

EXAMINATION REPORT OF
MIDWEST FAMILY MUTUAL INSURANCE COMPANY
WEST DES MOINES, IOWA
AS OF DECEMBER 31, 2020

West Des Moines, Iowa
April 27, 2022

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

MIDWEST FAMILY MUTUAL INSURANCE COMPANY

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2020

at its statutory home office 4401 Westown Parkway, Suite 305, West Des Moines, Iowa.

INTRODUCTION

Midwest Family Mutual Insurance Company, hereinafter referred to as the "Company", was last examined as of December 31, 2015. The examination reported herein was conducted by examiners of the Iowa Insurance Division. The Company's wholly owned subsidiary, Midwest Family Advantage Insurance Company, was also examined with separate examination reports prepared for each entity.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2016 to the close of business on December 31, 2020, 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 laws of the State of Minnesota and commenced business in 1891. The original name of the Company was Minnesota Farmers Mutual Insurance Company. The present name of the Company was adopted in 1983.

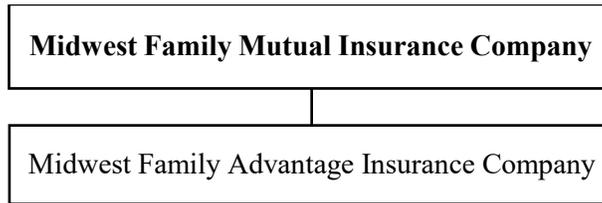
The Company initially wrote windstorm and personal property coverages in the farm communities of Minnesota. In 1991, commercial lines were added to allow the company to further broaden product lines.

On December 8, 2011, the policyholders of the Company voted to approve the re-domestication of the Company from the State of Minnesota to the State of Iowa. Upon approval by the Insurance Commissioners of Minnesota and Iowa, the Company was re-domesticated to Iowa effective January 1, 2012.

On December 1, 2017, the Company created a wholly owned subsidiary, Midwest Family Advantage Insurance Company. The Company provided \$10,000,000 in exchange for 100% of the stock of Midwest Family Advantage Insurance Company.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Mutual Insurance Holding Company System as defined by Chapter 521A, Code of Iowa. The Company holds 100% of the voting rights of the stock subsidiary, Midwest Family Advantage Insurance Company.



MANAGEMENT AND CONTROL

Members

The Bylaws provide that every policyholder of the Company in good standing, with a policy in force, as provided in the books and records of the Company, shall be a Member of the Company. Each Member shall be entitled to one vote at all meetings of the Members. The voting privilege may be exercised either in person or by proxy.

The annual meeting of the Members shall be held at the office of the Company on the third Monday of August of each year through 2019. Beginning in the calendar year 2020, the annual meeting of the Members shall be held at the office of the Company on the first Monday of May of each year, or at such other date, time, and place determined by the Board of Directors in accordance with the Bylaws and designated in the Company’s annual notice to its policyholders.

Board of Directors

The Bylaws provide that the property and business of the Company shall be managed by its Board of Directors, which shall consist of not less than five (5) and not more than nine (9) Directors elected for a term of five years each.

Directors shall be elected from the list of eligible candidates. Eligible candidates shall be Members of the Company who have been nominated for the office of Director by a Member in good standing, and whose nominations have been made in writing, the original thereof to be filed at least ninety (90) days before the date of the meeting at which the election is to take place.

At each annual meeting, the Members shall elect up to two (2) Directors for a term of five (5) years each, who shall hold office until his or her successor has been duly elected. Where a new or open Director position (but not a vacated Board seat) is nominated, the Board shall set the initial term for such Board seat and the Members shall elect the Director for such initial term, which seat shall thereafter be a five (5) year-term.

Immediately following the annual meeting of Members, the Board of Directors shall convene and elect the officers of the Company. Special meetings of the Board may be called by the Chairman of the Board, or, in his/her absence of disability, by the President.

From its number, the Board shall elect a Chairman of the Board and a President, and, from its number or otherwise, it shall also elect a Secretary and a Treasurer and such other officers as it deems advisable of the proper and efficient conduct of the business. The offices of Secretary and Treasurer may be held by one person.

Elected directors serving as of December 31, 2020 are as follows:

<u>Name</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Nathan T. Gray McFall, MO	Retired Agent Federal Bureau of Investigation	2021
Kristie F. Van Pelt Camdenton, MO	Senior Vice President and Chief Financial Officer Midwest Family Mutual Insurance Company	2021
William J. O'Brien Arden Hills, MN	Attorney Mackall, Crouse & Moore, PLC	2022
Ronald G. Boyd Chariton, IA	Executive Vice Chairman and Chief Executive Officer Midwest Family Mutual Insurance Company	2023
Aaron W. Boyd Rockford, MN	President and Chief Operating Officer Midwest Family Mutual Insurance Company	2024
Gary G. Stillwell* Bloomington, MN	Retired Account Director Imation Corporation	2024
Victoria L. Boyd Chariton, IA	Retired Vice President Qwest Communications	2025

*Gary Stillwell passed away July of 2021, Nathan Gray took on the role of Acting Audit Chair. Tanner Johnson was voted on to the Board to replace Mr. Stillwell in December of 2021.

Committees

The Board may appoint committees to perform such functions and with such authority as the Board may determine. Committees named include: Audit, Investment, and Executive.

Members of the Audit Committee as of December 31, 2020 are:

Gary Stillwell (Audit Chair)
Nathan Gray
William O'Brien
Kristie Van Pelt (ex-officio)

Officers

The officers of the Company are elected annually by the Board of Directors. The Bylaws prescribe that the Chairman of the Board shall preside at all meetings of the Board and shall have such powers and duties as the Board may determine. The President shall preside at all meetings of the Members and shall be the Company's executive officer. He shall have general supervision of the business affairs of the Company and shall have such powers and duties as the Board may determine. The Secretary shall keep a record of the proceedings of all meetings of the Company. The Secretary shall be custodian of the Corporate Seal and all books and records belonging to the Company, and shall have such powers and duties as the Board of Directors may determine.

The officers elected and serving at December 31, 2020 are as follows:

<u>Name</u>	<u>Office</u>
Ronald G. Boyd	Executive Vice Chairman and Chief Executive Officer
Aaron W. Boyd	President and Chief Operating Officer
Kristie F. Van Pelt	Senior Vice President, Chief Financial Officer and Treasurer
Rita M. Stott	Vice President – Claims
Michael R. Carey	Vice President – Underwriting
Becky S. Szymczak	Corporate Secretary
Victoria L. Boyd	Assistant Corporate Secretary

Remuneration to officers for 2020 is reflected in Exhibit A at the end of this report.

CONFLICT OF INTEREST

The Company has an established procedure for annual disclosure to its Board of Directors of any material interest or affiliation on the part of its officers, directors or employees which is, or is likely to be, in conflict with the official duties of such person. While conflicts were disclosed, none were deemed to materially impact the interests of the Company.

CORPORATE RECORDS

Effective August 30, 2016, the Articles of Incorporation and Bylaws were amended and restated to remove class "A" and class "B" Directors and to establish the number of Directors at no less than five and no more than nine to serve staggered terms.

On March 5, 2018, the Company amended their Articles of Incorporation to change their principal place of business to 4401 Westown Parkway, Ste. 305, West Des Moines, IA 50266.

On September 20, 2018, the Company amended their Bylaws regarding the annual meeting of Members.

The recorded minutes of the meetings of the Policyholders, Board of Directors, and Committees were read and noted. The Board reviewed and accepted the 2015 Examination Report of the Company at its meeting on August 28, 2017.

AFFILIATED TRANSACTIONS

Surplus Notes

The Company authorized the issuance of Surplus Notes Series 2013, with an aggregate principal amount of \$6,000,000 and stated maturity date of January 1, 2024, to officers and directors in exchange for cash. As of December 31, 2020, \$5,736,100 of surplus notes have been issued and are outstanding. Each payment of principal and interest may be made only with the prior written approval of the Iowa Insurance Commissioner. The notes are subordinate and junior in right of payment to all obligations of the Company. In the event of dissolution or liquidation proceedings, the surplus note holders are entitled, after payment of all valid obligations and/or liabilities of the Company, to receive the par value of the notes and any unpaid interest. The interest rate is a variable rate of interest adjusted annually on December 31, equal to the average quarterly 10-year Constant Maturity Treasury Note plus a 6% margin. In no event shall the interest rate exceed 13% per annum.

Tax Allocation Agreement

Effective December 1, 2017, the Company entered a federal income tax sharing agreement with its subsidiary, Midwest Family Advantage Insurance Company.

Expense Allocation Agreement

Effective August 20, 2018, the Company entered into an Expense Allocation Agreement, whereby the Company agrees to provide services of its personnel, and to furnish such office space, information technology systems and equipment as required by Midwest Family Advantage Insurance Company to carry on their activities. Each company will bear all of its direct costs and a proportionate share of costs incurred for the benefit of the Group.

Contribution Agreement

On March 29, 2019, the Company entered into a contribution agreement with subsidiary, Midwest Family Advantage Insurance Company, under which the Company contributed to the subsidiary five million (5,000,000) shares of the ten million (10,000,000) outstanding shares of the subsidiary's common stock. This was to meet capital requirements in various states in which the subsidiary was applying for licensure.

Financial Guarantee

The Company provides a financial guarantee to its subsidiary, Midwest Family Advantage Insurance Company, ensuring a minimum capital requirement of \$2,500,000 at the request of the Maine Bureau of Insurance as a condition of approving the Company to transact business in the state of Maine. This guarantee was removed by the state of Maine in March of 2022.

FIDELITY BOND AND OTHER INSURANCE

The NAIC recommended minimum coverage for fidelity coverage is one million dollars. The Company has elected to self-insure its fidelity coverage for protection to the business or individuals for money or other property lost because of dishonest acts of its employees. The other interests of the Company appear to be adequately protected through coverages afforded by policies in force with admitted insurers.

EMPLOYEE WELFARE

Midwest Family Mutual Insurance Company offers several benefit plans to its employees, including: defined benefit pension plan, 401 (k) salary deferral plan, healthcare, life insurance, and flexible spending plans.

The Company also has a formal incentive compensation plan for officers and sponsors a deferred compensation plan for certain key executives.

REINSURANCE

Inter-Company Pooling

The Company assumes 100% of all direct written premiums from its subsidiary, Midwest Family Advantage Insurance Company, through a Quota Share Reinsurance Agreement. The Company pays the quota share of losses, LAE, extra contractual obligations, and loss of excess policy limits.

Assumed premiums reported for 2020 totaled \$2,628,659.

Assumed

Regional Reciprocal Catastrophe Pool

The Company is a participant in the regional reciprocal catastrophe reinsurance pool, the Mutual Reinsurance Bureau Reciprocal Catastrophe Pool (MRB). Under this agreement the reinsurer will be liable for its pro rata share of each and every loss occurring on the business covered, not to exceed a maximum of \$60,000,000 any one Original Agreement. The Company had a 1.75% participation in the 2020 pool.

Ceded

The Company's primary ceded reinsurance program is placed through the brokerage market. Ceded written premiums for 2020 totaled \$37,322,468 or 17.4% of direct written premiums.

Multiple Line Excess of Loss

Covers: Property, casualty, and workers' compensation business.

Coverage A – Property:

<u>Layer</u>	<u>Company Retention</u>	<u>Reinsurer Limit of Liability</u>	
		<u>Each Loss, Each Risk</u>	<u>Loss Occurrence</u>
First	\$ 400,000	\$ 600,000	\$ 1,800,000
Second	\$ 1,000,000	\$ 1,500,000	\$ 1,500,000

Coverage B – Casualty:

<u>Layer</u>	<u>Company Retention</u>	<u>Reinsurer Limit of Liability: Loss Occurrence</u>	
First	\$ 400,000		\$ 600,000
Second	\$ 1,000,000		\$ 1,000,000

Coverage C – Workers’ Compensation:

<u>Layer</u>	<u>Company Retention</u>	<u>Reinsurer Limit of Liability: Loss Occurrence</u>	
First	\$ 400,000		\$ 600,000
Second	\$ 1,000,000		\$ 1,000,000

Coverage D: Combination of Loss Occurrence under Coverage A, B, and/or C:

<u>Layer</u>	<u>Company Retention</u>	<u>Reinsurer Limit of Liability: Loss Occurrence</u>	
Two or more coverage sections	\$ 400,000		\$ 800,000
Terrorism			
First	\$ 400,000		\$ 1,800,000
Second	\$ 400,000		\$ 1,500,000

Recoveries under coverage afforded by coverage A, B and C shall be deducted in determining Ultimate Net Loss. Recoveries under this paragraph shall be considered recoveries under the First Layer hereof.

Property Per Risk Excess of Loss

The Reinsurer shall be liable in respect of each loss, each risk, for the Ultimate Net Loss over and above an initial Ultimate Net Loss of \$2,500,000 each loss, each risk, subject to a limit of liability to the Reinsurer of \$2,500,000 each loss, each risk, and further subject to a limit of liability to the Reinsurer of \$5,000,000 each Loss Occurrence.

Facultative

The Company has a Property Facultative Agreement with the Reinsurer liable for losses over and above an initial limit of \$10,000,000 each loss, each risk, subject to a limit of liability to the Reinsurer of \$30,000,000 each Loss Occurrence.

Excess Casualty

The Reinsurer shall be liable in respect of each Loss Occurrence, for the Ultimate Net Loss over and above an initial Ultimate Net Loss of \$2,000,000 each Loss Occurrence, subject to a limit of liability to the Reinsurer of \$10,000,000 each Loss Occurrence.

Workers' Compensation Reinsurance Association

The Association shall reinsure the Member's Minnesota workers' compensation liability and shall indemnify the Member for 100% of the amount of statutory ultimate loss arising out of each occurrence compensable under Minn. Stat. Ch. 176 to the extent that the ultimate loss exceeds the Member's retention limit in effect at the time of the loss occurrence and subject to the terms and conditions of the Enabling Act, the Plan, and the Operating Rules.

The Member shall select the low, high, or super retention level for each calendar year. Each retention level has a corresponding retention dollar limit, as determined in accordance with the requirements of Minn. Stat. § 79.34, subd. 2. The retention levels may be changed annually on January 1. The Member shall notify the Association in writing of any change of its retention level selection by December 1 of the year preceding the coverage year. The Company selected the low retention for all years.

Property Catastrophe Excess of Loss

<u>Layer</u>	<u>Company Retention</u>	<u>Reinsurer Limit of Liability</u>	
		<u>Each Loss Occurrence</u>	<u>All Loss Occurrences</u>
First	\$ 3,000,000	\$ 3,000,000	\$ 6,000,000
Second	\$ 6,000,000	9,000,000	\$18,000,000

Terrorism Excess of Loss

The Reinsurer shall be liable in respect of each Loss Occurrence, for the Ultimate Net Loss over and above an initial Ultimate Net Loss of \$12,000,000 each Loss Occurrence, subject to a limit of liability to the Reinsurer of \$20,000,000 each Loss Occurrence, and subject further to a limit of liability of \$20,000,000 for all Loss Occurrences commencing during the Contract term.

Quota Share – Cyber Liability Coverage

Primary Cyber Liability Limits Program: the Company shall cede, and the Reinsurer shall accept as reinsurance, a 100% share of all Primary Cyber Liability Limits Program business reinsured hereunder, subject to a maximum limit of \$100,000 for any one original insured or Policy, as applicable. The Reinsurer shall pay to the Company the Reinsurer's quota share of losses and Loss Adjustment Expense under the Policies covered by this Contract.

Increased Cyber Liability Limits Program: The Company shall cede, and the Reinsurer shall accept as reinsurance, a 100% share of the difference between the Primary Cyber Liability Limits Program coverage limits and the Increased Cyber Liability Limits Program coverage limits, subject to a maximum limit of \$1,000,000 for any one original insured Policy, as applicable.

STATUTORY DEPOSIT

As of December 31, 2020, the book/adjusted carrying value of special deposits held in trust by the Iowa Insurance Commissioner for the benefit of all policyholders totaled \$2,480,694. A schedule of the book/adjusted carrying value of all other special deposits held for the benefit of policyholder in the respective jurisdiction follows:

Arkansas	\$151,560	Nevada	\$309,450
Idaho	280,420	New Mexico	309,450
Florida	281,710	Oregon	155,233
Montana	30,003		

TERRITORY AND PLAN OF OPERATION

The Company is a multiple-line commercial and personal, property and casualty insurance writer with a majority of the business being commercial (92%). The Company offers a Commercial Portfolio insurance program that allows customers to package all their commercial coverages under one policy. The Company also offers a “First Class Portfolio” insurance program on personal lines which allows affluent customers to package their homeowners, personal auto, boatowners, and personal umbrella coverages.

The Company is licensed in 33 states, but only actively writes in 21. The Company markets through independent agents, with the largest books of business being commercial multiple-peril, commercial auto liability, commercial auto physical damage, and worker’s compensation. The top five states in which the Company writes direct business are Minnesota, Iowa, Arizona, Missouri, and Utah which accounts for 45% of total direct written premium.

GROWTH OF COMPANY

The following historical data, as taken from filed copies of the annual statements, 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>
2016	\$219,213,866	\$63,068,445	\$ 112,200,487	\$64,582,633	\$2,803,303
2017	242,623,073	68,925,334	127,775,840	74,172,040	2,538,358
2018	292,448,456	97,603,370	139,342,111	76,926,263	2,745,294
2019	326,872,100	110,421,093	155,137,666	92,599,795	2,959,328
2020	357,569,700	119,306,523	167,620,242	102,541,636	3,218,872

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 in agreement with balances reported on the annual statements for assets, liabilities, income or disbursements.

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, 2020.

SUBSEQUENT EVENTS

Quota Share Reinsurance Agreement

Effective January 1, 2022, the quota share reinsurance agreement with Midwest Family Advantage Insurance Company was amended where Midwest Family Advantage Insurance Company will now retain 10% of the premiums written.

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: Except as otherwise stated, the financial statements immediately following reflect only the transactions for the period ending December 31, 2020 and the assets and liabilities as of this date. Schedules may not add or tie precisely due to rounding.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

<u>Ledger</u>	<u>Admitted</u>	<u>Not Admitted</u>	<u>Total</u>
Bonds	\$ 208,161,370	\$ -	\$ 208,161,370
Common stocks	64,256,154		64,256,154
Cash and short-term investments	11,137,621		11,137,621
Investment income due and accrued	1,470,986		1,470,986
Uncollected premiums in course of collection	7,953,223	168,140	7,785,083
Deferred premiums booked and not yet due	56,651,339		56,651,339
Amounts recoverable from reinsurers	816,239		816,239
Other amounts receivable under reinsurance contracts	322,915		322,915
Current federal and foreign income tax recoverable	500,844		500,844
Net deferred tax asset	5,080,910		5,080,910
Guaranty funds receivable or on deposit	10,872		10,872
Electronic data processing equipment and software	2,112,469	1,556,929	555,540
Furniture and equipment	75,323	75,323	0
Receivables from parent, subsidiaries and affiliates	108	0	108
Aggregate write-ins for other than invested assets			
Life Insurance	751,369		751,369
Automobiles	650,533	650,533	
Prepaid Expenses & Advances	470,355	470,355	
Miscellaneous	<u>68,350</u>		<u>68,350</u>
 Total assets	 <u>\$ 360,490,980</u>	 <u>\$ 2,921,280</u>	 <u>\$ 357,569,700</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$ 79,729,045
Reinsurance payable on paid losses and loss adjustment expenses	57,697
Loss adjustment expenses	22,934,953
Commissions payable, contingent and other	4,250,596
Other expenses	15,379,391
Taxes, licenses and fees	925,821
Unearned premiums	101,809,915
Advance premium	2,793,066
Dividends declared and unpaid – Policyholders	181,947
Ceded reinsurance premiums payable	5,931,463
Amounts withheld or retained for account of others	60,166
Aggregate write-ins for liabilities	
Unfunded supplemental executive retirement plan	3,635,703
Deferred Compensation – Board of Directors	<u>573,414</u>
 Total liabilities	 <u>\$ 238,263,177</u>
 Aggregate write-ins for special surplus funds	
Guaranty Funds	\$ 1,000,000
Surplus Notes	23,736,100
Unassigned Funds (Surplus)	<u>94,570,423</u>
 Surplus as regards policyholders	 <u>\$ 119,306,523</u>
 Total liabilities and surplus	 <u>\$ 357,569,700</u>

STATEMENT OF INCOME

Underwriting Income

Premiums earned \$ 167,620,242

Deductions

Losses incurred \$ 102,541,636
Loss adjustment expenses incurred 16,758,353
Other underwriting expenses incurred 43,665,592
Total underwriting deductions 162,965,581

Net underwriting gain (loss) \$ 4,654,661

Investment Income

Net investment income earned \$ 3,180,920
Net realized capital gains (losses) 37,952
Net investment gain (loss) 3,218,872

Other Income

Net gain (loss) from agents' or premium balances charged off \$ (58,209)
Finance and service charges not included in premiums 557,135
Aggregate write-ins for miscellaneous income
Life Insurance 74,616
Miscellaneous Expense (7,564)
Total other income 565,978

Net income before dividends to policyholders \$ 8,439,511

Dividends to policyholders 646,933

Net income before federal income tax \$ 7,792,578

Federal and foreign income taxes incurred 2,220,911

Net income \$ 5,571,667

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2019 \$ 110,421,093

Gains and (Losses) in Surplus

Net income \$ 5,571,667
Change in net unrealized capital gains or (losses) 5,307,246
Change in net deferred income tax 1,682,709
Change in non-admitted assets (669,559)
Change in Surplus Notes 426,300
Cumulative effect of changes in accounting principles (3,432,932)

Change in surplus as regards policyholders for the year \$ 8,885,431

Surplus as regards policyholders, December 31, 2020 \$ 119,306,523

CASH FLOW STATEMENT

Cash from Operations

Premiums collected net of reinsurance	\$ 173,722,507	
Net investment income	4,313,836	
Miscellaneous income	<u>565,978</u>	
Total		\$ 178,602,321
Benefit and loss related payments	\$ 99,877,882	
Commissions, expenses paid and aggregate write-ins	59,398,730	
Dividends to policyholders	576,436	
Federal income taxes (paid) recovered	<u>2,724,779</u>	
Total		<u>165,577,827</u>
Net cash from operations		<u>\$ 16,024,494</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 69,872,277	
Stocks	7,812,178	
Net gains on cash, cash equivalents	<u>6,567</u>	
Total investment proceeds		\$ 77,691,022
Cost of investments acquired (long-term only):		
Bonds	\$ 72,314,214	
Stocks	<u>14,255,665</u>	
Total investments acquired		<u>86,569,879</u>
Net cash from investments		<u>\$ (8,878,856)</u>

Cash from Financing and Miscellaneous Sources

Surplus Notes	\$ 426,300	
Other cash provided (applied)	<u>(634,119)</u>	
Net cash from financing and miscellaneous sources		<u>\$ (207,819)</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	\$ 6,937,818	
Cash, cash equivalents and short-term investments:		
Beginning of year		<u>4,199,803</u>
End of period		<u>\$ 11,137,621</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: Mick Jepsen, Aaron Syverson, Logan Thomsen, John Echeveste.

A review of the information technology system was contracted with Kristina Gaddis – CFE, CISA, AES.

A review and evaluation of actuarial processes and procedures was performed under the direction of Mike Hall – FCAS, MAAA and Scott Merkord – FCAS, MAAA of Risk and Regulatory Consulting.

Respectfully submitted,

/s/ Amanda Theisen
Amanda Theisen, CFE
Examiner-in-Charge
Insurance Division
State of Iowa