

FILED
MAY 02 2022
Department of Insurance
State of Idaho

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE
STATE OF IDAHO

In the Matter of:

WESTERN COMMUNITY INSURANCE
COMPANY,

Certificate of Authority No. 1287
NAIC No. 39519

Docket No. 18-4099-22

***AMENDED ORDER ADOPTING
REPORT OF EXAMINATION AS OF
DECEMBER 31, 2020***

The Idaho Department of Insurance (“Department”), in accordance with Idaho Code § 41-219(1), has examined the affairs, transactions, accounts, records, and assets of Western Community Insurance Company (“Western Community”) for the period of January 1, 2016, through December 31, 2020. The Department also has prepared a verified Report of Examination (the “Report”) under Idaho Code § 41-227. A copy of the Report is attached as Exhibit “A.”

Having reviewed the record, the Department’s Director enters this order adopting the Report as filed.

FINDINGS OF FACT

1. Western Community is an Idaho-domiciled insurance company licensed to transact casualty insurance, including workers’ compensation; disability insurance, excluding managed care; marine and transportation insurance; property insurance; and surety insurance for non-Farm

Bureau members. Western Community was issued Certificate of Authority No. 1287 on August 18, 1980.

2. On or about March 14, 2022, the Department completed an examination of Western Community under Idaho Code § 41-219(1). The Report of Examination sets forth the Departments findings. *See* Exhibit “A”.

3. Per Idaho Code § 41-227(4), on March 14, 2022, the Department’s examiner-in-charge filed the Report with the Department, and the Department transmitted a copy of the Report to Western Community on March 16, 2022.

4. Western Community had 30 days from the receipt of the Report to make a written submission or rebuttal with respect to matters contained in the Report per Idaho Code § 41-227(4). No written submissions or rebuttals with respect to any matters contained in the Report were received by the Department from Western Community.

CONCLUSIONS OF LAW

5. Idaho Code § 41-227(5) requires the Director to fully consider and review the Report, together with any written submissions or rebuttals and any relevant portions of the examiner’s work papers and enter an order adopting the Report as filed or with modifications or corrections, rejecting the Report and reopening the examination, or calling for an investigatory hearing.

6. Having fully considered the Report and the record, the Director concludes that, regarding the matters examined, the Report’s comments, findings, and recommendations are appropriate and are incorporated herein as if set forth in full.

ORDER

NOW, THEREFORE, IT IS ORDERED that the Report is adopted as filed.

IT IS FURTHER ORDERED, that, per Idaho Code § 41-227(8), the adopted Report is a public record and shall not be subject to the exemptions from disclosure in chapter 1, title 74, Idaho Code.

IT IS FURTHER ORDERED, under Idaho Code § 41-227(6)(a), that within 30 days of the issuance of the adopted Report, Western Community shall file, with the Department's chief examiner, affidavits executed by each of the directors stating under oath that they have received a copy of the adopted Report and related orders.

IT IS FURTHER ORDERED that the prior order entered in this matter on May 2, 2022, is replaced by this *amended* order to correct a clerical error in Western Community Insurance Company's NAIC ID number in the caption.

DATED AND EFFECTIVE this 2nd day of May, 2022.

STATE OF IDAHO
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read "Dean L. Cameron", is written over a horizontal line.

DEAN L. CAMERON
Director

NOTIFICATION OF RIGHTS

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

Any such motion for reconsideration shall be served on the Director of the Idaho Department of Insurance, addressed as follows:

Dean L. Cameron, Director
Idaho Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
Boise, ID 83720-0043

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order or orders previously issued in this case may file a petition for judicial review in the district court of the county in which:

- i. A hearing was held;
- ii. The final agency action was taken;
- iii. The party seeking review of the order resides, or operates its principal place of business in Idaho; or
- iv. The real property or personal property that was the subject of the agency action is located.

A petition for judicial review must be filed within 28 days of: (a) the service date of this final order, (b) the service of an order denying motion for reconsideration, or (c) the failure within 21 days to grant or deny a motion 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. Idaho Code § 67-5274.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 2nd day of May, 2022, I caused a true and correct copy of the foregoing *AMENDED* ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2020, to be served upon the following by the designated means:

| | |
|---|---|
| Bryan Searle Chairman of the Board of Directors WESTERN COMMUNITY INSURANCE CO. 275 Terra Vista Drive Pocatello, ID 83201 | <input type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input type="checkbox"/> Email: |
| Jason Williams Treasurer WESTERN COMMUNITY INSURANCE CO. 275 Terra Vista Drive Pocatello, ID 83201 | <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: jwilliams@idfbins.com |
| Eric Fletcher Bureau Chief IDAHO DEPARTMENT OF INSURANCE 700 W. State Street, 3 rd Floor 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 |
| Karl T. Klein 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: karl.klein@doi.idaho.gov |


Pamela Murray

DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

WESTERN COMMUNITY INSURANCE COMPANY
(domestic stock insurance company)

(NAIC Company Code: 39519)
(NAIC Group Code: 842)

As of
December 31, 2020

EXHIBIT

A

exhibitsticker.com

DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

WESTERN COMMUNITY INSURANCE COMPANY
(domestic stock insurance company)

(NAIC Company Code: 39519)
(NAIC Group Code: 842)

As of
December 31, 2020

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Pocatello, Idaho
March 14, 2022

The Honorable Dean L. 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, 2020, of the financial condition and corporate affairs of:

Western Community Insurance Company
275 Tierra Vista Drive
Pocatello, Idaho 3201

Hereinafter referred to as ("WCIC") or the ("Company"). The examination was completed remotely due to the COVID-19 pandemic. The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed our single-state examination of Western Community Insurance Company. The last examination was completed as of December 31, 2015. This examination covers the period of January 1, 2016, through December 31, 2020.

Examination Procedures Employed

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* ("Handbook") to determine compliance with accounting practices and procedures in conformity with the applicable laws and insurance rules promulgated by the Idaho Department of Insurance ("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, Deaton & Company, 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 deemed appropriate.

The examination relied on the findings of the actuarial firm contracted by the Department to verify 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

Our examination included a review to determine the current status of any exception conditions commented upon in our preceding Report of Examination, dated May 23rd, 2017, which covered the period from January 1, 2012, to December 31, 2015. It was noted the prior examination did not disclose any material adverse findings or any adjustments that impacted the Company's reported capital and surplus or required any recommendations.

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

On March 11, 2020, the World Health Organization declared the spreading Novel Coronavirus Diseases, COVID-19, a pandemic. On March 13, 2020, the United States declared the COVID-19 pandemic as a national emergency. COVID-19 has created economic disruptions on a global scale which has led to uncertainty about the overall economic impact to financial markets. At this time, the full effect of COVID-19 on the Company is unknown. In a coordinated effort, the Company and the Department will continue to monitor the effects of the pandemic to the Company.

COMPANY HISTORY

General

The Company was incorporated as a domestic stock insurance company on April 4, 1980, under the name of Western Community Insurance Company to write insurance for non-Farm Bureau members and commenced operations on August 18, 1980.

On March 11, 1999, the Company was issued a Certificate of Authority to write business in the State of Oregon. The Company did not write any business in Oregon during the examination period.

On July 8, 1999, the Company was issued a Certificate of Authority to write business in the State of Washington. The Company did not write any business in Washington during the examination period.

The Company operated under the provisions of Chapter 28, Title 41 of the Idaho Code, and provided coverage for the following lines of business: commercial multiple peril, other commercial auto liability, commercial auto physical damage and inland marine.

Dividends and Capital Contributions

The Company did not declare or pay out any dividends during the examination period, nor receive any capital contributions.

Mergers and acquisitions

The Company had no acquisitions, mergers, disposals, dissolutions and purchase or sales through reinsurance during the examination period.

Surplus Debentures

The Company had no surplus debentures during the examination period.

CORPORATE RECORDS

The meetings of the Board of Directors ("Board") were conducted on a quarterly basis for all the years under examination. A review of the meeting minutes of the Board for the examination period, and subsequent thereto, indicated compliance with the bylaws and Articles of Incorporation with respect to the election of the Directors and Officers. The review of the minutes also indicated that a quorum was present at all Board meetings held during the examination period. Furthermore, the minutes reflected discussion of relevant operational performance, review and approval of independent auditors' reports, the prior Department statutory examination report and investment transactions.

The Board has an Audit Committee consisting of six members. The Audit Committee is responsible for reviewing and approving all audit services performed by the external auditors. Review of Audit Committee meeting minutes indicated compliance with the Audit Committee Charter and reflected discussions relevant to its responsibilities.

The Prior Examination Report as of December 31, 2015, was distributed to the Board and reviewed at the Board of Directors meeting on July 19, 2017, in accordance with Idaho Code § 41-227(6)(a).

MANAGEMENT AND CORPORATE GOVERNANCE

Directors

The bylaws of the Company indicated the number of directors may be between eleven and fifteen, all of whom must be members of the Idaho Farm Bureau Federation.

The following persons served as directors of the Company as of December 31, 2020:

| <u>Name and City</u> | <u>Principal Occupation</u> |
|---|---|
| Bryan Lloyd Searle Shelley, Idaho | Chairman of the Board Farmer/Rancher |
| Richard Thomas Brune Hazelton, Idaho | Farmer |
| Cody Robert Chandler Weiser, Idaho | Rancher |

| | |
|---|----------------|
| Thomas Michael Daniel Bonners Ferry, Idaho | Farmer |
| Marjorie Ann French Princeton, Idaho | Farmer/Rancher |
| Ricky Williams Pearson Buhl, Idaho | Farmer |
| Howard Scott Steele Idaho Falls, Idaho | Farmer |
| Fred Steven Burmester Downey, Idaho | Farmer |
| Richard Keith Durrant Meridian, Idaho | Farmer |
| Daniel S Garner Clifton, Idaho | Farmer/Rancher |
| Galen Vaughn Lee New Plymouth, Idaho | Farmer/Rancher |
| Travis Brent McAfee Howe, Idaho | Farmer/Rancher |
| Thomas Joseph Mosman Craigmont, Idaho | Farmer/Rancher |
| Austin Glen Tubbs Malad, Idaho | Rancher |

Normally there are 15 members, but Gerald Marchant left the Board in December 2020 prior to year-end reporting and was replaced by Stephanie Mickelson on February 10, 2021.

The Company's bylaws authorize the Board to establish one or more committees. The establishment of a committee and appointment of members to the committee must be approved by the greater of a majority of all directors in office or those required by the bylaws or the articles of incorporation to take action. As of December 31, 2020, the Company's Board authorized the following committee and members to serve:

Audit Committee

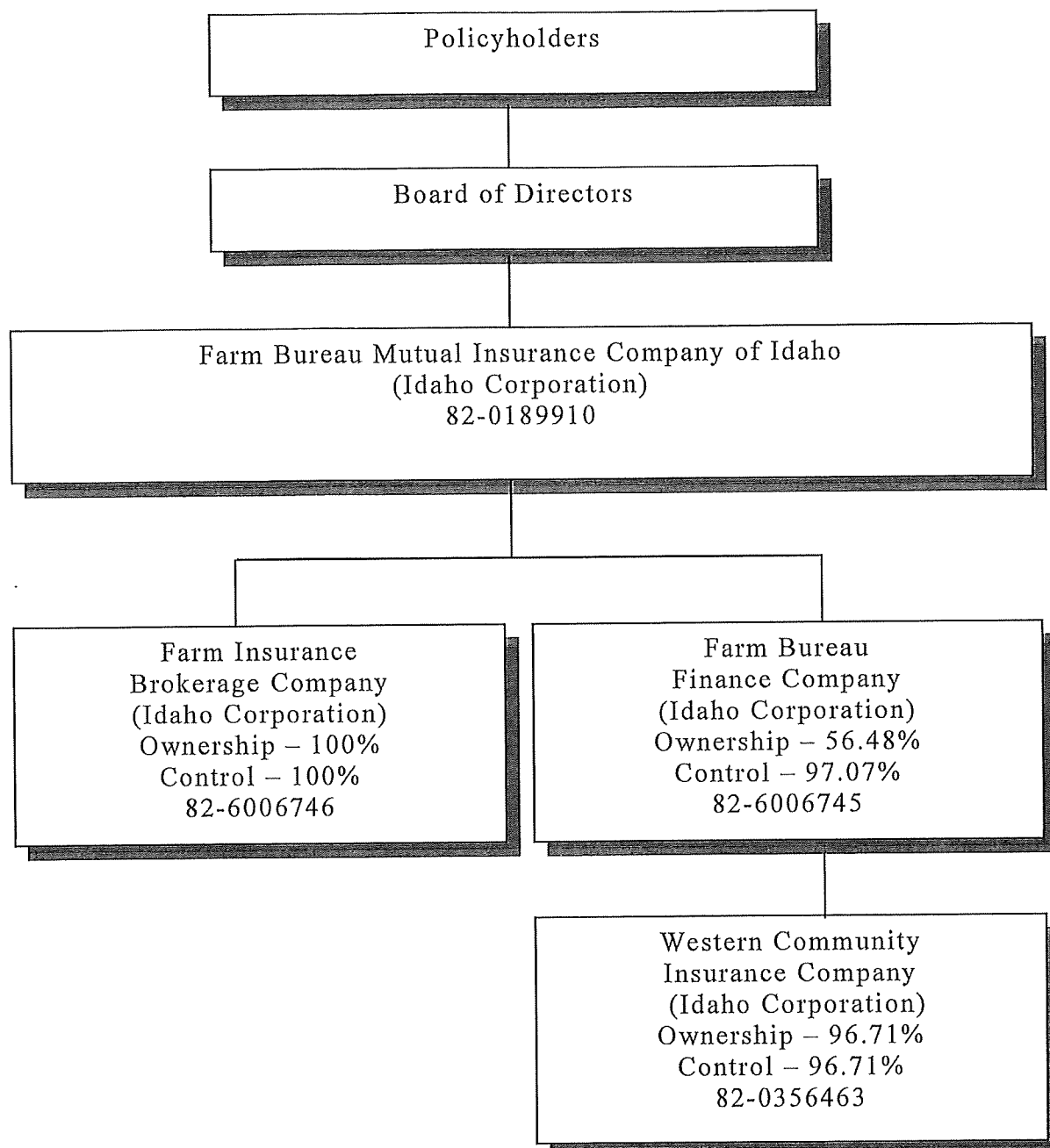
Richard Keith Durrant, Chairman
Galen Vaughn Lee
Travis Brant McAfee
Austin Glen Tubbs
Thomas Michael Daniel
Ricky William Pearson

The Company's bylaws provide for principal officers to consist of an executive vice-president, a secretary, and a treasurer. The following persons served as officers of the Company as of December 31, 2020:

| <u>Name</u> | <u>Position</u> |
|-------------------------|--|
| Todd Daniel Argall | Executive Vice President & CEO |
| Thomas Jason Lyons | Secretary/Vice President of Claims & Legal |
| Jason Todd Williams | Treasurer |
| David Jon Acevedo | Vice President of Operations |
| Charles George McDaniel | Vice President of Sales and Marketing |
| John Victor Dunlop | Vice President of Underwriting |

Holding Company System

The Company is a member of an insurance holding company system, as defined in Section 41-3801, Idaho Code. Indirect parent, Farm Bureau Mutual Insurance Company of Idaho ("Farm Bureau Mutual") is the designated "Ultimate Controlling Person" in the holding company system. An organizational chart of the holding company system is as follows:



Contracts and Agreements

The Company had the following agreements in-force with its affiliates as of December 31, 2020:

Management Agreement

The Company is party to a management service agreement, effective January 1, 2020, with Farm Bureau Mutual. The services provided under the agreement include management, marketing, underwriting, processing, travel, home office rent, employee related expenses, personnel, data processing, equipment, actuarial, secretarial, accounting, collection of premiums, and adjusting and payment of claims. For these services, the Company pays management fees of seventeen percent of its direct written premium to Farm Bureau Mutual.

The agreement with Farm Bureau Mutual also includes a provision for the Company to pay an additional two percent of its direct written premium for use of Farm Bureau Mutual's county office facilities. In this provision, Farm Bureau Mutual paid, and was reimbursed, for supplies, printing, telephone, postage, insurance, and other similar expenses on a cost basis. Furthermore, the agreement provided for Farm Bureau Mutual to arrange for excess reinsurance coverage facilities and to provide reinsurance reporting services for the Company on the business subject to this agreement. The Company and Farm Bureau Mutual shared the reinsurance costs in proportion to the respective retentions on the business.

Reinsurance Agreement

The Company is party to a reinsurance agreement with Farm Bureau Mutual, effective April 1, 2010, whereby the Company cedes one hundred percent of its premium on all direct and assumed lines of business and class groups. In exchange, Farm Bureau Mutual agrees to pay the Company a ceding commission of thirty three percent of the direct premium.

Consolidated Income Tax Allocation Agreement

The Company is party to a consolidated income tax allocation agreement with Farm Bureau Mutual, and other members of the holding company system, effective April 20, 2009, whereby the parties to the agreement mutually agree to allocate the consolidated federal income tax liability for all years for which the consolidated group has filed or will file a consolidated income tax return by applying the liability method to each member of the group as if it were a separate taxpayer.

The parties made estimated tax payments based on their allocation of federal taxes for the previous year. Settlements of balances due or refunds receivable are determined by subtracting the estimated payments made for the year from the federal tax allocated to each party for that year.

FIDELITY BONDS AND OTHER INSURANCE

The minimum fidelity coverage suggested by the NAIC for an insurer of the Company's size and premium volume is not less than \$1,000,000. As of December 31, 2020, the Company had sufficient fidelity bond coverage subject to a loss limit of \$2,000,000.

The Company is a named insured on a number of other insurance coverages related to commercial property, commercial crime, commercial general liability, professional liability, Directors & Officers and employment practices liability, commercial automobile, commercial occurrence excess (umbrella) policy and workers' compensation.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company does not have any employees. Services are provided to the Company by Farm Bureau Mutual. Farm Bureau Mutual sponsors a defined benefit pension plan, an optional 401(k) plan providing for both employer and employee contributions, and an employee thrift plan with no Company participation available to all employees on an elective basis, a health care benefit plan for permanent, full time employees, and a post-retirement life and medical insurance plan for its retirees. The Company has no obligation for benefits under these plans.

In 2002, the Company established an incentive stock option plan for its officers and for key Farm Bureau Mutual employees providing services to the Company. The Board approved the stock option plan on February 15, 2002. On September 30, 2014, the Company granted to key officers and employees stock options to purchase 6,600 shares of the Company's common stock at \$33.90 per share, of which none had been exercised. The Company's liability on the outstanding 3,200 shares under option at December 31, 2020, was \$42,912.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2020, the Company was licensed in the states of Idaho, Oregon and Washington to transact the business of writing commercial package, business owners and umbrella policies as follows: commercial multiple peril, other commercial auto liability, commercial auto physical damage and inland marine.

Insurance products are marketed primarily through multi-line exclusive agents and a few appointed agents employed by contracted agents.

Operations of the Company are conducted from its main administrative office located in Pocatello, Idaho.

GROWTH OF THE COMPANY

The following represents the Company's premium activity and its relationship to surplus over the period of our examination:

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|--------------|--------------|--------------|--------------|--------------|
| Gross Written Premium | \$29,862,167 | \$32,544,204 | \$36,229,401 | \$39,128,937 | \$43,605,158 |
| Policyholder Surplus | \$32,032,548 | \$33,667,210 | \$35,298,994 | \$37,395,562 | \$39,619,643 |
| Gross Written Premium to Policyholder Surplus Ratio | 93% | 97% | 103% | 105% | 110% |

The Company experienced moderate but steady growth over the course of the examination period.

LOSS EXPERIENCE

As noted below under reinsurance ceded, the Company cedes 100 percent of its premium on all direct and assumed lines of business and class groups to Farm Bureau Mutual.

REINSURANCE

Assumed

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

Ceded

The Company entered into a reinsurance agreement with Farm Bureau Mutual, effective April 1, 2010, whereby the Company cedes one hundred percent of its premium on all direct and assumed lines of business and class groups. In exchange, Farm Bureau Mutual agrees to pay the Company a ceding commission of thirty three percent of the direct premium. Reporting and settlements of reinsurance transactions are made on a monthly basis.

The reinsurance agreement contains the clauses and termination provisions suggested in the Handbook. The reinsurance agreement also carried adequate transfer of risk and was in compliance with Statement of Statutory Accounting Principle No. 62R.

ACCOUNTS AND RECORDS

The Company uses Guidewire Policy Center and Guidewire Billing Center, along with Western Computer System, Inc. ("WCSI") as an interactive system on its mainframe computer using PCs connected to its Local Area Network and Wide Area Network. WCSI is used to capture data for policy management, claims management, accounts payable and accounts receivables, etc. Claims data is received from the Guidewire Claims Center application and integrated with the other policy information residing on Guidewire and WCSI. All of this information is then integrated with the SunGard iWorks Enterprise Accounting System general ledger system.

The Company prepares its annual statements utilizing the SunGard iWorks statutory software package. The investment portfolio is maintained on Clearwater Analytics Investment Systems. The Company's independent auditors maintain the fixed assets records.

Independent Auditors

The annual independent audits of the Company for the years under examination were performed by Deaton & Company, Chartered, Pocatello, Idaho.

Deaton & Company's workpapers were made available for the examination. The financial statements of each audit report were on a statutory basis. There was some reliance on the 2020 audit report and workpapers in this examination of the Company.

STATUTORY DEPOSITS

Pursuant to Section 41-316A, Idaho Code, the Company was required to maintain a deposit in an amount equal to the minimum capital for a stock insurer and basic surplus of a mutual or reciprocal insurer as required in Section 41-313, Idaho Code. The Company's minimum capital requirement was \$1,000,000 at December 31, 2020.

The examination confirmed the Company maintained a statutory deposit with the State of Idaho consisting of securities with a total par value of \$1,415,000, which was adequate to cover the required deposit.

The special deposits maintained by or through regulatory agencies in Idaho on the policyholder's behalf as of December 31, 2020, were as follows:

| Description | Par Value | Statement Value | Fair Value |
|---|--------------------|--------------------|--------------------|
| King Cnty Wash Swr Rev, 5.000% Due 01/01/2035 | \$65,000 | \$65,000 | \$65,000 |
| King Cnty Wash Swr Rev, 5.000% Due 01/01/2035 | 35,000 | 35,000 | 35,000 |
| Miami-Dade Cnty Fla, 4.000% Due 07/01/2035 | 250,000 | 256,549 | 279,870 |
| Mississippi Dev Bk Spl Oblig, 4.250% Due 04/01/2038 | 115,000 | 118,194 | 125,879 |
| Portland Ore Swr Sys Rev, 4.000% Due 10/01/2036 | 250,000 | 256,921 | 276,525 |
| Tucson Ariz Ctfs Partn, 4.831% Due 07/01/2034 | 250,000 | 266,545 | 304,703 |
| Westerly R I, 4.000% Due 07/01/2032 | 200,000 | 201,991 | 208,932 |
| | <u>\$1,165,000</u> | <u>\$1,200,200</u> | <u>\$1,295,909</u> |

The following securities held by Wells Fargo Bank and approved by the Idaho State Treasurer for Workers' Compensation deposit requirements were confirmed with the State Industrial Commission. The deposit was held pursuant to Section 72-302, Idaho Code.

| Description | Par Value | Statement Value | Fair Value |
|--|-----------|-----------------|------------|
| US Treasury NIB, 3.500% Due 02/15/2039 | \$250,000 | \$269,209 | \$339,483 |
| | \$250,000 | \$269,209 | \$339,483 |

In addition, the following securities were held with US Bank of Oregon, pursuant to Section 731-624 of the Oregon Code:

| Description | Par Value | Statement Value | Fair Value |
|------------------------------------|-----------|-----------------|------------|
| Madison Ala, 3.700% Due 05/01/2030 | \$300,000 | \$301,723 | \$341,208 |
| | \$300,000 | \$301,723 | \$341,208 |

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, 2020. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

Balance Sheet

ASSETS

| | Assets | Nonadmitted Assets | Net Admitted Assets |
|--|--------------|-----------------------|------------------------|
| Bonds | \$35,557,165 | | \$35,557,165 |
| Stocks | | | |
| Preferred stocks | 1,154,775 | | 1,154,775 |
| Common stocks | 2,154,125 | | 2,154,125 |
| Cash, cash equivalents and short-term investments | 1,245,483 | | 1,245,483 |
| Subtotals, cash and invested assets | \$40,111,548 | | \$40,111,548 |
| Investment income due and accrued | 388,620 | | 388,620 |
| Premiums and considerations | | | |
| Uncollected premiums and agents' balances in the course of collection | 2,285,852 | 359 | 2,285,493 |
| Deferred premiums, agents' balances and installments booked but deferred and not yet due | 9,964,281 | | 9,964,281 |
| Receivables from parent, subsidiaries and affiliates | 2,101 | | 2,101 |
| Aggregate write-ins for other than invested assets | 1,107 | 1,102 | 5 |
| Total | \$52,753,508 | \$1,461 | \$52,752,047 |

Balance Sheet

LIABILITIES, SURPLUS AND OTHER FUNDS

| | |
|--|---------------------|
| Other expenses | \$55,359 |
| Taxes, licenses and fees | 103,040 |
| Current federal and foreign income taxes | 21,634 |
| Net deferred tax liability | 268,429 |
| Ceded reinsurance premiums payable | 11,778,554 |
| Payable to parent, subsidiaries and affiliates | 905,387 |
| Total | <u>\$13,132,404</u> |
| Common capital stock | \$3,349,760 |
| Gross paid in and contributed surplus | \$325,791 |
| Unassigned funds (surplus) | <u>35,944,092</u> |
| Surplus as regard policyholders | <u>39,619,643</u> |
| Total liabilities, surplus and other funds | <u>\$52,752,047</u> |

Statement of Income

UNDERWRITING INCOME

| | |
|--------------------------------------|--------------------|
| Premiums earned | \$0 |
| DEDUCTIONS | |
| Other underwriting expenses incurred | (1,021,414) |
| Total underwriting deductions | <u>(1,021,414)</u> |
| Net underwriting gain or (loss) | <u>1,021,414</u> |

INVESTMENT INCOME

| | |
|--|------------------|
| Net investment income earned | 1,318,262 |
| Net realized capital gains (losses) less capital gains tax | (33,569) |
| Net investment gain or (loss) | <u>1,284,693</u> |

OTHER INCOME

| | |
|--|--------------------|
| Net gain or (loss) from agents' or premium balances charged off | (64,668) |
| Aggregate write-ins for miscellaneous income | 2,440 |
| Total other income | <u>(62,228)</u> |
| Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign taxes | 2,243,878 |
| Federal and foreign income taxes incurred | 339,529 |
| Net income | <u>\$1,904,349</u> |

Reconciliation of Capital and Surplus

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|--------------|--------------|--------------|--------------|--------------|
| Surplus as regards policyholders, December 31, prior year | \$37,395,562 | \$35,298,994 | \$33,667,210 | \$32,032,548 | \$30,510,832 |
| Net income | 1,904,349 | 1,814,006 | 1,743,993 | 1,565,519 | 1,490,744 |
| Change in net unrealized capital gains or (losses) less capital gains tax | 305,294 | 288,995 | (193,426) | 143,462 | 39,894 |
| Change in net deferred income tax | (7,516) | (7,343) | (34,373) | 28,104 | 1,295 |
| Change in nonadmitted assets | (80) | 911 | 139,710 | (102,224) | (9,284) |
| Capital changes: | | | | | |
| Paid in Surplus | 2,600 | 0 | (2,400) | (20) | (100) |
| adjustments: | | | | | |
| Paid in | 19,435 | 0 | (14,796) | (69) | (195) |
| Aggregate write-ins for gains and losses in surplus | 0 | 0 | (6,924) | (110) | (638) |
| Change in surplus as regards policyholders for the year | 2,224,081 | 2,096,568 | 1,631,784 | 1,634,662 | 1,521,716 |
| Surplus as regards policyholders, December 31, current year | \$39,619,643 | \$37,395,562 | \$35,298,994 | \$33,667,210 | \$32,032,548 |

Analysis of Changes in Financial Statements Resulting from Examination

There were not adjustments to surplus resulting from the examination.


SUMMARY OF RECOMMENDATIONS

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

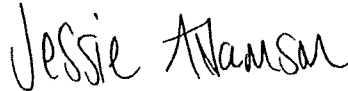
ACKNOWLEDGEMENT

Mr. Glenn Tobleman, FSA, FCAS, MAAA, with Lewis & Ellis, Inc performed the actuarial phases of the examination. Jenny L. Jeffers, CISA, AES, and Joanna J. Latham, CPA, CFE, CISA, CRISC, of Jennan Enterprises, LLC performed the Information Systems review. In addition to the undersigned, Phillip Judge, CFE, and Kelly Willison, CFE, of The INS Companies participated in the examination representing the Idaho Department of Insurance. 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,

A handwritten signature in cursive script that reads "Mark Jaster".

Mark Jaster, CFE
Examiner-in-Charge
Representing the Idaho Department of
Insurance

A handwritten signature in cursive script that reads "Jessie Adamson".

Jessie L. Adamson, CFE
Deputy Chief Examiner
Idaho Department of Insurance

AFFIDAVIT OF EXAMINER

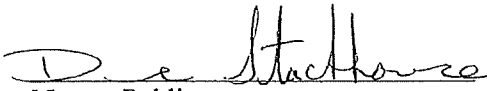
Oklahoma
Oklahoma County

Mark Jaster, 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 Western Community Insurance Company for the period January 1, 2016 through December 31, 2020, 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.


Mark Jaster
The INS Companies
On behalf of Idaho Department of Insurance

Subscribe and sworn to before me the 14th day of March, 2022, at OKC (City),
OK (State).




Notary Public

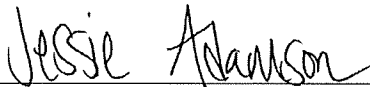
My Commission Expires: 11/10/2025

AFFIDAVIT OF EXAMINER

Idaho

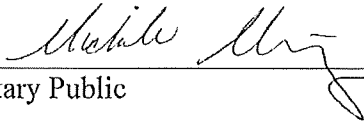
Ada

Jessie L. Adamson, 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 Western Community Insurance Company for the period January 1, 2016 through December 31, 2020, 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.

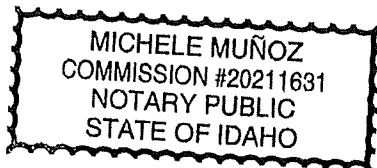


Jessie L. Adamson
Deputy Chief Examiner
Idaho Department of Insurance

Subscribe and sworn to before me the 14th day of March, 2022, at Boise (City),
ID (State).



Notary Public



My Commission Expires: 03-30-2027