

December 31, 2018 - Annual Statement

Iowa Company Number: 0084

Lincoln Mutual Insurance Association

Phyllis Peterson
105 North Devoe St., Box 155
Lone Tree IA 52755

DECEMBER 31, 2018

| | | | | | | |
|--|---------------------------|---|--|-------------------------------------|----|------------------|
| 1. Ledger Assets, December 31 of previous year, Total column 1, page 4..... | | | | | \$ | <u>1,493,296</u> |
| INCOME - INCREASES IN LEDGER ASSETS | | | | | | |
| PREMIUMS | | | | | | |
| | (1) Direct Premiums | (2) Reinsurance Premiums Assumed | (3) Specific Reinsurance Premiums Ceded | (4) Net Premiums (1+2-3=4) | | |
| 2. Fire..... | \$ 209,758 | \$ | \$ | \$ 209,758 | | |
| 3. Windstorm..... | 209,758 | | | 209,758 | | |
| 4. Crop Hail..... | | | | | | |
| Homeowner 5. Assumed..... | XXXXXXX | | | | | |
| 6. Totals..... | \$ 419,516 | \$ | \$ | \$ 419,516 | | |
| 7. Aggregate excess loss reinsurance paid..... | | | | | | <u>124,460</u> |
| 8. Total net assessment, premiums and fees (line 6, col. 4 - line 7 = line 8)..... | | | | | \$ | <u>295,056</u> |
| 9. Net interest received on bonds..... | | | | | | <u>27,207</u> |
| 10. Increase in adjustment of bonds <u>767</u> , less <u>2,768</u> decrease in adjustment of bonds..... | | | | | | <u>(2,001)</u> |
| 11. Dividends received..... | | | | | | <u>584</u> |
| 12. Interest received on bank deposits (schedule C-2, column 7)..... | | | | | | <u>5,193</u> |
| 13. Interest received on mortgage loans (schedule D, column 6)..... | | | | | | |
| 14. Other interest..... | | | | | | |
| 15. Profit on sale of investment..... | | | | | | |
| 16. Rents received*..... | | | | | | <u>3,400</u> |
| 17. Total income from investments (items 9 through 16)..... | | | | | \$ | <u>34,383</u> |
| 18. Borrowed money..... | | | | | | |
| 19. Premiums collected for other companies (less refunds)..... | | | | | | <u>25,262</u> |
| 20. Checks charged off..... | | | | | | |
| 21. Increase in ledger liabilities..... | | | | | | |
| 22. Underwriting expense reimbursement..... | | | | | | |
| 23. Federal income tax refund..... | | | | | | |
| 24. Miscellaneous income..... | | | | | | |
| 25. Crop Hail Contingency Commission..... | | | | | | |
| 26. | | | | | | |
| 27. Total (items 18 through 26)..... | | | | | \$ | <u>25,262</u> |
| 28. Total income (items 8, 17, and 27)..... | | | | | \$ | <u>354,701</u> |
| 29. Total assets and income (item 1 plus item 28)..... | | | | | \$ | <u>1,847,997</u> |

*Includes \$1,200 for association's occupancy of its own buildings.

DECEMBER 31, 2018

| | | | | | |
|---|-------------------------|-------------------------------|--|-------------------------------------|--------------|
| 1. Amount brought forward from line 29 page 2..... | | | | | \$ 1,847,997 |
| DISBURSEMENTS - DECREASES IN LEDGER ASSETS | | | | | |
| LOSSES | | | | | |
| | (1) Direct Losses | (2) Reinsurance Assumed | (3) Specific Reinsurance Recovered | (4) Net Losses Paid (1+2-3=4) | |
| 2. Fire..... | \$ 241,185 | \$ | \$ 56,886 | \$ 184,299 | |
| 3. Windstorm..... | 16,430 | | | 16,430 | |
| 4. Crop Hail | | | | | |
| 5. Homeowners Assumed..... | XXXXXXXXXX | | | | |
| 6. Totals..... | \$ 257,615 | \$ | \$ 56,886 | \$ 200,729 | |
| 7. Received from aggregate excess loss reinsurance..... | | | | | |
| 8. Total of all net losses (line 6, column 4 - line 7 = line 8)..... | | | | | \$ 200,729 |
| OPERATING EXPENSE | | | | | |
| 9. Loss Adjustment Expenses..... | | | | 17,355 | |
| 10. Commissions..... | | | | 62,056 | |
| 11. Advertising..... | | | | 5,472 | |
| 12. Boards, bureaus and associations..... | | | | 3,878 | |
| 13. Inspection and loss prevention..... | | | | 372 | |
| 14. Salaries of officers..... | | | | 51,439 | |
| 15. Expenses of officers..... | | | | | |
| 16. Salaries of office employees..... | | | | 6,761 | |
| 17. Employee welfare..... | | | | 6,217 | |
| 18. Insurance..... | | | | 6,911 | |
| 19. Directors' compensation..... | | | | 6,630 | |
| 20. Directors' expenses..... | | | | 2,300 | |
| 21. Rent and rent items..... | | | | 1,220 | |
| 22. Equipment..... | | | | 1,170 | |
| 23. Printing, stationery and supplies..... | | | | 12,880 | |
| 24. Postage and telephone | | | | 1,349 | |
| 25. Legal and auditing..... | | | | 13,968 | |
| 26. State insurance taxes (March 1, 0) (June 1, 1,957) (August 15, 2,095) | | | | 4,052 | |
| 27. Insurance Division licenses and fees..... | | | | 185 | |
| 28. Payroll taxes..... | | | | 5,116 | |
| 29. All other taxes (excluding Federal income)..... | | | | | |
| 30. Real estate expenses..... | | | | 105 | |
| 31. Real estate taxes..... | | | | 776 | |
| 32. Interest on borrowed money..... | | | | | |
| 33. Miscellaneous..... | | | | 1,001 | |
| a. Annual Meeting..... | | | | | |
| b. Donations/Contributions..... | | | | | |
| c. Travel and Travel Items..... | | | | | |
| d. Over and Short..... | | | | | |
| 34. | | | | | |
| 35. Total operating expense (items 9 through 34)..... | | | | | \$ 211,213 |
| NON-OPERATING EXPENSE | | | | | |
| 36. Borrowed money repaid..... | | | | | |
| 37. Depreciation on real estate..... | | | | 1,856 | |
| 38. Loss on sale of investments..... | | | | | |
| 39. Federal income tax Prior year, 0 Current year, 0 | | | | | |
| 40. Premium collections transmitted to other companies..... | | | | 21,854 | |
| 41. Commission paid agents for other companies..... | | | | 5,027 | |
| 42. Decrease in ledger liabilities..... | | | | | |
| 43. Federal income tax penalty/interest..... | | | | | |
| 44. Total non-operating expense (items 36 through 43)..... | | | | | 28,737 |
| 45. Total disbursements (items 8, 35, and 44)..... | | | | | \$ 440,679 |
| 46. Balance - ledger assets, December 31st must agree with Line 22, Column 1, Page 4..... | | | | | \$ 1,407,318 |

ASSETS - DECEMBER 31, 2018

| | (1) Ledger Assets | (2) Non-ledger including excess of market (or amortized) over book value | (3) Assets not admitted including excess of book over market or amortized values | (4) Current Year Net Admitted Assets (1+2-3=4) | (5) Prior Year Net Admitted Assets |
|---|----------------------|--|--|--|---|
| 1. *Bonds (schedule A-part 1)..... | \$ 891,482 | \$ | \$ | \$ 891,482 | \$ 790,873 |
| 2. Stocks (schedule A-part 2)..... | 53,220 | 8,021 | | 61,240 | 35,535 |
| 3. Bank Balances | | | | | |
| 3.1 Subject to check(C-1)..... | 80,062 | | | 80,062 | 235,697 |
| 3.2 On interest (C-2)..... | 319,378 | | | 319,378 | 377,376 |
| 4. Mortgage loans (schedule D) | | | | | |
| 4.1 First liens..... | | | | | |
| 4.2 Other than first..... | | | | | |
| 5. Collateral loans (schedule E)..... | | | | | |
| 6. Real estate (schedule F)..... | 60,621 | | | 60,621 | 57,594 |
| 7. Cash in office..... | | | | | |
| 8. Unpaid Premiums | | | | | |
| 8.1 Due before November 1..... | | | | X X X X X X | X X X X X X |
| 8.2 Due after November 1..... | | 1,322 | | 1,322 | 2,725 |
| 9. Bills receivable..... | | | | X X X X X X | X X X X X X |
| 10. Agent's balances..... | | | | | |
| 11. Reinsurance receivable on paid losses..... | | | | | |
| 12. Accrued interest..... | X X X X X X | 6,857 | | 6,857 | 5,561 |
| 13. Accrued rent due..... | X X X X X X | | | | |
| 14. Equipment and furniture..... | 1,829 | | 1,829 | X X X X X X | X X X X X X |
| 15. Supplies..... | | | | X X X X X X | X X X X X X |
| 16. Automobiles..... | | | | X X X X X X | X X X X X X |
| 17. Cash surrender value of life ins. | | | | | |
| 18. Federal Inc. tax recoverable..... | | | | | |
| 19. Electronic data processing equipment..... | 726 | | | 726 | 1,210 |
| 20. Service fees & misc receivables.. | | 4,015 | | 4,015 | 5,187 |
| 21. Prepaid Reins. & other assets.... | | | | | |
| 22. Totals..... | \$ 1,407,318 | \$ 20,215 | \$ 1,829 | \$ 1,425,703 | \$ 1,511,758 |

*Bonds are amortized through 12/31/2018.

LIABILITIES - DECEMBER 31, 2018

| | | Current Year | Prior Year |
|--|----------|--------------|--------------|
| 1. Unpaid claims (reported)..... | \$ 5,630 | | |
| 2. Unpaid claims (incurred but not reported)..... | | | |
| 3. Total unpaid losses..... | 5,630 | | |
| 4. Less: reinsurance recoverable on unpaid losses..... | | | |
| 5. Net unpaid claims..... | | \$ 5,630 | \$ 41,739 |
| 6. Unpaid adjusting expenses..... | | 800 | 1,500 |
| 7. Ceded reinsurance balances payable..... | | 11,152 | 10,775 |
| 8. Unpaid salaries and commissions..... | | 4,108 | 9,720 |
| 9. Borrowed money..... | | | |
| 10. Interest due on borrowed money..... | | | |
| 11. Amounts withheld for the account of others..... | | 972 | 1,338 |
| 12. Taxes payable: Real estate..... | | 776 | 808 |
| Federal Income..... | | | |
| Premium..... | | 5 | - |
| Other..... | | 332 | 345 |
| 13. Other unpaid expenses..... | | 344 | 145 |
| 14. Premiums collected for other companies - not remitted..... | | 1,143 | 1,036 |
| 15. Premiums received in advance..... | | 22,959 | 26,640 |
| 16.* Unearned premium reserve..... | | 169,000 | 170,000 |
| 17. Service Fees and Employee Benefits Payable..... | | 7,400 | 7,398 |
| 18. Miscellaneous Liabilities..... | | | |
| 19. Total liabilities..... | | \$ 224,621 | \$ 271,444 |
| 20. Surplus..... | | \$ 1,201,082 | \$ 1,240,314 |
| 21. Total liabilities and surplus..... | | \$ 1,425,703 | \$ 1,511,758 |

(line 21 must agree with line 22, column 4, and page 4)

*Method of calculation: 40% method.

HISTORICAL INFORMATION

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------------|-------------|-------------|-------------|-------------|
| Gross Premium | | | | | |
| Fire..... | 209,758 | 209,494 | 216,391 | 242,225 | 241,664 |
| Windstorm..... | 209,758 | 209,495 | 216,392 | 242,224 | 241,169 |
| Crop Hail..... | 0 | 0 | 0 | 0 | 0 |
| Total..... | 419,516 | 418,989 | 432,783 | 484,449 | 482,833 |
| Net Premium Written | | | | | |
| Fire..... | 209,758 | 209,494 | 216,391 | 242,225 | 241,664 |
| Windstorm..... | 209,758 | 209,495 | 216,392 | 242,224 | 241,169 |
| Crop Hail..... | 0 | 0 | 0 | 0 | 0 |
| Total..... | 419,516 | 418,989 | 432,783 | 484,449 | 482,833 |
| Total Net of Agg..... | 295,056 | 298,442 | 315,476 | 383,625 | 380,788 |
| Gross Losses Paid | | | | | |
| Fire..... | 241,185 | 59,644 | 87,537 | 220,429 | 97,129 |
| Windstorm..... | 16,430 | 120,429 | 50,729 | 22,860 | 33,400 |
| Crop Hail..... | 0 | 0 | 0 | 0 | 0 |
| Total..... | 257,615 | 180,073 | 138,266 | 243,289 | 130,529 |
| Net Losses Paid | | | | | |
| Fire..... | 184,300 | 59,644 | 87,537 | 181,383 | 97,129 |
| Windstorm..... | 16,430 | 120,429 | 50,729 | 22,860 | 33,400 |
| Crop Hail..... | 0 | 0 | 0 | 0 | 0 |
| Total..... | 200,730 | 180,073 | 138,266 | 204,243 | 130,529 |
| Total Net of Agg..... | 200,730 | 180,073 | 131,518 | 204,243 | 130,529 |
| Loss Percentage (Direct) | | | | | |
| Fire Losses/Fire Prem..... | 115 % | 28 % | 40 % | 91 % | 40 % |
| Windstorm Losses/Windstorm Prem..... | 8 % | 57 % | 23 % | 9 % | 14 % |
| Crop Hail Losses/Crop Hail Prem..... | 0 % | 0 % | 0 % | 0 % | 0 % |
| Total Losses/Total Prem..... | 61 % | 43 % | 32 % | 50 % | 27 % |
| Loss Percentage (Net) | | | | | |
| Fire Losses/Fire Prem..... | 88 % | 28 % | 40 % | 75 % | 40 % |
| Windstorm Losses/Windstorm Prem..... | 8 % | 57 % | 23 % | 9 % | 14 % |
| Crop Hail Losses/Crop Hail Prem..... | 0 % | 0 % | 0 % | 0 % | 0 % |
| Total Losses/Total Prem..... | 48 % | 43 % | 32 % | 42 % | 27 % |
| Total Net Agg Losses/Total Net Ag Prem | 68 % | 60 % | 42 % | 53 % | 34 % |
| Balance Sheet Items | | | | | |
| Total Admitted Assets..... | 1,425,703 | 1,511,758 | 1,566,601 | 1,569,930 | 1,580,755 |
| Liabilities..... | 224,620 | 271,445 | 234,868 | 251,834 | 251,144 |
| Surplus..... | 1,201,083 | 1,240,313 | 1,331,733 | 1,318,096 | 1,329,611 |
| Bonds..... | 891,482 | 790,873 | 622,210 | 206,459 | 95,000 |
| Stocks..... | 61,241 | 35,535 | 24,169 | 14,325 | 13,921 |
| Real Estate..... | 60,621 | 57,594 | 59,388 | 61,217 | 63,390 |
| Unpaid Premium(line 8.1)..... | 0 | 0 | 648 | 0 | 0 |
| Unpaid Premium(line 8.2)..... | 1,322 | 2,725 | 4,021 | 2,765 | 1,330 |
| Agent's Balances..... | 0 | 0 | 0 | 0 | 0 |
| Unearned Premium..... | 169,000 | 170,000 | 171,000 | 195,000 | 191,000 |
| Balance Sheet Percentages | | | | | |
| Bonds/Admitted Assets..... | 63 % | 52 % | 40 % | 13 % | 6 % |
| Stocks/Admitted Assets..... | 4 % | 2 % | 2 % | 1 % | 1 % |
| Real Estate/Admitted Assets..... | 4 % | 4 % | 4 % | 4 % | 4 % |
| Unpaid Prem (line 8.2)/Admitted Assets. | 0 % | 0 % | 0 % | 0 % | 0 % |
| Agents' Balances/Admitted Assets..... | 0 % | 0 % | 0 % | 0 % | 0 % |
| Income/Disbursement Items | | | | | |
| Total Income..... | 354,702 | 355,789 | 368,195 | 430,965 | 426,565 |
| Total Disbursements..... | 440,679 | 413,727 | 366,743 | 450,813 | 370,004 |
| Operating Expense..... | 211,212 | 206,683 | 208,256 | 219,074 | 213,560 |
| Commissions..... | 62,056 | 63,021 | 61,197 | 68,897 | 70,516 |
| Investment Income..... | 34,383 | 33,272 | 28,189 | 23,083 | 22,001 |
| Salaries (lines 14-17)..... | 64,417 | 61,654 | 69,959 | 77,145 | 65,894 |
| Other | | | | | |
| Gross Risk in Force..... | 124,236,120 | 125,572,151 | 124,368,962 | 106,000,004 | 102,564,477 |
| Number of Policies..... | 393 | 418 | 423 | 414 | 425 |
| Operating Expense/Net Premium..... | 72 % | 69 % | 66 % | 57 % | 56 % |