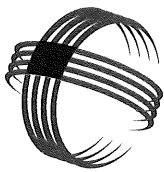


IOWA FAIR PLAN
INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

The Governing Board
Iowa FAIR Plan
West Des Moines, Iowa

We have audited the accompanying statutory financial statements of Iowa FAIR Plan (an Iowa partnership), which comprise the statements of admitted assets, liabilities, and unassigned surplus – statutory as of September 30, 2019 and 2018, and the related statements of income and expense – statutory, unassigned surplus – statutory, and cash flows – statutory for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions prescribed or permitted by the Iowa Insurance Division. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

MEMBERS OF:

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

IOWA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND SOUTH DAKOTA CPA SOCIETY

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by Iowa FAIR Plan on the basis of the financial reporting provisions prescribed or permitted by the Iowa Insurance Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Iowa Insurance Division. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Iowa FAIR Plan as of September 30, 2019 and 2018, or the results of its operations or its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the admitted assets, liabilities, and surplus of Iowa FAIR Plan as of September 30, 2019 and 2018, and the results of its operations and cash flows for the years then ended, in accordance with financial reporting provisions prescribed or permitted by the Iowa Insurance Division as described in Note 1.

Disclaimer of Opinion on Nonaccounting Data

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The nonaccounting information shown on page 13, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. The nonaccounting information has not been subjected to the auditing procedures applied in the audits of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Cain Ellsworth & Co, LLP
Cain Ellsworth & Company, LLP
Certified Public Accountants

Sheldon, Iowa
November 8, 2019

IOWA FAIR PLAN
STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND UNASSIGNED SURPLUS -
STATUTORY
SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ADMITTED ASSETS</u>		
INVESTMENTS		
Money Market Fund	\$ 14,784	\$ 3,030
Certificates of Deposit	2,700,000	1,800,000
TOTAL INVESTMENTS	<u>2,714,784</u>	<u>1,803,030</u>
CASH AND RECEIVABLES		
Cash and Cash Equivalents	148,357	27,945
Premiums Receivable	151,776	153,862
Other Receivable	22,573	12,564
TOTAL CASH AND RECEIVABLES	<u>322,706</u>	<u>194,371</u>
FIXED ASSETS - NET	7,759	-
TOTAL ADMITTED ASSETS	<u><u>\$ 3,045,249</u></u>	<u><u>\$ 1,997,401</u></u>
<u>LIABILITIES AND UNASSIGNED SURPLUS</u>		
LIABILITIES		
Reserve for Losses and Loss Adjustment Expenses	\$ 140,172	\$ 128,670
Unearned Premiums	416,918	449,296
Advance Premiums and Other Deposits	18,538	21,987
Accrued Premium Taxes	5,902	6,268
Accounts Payable and Other Liabilities	46,271	36,794
TOTAL LIABILITIES	<u>627,801</u>	<u>643,015</u>
UNASSIGNED SURPLUS	2,417,448	1,354,386
TOTAL LIABILITIES AND UNASSIGNED SURPLUS	<u><u>\$ 3,045,249</u></u>	<u><u>\$ 1,997,401</u></u>

See Independent Auditor's Report. The accompanying notes are an integral part of the financial statements.

IOWA FAIR PLAN
STATEMENTS OF INCOME AND EXPENSE - STATUTORY
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Underwriting Income		
Premiums Earned	\$ 814,437	\$ 864,798
Losses and Expenses Incurred		
Losses	248,209	668,150
Loss Adjustment Expenses	43,008	54,883
Underwriting Expenses	<u>604,279</u>	<u>553,562</u>
TOTAL LOSSES AND EXPENSES INCURRED	<u>895,496</u>	<u>1,276,595</u>
 NET UNDERWRITING LOSS	 (81,059)	 (411,797)
Investment Income		
Interest	<u>60,492</u>	<u>29,895</u>
NET INVESTMENT INCOME	<u>60,492</u>	<u>29,895</u>
Other Income		
Miscellaneous	21,000	21,000
Service Fee Income	<u>9,765</u>	<u>9,455</u>
TOTAL OTHER INCOME	<u>30,765</u>	<u>30,455</u>
 NET INCOME (LOSS)	 <u><u>\$ 10,198</u></u>	 <u><u>\$ (351,447)</u></u>

See Independent Auditor's Report. The accompanying notes are an integral part of the financial statements.

IOWA FAIR PLAN
STATEMENTS OF UNASSIGNED SURPLUS - STATUTORY
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
UNASSIGNED SURPLUS - Beginning	\$ 1,354,386	\$ 1,702,811
Net Income (Loss)	10,198	(351,447)
Assessments Received	1,050,346	-
Change in Non-Admitted Assets	2,518	3,022
UNASSIGNED SURPLUS - Ending	<u><u>\$ 2,417,448</u></u>	<u><u>\$ 1,354,386</u></u>

See Independent Auditor's Report. The accompanying notes are an integral part of the financial statements.

IOWA FAIR PLAN
STATEMENTS OF CASH FLOWS - STATUTORY
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ 10,198	\$ (351,447)
Adjustments for Non-Cash Items:		
Depreciation	3,770	3,022
TOTAL FROM EARNINGS	<u>13,968</u>	<u>(348,425)</u>
Adjustments for Changes in Accruals:		
(Increase) Decrease in Premiums Receivable	2,087	(2,550)
Increase in Other Receivables	(10,009)	(3,656)
Increase in Reserve for Losses and Loss Adjustment Expenses	11,502	49,500
Decrease in Unearned Premiums	(32,378)	(31,520)
Decrease in Advance Premiums and Other Deposits	(3,449)	(3,044)
Decrease in Accrued Premium Taxes	(366)	(545)
Increase in Accounts Payable and Other Liabilities	9,477	665
NET CASH USED BY OPERATING ACTIVITIES	<u>(9,168)</u>	<u>(339,575)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in Money Market Fund	(11,754)	54,050
(Increase) Decrease in Certificates of Deposit	(900,000)	200,000
Purchase of Fixed Assets	(9,012)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(920,766)</u>	<u>254,050</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Assessments Received	1,050,346	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,050,346</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>120,412</u>	<u>(85,525)</u>
CASH AND CASH EQUIVALENTS - Beginning	27,945	113,470
CASH AND CASH EQUIVALENTS - Ending	<u><u>\$ 148,357</u></u>	<u><u>\$ 27,945</u></u>

See Independent Auditor's Report. The accompanying notes are an integral part of the financial statements.

**IOWA FAIR PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations, Risks and Uncertainties

Iowa FAIR Plan has been formulated by the insurance industry for the purpose of making basic property insurance available to responsible applicants who have been unable to secure such insurance in the normal insurance market. The purpose of the program is to establish a plan (Fair Access to Insurance Requirements) through an industry placement facility and a joint reinsurance association for the equitable distribution and placement of risks among insurers. Membership requirements for the Iowa FAIR Plan state that an insurer must be licensed to write property insurance in Iowa and is engaged in writing property insurance in this state, including the property insurance components of multiperil on a direct basis.

The program became effective October 25, 1968 and may be terminated only by Iowa legislative amendment. Assessments are made on participating companies for funds as needed and may be refunded on the basis of underwriting and operating results in subsequent years. On September 26, 2018, the Governing Committee approved a carrier member assessment. There was a total of \$1,050,346 in assessments received during the year ended September 30, 2019. No assessments were made during the year ended September 30, 2018.

The preparation of financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and reporting period. Accordingly, actual results could differ from estimated amounts.

Basis of Presentation

The financial statements have been prepared on the basis of the financial reporting provisions prescribed or permitted by the Iowa Insurance Division. Such practices vary from generally accepted accounting principles in the following respects:

Commissions and other underwriting expenses related to the issuance of new policies are expensed as such costs are incurred.

Premium income is recognized as earned.

Salvage and subrogation recoveries are recorded when received.

All types of leases are treated as operating leases.

**IOWA FAIR PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The carrying values (cost less accumulated depreciation) of office furniture and fixtures are designated as “nonadmitted assets” and excluded from the financial statements.

Premiums Receivable

Premiums receivable are carried at their estimated collectible amounts. Premiums receivable are written off 15 days after the due date of the installment upon notice of cancellation to the policyholder. Renewal policies lapse on the policy due date, and policyholders are given 15 days to reinstate the policy. The Plan does not require collateral to support premiums receivable.

On September 30, 2019 and 2018, carrying amounts were as follows:

	<u>2019</u>	<u>2018</u>
Premiums Receivable (including \$0 held for sale)	\$ 151,776	\$ 153,862
Allowance for uncollectible accounts	-	-
Premiums Receivable	<u>\$ 151,776</u>	<u>\$ 153,862</u>

Cash and Cash Equivalents

For purposes of the statements of cash flows, the plan considers as cash and cash equivalents all currency on hand and demand deposits with banks or other financial institutions. Since the Plan’s operations include investing funds, short-term savings deposits are classified as investments rather than cash equivalents.

The Plan maintains an interest bearing and a non-interest bearing cash balance at a local bank, which at times may exceed federally insured limits. The Plan believes it is not exposed to any significant credit risk on cash.

Reserve for Losses and Loss Adjustment Expenses

The reserves for losses and loss adjustment expenses are determined using case-basis evaluations and statistical analyses and represent estimates of the ultimate net cost of all unpaid losses incurred through September 30 of each year. These reserves include estimates of future trends in claim severity, frequency and other factors that could vary as the losses are ultimately settled. Although considerable variability is inherent in such estimates, management believes that the reserves for losses and loss adjustment expenses are adequate. The estimates are continually reviewed and, as adjustments to these reserves become necessary, such adjustments are reflected in current operations.

**IOWA FAIR PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Premium Income Recognition

Premiums are recognized ratably over the terms of the respective policies. Unearned premiums are computed using the daily pro-rata method.

Fixed Assets

Fixed assets are stated on the basis of cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense charged to operations was \$3,770 and \$3,022 for the years ended September 30, 2019 and 2018, respectively. Expenditures for repairs and maintenance are charged to operations as incurred. Expenditures for betterments and renewals that materially extend the useful lives of assets or increase their productivity are capitalized. The plan has not modified its capitalization policy since the prior year. At the time properties are retired or otherwise disposed of, the amounts of costs and accumulated depreciation thereon are eliminated from the accounts. Gains and losses on disposals are credited/charged to operations. The following estimated useful lives are used:

	<u>Years</u>
Furniture and Equipment	5-10
Software	3
Electronic Data Processing Equipment	3

Investments

In accordance with the requirements of the National Association of Insurance Commissioners, investments are stated as follows:

Money Market Funds – at market value determined by public quotations [cost - \$14,784 (2019); \$3,030 (2018)]

Certificates of Deposit – at cost which approximates fair value

2. SUPPLEMENTAL CASH FLOWS INFORMATION

Supplemental cash flows information is as follows:

	<u>2019</u>	<u>2018</u>
Interest Paid	\$ <u>-</u>	\$ <u>-</u>
Income Taxes Paid During the Year	\$ <u>-</u>	\$ <u>-</u>
Income Tax Refunds Received During the Year	\$ <u>476</u>	\$ <u>14,736</u>

IOWA FAIR PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

2. SUPPLEMENTAL CASH FLOWS INFORMATION (Continued)

There were no non-cash investing or financing activities for the years ended September 30, 2019 and 2018.

3. FIXED ASSETS

Fixed assets as of September 30, 2019 and 2018, are summarized by major classification as follows:

	<u>2019</u>	<u>2018</u>
Furniture and Equipment	\$ 169	\$ 169
Software	18,144	18,144
Electronic Data Processing Equipment	16,272	7,262
	<u>\$ 34,585</u>	<u>\$ 25,575</u>
Less: Accumulated Depreciation	(26,826)	(23,057)
	<u>\$ 7,759</u>	<u>\$ 2,518</u>
Less: Non-Admitted Assets	-	(2,518)
<u>Total Admitted Assets</u>	<u><u>\$ 7,759</u></u>	<u><u>\$ -</u></u>

4. FEDERAL INCOME TAXES

No provision has been made for federal income taxes as the income or loss for the Plan is included in the tax returns of the members. Because Iowa FAIR Plan has a September rather than a December year end, a federal income tax deposit, which is adjusted each year based on the preceding year's income or loss, may be required. The amount required to be on deposit was \$0 for September 30, 2019 and 2018, respectively.

**IOWA FAIR PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

5. RESERVE FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

Activity in the reserve for losses and loss adjustment expenses is summarized as follows:

	<u>2019</u>	<u>2018</u>
Balance At Beginning Of Year	\$ 128,670	\$ 79,170
Incurred Related To:		
Current Year	354,422	761,523
Prior Years	(63,205)	(38,490)
Total Incurred	<u>\$ 291,217</u>	<u>\$ 723,033</u>
 Paid Related To:		
Current Year	\$ 234,250	\$ 642,853
Prior Years	45,465	30,680
Total Paid	<u>279,715</u>	<u>673,533</u>
Balance At End Of Year	<u><u>\$ 140,172</u></u>	<u><u>\$ 128,670</u></u>

6. LEASES

Rent expense for the Iowa FAIR Plan's facilities amounted to \$20,131 and \$21,324 for the years ended September 30, 2019 and 2018, respectively.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of September 30, 2019, for each of the next five years and in the aggregate are:

Year Ended September 30,	<u>Amount</u>
2020	\$ 21,872
2021	8,536
2022	1,867
2023	1,867
2024	1,400
Total Minimum Future Rental Payments	<u><u>\$ 35,542</u></u>

**IOWA FAIR PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

7. COMMITMENTS AND CONTINGENCIES

The plan is subject to pending lawsuits and unasserted claims arising out of usual and customary claims filed pursuant to policies of insurance issued in the normal course of business and in the normal course of settlement. Management, after review and consultation with counsel, considers that any liability from these pending lawsuits would not materially affect the financial position of the plan.

8. ADMINISTRATIVE AGREEMENTS

Iowa FAIR Plan provides administrative services under a contract with Iowa Insurance Guaranty Association. Iowa FAIR Plan receives operating expense reimbursements from Iowa Insurance Guaranty Association. The amount of \$21,000 for each of the years ended September 30, 2019 and 2018, is reported as miscellaneous income in the accompanying financial statements.

Iowa FAIR Plan provides sole funding and administration for the Iowa Arson Alert Program based on program needs. Total funding provided was \$0 for the years ended September 30, 2019 and 2018, respectively.

9. DEFINED CONTRIBUTION PLAN

The Iowa FAIR Plan sponsors a 401(k) defined contribution plan that covers all employees of the Company. The Plan began on July 1, 2015. For the year ended September 30, 2019 and 2018, respectively, contributions to the Plan were \$9,027 and \$8,018. The Company contributes 5% of each employee's salary to their 401(k).

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 8, 2019, the date which the financial statements were available for issue.

**IOWA FAIR PLAN
ORGANIZATION DATA
SEPTEMBER 30, 2019**

Date Organized	October 25, 1968
Business Address	2700 Westown Pkwy Ste 415 West Des Moines, Iowa 50266-1431
Nature of Business	To make basic property insurance available to responsible applicants who have been unable to secure such insurance in the normal insurance market.

Governing Board:

American Property Casualty Insurance Association – Represented by Employers Mutual Casualty Company, Dalith Wells, Representative
Iowa Insurance Institute – Represented by Nationwide Insurance Company, Bob Brodersen, Representative
Mutual Insurance Association of Iowa – Represented by Grinnell Mutual Reinsurance Company, Jeff Menary, Representative
Independent Insurance Agents of Iowa – Represented by Tom O’Meara
All Other Insurers – Represented by State Farm Insurance Company, Rory Hansen, Representative; Travelers, John Hyde, Representative; IMT Insurance, Brad Buchanan, Representative

Officers and Staff:

Brad Buchanan	Chairman
John Hyde	Vice Chairman
Bob Brodersen	Secretary/Treasurer
Bob Conroy	Executive Director
Vicky Barr	Manager
Amy Miller	Staff
Kathy Lewis	Staff

Servicing Companies:

Nationwide Insurance Company
Grinnell Mutual Reinsurance Company
Employers Mutual Casualty Company
IMT Insurance
Travelers
State Farm Fire and Casualty Company