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**Department of Insurance
State of Idaho**

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE

STATE OF IDAHO

In the Matter of:

UNITED HERITAGE PROPERTY &
CASUALTY COMPANY

Certificate of Authority No. 1919
NAIC No. 18939

Docket No. 18-4415-24

**ORDER ADOPTING REPORT
OF EXAMINATION AS OF
DECEMBER 31, 2022**

The State of Idaho, Department of Insurance (“Department”), having conducted an examination of the affairs, transactions, accounts, records, and assets of UNITED HERITAGE PROPERTY & CASUALTY COMPANY (“UHPCC”) to ascertain compliance with title 41, Idaho Code, and related rules, pursuant to Idaho Code § 41-219(1) and (5), hereby alleges the following facts that constitute a basis for issuance of an order, pursuant to Idaho Code § 41-227(5)(a), adopting the Report of Examination of UHPCC for the period of January 1, 2018 to December 31, 2022 (“Report”), as filed.

FINDINGS OF FACT

1. UHPCC is an Idaho-domiciled insurance company licensed by the Department to transact property insurance and casualty insurance, excluding workers’ compensation, in Idaho under Certificate of Authority No. 1919.

2. The Department completed an examination of UHPCC pursuant to Idaho Code § 41-219(1) and (5) on or about March 6, 2024. The Department’s findings are set forth in the Report.

3. Pursuant to Idaho Code § 41-227(4), a copy of the Report was filed with the Department on March 21, 2024, and was transmitted to UHPCC on the same date. A copy of the Report is attached hereto as Exhibit A.

4. On April 2, 2024, the Department received a Waiver signed by Mathew Dahl, the Senior Vice President and CFO of UHPCC. By execution of such Waiver, a copy of which is attached hereto as Exhibit B, United Heritage Property & Casualty Company consented to the immediate entry of a final order by the Director of the Department (“Director”) adopting the Report without any modifications; waived its right to make a written submission or rebuttal to the Report; and waived its right to request a hearing and to seek reconsideration or appeal for the Director’s final order.

CONCLUSIONS OF LAW

5. Idaho Code § 41-227(5)(a) provides that, after expiration of “the period allowed for the receipt of written submissions or rebuttals, the Director shall fully consider and review the report, together with any written submissions or rebuttals and relevant portions of the examiner’s work papers” and shall enter an order adopting the report of examination as filed or with modifications or corrections.

6. Having fully considered the Report, the Director concludes that, with regard to the matters examined and information provided by UHPCC, the comments and recommendations contained in the Report are appropriate and are incorporated herein as if set forth in full.

ORDER

NOW, THEREFORE, based on the foregoing, IT IS HEREBY ORDERED that the Report of Examination of United Heritage Property & Casualty Company for the period of January 1, 2018 to December 31, 2022, is hereby ADOPTED as filed, pursuant to Idaho Code § 41-227(5)(a).

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(8), that the adopted Report

is a public record and shall not be subject to the exemptions from disclosure provided in chapter 1, title 74, Idaho Code.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(6)(a), that, within thirty (30) days of the issuance of the adopted Report, UHPCC shall file with the Department's Chief Examiner affidavits executed by each of its directors or, if none, its principal officers, stating under oath that they have received a copy of the adopted Report and related orders.

IT IS SO ORDERED.

DATED this 16 day of April, 2024.

STATE OF IDAHO
DEPARTMENT OF INSURANCE



DEAN L. CAMERON
Director

NOTIFICATION OF RIGHTS

This Order constitutes a final order of the Director. Any party may file a motion for reconsideration of this final order within fourteen (14) days of the service date of this order. The Director will dispose of the petition for reconsideration within twenty-one (21) days of its receipt, or the petition will be considered denied by operation of law. *See*, Idaho Code § 67-5246(4).

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order may appeal it by filing a petition for judicial review in the district court of the county in which: (1) the hearing was held; or (2) the final agency action was taken; or (3) the aggrieved party resides or operates its principal place of business in Idaho; or (4) the real property or personal property that was the subject of the agency decision is located. An appeal must be filed within twenty-eight (28) days of: (a) the service date of this final order; or (b) an order denying a petition for reconsideration; or (c) the failure within twenty-one (21) days to grant or deny a petition for reconsideration, whichever is later. *See*, Idaho Code § 67-5273. The filing of a petition for judicial review does not itself stay the effectiveness or enforcement of the order under appeal.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 17th day of April, 2024, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2022, to be served upon the following by the designated means:

Mathew Dahl SVP/CFO United Heritage Life Insurance Company 707 E. United Heritage Court Meridian, ID 83642	<input type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: mdahl@unitedheritage.com
John Keenan Deputy Attorney General Idaho Department of Insurance 700 W. State Street, 3 rd Floor P.O. Box 83720 Boise, ID 83720-0043	<input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: john.keenan@doi.idaho.gov
Eric Fletcher Chief Examiner, Company Activities Bureau Chief Idaho Department of Insurance 700 W. State Street, 3 rd Floor P.O. Box 83720 Boise, ID 83720-0043	<input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: eric.fletcher@doi.idaho.gov
James Anderson Deputy Chief Examiner Idaho Department of Insurance 700 W. State Street, 3 rd Floor P.O. Box 83720 Boise, ID 83720-0043	<input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: james.anderson@doi.idaho.gov



Jan Noriyuki
Paralegal

DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

United Heritage Property & Casualty Company
(Property & Casualty)
(NAIC Company Code: 18939)
(Group Code: 2878)

As of
December 31, 2022

EXHIBIT

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exhibitsticker.com

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Meridian, Idaho
March 6, 2024

The Honorable Dean Cameron
Director of Insurance
State of Idaho
700 West State Street
P.O. Box 83720
Boise, Idaho 83720-0043

Dear Director:

Pursuant to your instructions, in compliance with Section 41-219(1), Idaho Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2022, of the financial condition and corporate affairs of:

United Heritage Property & Casualty Company
707 E United Heritage Court
Meridian, Idaho

Hereinafter referred to as (the "Company"), at its offices in Meridian, Idaho. The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed our full-scope examination of the Company in conjunction with the full-scope multi-state coordinated examination of the United Heritage Mutual Holding Company group. The last examination was completed as of December 31, 2017. This examination covers the period of January 1, 2018, through December 31, 2022.

Examination Procedures Employed

Our examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (the “Handbook”) to determine compliance with accounting practices and procedures in conformity with the applicable laws and rules promulgated by the Idaho Department of Insurance (the “Department”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, 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 was identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to the Company.

The examination determined the risks associated with identified key functional areas of the Company’s operation and considered mitigating factors. Interviews were held with the senior management of the Company to gain an understanding of the entity’s operating profile and control environment.

The Company retained the services of a certified public accounting firm, JLK Rosenberger, LLP to audit its financial records for the years under examination. The firm allowed the examiners access to requested work papers prepared in connection with its audits. The external audit work was relied upon where appropriate.

The examination relied on the findings of the actuarial firm contracted by the Department to verify pricing and reserves.

A letter of representation certifying that management disclosed all significant matters and records was obtained from management and included in the examination working papers.

Status of Prior Examination Findings

The preceding Report of Examination, adopted June 13, 2019, which covered the period from January 1, 2014, to December 31, 2017, did not disclose any material adverse findings or any adjustments that the Company's reported capital and surplus.

The prior Examination Report as of December 31, 2017, was distributed to the Board on August 15, 2019, in accordance with Idaho Code § 41-227(6)(a).

SUMMARY OF SIGNIFICANT FINDINGS

Our examination did not disclose any material adverse findings or any adjustments that impacted the Company's reported capital and surplus.

SUBSEQUENT EVENTS

Effective October 24, 2023, Mr. Kevin Lucke, President and Chief Executive Officer resigned.

Effective March 1, 2024, the Company will begin block nonrenewing the following types of coverage:

- Farm owner coverage
- Umbrella coverage
- Condominium homeowner coverage
- Owner-occupied homeowner coverage
- Tenant homeowner coverage

The latter was the result of the restructuring and streamlining plans between the Company and Sublimity Insurance Company (SIC), an affiliate. These restructuring plans included changes in the organizational structure and types of coverages offered by both legal entities. Certain positions were eliminated or consolidated resulting in operational efficiencies. The Company will focus on specialty products and SIC will offer farm owners, umbrella, and the other coverages discontinued by the Company.

COMPANY HISTORY

General

On June 10, 1907, the Company was organized and incorporated as a domestic county mutual fire insurance company, under the laws of the State of Idaho. On April 2, 1908, the Company commenced business as Canyon County Farmers Mutual Fire Insurance Company.

Effective, July 15, 1992, the Company was converted to a domestic mutual insurance company, and its name was changed to Idaho Mutual Insurance Company. July 1, 1997, Latah County Farmers' Mutual Insurance Company was merged with the Company.

Effective November 7, 2000, the Company demutualized and converted to a stock insurer. At this time, the Company's name was changed to United Heritage Property & Casualty Company. Also, on this date, 100% of the Company's stock was acquired by United Heritage Financial Group, Inc.

On August 28, 2001, the Company became a member of an insurance holding system with the ultimate controlling person being United Heritage Mutual Holding Company, Inc., with the Company's owner, United Heritage Financial Group, Inc., becoming the intermediate mutual holding company.

On December 20, 2002, Sublimity Insurance Company, domiciled in Oregon, entered into an agreement to be acquired by United Heritage Mutual Holding Company. On May 23, 2003, Sublimity Insurance Company's became a wholly owned subsidiary of United Heritage Financial Group, Inc. On or about the start of 2021, Sublimity Insurance Company and the Company initiated a strategy to administratively combine their operations, sharing executive managers and building on shared reinsurance agreements.

Dividends and Capital Contributions

The following ordinary dividends were issued in accordance with Idaho Code § 41-3812 to the intermediate parent, United Heritage Financial Group (UHFG), during the examination period:

Year	Amount
2018	\$ 270,000
2019	540,000
2020	540,000
2021	540,000
2022	540,000
Total	\$ 2,430,000

As of December 31, 2022, the Company had 20,000,000 common stock shares authorized, and 3,963,775 shares issued and outstanding, with a par value of \$1. There were no capital contributions during the examination period.

Mergers and Acquisitions

There were no mergers and acquisitions during the examination period.

Surplus Debentures

The Company did not have any surplus debentures during the examination period.

CORPORATE RECORDS

Regular and special meetings of the Board of Directors (the "Board") were conducted at least four times each year under examination. The meetings were held in person or virtually. At each annual shareholder meeting, directors were nominated and elected to staggered terms in accordance with Idaho Code § 41-2835(2). The Board meeting minutes for the period of January 1, 2018, to December 31, 2022, were reviewed noting matters pertaining to budgeting, trends, reserving, expansion, corporate governance, and other operational issues were reviewed and discussed. Additionally, the Company has established procedures for disclosure of any material affiliation likely to conflict with the individual's official duties. The conflict of interest disclosures were reviewed for each year under examination noting no material conflicts. The sale or exchange of any investment or loan as described in Idaho Code § 41-704 was authorized and approved by the Board of Directors. The Company's corporate records, which included but were not limited to, accounting, claims system, policyholder information and Board meeting minutes were kept at the corporate office in Meridian, Idaho.

MANAGEMENT AND CORPORATE GOVERNANCE

The bylaws of the Company indicated the number of directors may be not less than five (5) persons no more than fifteen (15) persons.

The following persons served as directors of the Company as of December 31, 2022:

<u>Name</u>	<u>Principal Occupation</u>
Linda Payne Smith Boise, Idaho	Retired, Regional Vice President, Patient Centered Access Saint Alphonsus Health System
Joseph Patrick Shirts Eagle, Idaho	Retired, Partner, Shirts Motz & Boyd, CPAs
Elaine Ruth Eastman	Retired, President and CEO Central Willamette Community Credit Union
Kevin Wesley Lucke Aumsville, Oregon	President and Chief Executive Officer, United Heritage Property & Casualty Company Sublimity Insurance Company
Byron Roy Hendricks Salem, Oregon	Retired, President Pru-One, Inc.
Theresa Ann Haskins Salem, Oregon	Senior Business Development Manager, Portland General Electric
Dean David Sandros	Vice President, Investments and Treasurer United Heritage Life Insurance Company United Heritage Property & Casualty Company Sublimity Insurance Company

Committees

The Company's bylaws state the Chairman of the Board may appoint an Audit Committee, Compensation Committee, an Investment Committee, and any other committees as it may determine from time to time. As of December 31, 2022, UHFG, immediate parent, established the following committees for the insurance holding company system.

Audit Committee

The Audit Committee was responsible for oversight of the external audit function including but not limited to review and approval of the financial audit results, monitoring the preliminary audit results including evaluating uncorrected misstatements, material weaknesses in internal controls and significant deficiencies, if applicable. The Audit Committee also reviewed the Annual Statements, Management Discussion & Analysis, and Actuarial Opinions and Reports. As of December 31, 2022, the following served on the Audit Committee:

- Michael Mooney, Committee Chairman
- Steven Hauschild
- Michael Brem
- John W. Holleran

Compensation Committee

The Compensation Committee was responsible for the review and approval of the profit sharing resolutions; individual, discretionary and holiday bonuses; salary increases and compensation policies. Other matters discussed included but was not limited to year-to-date financial results; inflation issues; unemployment rates, salary surveys; salary bands; dental, vision, short-term and long-term insurance; IRS contribution limits; and Cafeteria Plans. As of December 31, 2022, the following served on the Compensation Committee:

- Diane Polscer, Committee Chairman
- Steven Hauschild
- Richard Waitley
- John Holleran
- Michelle Hege

Executive Committee

Acts on behalf of the full Board when there is not a regular or special meeting of the Board ensuring all urgent and critical issues are handled in a timely manner. Members as of December 31, 2022, were as follows:

- Steven Hauschild
- Diane Polscer
- Todd Gill

Marketing and Branding Committee

This Committee was responsible for reviewing and monitoring the year-to-date production levels; yearly projections; persistency results; product expansion including the preneed product; expansion into new states; partnerships; social media goals, branding strategy; AlphaEdge Investment Management branding, and the Companies goals related to branding. As of December 31, 2022, the following served on the Marketing & Branding Committee:

- Richard Waitley, Committee Chairman
- Diane Polscer
- Todd H. Gill
- Michael Brem
- Michael Mooney
- Michelle Hege

Investment Committee

The Investment Committee was responsible for but not limited to review and approval of investments; the investment policy; review of inflationary pressures and impact; interest rates and corporate spreads; legislative impacts; types/kinds of investments including asset allocations; real estate and mortgage portfolios. As of December 31, 2022, the following served on the Investment Committee:

- Dean D. Sandros, Committee Chairman
- Todd H. Gill
- Michael Brem
- John Holleran
- Mathew D. Dahl
- Brian K. Montgomery

Retirement Committee

This Committee was responsible for reviewing the fund's performance including individual fund returns; fund changes including the inclusion, elimination or replacement of certain funds; plan administrator activities; audit fees; and ERISA account balances. As of December 31, 2022, the following served on the Retirement Committee:

- Dean D. Sandros, Committee Chairman
- Steven Hauschild
- Todd H. Gill
- Mathew D. Dahl
- Kevin W. Lucke
- Stefanie A. Thiel

Risk Committee *formerly* Enterprise Risk & Return Management (ERRM)

This Committee reviewed and discussed corporate insurance renewals, succession and talent management planning, governance, development methodologies, risks associated with inflation, weather, regulatory and legislative developments and market issues, inflationary pressure on staffing, investments and ESG activities. The discussions held appeared high-level in nature. There was no documentation evidencing detailed discussions regarding risk identification, risk assessment, risk prioritization, risk treatment and risk monitoring. As of December 31, 2022, the following served on the Risk Committee:

- Diane Polscer, Committee Chairman
- Steven Hauschild
- Todd H. Gill
- Mathew D. Dahl
- Jill L. Evoy
- Michael Mooney
- Johanna C.L. Hale
- Kevin W. Lucke
- Richard Shane Nelson
- Jeffrey D. Neumeyer
- Dean D. Sandros
- Stefanie A. Thiel

- Shawn R. Turner

United Heritage Mutual Holding Company, ultimate parent, established the following committee for the benefit of the entire insurance holding company:

Governance & Nominating Committee

The Governance & Nominating Committee was responsible for committee and structural assignments including appointments; review of potential Directors biographical information; board recruitment; board compensation as well as interviewing potential Directors. As of December 31, 2022, the following served on the Governance & Nominating Committee:

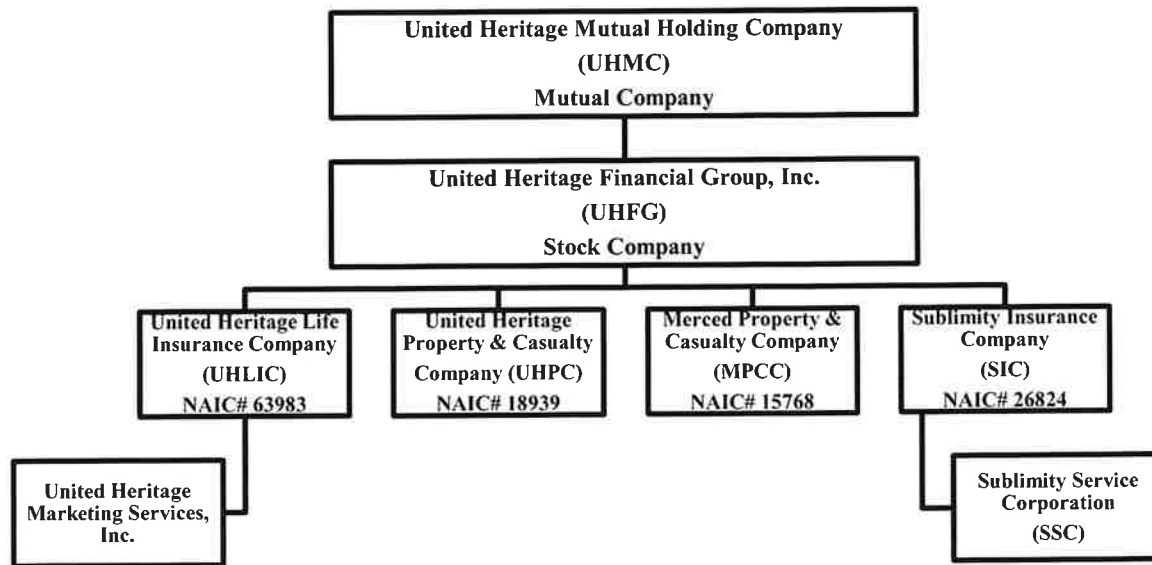
- Steven Hauschild
- John Holleran
- Michael Brem
- Todd H. Gill

The Company's bylaws provide for principal officers to consist of a Chairman of the Board, a Chief Executive Officer and President, a Secretary, Treasurer and may include a Vice Chairman of the Board. The Board of Directors may appoint such other Officers or agents as required. The following persons served as officers of the Company as of December 31, 2022:

<u>Name</u>	<u>Position</u>
Kevin W. Lucke	President and CEO
Mathew D. Dahl	Vice President and Chief Financial Officer
Dean D. Sandros	Vice President, Investments & Treasurer
Steven A. Browning	Vice President, Claims
Jill L. Evoy	Vice President, Actuary
Jeffrey D. Neumeyer	Vice President, General Counsel and Assistant Secretary
Stefanie A. Thiel	Vice President, Human Resources
Tracey R. Oneale	Vice President, Deputy General Counsel, and Secretary
Michael D. Joy	Vice President, Marketing
Frederick P. Chalanda	Vice President, Underwriting

Insurance Holding Company System

The Company is a member of an insurance holding company system with the ultimate controlling person being United Heritage Mutual Holding Company as depicted in the following organizational chart as of December 31, 2022:



Agreements with Affiliates

As of December 31, 2022, the Company was a party to the following related party agreements:

Cost Sharing and Allocation Agreement

Effective October 4, 2013, UHFG and all of its direct and indirect subsidiaries entered into an agreement whereby certain operating expenses benefiting more than one Company were allocated based on each Company's respective use or benefit of that expense. Allocable expenses include but were not limited to employee benefit plans [health insurance, dental insurance, 401(k), long-term disability, etc.], building rent, operating expenses, investment management, human resource management, information technology and services, regulatory and statutory compliance. This agreement was effective continuously until amended or terminated by the parties. Subsequent to the examination period, effective January 1, 2024, the parties amended this agreement to integrate AlphaEdge Investment Management and clarify certain cost allocation methods.

Revolving Lines of Credit

Effective March 1, 2018, the Company entered into two, separate revolving lines of credit agreements with UHFG via promissory notes. Pursuant to the promissory notes, the Company could borrow or loan UHFG up to \$1,000,000, at an adjustable rate based on the Wells Fargo Prime Rate. Both agreements had a maturity date of October 1, 2023.

Tax Allocation Agreement

Effective December 31, 2013, this agreement was entered into between United Heritage Mutual Holding Company, and its wholly owned subsidiary, UHFG, and all of its direct and indirect subsidiaries. Pursuant to this agreement, all members of this group intend to file a consolidated federal income tax return. The federal income tax liability, including the alternative minimum tax liability or tax benefit would be computed separately or independently for each member of the group. This agreement was effective continuously until amended or terminated by the parties.

FIDELITY BONDS AND OTHER INSURANCE

The minimum fidelity coverage suggested by the National Association of Insurance Commissioners (NAIC) for an insurer of the Company's size and premium volume is not less than \$1,250,000. As of December 31, 2022, the Company had sufficient fidelity bond coverage subject to a loss limit of \$5,000,000.

The Company also had additional insurance protection against Directors and Officers Liability, Employment Practice Liability, and Fiduciary Liability.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Defined Contribution Plan

The Company participates in a 401(k) Plan, for which all employees employed for one month or more are eligible to participate. Participating employees may elect to contribute up to the Internal Revenue Service limitations to available investment funds. The Company matches employee contributions up to a maximum of 4% of their base salaries. In addition, the Company provides discretionary profit-sharing contributions. As of December 31, 2022, the Company's matching contribution and profit-sharing contributions were \$80,306 and \$28,059, respectively.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2022, the Company was licensed to write standard fire, homeowners, farm owners, and business insurance policies in five states: Idaho, Oregon, Utah, Arizona, and Washington. The Company was licensed to write personal automobile policies in four states: Idaho, Oregon, Utah and Arizona. The Company was licensed in Washington but did not write any business in the state during the examination period.

The Company utilized approximately 203 agency groups with 319 agencies located in Oregon, Idaho, Utah, and Arizona. The agency groups distribute all products through the independent agency channel.

GROWTH OF THE COMPANY

The following represents the Company's gross written premium activity and its relationship to capital and surplus over the examination:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Gross Written Premiums	\$ 38,866,895	\$ 38,081,970	\$ 37,402,355	\$ 35,894,494	\$ 34,887,327
Capital and Surplus	\$ 16,313,636	\$ 15,183,644	\$ 15,927,449	\$ 13,838,134	\$ 12,039,931
Gross Written Premiums to Capital and Surplus Ratio	238%	251%	235%	259%	290%

LOSS EXPERIENCE

The following represents the Company's loss experience and its relationship to net premium income over the period of our examination:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Net Premiums Earned	<u>\$ 26,517,618</u>	<u>\$ 25,643,572</u>	<u>\$ 27,055,905</u>	<u>\$ 26,946,987</u>	<u>\$ 26,393,459</u>
Losses incurred	\$ 16,679,309	\$ 18,800,874	\$ 15,592,029	\$ 18,778,202	\$ 18,501,925
Losses Adjustment Expenses (LAE) Incurred	<u>\$ 2,190,736</u>	<u>\$ 2,385,781</u>	<u>\$ 2,576,334</u>	<u>\$ 2,682,831</u>	<u>\$ 2,354,063</u>
Total Losses Incurred & LAE Incurred	<u>\$ 18,870,045</u>	<u>\$ 21,186,655</u>	<u>\$ 18,168,363</u>	<u>\$ 21,461,033</u>	<u>\$ 20,855,988</u>
Total Losses & LAE Incurred to Net Premiums Earned	71%	83%	67%	80%	79%

REINSURANCE

Assumed

The Company did not assume any reinsurance during the examination period.

Ceded

As of December 31, 2022, the Company had eight reinsurance agreements in place providing coverage as follows:

- The multiple line excess of loss reinsurance agreement covered losses in excess of the Company's retention limit of \$225,000 per insured, non-property claims and \$250,000 for property claims, up to a maximum of \$1.775M per occurrence for casualty claims and \$1.75M per risk for property claims.
- The facultative reinsurance agreements covered the property lines of business (e.g., fire, allied lines, commercial peril, etc.) with a total insured value of \$2.0M or more. Individual losses in excess of the treaty limit up to \$3.0M were 100% ceded.
- There was a 50% quota share reinsurance agreement covering various property lines of business (Fire, Dwelling, Allied Lines, Homeowner, etc.) up to \$2.0M from any one property risk, in any one loss; \$2.0M arising from any one property loss occurrence, any one loss occurrence; and \$1.0M arising from all casualty policies, any one occurrence.
- There was a 10% quota share reinsurance agreement covering the net liability, after cessions to other reinsurers, for property and casualty policies up to a maximum liability of \$225,000 for any one risk, \$2.1M for any one loss occurrence; and \$7.5M for all loss occurrences during the term of the agreement.
- There was a personal umbrella reinsurance agreement that covered personal policies (e.g., licensed recreational vehicles, farm personal liability, watercraft liability, etc.) up to 95% for policy limits up to \$1.0M; and 100% for policy limits in excess of \$1.0M.
- The Company and its affiliate Sublimity Insurance Company were both parties to a property catastrophe reinsurance agreement covering catastrophic events up to \$75M. For all perils except for wildfire, losses were subject to a \$1M per occurrence retention and a \$2M annual aggregate deductible. Wildfire losses were subject to a \$4M retention limit.

The reinsurance agreements contained inspection of records, arbitration, termination and insolvency clauses. The reinsurers were authorized pursuant to Idaho Code § 41-511.

ACCOUNTS AND RECORDS

General Accounting

The Company used a combination of commercially available and internally developed software for general ledger and financial reporting, policy administration and investment funds management, producer management and data warehousing.

Independent Auditor

For each year under examination, the annual independent audits were performed by JLK Rosenberger, LLP. The audit support work papers for the year-ended December 31, 2022 were made available for review.

STATUTORY DEPOSITS

Pursuant to Idaho Code § 41-313, the Company was required to maintain a deposit in an amount equal to \$1,000,000. The examination confirmed the Company maintained a statutory deposit with the State of Idaho consisting of municipal obligations with a par value of \$1,180,000, which was adequate to cover the required deposit.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2022. The accompanying comments on financial statements reflect any material examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements.

Statement of Assets

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$25,321,912		\$25,321,912
Stocks			
Preferred Stocks	2,299,790		2,299,790
Common Stocks	922,877		922,877
Cash, cash equivalents and short -term investments	619,367		619,367
Investment income due and accrued	219,018		219,018
Uncollected premiums and agents' balances in course of collection	1,545,752		1,545,752
Deferred premiums, agents' balances and installments booked but deferred and not yet due	2,434,289		2,434,289
Amounts receivable from reinsurers	1,628,633		1,628,633
Net deferred tax asset	1,989,889	1,354,452	635,437
Electronic data processing equipment and software	21,244		21,244
Furniture and equipment, including health care delivery assets	49,099		49,099
Prepaid Assets	63,596	63,596	-
Total	<u>\$37,115,467</u>	<u>\$1,418,048</u>	<u>\$35,697,419</u>

Statement of Liabilities

Other expenses (excluding taxes, license and fees)	222,006
Taxes, licenses and fees (excluding federal and foreign income taxes)	76,284
Unearned premiums	9,014,240
Advance premiums	848,557
Ceded reinsurance premiums payable (net of ceding commissions)	5,980,829
Remittances and items not allocated	224,301
Payable to parent, subsidiaries and affiliates	97,985
Payable for securities	31,190
Escheatable payable	161,231
Unclaimed property	7,348
Deferred revenue	(62,149)
Total liabilities	<u>\$ 23,657,488</u>

Statement of Income

UNDERWRITING INCOME

Premiums earned	\$ 26,393,459
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DEDUCTIONS:

Losses incurred	\$ 18,501,925
Loss adjustment expenses incurred	2,354,063
Other underwriting expenses incurred	7,553,047
Depreciation on Equipment and Vehicle	13,068
Total underwriting deductions	<u>\$ 28,422,103</u>
Net underwriting gain (loss)	\$ (2,028,645)

INVESTMENT INCOME

Net investment income earned	1,378,728
Net realized capital gains (losses) less capital gain tax	356,003
Net investment gain (loss)	<u>\$ 1,734,730</u>

OTHER INCOME

Finance and service charges not included in premiums	61,671
Miscellaneous Income	29,047
Total other income	<u>\$ 90,718</u>
Net income, before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	<u>(203,196)</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	<u>\$ (203,196)</u>
Net income	<u><u>\$ (203,196)</u></u>

Capital and Surplus

Surplus as regard policyholders, December 31, prior year	\$ 13,838,134
Net income	(203,196)
Change in net unrealized capital gains (losses) less capital gain tax	(609,912)
Change in net deferred income tax	262,645
Change in nonadmitted assets	(707,739)
Dividend to stockholders	(540,000)
Net change in capital and surplus for year	<u>\$ (1,798,202)</u>
Capital and surplus, December 31, current year	<u>\$ 12,039,932</u>

Reconciliation of Capital and Surplus

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Capital and surplus, December 31, prior year	\$15,581,106	\$16,313,636	\$15,183,643	\$15,927,448	\$13,838,134
Net income	1,142,304	(1,287,108)	1,326,532	(1,454,560)	\$ (203,196)
Change in net unrealized capital gains (losses) less capital gain tax	(135,074)	291,976	86,928	82,901	\$ (609,912)
Change in net deferred income tax	(4,700)	405,139	(129,655)	532,653	\$ 262,645
Change in nonadmitted assets	-	-	-	(710,309)	\$ (707,739)
Dividends to stockholders	<u>(270,000)</u>	<u>(540,000)</u>	<u>(540,000)</u>	<u>(540,000)</u>	<u>\$ (540,000)</u>
Net change in capital and surplus	<u>\$ 732,530</u>	<u>\$ (1,129,993)</u>	<u>\$ 743,805</u>	<u>\$ (2,089,314)</u>	<u>\$ (1,798,202)</u>
Capital and surplus, December 31, current year	<u>\$16,313,636</u>	<u>\$15,183,643</u>	<u>\$15,927,448</u>	<u>\$13,838,134</u>	<u>\$12,039,932</u>

Analysis of Change in Financial Statements Resulting from Examination

There were no material adjustments to surplus resulting from the examination.

Comments on Financial Statement Items

There were no adverse findings or material changes to the financial statements resulting from the examination.

SUMMARY OF RECOMMENDATIONS

There were no material findings or recommendations rising to the level deemed necessary for inclusion into this report of examination.

ACKNOWLEDGEMENT

Andrew Chandler, ACAS, MAAA, Consulting Actuary for Risk & Regulatory Consulting, LLC. performed the actuarial phases of the examination. Jenny Jeffers and Joanna Latham, CPA, CFE, AES, CISA, CRISC, of Jennan Enterprise LLC, performed the information systems review. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Company.

Respectfully submitted,



Toni L. Bean, CFE (Fraud), CIA, CRMA
Examiner-in-Charge
INS Regulatory Insurance Services
Representing the Idaho Department of Insurance



Eric Fletcher, CFE, PIR
Bureau Chief/Chief Examiner
Idaho Department of Insurance

AFFIDAVIT OF EXAMINER

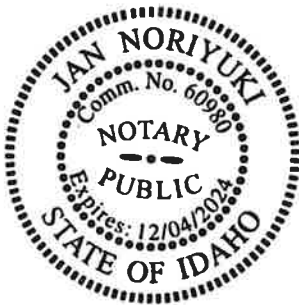
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Toni L. Bean, being duly sworn, deposes and says that they are a duly appointed Examiner for the Department of Insurance of the State of Idaho, that they have made an examination of the affairs and financial condition of United Heritage Property & Casualty Company for the period January 1, 2018 through December 31, 2022, that the information contained in the report consisting of the foregoing pages is true and correct to the best of their knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.



Toni. L. Bean, CFE (Fraud), CIA, CRMA
Examiner-in-Charge
INS Regulatory Insurance Services
On behalf of Idaho Department of Insurance

Subscribe and sworn to before me the 21st day of March, 2024, at Boise (City),
ID (State).


Notary Public

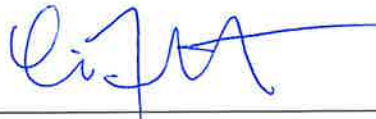
My Commission Expires: 12-4-2024

AFFIDAVIT OF EXAMINER

Idaho

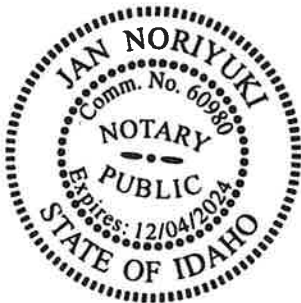
Ada

Eric Fletcher, being duly sworn, deposes and says that they are a duly appointed Examiner for the Department of Insurance of the State of Idaho, that they have made an examination of the affairs and financial condition of United Heritage Property & Company for the period January 1, 2018 through December 31, 2022, that the information contained in the report consisting of the foregoing pages is true and correct to the best of their knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.



Eric Fletcher, CFE, PIR
Bureau Chief/Chief Examiner
Idaho Department of Insurance

Subscribe and sworn to before me the 21st day of March, 2024, at Boise (City),
ID (State).


Notary Public

My Commission Expires: 12-4-2024