EXAMINATION REPORT OF

AMERICAN MUTUAL INSURANCE ASSOCIATION

ELDRIDGE, IOWA

AS OF DECEMBER 31, 2015

Eldridge, Iowa
August 23, 2016

HONORABLE NICK GERHART
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Commissioner Gerhart:

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 the

AMERICAN MUTUAL INSURANCE ASSOCIATION

ELDRIDGE, IOWA

AS OF DECEMBER 31, 2015

at its Home Office, 151 North 4th Avenue, Eldridge, Iowa.

INTRODUCTION

The American Mutual Insurance Association, hereinafter referred to as the "Association", was last examined as of December 31, 2015. The examination reported herein was conducted by the Iowa Insurance Division.

SCOPE OF EXAMINATION

This examination covers the intervening period from December 31, 2010 to December 31, 2015, the date of the present examination.

The examination was conducted in accordance with the procedures recommended by the Financial Condition (E) Committee of the N.A.I.C., and other generally accepted insurance examination standards. A general review and survey was made of the Association's operations and business transactions conducted during the stated period. A detailed audit was not made of all transactions, but accounting procedures and records were examined and tested to the extent deemed essential. The Association's assets were verified and evaluated and liabilities determined to present herein a statement of its financial condition as of December 31, 2015.

HISTORY

The Association was incorporated in 1869 for the purpose of insuring the property of its members against hazards and risks as permitted by Chapter 518, Code of Iowa.

The Articles of Incorporation were amended and substituted, effective October 10, 1994, changing the Association to a state mutual insurance association under Chapter 518A, Code of Iowa.

The Association's corporate existence was made perpetual in 1946.

MANAGEMENT AND CONTROL

MEMBERSHIP

Article V of the Articles of Incorporation states in part, “The membership of the Association shall consist of every individual, partnership, public or private corporation, board or association, trustee, administrator, executor, organization, or other legal entity having insurance herein. Membership and insurance may be obtained only upon written application, signed by the applicant and shall commence only when accepted by the Association, and shall cease when such insurance is canceled or terminates for any cause”. The private property of the members shall be exempt from Association debts.

The regular annual meeting of the members shall be held on the third Wednesday in March of each year at 1:00 p.m. at Eldridge, Iowa.

Special meetings of the members shall be called by the President upon request of the majority of the members of the Board of Directors or upon written request of one-fourth of the members of the Association. Due notice of time and place of such special meeting shall be given to the members as specified in the Bylaws.

Each member present at any meeting shall be entitled to one vote on each question voted on at any membership meeting regardless of the number of policies owned by the member. No voting shall be permitted by proxy. A quorum shall be one more member than the number of Board of Directors fixed by Resolution of the Directors.

The Articles of Incorporation may be amended upon twenty days written notice of the meeting, at any annual meeting of the members or any special meeting called for that purpose. Upon affirmative vote of two-thirds majority of the members present in person and voting thereon they may be amended. However, no amendment, except with the unanimous consent of all members present at the meeting, shall be considered at any meeting unless the same shall have been reduced to writing, signed by the member or members proposing the same, and filed with the President and Secretary of the Association at least thirty days prior to the date of the meeting at which the proposed amendment is to be voted upon.

BOARD OF DIRECTORS

The Articles of Incorporation provide all corporate powers shall be exercised by or under authority of, and the business and affairs of the Association shall be managed by or under the direction of the Board of Directors. The number of Directors which shall constitute the whole Board of Directors shall be not less than five nor more than fifteen, and within such limits, shall be fixed by Resolution of the Directors. In no event shall the Board of Directors at any time consist of less than five members. Directors shall be members of the Association.

Directors are elected by the members at their regular annual meeting for a term not to exceed three years. Nominations for membership on the Board of Directors must be filed in writing, signed by at least two members of the Association in good standing and filed with the Secretary of the Association at least thirty days prior to the annual meeting of the members. Any vacancy occurring on the Board of Directors may be filled for the unexpired term by a majority vote of the remaining Directors.

Directors serving as of December 31, 2015 were:

Name	Location	Term Expires
Ann Mohr	Eldridge, Iowa	2016
Mark Pelzer	Atalissa, Iowa	2016
Kenneth Fawcett	West Branch, Iowa	2017
Thomas Moffit	LeClaire, Iowa	2017
Ronald G. Ralfs	Walcott, Iowa	2017
Kenneth Tank	Walcott, Iowa	2018
Dennis Kirby	Davenport, Iowa	2018
Tom Brown	Atalissa, Iowa	2018

The regular annual meeting of the Board is held immediately following the annual meeting of the members, and thereafter on the call of the President or Chairman. A majority present constitutes a quorum for the transaction of business. Officers shall be members of the Association.

Directors earn $160 per meeting attended with the exception of annual meeting day, which would be $230 for the entire day. The Chairman is paid double the fees received by other Directors. In the Chairman's absence, the Vice Chair shall be paid at the Chairman's rate. Mileage is reimbursed at the annual Internal Revenue Service allowance rate.

COMMITTEES

The Board of Directors shall be empowered to constitute and appoint such other committees in addition to the Executive committee as the Board may deem to be in the best interest of the Association. Executive and Audit committees did not meet in 2015. Directors receive a fee of $160 per committee meeting attended and reimbursed mileage.

Committees active in 2015 had the following serving at December 31, 2015:

Investment	Human Resources	Technology Committee
Dennis Kirby, Chair	Kenneth Fawcett, Chair	Ann Mohr, Chair
Mark Pelzer	Dennis Kirby	Mark Pelzer
Kenneth Tank	Thomas Moffitt	Tom Brown
Randal Wehrman		
John Fiderlein		

OFFICERS

At its regular annual meeting, the Board of Directors shall elect for a term of one year a Chairman, Vice Chairman, President, Treasurer, Secretary and may appoint such other officers as specified in the Bylaws or as deemed advisable. At the discretion of the Board, it may leave unfilled any off the office except President, Treasurer and Secretary. Any of the offices may be combined except the offices of President and Secretary.

Duly elected and qualified officers serving the Association as of December 31, 2015 were as follows:

Name	Title
Dennis Kirby	Chairman
Kenneth Fawcett	Vice Chairman
Randal Wehrman	President/Treasurer
John T. Fiderlein	Vice President/Secretary

CONFLICT OF INTEREST

Conflict of interest statements were signed annually by all officers, directors and key employees. Disclosures were indicated on the statements.

CORPORATE RECORDS

The Articles of Incorporation and Bylaws were not amended or restated during the period covered by this examination.

The recorded minutes of the membership and Board of Directors meetings were read and noted. They appeared to be properly attested. The December 31, 2010 Examination Report while reviewed by the Board, was not accepted by the Board during this examination period.

AFFILIATES AND SUBSIDIARIES

The American Mutual Insurance Agency (agency) was formed by the Association as an unincorporated agency or also a division of the Association. The Association does not maintain separate records for this agency and all associated expenses are paid by the Association. In 2015, commissions associated with the business written directly were paid to the captive agents located within the Association’s office.

The agency produced approximately 11.8 percent of the Association’s business during 2015. Commissions paid during 2015 to the agents by the Association were $50,037. The agency does not pay rent to the Association nor does it file a separate Federal income tax return.

On June 19, 2000, the Association formed and incorporated the Springdale Agency, Inc. of American Mutual Insurance Association of Scott County, as a wholly owned subsidiary. The agency was incorporated with the resulting current name and 1,000 shares of common stock with no par value per share. This agency produced approximately 7.7 percent of the Association’s business during 2015. Commissions paid during 2015 to the agency by the Association were $32,822.

FIDELITY BOND AND OTHER INSURANCE

The Association is protected by a blanket bond in the amount of $250,000 for any one loss occurrence. The bond is written by an authorized insurer for a three-year renewal period and the indemnity is non-cumulative.

Policies for other coverages, placed with authorized insurers, were as follows:

Workers’ compensation and employers’ liability
Commercial general liability
Business automobile
Commercial umbrella

In addition, the Association has a directors’ and officers’ liability and professional liability policy in force and insurance agents and brokers liability policy in force with a non-admitted insurer qualified to write excess and surplus lines coverage in Iowa.

The Association has elected to self-insure its Home Office building and contents.

EMPLOYEES’ WELFARE

The Association provided full-time eligible employees family medical health, dental, accidental death and dismemberment and life insurance on a non-contributory basis.

The Association provides a Simple IRA for the benefit of its employees during the examination period. The Association matches up to 3% of the staff employee contribution. The contributions by Association was $6,614, $6,834, $7,865, $7,804 and $8,381 for each examination period year, respectively. Participating employees have the opportunity to contribute more than the 3% match to their individual benefit plans.

IMT profit share was split 50% to these agencies: Wehrman, Springdale and American Mutual. Amount pro-rated based on production. The other 50% shall be split among employees. Sales persons received 75% and non-sales persons received the remaining 25%. Profit shares for employees were $4,154 and $10,952 for 2014 and 2015, respectively

Bonuses are deemed relevant to the profitability of the Association and determined by the Board. Bonuses of $15,496 were paid in 2015. This was 9% of gross wages.

REINSURANCE

Reinsurance treaties in force as of December 31, 2015 with an authorized insurer providing coverage for all business written classified as property risks were as follows:

First Per Risk Excess of Loss

$300,000 in excess of $200,000 of each and every risk resulting from one loss occurrence including loss adjustment expense. The reinsurer’s limit of liability shall be $300,000 in respect to each and every risk resulting from one loss occurrence.

Second Per Risk Excess of Loss

$500,000 in excess of $500,000 of each and every risk resulting from one loss occurrence including loss adjustment expense. The reinsurer’s limit of liability shall be $500,000 in respect to each and every risk resulting from one loss occurrence. The Association shall be the sole judge as to what constitutes a risk.

Third Per Risk Excess of Loss

$500,000 in excess of $1,000,000 of each and every risk resulting from one loss occurrence including loss adjustment expense. The reinsurer's limit of liability shall be $500,000 in respect to each and every risk resulting from one loss occurrence. The Association shall be the sole judge as to what constitutes a risk.

First Property Aggregate Excess of Loss

One hundred percent of the amount, if any, by which the aggregate net losses (including loss adjustment expenses) which occur during an annual period exceed an amount equal to 85 percent of the Association's net premiums written during the annual period. The reinsurer's limit of liability shall be the limit of 85 percent multiplied by the net written premium, in respect to net losses incurred by the Association during the annual period.

Second Property Aggregate Excess of Loss

One hundred percent of the amount, if any, by which the aggregate net losses (including loss adjustment expenses) which occur during an annual period exceed an amount equal to 135 percent of the Association's net premiums written during the annual period. The reinsurer's limit of liability shall be the limit of 135 percent multiplied by the net written premium, in respect to net losses incurred by the Association during the annual period.

In respect to the First and Second Property Aggregate Excess of Loss, for each annual period, the Association shall retain net for its own account an amount of net losses, including loss adjusting expenses, equal to not less than the respective percent multiplied by the Association's net written premium for the annual period. Loss adjustment expenses recoverable shall be limited to the ratio that the loss recoverable bear to the total net incurred losses covered.

MARKET CONDUCT

TERRITORY AND PLAN OF OPERATION

The Association is authorized to transact business in the State of Iowa as a state mutual insurance association under the provisions of Chapter 518A, Code of Iowa. Business is written in an eighteen county area approved by the Iowa Insurance Division prior to the examination period. The permitted writing territory is composed of the following counties prior to examination period: Scott, Cedar, Clinton, Clayton, Des Moines, Dubuque, Henry, Iowa, Jackson, Jefferson, Johnson, Jones, Keokuk, Linn, Louisa, Muscatine, Wapello and Washington.

The Association was approved by Insurance Division to write in Delaware County in 2012. In 2014, Benton, Buchanan and Black Hawk counties were approved by Insurance Division to write business in.

PRODUCER LICENSING

Business is written by 63 licensed and approved agents from fourteen insurance agencies plus the in-house agency with three agents out of 63 working for this agency. Also, a subsidiary agency, Springdale has licensed and approved Association agents writing business as, well.

ADVERTISING

The Association's advertising was reviewed and found to be in compliance with statutory requirements.

RATING AND STATISTICAL REPORTING

The Association is neither a member of nor a subscriber to any rating bureau or statistical reporting agency.

POLICY FORMS AND UNDERWRITING PRACTICES

The Association has policies in force on farm personal property, homeowners and country homeowners classes in insurance covering wind, fire, allied lines and inland marine.

Policy and endorsement forms have been filed and approved. The policies and endorsements utilized by the Association are approved by the Board of Directors prior to usage.

TREATMENT OF POLICYHOLDERS

Claims

Adjustment of claims is handled primarily by the Association's salaried Home Office personnel.

Numerous claim files were reviewed, including closed by payment, closed without payment and open files to determine adequacy of loss reserves and the treatment of policyholders. Of the paid claims reviewed, 100 percent were paid within twenty days from the date sufficient information was received to pay the claim.

Complaint Register

Reviewed complaints during the examination period. All appeared to be properly completed.

GROWTH OF ASSOCIATION

The following historical financial data taken from annual statements.

	Admitted Assets	Surplus to Policyholders	Premiums Earned	Losses Incurred	Investment Income Earned
2006	$7,403,032	$6,511,747	$1,650,764	$845,782	$225,146
2007	8,034,755	7,067,947	1,633,371	494,294	231,217
2008	7,318,472	6,328,541	1,831,641	1,310,264	233,863
2009	8,560,402	7,354,462	1,879,970	882,805	209,303
2010	9,348,559	8,249,594	1,906,121	895,853	212,815
2011	9,679,421	8,550,005	2,016,090	890,512	216,320
2012	10,529,183	9,432,642	2,058,024	780,977	214,567
2013	11,776,399	10,456,345	2,315,289	1,172,312	226,381
2014	12,189,346	10,792,582	2,526,792	1,500,564	278,414
2015	12,204,317	10,199,752	2,593,667	1,985,851	185,941

UNDERWRITING EXPERIENCE

	2011	2012	2013	2014	2015	Total
Premiums earned	$2,016,090	$2,058,024	$2,315,289	$2,526,792	$2,605,674	$11,521,869
Incurred Deductions						
Losses	938,696	780,977	1,172,312	1,500,564	2,136,779	6,529,328
Loss adjustment expenses	136,996	149,143	161,146	156,357	272,557	876,199
Commissions	244,610	250,548	292,868	320,247	324,369	1,432,642
Salaries	179,073	191,762	195,559	209,151	210,063	985,608
Taxes, licenses and fees	37,519	47,747	44,064	47,027	47,475	223,832
Other underwriting expenses	168,568	191,742	203,625	194,658	216,172	974,765
Total deductions	1,705,462	1,611,919	2,069,574	2,428,004	3,207,415	11,022,374
Net underwriting gain (loss)	310,628	446,105	245,715	98,788	(601,741)	499,495

Expressed in % of incurred deductions to earned premiums:

	2011	2012	2013	2014	2015	Total
Incurred Deductions						
Losses	46.56%	37.95%	50.63%	59.39%	82.00%	56.67%
Loss adjustment expenses	6.80%	7.25%	6.96%	6.19%	10.46%	7.60%
Commissions	12.13%	12.17%	12.65%	12.67%	12.45%	12.43%
Salaries	8.88%	9.32%	8.45%	8.28%	8.06%	8.55%
Taxes, licenses and fees	1.86%	2.31%	1.91%	1.86%	1.82%	1.94%
Other underwriting expenses	8.36%	9.32%	8.79%	7.70%	8.30%	8.47%
Total deductions	84.59%	78.32%	89.39%	96.09%	123.09%	95.66%
Net underwriting gain (loss)	15.41%	21.68%	10.61%	3.91%	(23.09)%	4.34%

ACCOUNTS AND RECORDS

Office copies of the filed annual statements for the years under review were found to be in agreement with or reconciled to the general ledger balances of assets, liabilities, income and disbursements.

The Association was in compliance with the Commissioner's Bulletin 97-6 at December 31, 2015 relative to security custodial requirements.

In accordance with Section 518A.37, Code of Iowa, surplus must be maintained at a level of not less than one hundred thousand dollars or one-tenth of one percent of the gross risk in force, whichever is greater. At December 31, 2015, the gross risk in force for the Association was $1,099,530,792. The Association's statutory minimum surplus level as December 31, 2010 was $1,099,531. It is noted the Association's surplus level to minimum surplus level ratio was 9.1/1. The reported surplus/statutory minimum ratio average for the Chapter 518A licensed industry at December 31, 2015 was 9.6/1.

In 2014 and 2015, the Board met on the same date prior to and after to the members meeting in 2014 and 2015. Articles of incorporation state that the annual board should meet after the policyholder meeting. The early board meeting had a motion and approval of the staff and board compensation plan.

The Board met on the same date prior to and after to the members meeting in 2014 and 2015. Articles require Board meet after the members meeting.

Association investment policy notes that the "… portfolio will be made up of approximately 55% bonds and certificates of deposit, 35% stocks and 10% cash equivalents." As of December 31, 2015, bonds and certificates of deposit were 7 percentage points lower than portfolio policy and stocks were 8 percentage points greater than the portfolio percentage.

A certificate of deposit with a five year maturity had a value of $296,000 and FDIC insured for just $250,000. Board decided to let cd to mature in 2011 as noted in the March 22, 2010 board minutes.

The CPA firm completing the 2010 annual audit noted that the Association had an internal control deficiency that year. As noted in the June 22, 2011 board minutes, a material weakness resulted from not having an additional inside employee to reconcile certain financial reports. Association responded that they are fully staffed and could not justify adding staff to do this task.

The CPA firm noted in 2015 annual audit that a deficiency in reporting internal control resulted in the exclusion of a large claim on an irrigation structure incurred in 2015 but not included in the 2015 financial statement. Association noted that the claim was reported to the Association on December 28, 2015 and that timely detection of the claim was difficult. Association accounted for exclusion due to timing rather than reporting control issues.

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: Except as otherwise stated, the financial statements immediately following reflect only the transactions of the year ended December 31, 2015, and the assets and liabilities as of that date. Schedules may not add or tie precisely due to rounding.

ASSETS

	Ledger	Not Admitted	Net Admitted
Bonds	$ 4,311,484	$	$ 4,311,484
Stocks:			
Common stocks	5,100,153		5,100,153
Real estate:			
Properties occupied by the Association	199,114		199,114
Cash:			
Cash holdings	2,388,107		2,388,107
Short-term investments	159,601		159,601
Investment income due and accrued	30,131	1,403	28,728
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	10,814	(11,573)	22,387
Current federal and foreign income tax	17,000	2,257	14,743
EDP equipment and software	4,061		4,061
Furniture and equipment	20,305	20,305	
Aggregate write-ins for other than invested assets:			
Overwrite fees	1,170		1,170
Supplies	500	500	
Investment proceeds receivable	116		116
Total Assets	$12,242,556	$ 12,892	$12,229,664

LIABILITIES AND SURPLUS

Losses	$ 958,814
Loss adjusting expenses	125,700
Commissions payable, contingent commissions and other similar charges	34,152
Other expenses (excluding taxes, licenses and fees)	11,909
Taxes, licenses and fees (excluding federal and foreign income taxes)	6,246
Unearned premiums	1,048,811
Ceded reinsurance premiums payable	4,628
Aggregate write-ins for liabilities:	
Accounts payable - IMT	36,280
Total liabilities	$ 2,226,540
Surplus as regards policyholders	10,003,124
Total Liabilities and surplus	$12,229,664

UNDERWRITING AND INVESTMENT EXHIBIT
FOR THE ONE YEAR PERIOD DECEMBER 31, 2015
SATEMENT OF INCOME

Underwriting Income	
Premiums earned	$ 2,605,674
Deductions	
Losses incurred	$ 2,136,779
Loss expenses incurred	272,557
Commisions	324,369
Salaries	210,063
Taxes, licenses and fees	47,475
Other underwriting expenses incurred	216,172
Total underwriting deductions	3,207,415
Net underwriting gain (loss)	(601,741)
Investment Income	
Net investment income earned	184,538
Net realized capital gain (loss)	(89,802)
Net investment gain (loss)	94,736
Other Income	
Finance and service charges not included in premiums	6,301
Aggregate write-ins for miscellaneous income	
American Mutual Agency - IMT Transactions	(1,104)
IMT liability premiums - Income less expenses	43,750
Miscellaneous income	8,586
Overwrite fees	11,222
Other income	68,755
Net income before dividends to policyholders and before Federal and foreign income taxes	$ (438,250)
Dividends to policyholders	92,362
Net income after dividends to policyholders but before federal and foreign income taxes	$ (530,612)
Federal and foreign income taxes incurred	(14,743)
Net income	$ (515,869)

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2014	$10,792,582
Gains and (Losses) in surplus	
Net income	$ (515,869)
Net unrealized capital gains (losses)	(327,676)
Change in non-admitted assets	86,272
Aggregate write-ins for gains and losses in surplus	
Prior period adjustment	(32,185)
Change in surplus as regards policyholders for the period	$ (789,458)
Surplus as regards policyholders, December 31, 2015	$10,003,124

UNDERWRITING AND INVESTMENT EXHIBIT
FOR THE FIVE YEAR PERIOD DECEMBER 31, 2015
SATEMENT OF INCOME

Underwriting income	
Premiums earned	$11,521,869
Deductions	
Losses incurred	$ 6,529,328
Loss expenses incurred	876,199
Commissions	1,432,642
Salaries	985,608
Taxes, licenses and fees	223,832
Other underwriting expenses incurred	974,765
Total underwriting deductions	11,022,374
Net underwriting gain (loss)	499,495
Investment Income	
Net investment income earned	1,296,957
Net realized capital gain (loss)	166,901
Net investment gain (loss)	1,463,858
Other Income	
Finance and service charges not included in premiums	32,064
Aggregate write-ins for miscellaneous income	
American Mutual Agency - IMT Transactions	(68,821)
IMT liability premiums - Income less expenses	193,154
Miscellaneous income	92,326
Overwrite fees	53,542
Other income	302,265
Net income before dividends to policyholders and before federal and foreign income taxes	$ 2,265,618
Dividends to policyholders	92,362
Net income after dividends to policyholders but before federal and foreign income taxes	$ 2,173,256
Federal and foreign income taxes incurred	690,620
Net income	$ 1,482,636

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2010	$ 8,143,600
Gains and (losses) in surplus	
Net income	$ 1,482,636
Net unrealized capital gains (losses)	381,903
Change in non-admitted assets	27,170
Aggregate write-ins for gains (losses) in surplus:	
Prior period adjustment	(32,185)
Change in surplus as regards policyholders for the period	$ 1,859,524
Surplus as regards policyholders, December 31, 2015	$10,003,124

SURPLUS AS REGARDS POLICYHOLDERS

Examination changes which resulted in a net increase to surplus are shown in the following statement of differences:

Classification	Association Annual Statement	Examination Financial Statement	Surplus Increase (Decrease)
Assets			
Investment income due and accrued	$ 30,131	$ 28,728	$ (1,403)
Uncollected premiums	10,380	$ 22,387	12,007
Current federal and foreign income tax		14,743	14,743
Liabilities			
Losses	807,886	958,814	(150,928)
Loss adjustment expenses	54,102	125,700	(71,598)
Commissions payable	41,297	34,152	7,145
Other expenses	10,655	11,909	(1,254)
Taxes, licenses and fees	906	6,246	(5,340)
Net increase in surplus			$ (196,628)
Surplus per Association			$10,199,752
Surplus per examination			$10,003,124

During the period under review, surplus funds increased $1,859,524 from the amount of $8,143,600 as shown in the last previous examination report. An operating statement reflecting that increase is contained in the financial section.

COMMENTS

Investment income due and accrued — $ 28,728

This asset was decreased $1,403 to reflect the actual interest income accrued by bonds at the end of 2015.

Uncollected premiums — $ 22,387

This asset was increased by $12,007 to properly report uncollected premiums as of December 31, 2015.

Current federal and foreign in income tax — $ 14,743

This asset was increased $14,743 to reflect the actual amount of refund that is due from Internal Revenue Service as of December 31, 2015.

Losses — $958,814

Based on a review of all claims incurred in 2015 or before paid or outstanding in 2016, the liability was increased by $150,928.

Loss adjustment expenses — $125,700

This liability increased by $71,598 based on a five year ratio of paid loss adjustment expenses to paid losses and increase in Loss reserves.

Commissions payable — $ 34,152

This liability decreased $7,145 due to actual commissions that were due in 2015 and paid in 2016.

Other expenses	$ 11,909

Based on a review of other expenses accrued in 2015 and paid in 2016, the liability was increased by $1,254.

Taxes, licenses and fees	$ 6,246

Upon review of non-federal taxes paid in 2016 for these taxes accrued in 2015 increased the accrual by $5,340.

CONCLUSION

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

Respectfully submitted,

/s/ Jerry P. Cihota

JERRY P. CIHOTA, CPA, CFE
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Insurance Division
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