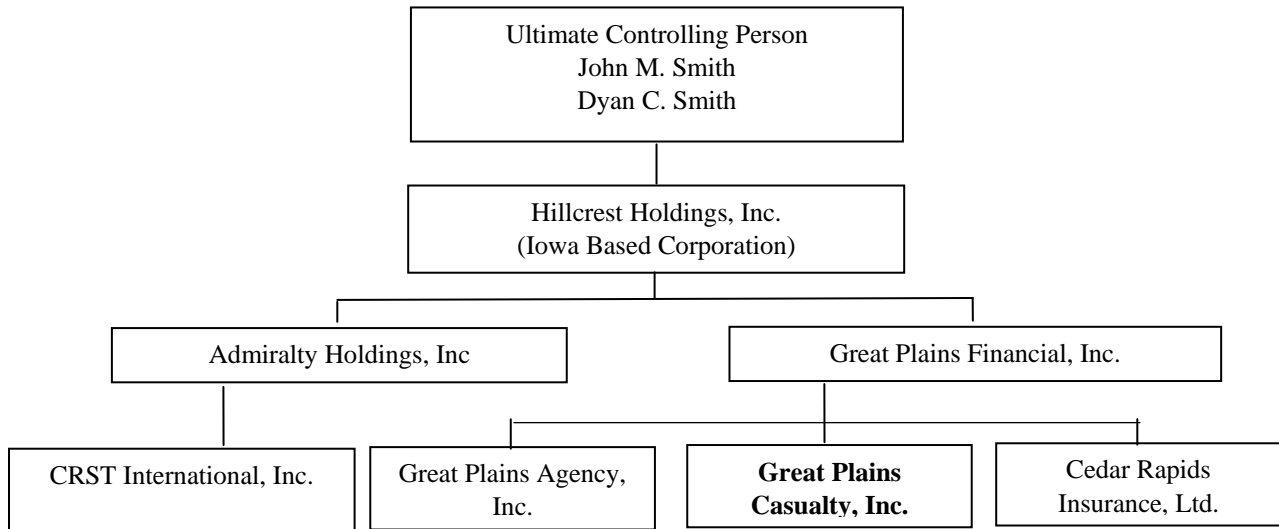
The Company was incorporated under the Iowa Business Corporation Act, Chapter 490 of the Code of Iowa on June 22, 2007. As part of the incorporation, CRST International, Inc. (CRST) purchased \$1,000,000 in common capital stock. In addition, CRST contributed the capital stock of Cedar Rapids Insurance Limited (CRIL), totaling \$7,086,808, as additional paid-in surplus. CRIL then declared a dividend to the Company of \$4,000,000 to provide additional liquid capital. A Certificate of Authority was issued July 9, 2007 by the Insurance Commissioner of Iowa to write inland marine, accident and health, liability other than automobile, automobile liability, and automobile physical damage coverages.

CAPITAL STOCK AND DIVIDENDS THEREON

The Company is authorized to issue 1,200,000 shares of Class A common stock, which shall have no par value. Issued and outstanding capital, as of December 31, 2019, consists of 12,000 shares of common stock, all of which is held by Great Plains Financial, Inc. Common capital stock and gross paid in and contributed surplus totaled \$3,000,000 and \$5,286,808, respectively. Cash dividends were not paid to stockholders during the examination period under review.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Holding Company System as defined by Chapter 521A, Code of Iowa. The identity of holding company members is shown as of December 31, 2019 in the following partial organizational chart:



Effective June 30, 2012, the former holding company, CRST International, Inc. (CRST), reorganized by forming a new holding company, Hillcrest Holdings, Inc. (Hillcrest) with CRST becoming a wholly owned subsidiary of Hillcrest. As part of the reorganization, certain subsidiaries of CRST were distributed to Hillcrest, including the Company.

On December 31, 2012, Hillcrest formed a new company, Great Plains Financial, Inc. (GPF), for the purpose of owning all insurance related companies. Hillcrest Holdings, Inc. contributed the stock of the Company and Great Plains Agency, Inc. to Great Plains Financial, Inc. The Company’s former subsidiary, Cedar Rapids Insurance, Ltd. (CRIL), paid a \$3,000,000 dividend to the Company with the ownership of CRIL (\$4,173,379) subsequently distributed to GPF to complete the reorganization. John and Dyan Smith continue to be the ultimate owners of the Company through the 99% voting ownership of Hillcrest.

CRST International, Inc. has been involved in the transportation industry for more than fifty years. CRST also provides support functions in the areas of accounting, management information systems and management oversight to operating subsidiaries.

Great Plains Agency, Inc. is an Iowa incorporated insurance agency which supports the writings of the Company. Cedar Rapid Insurance, Ltd. is a Bermuda corporation licensed as a class 3 insurer and insures CRST companies for risk involving commercial automobile and workers’ compensation.

MANAGEMENT AND CONTROL

Shareholders

The Bylaws provide that the annual meeting of the shareholders shall be held at ten o'clock A.M. on the third Tuesday in the month of December, provided the Board of Directors may fix some other date which is within 30 days before or after said date.

Special meetings of the shareholders may be called by the President or by the Board of Directors, and shall be called by the President at the request of the holders of not less than one-tenth of all of the outstanding shares of the corporation 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 of any annual meeting or for any special meeting called by the Board of Directors.

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

Board of Directors

The Board of Directors shall be elected annually and shall consist of such number of Directors as shall be fixed and determined by the stockholders from time to time at each annual meeting or at any special meeting called specifically for such purpose or by unanimous consent but at no time shall there be less than five directors nor more than twenty-one. Each director shall hold office until the next annual meeting of shareholders and until his successor shall have been elected and qualified.

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

The directors serving at December 31, 2019 were as follows:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
John M. Smith Cedar Rapids, Iowa	Chairman of the Board CRST International	2020
Dyan C. Smith Cedar Rapids, Iowa	Homemaker	2020
Hugh B. Ekberg Cedar Rapids, Iowa	President CRST International	2020
David P. Souza Marion, Iowa	Vice President and Chief Financial Officer CRST International	2020
Jason M. Steffens Cedar Rapids, Iowa	Vice President of Risk Management CRST International	2020
Henry Royer Cedar Rapids, Iowa	Retired Banker and Venture Capitalist	2020

There are no committees of the Board.

Officers

The officers of the corporation shall be a President, one or more Vice Presidents, a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors annually. Any two or more offices may be held by the same person.

The Company's officers at December 31, 2019 were as follows:

<u>Name</u>	<u>Title</u>
David P. Souza	President and Treasurer
Jason M. Steffens	Vice President and Secretary

All salaries of the officers are provided by CRST International, Inc.

CONFLICT OF INTEREST

CRST International, Inc. has a Code of Business Conduct and Ethics which addresses conflicts of interest and is acknowledged by key employees on an annual basis. Conflict of Interest Statements do not directly address potential conflicts related to directors' roles with Great Plains Casualty.

CORPORATE RECORDS

The minutes of the Shareholders and Board of Directors meetings were read and noted. The Company reviewed the findings of the Iowa Insurance Division Examination Report as of December 31, 2014 at the Board of Directors' meeting held on October 1, 2015. The Articles of Incorporation nor Bylaws were amended or substituted during the examination period.

INTERCOMPANY AGREEMENTS

Management Services Agreement

CRST International, Inc. shall provide administrative functions including claims handling, policy administration and other services necessary for the operations of the Company. An administration service fee is charged based on expense allocation and cost studies.

Federal Tax Allocation Agreement

The Company files a consolidated Federal income tax return with its' Parent, Great Plains Financial, Inc. and affiliated companies Great Plains Agency, Inc. and Cedar Rapids Insurance, Ltd. The federal income tax liability is allocated as if all entities filed a separate tax return.

Producer Agreement

The Company has an agreement with Great Plains Agency, Inc. as an independent producer. The agency does not have binding authority.

FIDELITY BONDS AND OTHER INSURANCE

CRST International, Inc. and its affiliates (the Company) are included as joint insureds on policies of insurance currently in force that afford protection against loss for the usual hazards to which the companies have exposure. The commercial crime and fidelity policy has a limit of \$5,000,000, which meets the minimum coverage amount suggested by the NAIC.

EMPLOYEE WELFARE

The Company has three employees which are provided benefits under the CRST International, Inc. employee welfare program.

REINSURANCE

The Company has facultative reinsurance certificates for bodily injury and property damage for commercial automobile liability policies. Ceded premiums total \$59,174 for 2019. No reinsurance recoveries have been incurred during the examination period.

STATUTORY DEPOSIT

As of December 31, 2019, the book/adjusted carrying value of special deposits held in trust by the Insurance Commissioners of Arkansas, Florida, Georgia, and North Carolina were \$105,081, \$103,761, \$25,066, and \$300,000, respectively.

TERRITORY AND PLAN OF OPERATION

The Company holds certificates of authority to transact business in the following states:

Alabama	Kansas	Ohio
Arkansas	Kentucky	Oklahoma
Florida	Michigan	Pennsylvania
Georgia	Minnesota	South Carolina
Illinois	Missouri	Tennessee
Indiana	Nebraska	Texas
Iowa	North Carolina	Wisconsin

The Company primarily insures independent transportation contractors, who have permanent leases with CRST International, Inc. and affiliated companies, for physical damage to tractor/trailers. The Company also writes a small amount of commercial auto liability (non-trucking liability) and motor truck cargo coverage. Coverage is extended through continuous master policies issued to CRST affiliates with certificates of insurance provided to individual contractors. Affiliates collect the premiums through settlement deductions and remit to the Company on a monthly basis.

Premium was only written in four states, in 2019 the amounts were: \$2,016,094 in Iowa, \$1,456,695 in Alabama, \$1,037,765 in Indiana, and \$473,397 in Ohio.

GROWTH OF COMPANY

The following 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>
2015	17,777,163	15,860,728	5,959,172	1,715,294	343,093
2016	20,209,992	17,819,615	5,232,486	2,225,967	361,691
2017	23,549,191	21,024,124	4,780,005	1,159,853	408,688
2018	23,913,205	22,110,037	4,787,910	1,964,032	422,957
2019	28,434,965	25,236,597	4,924,776	2,059,225	449,211

COMPLAINTS

The Company had no complaints filed during the examination period.

POLICY UNDERWRITING AND RATING

The Company issued master policies to four affiliated companies. Underwriting is determined based on the hiring practices and guidelines of CRST International, Inc. Rates are established for the policy at a cost per thousand of covered risk in force.

A sample of 26 premium files were reviewed to confirm data attributes in the premium admin system were appropriately recorded. Premiums were recalculated based on rates utilized by the Company. Policy dates, premiums, and insured values in policy and enrollment documents matched the system except for two samples where the Company could not locate the original file. Since one of the missing files was effective during the exam period an exception was identified as it relates to the Company's retention of records and Iowa Code 191—15.13(507B) Records maintenance. 15.13(1) Complaint and business records.

PRODUCERS

The Company has four licensed producers. Two are employees of the Company and two are employees of CRST International, Inc. These licensed producers were confirmed to have active licenses on the state based system. They do not receive commissions.

CLAIM PRACTICES

A sample of 31 claim files were reviewed for proper claim handling. The Examiner found that claims were found to be paid timely to the contractor/certificate holder and/or the lease/lien holders of the insured property.

ACCOUNTS AND RECORDS

The Company's general ledgers are maintained on an accrual basis. Trial balances were prepared for the examination years under review. Amounts from the general ledger accounts were reconciled and found to be materially in agreement with balances reported on the annual statements for assets, liabilities, income and disbursements.

During the course of the examination, no statutory compliance issues were noted other than those disclosed above nor material aggregate surplus differences were identified from the amount reflected in the financial statements, as presented in the annual statement at December 31, 2019.

SUBSEQUENT EVENTS

COVID-19 Pandemic

In March 2020, the World Health Organization declared Coronavirus disease (COVID-19) a pandemic. As of the date of this report, there is significant uncertainty as to the impact the pandemic will have on the economy, insurance industry and the Company. In addition, this uncertainty has contributed to extreme volatility in the financial markets. As such, the Iowa Insurance Division will continue to monitor COVID-19 developments.

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, 2019.

STATEMENT OF ASSETS AND LIABILITIES
PERIOD ENDING DECEMBER 31, 2019

ASSETS

	<u>Ledger</u>	<u>Not Admitted</u>	<u>Admitted</u>
Bonds	\$ 11,752,577		\$ 11,752,577
Common stocks	9,318,420		9,318,420
Cash & short term investments	7,148,871		7,148,871
Investment income due and accrued	94,503		94,503
Premiums and considerations:			
Uncollected premiums	<u>120,594</u>		<u>120,594</u>
 Total Assets	 <u>\$ 28,434,965</u>		 <u>\$ 28,434,965</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses		\$ 1,366,530
Loss adjustment expenses		117,398
Other expenses		367,750
Taxes, licenses and fees		35,196
Current federal and foreign income taxes		302,602
Net deferred tax liability		565,406
Payable to parent, subsidiaries and affiliates		<u>443,486</u>
 Total Liabilities		 <u>\$ 3,198,368</u>
 Common capital stock		 \$ 3,000,000
Gross paid in and contributed surplus		5,286,808
Unassigned funds (surplus)		<u>16,949,789</u>
 Surplus as regards policyholders		 <u>\$ 25,236,597</u>
 Total liabilities, capital and surplus		 <u>\$ 28,434,965</u>

UNDERWRITING AND INVESTMENT EXHIBIT
ONE-YEAR PERIOD ENDING DECEMBER 31, 2019

STATEMENT OF INCOME

<u>Underwriting Income</u>		
Premiums earned		\$ 4,924,776
<u>Deductions</u>		
Losses incurred	\$ 2,059,225	
Loss expenses incurred	574,153	
Other underwriting expenses incurred	<u>752,595</u>	
Total underwriting deductions		<u>3,385,973</u>
Net underwriting gain or (loss)		\$ 1,538,803
<u>Investment Income</u>		
Net investment income earned	\$ 449,211	
Net realized capital gains (losses)	<u>179,331</u>	
Net investment gains (losses)		<u>628,542</u>
Net income before federal income tax		\$ 2,167,345
Federal & foreign income taxes incurred		<u>456,112</u>
Net Income		<u>\$ 1,711,233</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31 prior year		<u>\$ 22,110,035</u>
<u>Gains and (losses) in surplus</u>		
Net income		1,711,233
Change in net unrealized capital gains		1,809,586
Change in net deferred income tax		<u>(394,257)</u>
Change in surplus as regards policyholders for the year		<u>\$ 3,126,562</u>
Surplus as regards policyholders, December 31 current year		<u>\$ 25,236,597</u>

STATEMENT OF CASH FLOWS
PERIOD ENDING DECEMBER 31, 2109

Cash from Operations

Premiums collected net of reinsurance	\$ 4,936,344	
Net investment income	<u>520,897</u>	
Total		\$ 5,457,241
Benefit and loss related payments	\$ 1,911,059	
Commissions, expenses paid, and aggregate write-ins	622,561	
Federal and foreign income taxes paid	<u>201,930</u>	
Total		<u>2,735,550</u>
Net cash from operations		<u>\$ 2,721,691</u>

Cash from Investments

Proceeds from investments sold, matured, or repaid:		
Bonds	\$ 1,975,906	
Stocks	<u>1,789,894</u>	
Total investment proceeds		\$ 3,765,800
Cost of investments acquired (long-term only):		
Bonds	\$ 1,720,976	
Stocks	<u>2,037,822</u>	
Total investments acquired		<u>3,758,798</u>
Net cash from investments		<u>\$ 7,002</u>

Cash from Financing and Miscellaneous Sources

Other cash provided (applied)	<u>\$ 99,998</u>	
Net cash from financing & misc. sources		<u>\$ 99,998</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	\$ 2,828,691
Cash, cash equivalents and short term investments:	
Beginning of year	<u>4,320,180</u>
End of year	<u>\$ 7,148,871</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, the following examiners participated in the examination and preparation of this report: Bob Wong, CFE and Josh Pietan, Examiner Senior.

A review of the information technology system was performed under the direction of Ryan Havick, CFE of Eide Bailly.

A review of loss and loss adjusting expense reserves was performed under the direction of David Macesic, ACAS, MAAA of INS Consultants, Inc.

Respectfully submitted,

/s/ Amanda Theisen
AMANDA THEISEN, CFE, PIR, MCM
Examiner-in-Charge
Insurance Division
State of Iowa