

Report of Examination of
Goodville Mutual Casualty Company
New Holland, Pennsylvania

As of December 31, 2021

For Informational Purposes Only

Goodville Mutual Casualty Company

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Harrisburg, Pennsylvania
May 23, 2023

Honorable Diana L. Sherman, CPA, CFE (Fraud), CISA, CITP
Acting Deputy Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Harrisburg, Pennsylvania

Dear Madam:

In accordance with instructions contained in Examination Warrant Number 21-04787-14044-R1 dated August 9, 2021, an examination was made of

Goodville Mutual Casualty Company, NAIC Code: 14044

a Pennsylvania domiciled, multi-state, property and casualty mutual insurance company hereinafter referred to as the "Company." The examination was conducted at the Company's home office, located at 625 West Main Street, New Holland, Pennsylvania.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Pennsylvania Insurance Department ("Department") has performed an examination of the Company, which was last examined as of December 31, 2016. This examination covered the five-year period from January 1, 2017 through December 31, 2021.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Department and the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook* ("Handbook").

The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, evaluate system controls and procedures used to mitigate those risks, and review subsequent events. 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 is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, in accordance with

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40 P.S. § 323.5(a), and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

For each year of the examination period, the certified public accounting firm of Brown, Shultz, Sheridan, and Fritz (“CPA”) provided an unmodified audit opinion on the Company’s year-end financial statements based on statutory accounting principles. Relevant work performed by the CPA, during its annual audit of the Company, was reviewed during the examination and incorporated into the examination workpapers.

The following company was examined at the same time during the above examination:

Company

State NAIC Code

Lancaster Mutual Insurance Company

PA 17728

(Formally-known-as Reamstown Mutual Insurance Company)

HISTORY

The Company was incorporated on January 4, 1926, was licensed by the Department on March 8, 1926, and commenced business on or around this date.

During the examination period and effective December 31, 2019, German Mutual Insurance Company (“GMIC”) merged with and into the Company. Prior to the merger, GMIC was an Ohio domiciled affiliate of the Company.

The Company is currently authorized to transact those classes of insurance described in 40 P.S. § 382, (b)(1) Property and Allied Lines, (b)(2) Inland Marine and Physical Damage, (c)(3) Glass, (c)(4) Other Liability, (c)(6) Burglary and Theft (c)(8) Water Damage, (c)(9) Elevator (c)(10) Livestock, (c)(11) Auto Liability, (c)(13) Personal Property Floater, and (c)(14) Workers Compensation.

MANAGEMENT AND CONTROL

SURPLUS REQUIREMENTS

As of December 31, 2021, the Company’s surplus as regards policyholders was \$268,585,785 consisting of \$18,423 of write-ins for special surplus funds and \$268,567,362 in unassigned funds (surplus).

The Company’s minimum surplus requirement to conduct the business described above, pursuant to 40 P.S. § 386 is \$1,800,000. The Company has met all governing surplus requirements throughout the examination period.

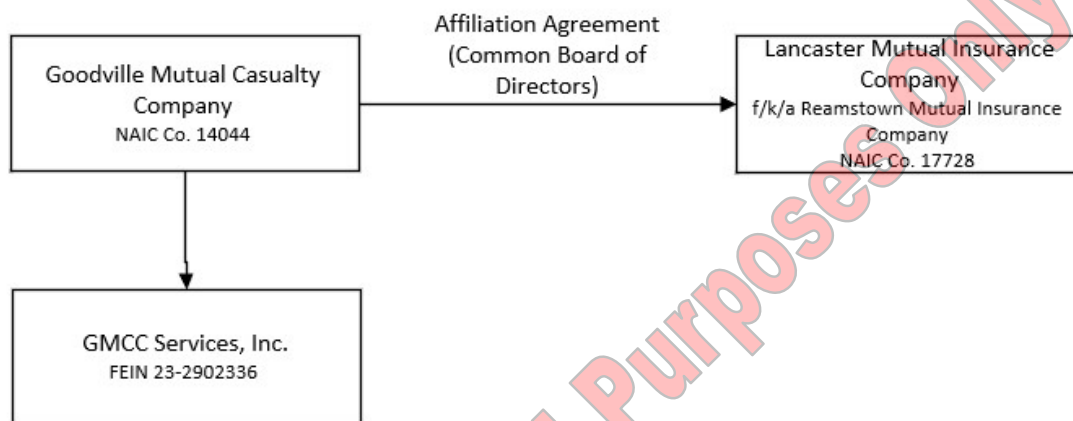
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INSURANCE HOLDING COMPANY SYSTEM

The Company meets the requirements for filing an insurance holding company system annual registration statement pursuant to 40 P.S. § 991.1404. For each year of the examination, the Company filed the required registration statement by March 31.

Members of the Company's holding company system include the following entities briefly described below:



Lancaster Mutual Insurance Company ("LMIC") is a Pennsylvania domiciled, single-state, property and casualty mutual insurance company.

Effective January 1, 2019, the Company acquired LMIC through the closing of transactions pursuant to an Affiliation Agreement entered into between the companies on September 19, 2018, and pursuant to the Department's approval of the acquisition by the Company pursuant to Department Order No. ID-RC-18-22 ("Order"), dated December 19, 2018. In accordance with the Affiliation Agreement, the Company's Board of Directors and LMIC's Board of Directors shall be composed of the same persons, and pursuant to the Order, the Company is the sole ultimate controlling person of the holding company system.

GMCC Services, Inc. is a Pennsylvania business corporation that functions as an insurance agency. The Company owns 100 percent of the voting securities of GMCC Services, Inc. This subsidiary is currently inactive.

BOARD OF DIRECTORS

Management of the Company is vested in its Board of Directors ("Board"), which was comprised of the following members as of December 31, 2021:

Name and Address	Principal Occupation
Sanford L. Alderfer Harleysville, Pennsylvania	Chief Executive Officer Sanford Alderfer Auction Company

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Andrew Dula
Lancaster, Pennsylvania

Dr. Gregory A. Edwards
Napoleon, Ohio

David C. Gautsche
Lancaster, Pennsylvania

James M. Harder
Bluffton, Ohio

Allon H. Lefever
Lancaster, Pennsylvania

John C. Miller
Boalsburg, Pennsylvania

John S. Miller
Defiance, Ohio

Lori B. Miller
Archbold, Ohio

Donald L. Nice
Perkasie, Pennsylvania

Miriam E. Shirk
Goshen, Indiana

Glennys H. Shoey
Mt. Crawford, Virginia

Jeremy C. Shue
Goshen, Indiana

Alan E. Wyse
Wauseon, Ohio

Chief Operating & Financial Officer
Elam G. Stoltzfus Jr. Inc.

Veterinarian - Retired

President & Chief Executive Officer
Goodville Mutual Casualty Company

President Emeritus
Bluffton University

President
Lefever Associates

Retired

Vice President
Farmers & Merchants State Bank

Controller
Miller Brothers Construction, Inc.

President
Landis Supermarket, Inc.

Vide President
Mennonite Health Services Alliance

Counselor
Center for Marriage & Family Counseling

Pastor
Silverwood Mennonite Church

Investment Advisor
CIG Financial Services

According to the Company's by-laws the Board shall consist of not less than nine nor more than 18 directors that are elected on a rotating basis by the members for a three-year term with one third of the directors elected each year.

COMMITTEES

As of December 31, 2021, the following committees were appointed by the Board and serving in accordance with the Company's by-laws:

Audit Committee

Andy Dula - Chair
Sanford L. Alderfer
Lori B. Miller

Board and Officer Benefits

Sanford L. Alderfer - Chair
Miriam E. Shirk
Gregory A. Edwards

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Allen E. Wyse
Donald L. Nice

Jeremy C. Shue
Lori B. Miller

Executive Committee

James M. Harder - Chair
David C. Gautsche
John C. Miller
Allon H. Lefever
Glennys H. Shouey
Alan E. Wyse

Governance and Nominating Committee

Glennys H. Shouey - Chair
Gregory A. Edwards
Jeremy C. Shue
David C. Gautsche
James M. Harder
John S. Miller
Miriam E. Shirk

Finance Committee

Allon H. Lefever - Chair
Andy Dula
John C. Miller
Donald L. Nice

OFFICERS

As of December 31, 2021, the following officers were appointed and serving in accordance with the Company's by-laws:

Name	Title
David C. Gautsche	President & Chief Executive Officer
Maryfrances T. Cooper	Corporate Secretary
Allon H. Lefever	Treasurer

CORPORATE RECORDS

MINUTES

A compliance review of corporate minutes revealed the following:

- The Annual Meetings of the Company's policyholders were held in compliance with its by-laws.
- The policyholders elect the directors at such meetings in compliance with the by-laws.
- The policyholders ratified the prior year's actions of the officers and directors.
- Quorums were present at all directors' meetings.
- The Company's investment transactions are approved annually by the Board.
- All directors attend Board meetings regularly.
- The Company's Board minutes show approval of its reinsurance contracts.

CHARTER

There were no changes to the Company's charter during the examination period.

BY-LAWS

There were no changes to the Company's by-laws during the examination period.

SERVICE AND OPERATING AGREEMENTS

The Company is party to various service and operating agreements, which includes intercompany and related-party agreements. The following significant agreements were in place during the examination period:

Affiliation Agreement

On September 18, 2018, the Company and LMIC entered into an Affiliation Agreement whereby LMIC agreed to affiliate its operations with the Company. The companies' affiliation and operations are governed by the Affiliation Agreement and through a Services Agreement and a Quota Share and Loss Portfolio Transfer Reinsurance Contract; both agreements are further described below.

Following the Department's approval through the Order, the Company and LMIC effectuated the affiliation on January 1, 2019.

Services Agreement

Effective January 1, 2019, the Company entered into a Services Agreement with LMIC. Under this agreement, the Company provides to LMIC management oversight of LMIC's operations; financial, investment, and accounting services; development, operation and maintenance of internal processing systems; and other administrative services to support LMIC's business and operations. Following the initial term of the agreement of one year, the agreement automatically renews for successive one-year terms until terminated by either party. LMIC pays the Company a fee based on apportioned expenses and allocation of joint expenses on a quarterly basis.

PMA Third Party Administrative Agreement

Effective January 1, 2018, the Company entered into an Agreement for Third Party Claim Administrative Services with PMA Management Corporation ("PMA"), a Pennsylvania corporation and non-affiliated company. Under this agreement, PMA provided workers' compensation claim handling services pursuant to the agreement. The agreement was effective for a term of three years, and thereafter automatically renews for successive one-year terms until terminated. Effective March 8, 2018, the agreement was amended to provide for certain authority limits applicable to PMA's services.

REINSURANCE

CEDED

The Company's ceded premium for 2021 was \$16,137,666 which is approximately 6% of its surplus. The Company's net amount recoverable for 2021 was approximately \$12,936,000. As of December 31, 2021, the Company had \$1,431,245 outstanding due recoverables from its reinsurers.

A description of the Company's significant reinsurance agreements in effect as of December 31, 2021, through which the Company ceded risk are as follows:

Property Per Risk Excess of Loss

Effective January 1, 2021, the Company and LMIC entered into a Property Per Risk Excess of Loss Reinsurance Contract with subscribing reinsurers listed below. The agreement is structured to provide the Company first and second layers of property per risk reinsurance coverage. The term of the contract is one year.

The Company's retention and the reinsurance limits under the agreement are listed below.

Excess Layer	Company's Retention	Reinsurance Limits	Type of Business Covered
First	\$450,000 each loss, each risk	\$550,000 each loss, each risk	Property
Second	\$1,000,000 each loss, each risk	\$1,650,000 each occurrence \$2,600,000 each loss, each risk \$7,800,000 each occurrence	Property

The subscribing reinsurers with a percentage share of 10.00% or greater of any layer are listed below. The subscribing reinsurers listed below have the same retention under each layer.

Hannover Rück SE	20.00%
Mapfre Re, Compañía de Reaseguros, S.A.	23.75%
Ryan Re Underwriting Managers, LLC obo Nationwide Mutual Insurance Company	15.00%
SCOR Reinsurance Company	15.00%

Property Facultative (Per Risk)

Effective July 1, 2016, the Company entered into a Property Facultative Agreement of Reinsurance with General Reinsurance Corporation. The agreement is structured to provide the Company a third layer of property per risk reinsurance coverage. The agreement will remain in force until terminated by either party.

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The Company's retention and the reinsurance limits per risk under the agreement are listed below. However, the reinsurer's liability shall not exceed \$25,500,000 combined on all risks involved in one occurrence.

Company's Retention	Reinsurance Limits	Type of Business Covered
\$3,500,000 per risk	\$2,500,000 per risk	Property – peril of earth movement
\$3,500,000 per risk	\$8,500,000 per risk	Property – all other perils

Property Catastrophe Excess of Loss (First and Second Excess)

Effective January 1, 2021, the Company and LMIC entered into a Property Catastrophe Excess of Loss Reinsurance Contract with subscribing reinsurers listed below. The agreement is structured to Provide the Company with a first layer and second layer of property per occurrence reinsurance coverage. The term of the contract is one year.

The reinsurers shall not be liable under this contract unless two or more risks are involved in the same occurrence. The Company's retention and the reinsurance limits under the agreement are listed below.

Excess Layer	Company's Retention	Reinsurance Limits	Type of Business Covered
First	\$10,000,000 each occurrence	\$10,000,000 each occurrence	Property
Second	\$20,000,000 each occurrence	\$25,000,000 each occurrence	Property

The subscribing reinsurers with a percentage share of 10.00% or greater of any layer are listed below by layer.

	First Layer	Second Layer
Allied World Insurance Company	10.00%	10.00%
Mapfre Re, Compañía de Reaseguros, S.A.	11.00%	11.60%
R+V Versicherung AG	17.25%	14.00%
Lloyd's Syndicate No. 2010 MMX	15.00%	11.50%

Property Catastrophe Excess of Loss (Third Layer)

Effective January 1, 2021, the Company and LMIC entered into a Property Catastrophe Excess of Loss Reinsurance Contract with subscribing reinsurers listed below. The agreement is structured to provide the Company a third layer of property per occurrence reinsurance coverage. The term of the contract is one year.

The Company's retention and the reinsurance limits under the agreement are listed below. The reinsurers shall not be liable under this contract unless two or more risks are involved in the same occurrence.

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Excess Layer	Company's Retention	Reinsurance Limits	Type of Business Covered
Third	\$45,000,000 each occurrence	\$20,500,000 each occurrence	Property

The subscribing reinsurers with a percentage share of 10.00% or greater are listed below.

Hannover Rück SE	15.00%
Mapfre Re, Compañía de Reaseguros, S.A.	12.50%
R+V Versicherung AG	20.00%
Siriur International Insurance Corporation	10.00%

Property Catastrophe Excess of Loss (Fourth Layer)

Effective January 1, 2021, the Company and LMIC entered into a Property Catastrophe Excess of Loss Reinsurance Contract with assuming member companies of Mutual Reinsurance Bureau ("Mutual Re"). The agreement is structured to provide the Company a fourth layer of property per occurrence reinsurance coverage. The term of the contract is one year.

The Company's retention and the reinsurance limits under the agreement are as follows:

Company's Retention	Reinsurance Limits	Type of Business Covered
\$68,000,000 each occurrence	\$1,000,000 each occurrence \$2,000,000 all occurrences	Property

The assuming member companies part of Mutual Re with percentage share are listed below.

Church Mutual Insurance Company, S.I.	20.00%
Farm Bureau Mutual Insurance Company of Michigan	20.00%
Kentucky Farm Bureau Mutual Insurance Company	20.00%
Motorists Mutual Insurance Company	20.00%
Renaissance Reinsurance U.S. Inc.	20.00%

Casualty Excess of Loss (First and Second Layers)

Effective January 1, 2021, the Company and LMIC entered into a Casualty Excess of Loss Reinsurance Contract with subscribing reinsurers; assuming member companies of Mutual Re; and reinsurers part of the Regional Treaty Services Corporation ("RTSC") listed below. The agreement is structured to provide the Company a first and second layer of casualty per occurrence excess of loss reinsurance coverage. The term of the contract is one year.

The Company's retention and the reinsurance limits under the agreement are as follows:

Excess Layer	Company's Retention	Reinsurance Limits	Type of Business Covered
First	\$500,000 each occurrence	\$500,000 each occurrence	Casualty

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Second	\$1,000,000 each occurrence	\$3,000,000 each occurrence	Casualty
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In the event of an occurrence involving one casualty policy subject to this agreement and one property policy subject to the Property Per Risk Excess of Loss Reinsurance Contract described above, the reinsurance limits are \$450,000 each occurrence.

The individual reinsurers with a percentage share of 10.00% or greater of any layer are listed below.

	First Layer	Second Layer
AXIS Reinsurance Company	15.00%	7.00%
Endurance Assurance Corporation	12.50%	9.00%
Employers Mutual Casualty Company (part of RTSC)	10.35%	5.69%
Hannover Rück SE	n/a	15.00%
Renaissance Reinsurance U.S. Inc. (combined share individually; as part of Mutual Re; and as part of RTSC)	6.27%	14.57%
SCOR Reinsurance Company	15.00%	15.00%
Lloyd's Syndicate No. 0566 STN	15.00%	15.00%

Casualty Excess of Loss Facultative

Effective July 1, 2021, the Company and LMIC entered into a Casualty Excess of Loss Facultative Reinsurance Contract with various subscribing reinsurers listed below. The agreement will remain in force until terminated by either party.

The Company's retention and the reinsurance limits per risk under the agreement are listed below.

Company's Retention	Reinsurance Limits	Type of Business Covered
\$1,000,000 each occurrence, each policy	\$1,000,000 each occurrence, each policy \$25,500,000 combined on all risks involved in one occurrence.	Personal, Farm and Commercial exposures

The subscribing reinsurers with a percentage share of 10.00% or greater are listed below.

Berkley Insurance Company	15.00%
Hannover Rück SE	10.00%
Swiss Reinsurance America Corporation	43.00%
The Toa Reinsurance Company of America	13.50%

Quota Share and Excess of Loss – Umbrella Policies

Effective January 1, 2018, the Company entered into an Agreement of Reinsurance with General Reinsurance Corporation for Quota Share and Excess of Loss Reinsurance for umbrella

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policies. LMIC was added to the agreement effective January 1, 2019. The agreement shall remain in force until terminated.

The Company's retention and the reinsurance limits under the agreement are as follows:

Company's Retention	Reinsurance Limits	Type of Business Covered
5% of the first \$1,000,000 each occurrence per policy	95% of the first \$1,000,000 each occurrence and 100% of the difference, if any, between the policy limit and the first \$1,000,000 each occurrence	Personal Umbrella and Farm Umbrella
5% of the first \$1,000,000 each occurrence per policy \$1,000,000 aggregate	95% of the first \$1,000,000 each occurrence/\$1,000,000 aggregate and 100% of the difference, if any, between the policy limit and the first \$1,000,000	Commercial Umbrella

Quota Share – Multiline (except Workers' Compensation)

Effective January 1, 2021, the Company entered into an Agreement of Reinsurance with General Reinsurance Corporation. The term of the contract is one year.

The Company's retention and the reinsurance limits under the agreement are as follows:

Company's Retention	Reinsurance Limits	Type of Business Covered
98% each risk	2% up to \$9,000 each risk \$200,000 all risks in one occurrence \$200,000 in aggregate for terrorism occurrences	Property
98% each occurrence	2% up to \$10,000 per occurrence \$3,000,000 combined all occurrences related to SAR-CoV-2	Automobile and Other Liability

Quota Share – Workers' Compensation

Effective January 1, 2018, the Company entered into an Agreement of Reinsurance with General Reinsurance Corporation. The agreement will remain in force until terminated by either party.

The Company's retention and the reinsurance limits under the agreement are as follows:

Company's Retention	Reinsurance Limits	Type of Business Covered
5% each occurrence	95% of first \$20,000,000 each occurrence	Workers' Compensation and Employers' Liability

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\$19,000,000 in the aggregate for terrorism occurrences per agreement year
\$10,000,000 aggregate related to SAR-CoV-2 occurrences per agreement year

Quota Share - Cyber Liability and Employers Liability

Effective January 1, 2018, the Company entered into a Cyber Liability and Employment Practices Liability Quota Share Reinsurance Contract with subscribing reinsurer Houston Casualty Company. The agreement will remain in force until terminated by either party.

The Company's retention and the reinsurance limits under the agreement are as follows:

Company's Retention	Reinsurance Limits	Type of Business Covered
None	100% share up to \$100,000 aggregate, any one policy endorsement	Workers' Compensation and Employers' Liability

Equipment Breakdown

Effective January 1, 2018, the Company entered into an Equipment Breakdown Quota Share Reinsurance Contract with Factory Mutual Insurance Company. The agreement is continuous until terminated by either party. The contract was amended effective 1, 2012, and

The Company's retention and the reinsurance limits are as follows:

Company's Retention	Reinsurance Limits	Type of Business Covered
None	\$25,000,000 per risk for Commercial Multi-Peril or Farmowners \$100,000 per risk for Homeowners	Equipment Breakdown

The Company's reinsurance intermediary, Guy Carpenter & Co., LLC, is licensed by the Department as required by 40 P.S. § 321.2(a). The Company has a properly executed written agreement with Guy Carpenter & Co., LLC in accordance with 40 P.S. § 321.3.

All reinsurance contracts contain the proper insolvency and arbitration clauses. Additionally, all contracts transfer risk as outlined in SSAP No. 62R.

ASSUMED

Quota Share and Loss Portfolio Transfer Agreement - Affiliated

Effective January 1, 2019, the Company entered into a Quota Share and Loss Portfolio Transfer Reinsurance Contract with LMIC whereby LMIC on a prospective basis, cedes 100% of all written premium, net of premiums ceded to external reinsurers, to the Company. In addition, LMIC transferred all of its loss and loss adjustment expense reserves and unearned premium reserves as of the effective date to the Company. The contract remains in effect till terminated.

Property Per Risk Combined

Effective January 1, 2021, the Company entered into a Property Per Risk Combined Reinsurance Contract with Amish Aid Plan for excess of loss and quota share. The contract term is for one year.

On an excess of loss basis, the retention and limits are listed below.

Amish Aid Plan's Retention	Company's Reinsurance Limits	Type of Business Covered
\$50,000 each loss, each risk	\$3,550,000 each loss, each risk	Property

After the deduction of all other reinsurance, including the excess of loss reinsurance described above, the Amish Aid Plan cedes, and the Company accepts from Amish Aid Plan a 50% share of all business and the Company pays 50% quota share of losses covered by the contract.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in the following jurisdictions: Delaware, Illinois, Indiana, Kansas, Ohio, Oklahoma, Pennsylvania, and Virginia.

The following charts illustrate the direct and assumed and ceded premium amounts by line of business for the Company as of December 31, 2021.

SIGNIFICANT OPERATING RATIOS AND TRENDS

The underwriting ratios summarized below are shown on an earned/incurred basis, and encompass the five-year period covered by this examination.

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	Amount	Percentage
Premiums earned	\$ 796,520,795	100.0 %
Losses incurred	458,092,827	57.5 %
Loss expenses incurred	63,040,107	7.9 %
Other underwriting expenses incurred	233,740,628	29.3 %
Net underwriting gain or (loss)	41,647,233	5.2 %
Totals	\$ 796,520,795	99.9 %

The Company reported the following net underwriting, investment, and other gains or losses during the period under examination:

	2021	2020	2019	2018	2017
Admitted assets	\$ 450,947,825	\$ 406,540,594	\$ 363,375,288	\$ 326,180,821	\$ 273,962,153
Liabilities	\$ 182,362,040	\$ 168,925,663	\$ 159,234,014	\$ 139,171,297	\$ 113,422,999
Surplus as regards policyholders	\$ 268,585,785	\$ 237,614,931	\$ 204,141,274	\$ 187,009,524	\$ 160,539,154
Gross premium written	\$ 210,064,505	\$ 199,740,067	\$ 196,459,610	\$ 168,891,536	\$ 154,943,528
Net premium written	\$ 193,926,839	\$ 185,558,454	\$ 182,851,212	\$ 132,847,680	\$ 125,430,001
Underwriting gain/(loss)	\$ 14,943,567	\$ 16,641,100	\$ (1,526,563)	\$ 9,339,686	\$ 3,650,396
Investment gain/(loss)	\$ 17,200,081	\$ 13,959,799	\$ 8,828,769	\$ 9,853,932	\$ 6,441,070
Other gain/(loss)	\$ (116,220)	\$ 278,111	\$ 420,752	\$ 288,575	\$ 295,701
Net income	\$ 27,765,610	\$ 25,943,046	\$ 5,711,845	\$ 16,431,459	\$ 7,716,923

PENDING LITIGATION:

As of the date of this examination report, Company Management attested that the Company was not involved in any litigation and was not aware of any threatened litigation that could have a material adverse effect on its financial condition.

FINANCIAL STATEMENTS

The financial condition of the Company, as of December 31, 2021, and the results of its operations for the five-year period under examination, are reflected in the following statements*:

- Comparative Statement of Assets, Liabilities, Surplus and Other Funds;
- Comparative Statement of Income;
- Comparative Statement of Capital and Surplus; and
- Comparative Statement of Cash Flow

*Note: Some financials shown in this report may contain immaterial differences to those reported in the Company's filed Annual Statements due to rounding differences.

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Comparative Statement of Assets, Liabilities, Surplus and Other Funds As of December 31,

	2021	2020	2019	2018	2017
Bonds	\$ 315,831,562	\$ 281,027,797	\$ 244,106,030	\$ 196,352,268	\$ 174,713,053
Preferred stocks	3,033,704	1,704,486	1,083,255	1,604,317	1,398,313
Common stocks	83,117,115	80,447,768	71,388,438	45,125,566	50,940,881
Mortgage loans on real estate	0	0	42,587	51,242	61,449
Real estate	6,196,447	6,439,468	6,094,181	4,938,739	5,120,392
Cash, cash equivalents, and short term investments	10,884,085	6,253,185	10,628,815	10,770,286	13,011,193
Other invested assets	33,584	0	0	0	0
Subtotals, cash and invested assets	419,096,497	375,872,704	333,343,306	258,842,418	245,245,281
Investment income due and accrued	1,446,607	1,388,494	1,221,108	1,051,102	1,040,416
Premiums and agents' balances due	28,069,758	27,733,057	26,405,370	22,663,998	20,780,343
Amounts recoverable from reinsurers	1,431,245	756,602	1,256,300	3,742,556	3,241,871
Funds held by or deposited with reinsured companies	15,000	15,000	31,000	31,000	31,000
Other amounts receivable under reinsurance contracts	43,637	66,964	21,180	0	0
Net deferred tax asset	0	0	290,442	1,849,231	0
Electronic data processing equipment and software	483,876	349,674	353,027	326,128	430,308
Receivable from parent, subsidiaries and affiliates	250,694	175,086	211,315	1,917,218	3,038,046
Health care and other amounts receivable	20,002	0	0	0	0
Aggregate write-ins for other than invested assets	90,509	183,013	242,240	259,280	154,888
Total	\$ 450,947,825	\$ 406,540,594	\$ 363,375,288	\$ 290,682,931	\$ 273,962,153
Losses	\$ 61,130,617	\$ 54,704,635	\$ 53,001,663	\$ 39,515,669	\$ 36,002,660
Reinsurance payable on paid loss and loss adjustment expenses	1,014,392	1,116,756	1,003,930	54,272	451,377
Loss adjustment expenses	11,592,493	10,490,621	9,574,815	7,202,857	6,583,995
Commissions payable, contingent commissions and other similar charges	9,143,409	8,678,399	7,658,222	6,472,381	5,964,218
Other expenses	6,099,572	5,890,105	4,705,351	1,274,015	1,072,929
Taxes, licenses and fees	1,445,149	1,446,356	1,311,920	789,476	691,161
Current federal and foreign income taxes	37,864	1,870,044	941,668	1,106,619	874,597
Net deferred tax liability	2,514,304	1,310,086	0	0	124,499
Unearned premiums	82,598,927	78,579,499	75,600,065	56,172,874	52,155,437
Advance premium	4,124,435	2,927,124	3,389,923	3,160,790	2,554,776
Ceded reinsurance premiums payable (net of ceding commissions)	1,957,044	1,389,858	1,497,107	7,190,078	5,783,081
Amounts withheld or retained by company for account of others	110,447	95,200	92,004	114,606	43,978
Remittances and items not allocated	121,663	85,938	104,637	123,873	94,504
Provision for reinsurance	0	0	0	36,000	0
Payable to parent, subsidiaries and affiliates	0	0	0	102,289	1,024,702
Aggregate write-ins for liabilities	471,724	341,042	352,709	6,403	1,085
Total liabilities	182,362,040	168,925,663	159,234,014	123,322,202	113,422,999
Aggregate write-ins for special surplus funds	18,423	28,712	55,824	0	0
Unassigned funds (surplus)	268,567,362	237,586,219	204,085,450	167,360,729	160,539,154
Surplus as regards policyholders	268,585,785	237,614,931	204,141,274	167,360,729	160,539,154
Totals	\$ 450,947,825	\$ 406,540,594	\$ 363,375,288	\$ 290,682,931	\$ 273,962,153

Goodville Mutual Casualty Company

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Comparative Statement of Income For the Year Ended December 31,

	2021	2020	2019	2018	2017
Underwriting Income					
Premiums earned	\$ 189,907,411	\$ 182,579,020	\$ 173,336,881	\$ 128,830,243	\$ 121,867,240
Deductions:					
Losses incurred	102,813,836	97,727,689	109,836,814	73,738,427	73,976,061
Loss expenses incurred	15,034,243	14,114,792	14,430,086	9,924,352	9,536,634
Other underwriting expenses incurred	57,115,765	54,095,439	50,596,544	37,228,731	34,704,149
Total underwriting deductions	174,963,844	165,937,920	174,863,444	120,891,510	118,216,844
Net underwriting gain or (loss)	14,943,567	16,641,100	(1,526,563)	7,938,733	3,650,396
Investment Income					
Net investment income earned	7,606,228	7,110,412	7,607,366	5,550,809	4,267,474
Net realized capital gains or (losses)	9,593,853	6,849,387	1,221,403	3,216,208	2,173,596
Net investment gain or (loss)	17,200,081	13,959,799	8,828,769	8,767,017	6,441,070
Other Income					
Net gain or (loss) from agents' or premium balances charged off	(143,650)	(64,437)	(87,758)	(86,599)	(54,461)
Finance and service charges not included in premiums	330,013	369,660	398,008	395,673	385,934
Aggregate write-ins for miscellaneous income	(302,583)	(27,112)	110,502	869	(35,772)
Total other income	(116,220)	278,111	420,752	309,943	295,701
Net income before dividends to policyholders and before federal and foreign income taxes	32,027,428	30,879,010	7,722,958	17,015,693	10,387,167
Federal and foreign income taxes incurred	4,261,818	4,935,964	2,011,113	3,191,373	2,670,244
Net income	\$ 27,765,610	\$ 25,943,046	\$ 5,711,845	\$ 13,824,320	\$ 7,716,923

For Informational Purposes Only

Goodville Mutual Casualty Company

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Comparative Statement of Capital and Surplus For the Year Ended December 31,

	2021	2020	2019	2018	2017
Surplus as regards policyholders,					
December 31, previous year	\$ 237,614,931	\$ 204,141,274	\$ 187,009,524	\$ 160,539,154	\$ 147,646,196
Net income	27,765,610	25,943,046	5,711,845	13,824,320	7,716,923
Net unrealized capital gains or (losses)	4,472,419	7,936,947	11,201,148	(6,985,160)	6,966,048
Change in net deferred income tax	(15,347)	509,293	819,520	116,914	(1,368,645)
Change in nonadmitted assets	(1,251,828)	(915,629)	153,445	(98,499)	(421,368)
Change in provision for reinsurance	0	0	36,000	(36,000)	0
Cumulative effect of changes in accounting principles	0	0	(790,208)	0	0
Change in surplus as regards policyholder for the year	30,970,854	33,473,657	17,131,750	6,821,575	12,892,958
Surplus as regards policyholders,					
December 31, current year	\$ 268,585,785	\$ 237,614,931	\$ 204,141,274	\$ 167,360,729	\$ 160,539,154

For Informational Purposes Only

Comparative Statement of Cash Flow **For the Year Ended December 31,**

	2021	2020	2019	2018	2017
Cash from Operations					
Premiums collected net of reinsurance	\$ 195,413,686	\$ 183,612,237	\$ 179,502,637	\$ 133,006,404	\$ 124,461,384
Net investment income	9,387,780	8,353,032	8,469,227	6,173,823	5,247,118
Miscellaneous income	(116,220)	278,110	420,752	309,943	295,706
Total income	204,685,246	192,243,379	188,392,616	139,490,170	130,004,208
Benefit and loss related payments	97,164,861	95,412,192	102,886,176	71,123,208	69,092,495
Commissions, expenses paid and aggregate write-ins for deductions	70,369,436	65,019,524	63,246,345	45,720,071	43,515,307
Federal and foreign income taxes paid (recovered)	8,605,000	5,839,473	2,435,000	3,812,531	5,580,250
Total deductions	176,139,297	166,271,189	168,567,521	120,655,810	118,188,052
Net cash from operations	28,545,949	25,972,190	19,825,095	18,834,360	11,816,156
Cash from Investments					
Proceeds from investments sold, matured or repaid:					
Bonds	136,163,492	109,442,492	79,562,812	73,568,315	76,437,125
Stocks	23,409,586	33,519,112	14,498,751	19,410,217	10,422,593
Mortgage loans	0	42,587	8,655	10,207	12,636
Total investment proceeds	159,573,078	143,004,191	94,070,218	92,988,739	86,872,354
Cost of investments acquired (long-term only):					
Bonds	170,055,394	143,720,904	96,540,657	96,064,275	86,842,884
Stocks	12,122,107	28,178,707	17,677,587	18,136,312	7,349,134
Real estate	30,955	631,148	133,315	42,248	1,724,456
Other invested assets	33,584	0	0	0	0
Total investments acquired	182,242,040	172,530,759	114,351,559	114,242,835	95,916,474
Net cash from investments	(22,668,962)	(29,526,568)	(20,281,341)	(21,254,096)	(9,044,120)
Cash from Financing and Miscellaneous Services					
Other cash provided (applied):					
Other cash provided or (applied)	(1,246,087)	(821,252)	(37,766)	178,829	(1,250,504)
Net cash from financing and miscellaneous sources	(1,246,087)	(821,252)	(37,766)	178,829	(1,250,504)
Reconciliation of cash and short-term investments:					
Net change in cash and short-term investments	4,630,900	(4,375,630)	(494,012)	(2,240,907)	1,521,532
Cash and short-term investments:					
Beginning of the year	6,253,185	10,628,815	11,122,827	13,011,193	11,489,661
End of the year	\$ 10,884,085	\$ 6,253,185	\$ 10,628,815	\$ 10,770,286	\$ 13,011,193

SUMMARY OF EXAMINATION CHANGES

There were no examination changes to the preceding financial statements as filed with regulatory authorities over the review period.

NOTES TO FINANCIAL STATEMENTS

ASSETS

INVESTMENTS

As of December 31, 2021, the Company's invested assets were distributed as follows:

	Amount	Percentage
Bonds	\$ 315,831,562	75.4 %
Preferred stocks	3,033,704	0.7 %
Common stocks	83,117,115	19.8 %
Real estate	6,196,447	1.5 %
Cash	6,039,102	1.4 %
Cash equivalents	4,844,983	1.2 %
Other invested assets	33,584	0.0 %
Totals	<u>\$ 419,096,497</u>	<u>100.0 %</u>

The Company's bond portfolio had the following quality and maturity profiles:

NAIC Designation	Amount	Percentage
1 - highest quality	\$ 253,645,245	80.4 %
2 - high quality	27,306,574	8.6 %
3 - medium quality	11,097,997	3.5 %
4 - low quality	13,700,240	4.3 %
5 - lower quality	10,081,506	3.2 %
Totals	<u>\$ 315,831,562</u>	<u>100.0 %</u>

Years to Maturity	Amount	Percentage
1 year or less	\$ 65,780,184	20.8 %
2 to 5 years	135,058,707	42.8 %
6 to 10 years	94,209,146	29.8 %
11 to 20 years	18,369,986	5.8 %
over 20 years	2,413,539	0.8 %
Totals	<u>\$ 315,831,562</u>	<u>100.0 %</u>

As of December 31, 2021, the Company had 75.4% of its invested assets in bonds, 19.8% common stocks and the remaining 4.8% of its invested assets in preferred stock, real estate, cash, cash equivalents and other invested assets. The Company's bond portfolio is

comprised of 89% investment grade securities, and 11% in poorer quality securities. 93.4% of the securities have maturities of 10 years or less.

The Company has a written investment policy as required by 40 P.S. § 653b(b). The investment policy is reviewed and approved on an annual basis by the Board. The Company was following its investment policy on December 31, 2021.

The Company entered into a custodial agreement with Wells Fargo Bank. The custodial agreement does not comply with the standards for custodial agreements pursuant to 31 Pa. Code § 148a.3.

It is recommended that the Company enter into a custody agreement that complies with the requirements of 31 Pa. Code § 148a.3.

LIABILITIES

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The Company reported reserves in the amount of \$61,130,617 for losses and \$11,592,493 for loss adjustment expenses (“LAE”) on the December 31, 2021 Annual Statement.

For each year in the examination period, the appointed actuary, Robert W. Van Epps, FCAS, MAAA, of The Actuarial Advantage, provided a Statement of Actuarial Opinion stating that the loss and LAE reserve amounts made a reasonable (or otherwise) provision on the adequacy of its loss and LAE reserves as provided in the NAIC *Annual Statement Instructions – Property/Casualty*.

In order for the examination team to gain an adequate comfort level with the Company’s loss and LAE reserve estimates, the Department’s Chief Actuary and property and casualty actuarial examiner performed a risk-focused review of the Company’s loss and LAE reserving and pricing processes.

Based on the procedures performed and the results obtained, the examination team obtained sufficient documentation to support the conclusion that the Company’s carried loss and LAE reserve amounts are reasonably stated as of December 31, 2021.

SUBSEQUENT EVENTS

Affiliation Agreement and Quota Share and Loss Portfolio Transfer Reinsurance Contract

On December 2, 2022, the Company entered into an Affiliation Agreement with De Smet Farm Mutual Insurance Company of South Dakota (“DSFM”). The affiliation was effectuated on January 1, 2023. As part of the affiliation, the Company, DSFM and De Smet Insurance Company of South Dakota (“DSIC”) entered into a Quota Share and Loss Portfolio Transfer Reinsurance Contract effective January 1, 2023, whereby the Company assumes 100% of the business written by DSFM and DSIC including business written prior to the effective date.

Services Agreement

Effective April 1, 2023, the Company, DSFM and DSIC entered into a Services Agreement whereby the Company provides various executive and administrative services to DSFM and DSIC.

COVID-19

The Department is monitoring the impact of the COVID-19 global pandemic. The Department recognizes that COVID-19 could have a significant financial and operational impact on all of its domestic insurers, including the Company. As such, the Department will continue to monitor and share information with the Company as appropriate related to COVID-19 developments.

RECOMMENDATIONS

PRIOR EXAMINATION

The prior examination report of Goodville Mutual Casualty Company contained the following recommendations:

1. It is recommended to have the officers, responsible employees, and Board members at the Company sign the Conflict-of-Interest Questionnaire on an annual basis in accordance with its Statement of Basic Policy Concerning Conflicts of Interest and Business Ethics.

The Company has complied with this recommendation.

2. It is recommended that the Company evaluate its committee structures and ensure that all applicable Board committees meet the independence requirements of 40 P. S. § 991.1405(c)(4) and (4.1).

The Company has complied with this recommendation.

CURRENT EXAMINATION

As a result of the current examination, the following recommendations are being made:

1. *It is recommended that the Company enter into a custody agreement that complies with the requirements of 31 Pa. Code § 148a.3.* (See “Assets”, page 20)

CONCLUSION

As a result of this examination, the financial condition of Goodville Mutual Casualty Company, as of December 31, 2021, was determined to be as follows:

	Amount	Percentage
Admitted assets	\$ 450,947,825	100.0 %
Liabilities	\$ 182,362,040	40.4 %
Surplus as regards policyholders	268,585,785	59.6 %
Total liabilities and surplus	\$ 450,947,825	100.0 %

Since the previous examination, made as of December 31, 2016, the Company's assets increased by \$198,857,203, its liabilities increased by \$77,917,614, and its surplus increased by \$120,939,589.

This examination was conducted by Dennis Williams; Michael Lisowski, CFE; David M. Smith, CISA, CPDSE, AES, CFE; Kevin Clark; Jeffery J. Smith, FCAS, MAAA, CPCU; and Matthew Council, CFE, with the latter in charge.

Respectfully submitted,

Stephanie Ohnmacht

Stephanie Ohnmacht, CFE
Examination Manager

Matthew A. Council

Matthew Council, CFE
Examiner-in-Charge

The CFE designation has been conferred by an organization not affiliated with the federal or any state government. However, the CFE designation is the only designation recognized by the NAIC for the purposes of directing statutory Association examinations of insurance companies.

Goodville Mutual Cas Co - 2021 Exam Report_ REVISION_06262023

Final Audit Report

2023-06-26

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