GUIDEONE INSURANCE COMPANIES

AMB #: 003918	NAIC #: N/A	FEIN #: N/A
Phone:	Fax:	Website: N/A

GuideOne America Insurance Co	A-
GuideOne Elite Insurance Co	A-
GuideOne Insurance Company	A-
GuideOne National Insurance Co	A-
GuideOne Prop & Cas Ins Co	A-
GuideOne Specialty Ins Co	A-

Best's Credit Rating Effective Date
June 14, 2022

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Information
Best's Credit Rating Methodology

Guide to Best's Credit Ratings

Market Segment Outlooks

Financial Data Presented
Financial data in this report: (i) includes data of affiliated entities that are not rating unit members where analytics benefit from inclusion; and/or (ii) excludes data of rating unit member entities if they operate in different segments or geographic areas than the Rating Unit generally. See list of companies for details of rating unit members and any such included and/or excluded entities.

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: Best's Financial Report.

GuideOne Insurance Companies

AMB #: 003918
Associated Ultimate Parent: AMB # 044975 - GuideOne Mutual Holding Company

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)	Issuer Credit Rating (ICR)
A-	**a-**
Excellent	**Excellent**
Outlook: **Stable**	Outlook: **Stable**
Action: **Affirmed**	Action: **Affirmed**

Assessment Descriptors

Balance Sheet Strength	**Very Strong**
Operating Performance	**Marginal**
Business Profile	**Neutral**
Enterprise Risk Management	**Appropriate**

Rating Unit - Members
Rating Unit: GuideOne Insurance Companies | AMB #: 003918

AMB #	Rating Unit Members	AMB #	Rating Unit Members
001854	GuideOne America Insurance Co	014334	GuideOne National Insurance Co
001870	GuideOne Elite Insurance Co	011577	GuideOne Prop & Cas Ins Co
002404	GuideOne Insurance Company	002403	GuideOne Specialty Ins Co

Rating Rationale

Balance Sheet Strength: Very Strong

- Based on results at year-end 2021, risk-adjusted capitalization is categorized as "Strongest" at the 99.6% VaR confidence level.
- In 2021, the group reported a four-percent increase in surplus driven by net investment income and realized gains.
- The group maintains a relatively conservative investment portfolio and low common stock leverage as a majority of its invested assets consist of high-quality fixed-income securities; however, there has been an increasing allocation to riskier assets such as mortgage loans and BA assets in recent years.
- The group reported significant levels of favorable development across all calendar years. Accident year development has been unfavorable in five of the last nine years.

Operating Performance: Marginal

- The group experienced unfavorable operating results early in the five-year period due to adverse reserve development in its Senior Living Center general liability business, which is now a discontinued operation.
- Accident year net loss ratios ex-CAT have shown improvement from 2018 and prior, which is a good indication the underwriting has improved.
- The group saw significant growth in direct written premium (33%), which was primarily driven by its program business and its specialty business.
- GuideOne was significantly impacted by above-average CAT weather losses in 2021, adding approximately six points to the combined ratio.

Business Profile: Neutral

- The group is a large insurer of churches in the US, insuring over 43,000 houses of worship across the country. Core religious institutions' insurance products are sold through a network of approximately 2,000 agents.
- The group has focused on improving product strategy and diversification by engaging several program business opportunities that meet strict criteria, as well as offering several types of specialty lines coverage.
- The group has exited several lines of business to manage aggregations in severe convective storm states and increase wind/hail deductibles. It also exited Senior Living Center business, which was a major contributor to earnings volatility.
- The last several rating cycles have seen changes in management, staffing, product lines, and reserving practices to improve operations. AM Best's expectation is that a consistent trend can be demonstrated and maintained.

Enterprise Risk Management: Appropriate

- The management team has responded to the poor underwriting results in previous years and took quick actions to de-leverage the balance sheet, reduce volatility and restore surplus.
- Enterprise risk management is a part of the core strategic and financial decision-making process through a constant operational cycle.
- Risk appetite statements have been updated to better reflect corporate strategy and management's view of risk.
- Risk tolerances reflect improved monitoring and communication of risk profiles. Evolving enterprise risk management initiatives include development of a capital model to aid in strategic planning, capital assessment and reinsurance analysis.
- Catastrophe risk management framework is in place with a dedicated staff for exposure and CAT risk-modeling research.

Outlook

- The stable outlooks reflect the expectation that the group will maintain its overall balance sheet assessment, supported by risk-adjusted capitalization at the strongest level, as measured by BCAR, while ongoing strategic initiatives implemented by management will stabilize volatility in operating results over the intermediate term.

Rating Drivers

- Negative rating action could occur if GuideOne were to incur further material losses in risk-adjusted capitalization or if overall balance sheet metrics deteriorated due to growth, material adverse reserve development or volatility in investments.
- Negative rating action could occur if the group were unable to contain volatility under its current set of enterprise risk management measures.

- Negative rating action could occur if operating results fall markedly short of AM Best's expectation.

Credit Analysis

Balance Sheet Strength

Capitalization

The group's capital position increased by approximately 4% as of year-end 2021 after experiencing a 3% decrease in 2020 as a result of significant CAT losses and a statutory penalty on acquisition expense due to significant growth which drove the current year underwriting loss. Despite another year of underwriting losses in 2021, net investment income and realized and unrealized capital gains drove the growth in capital.

The group suffered a significant loss of surplus through 2017 attributable to several factors: losses in their For Profit Senior Living Center segment and excessive property catastrophe related losses above plan (excluding losses from Hurricanes Harvey, Irma, and Maria which were relatively modest).

In 2017, the group partially offset losses to surplus by implementation of a Loss Portfolio Transfer and Adverse Development Cover issued on certain discontinued lines, to eliminate volatility and protect the balance sheet; and, further derisking the balance sheet with a $50 million surplus note issuance in 2017.

The company has seven separate surplus notes outstanding in the amount of $105 million including an additional surplus note in the amount of $50 million that was executed in Q4 2017 to further strengthen capital. These notes mature between May of 2033 and December of 2047.

Asset Liability Management - Investments

Net investment income has been GuideOne's primary source of earnings and the driver of its mid-single digit operating returns. Total returns on invested assets have fluctuated over the years due to the variation in capital gains and losses rates. The group's investment portfolio is relatively conservative but investment yields and returns do trail the commercial casualty composite. Given the current low interest rate environment, GuideOne has increased its investment allocation to riskier assets such as mortgage loans and BA assets with expectations of boosting total investment returns via capital gains. In addition to the current yield environment, investment income was also impacted by fluctuating operating cash flows and the minimally increasing level of invested assets. Net investment earnings are also negatively impacted by the interest expense paid on the group's series of surplus notes.

Reserve Adequacy

The group has historically reported favorable calendar year development. However development has been unfavorable in 5 of the last 9 accident years, with favorable development in 2012, 2017, 2019 and 2020.

The group purchased an Adverse Development Cover (ADC) and completed a Loss Portfolio Transfer in 2017 to backstop further reserve development on non-core lines and reduce ongoing exposure. The company ceded $180 million of existing reserves for a premium payment of $181.5 million, under a surplus neutral transaction. The cover provides adverse development protection of $60 million above $180 million of existing reserves in the For Profit Senior Living Center segment and Other Liability segment.

In 2021, the group also created a protected cell captive and ceded $39.6 million of reserves from accident years 2010 and prior on a prospective basis through a loss portfolio transfer agreement.

Holding Company Assessment

Effective 4/1/2021, a reorganization implemented a mutual holding company structure. The ultimate parent is GuideOne Mutual Holding Company. Currently the assets of the holding company are the 100% owned downstream insurance operating companies and there is no debt at the holding company although there are surplus notes at the operating companies. Formation of the holding company may improve financial flexibility over time.

Operating Performance

Historical operating performance trends have generally been inconsistent, with volatility in key metrics.

Operating Performance (Continued...)

GuideOne saw another year of significant growth in 2021 (33%). They saw continued growth in their program business and significant growth in their specialty business. Program business and specialty now make up 60% of their book. They also saw moderate growth in their Core church business due to rate increases and retention as they continued to reduce CAT risk in FL, CA and TX while implementing a more conservative coastal strategy. Overall rate increases produced significant premium in addition to the some growth in exposures.

In 2021, the group reported net income of $11 million driven by net investment income and realized gains partially offset by another year of underwriting losses. They reported a combined ratio of 102% as of year-end 2021, a slight improvement compared to 2020. Underwriting losses were once again significantly impacted by excess CAT losses due to another historical CAT weather year for GuideOne. The largest CAT events in 2021 were Winter Storm Uri and Hurricane Ida. Underwriting results for specialty were unfavorable in 2021 and A.M. Best expects that Guide One will be looking for profitable growth going forward.

In 2020 the group reported another unfavorable year with a combined ratio of 102% primarily driven by catastrophes that occurred throughout the year, specifically Derecho and Hurricanes Laura and Sally. These CAT events added 7 points to the combined ratio.

Results for year-ends 2018 and 2019 showed improvement after a few very unfavorable years. They were able to accomplish profitability through a combination of reduced volatility and improved profitability of core niches and programs, and consistent favorable reserve development.

Business Profile

GuideOne is an Iowa-based insurer, historically driven by their niche in the church market in the United States, insuring nearly 43,000 houses of worship across the country. However, after a few very unprofitable years and a change in a management, they have made several strategic decisions to exit unprofitable lines of business, diversify and strategically grow in profitable new segments. The business profile is now composed of three diverse segments: Core business (religious institutions and nonprofits), Programs and Specialty E&S.

GuideOne is the leading insurer of churches in the United States. The strong Core book now also includes non-profit organizations, including private/charter schools. Insureds are generally affiliated with religious institutions. The group's commercial line products include commercial multi-peril, workers' compensation, general liability, excess liability, commercial auto, allied lines, and fire.

Program business was added to their product portfolio to provide risk diversification. Program business provides diversity to the faith and community based product offerings which will help hedge against market cycles. They work with partners with strong track records that provide technical expertise and focus on specialized underwriting in their respective niche. This business provides access to business which GuideOne would not historically have access. Program business offers the company a diversity of lines of business and a variety of classes ranging from CAT property to construction.

Specialty E&S was added in 2020 as they felt the time was right to enter this market. The strategy was to grow diversified lines of profitable business in this continued hard market. This gives them the opportunity to write risk exposures across all industries and offer coverage for property, casualty and financial lines exposures. The strategy is to be geographically diverse to mitigate loss impact and a diversified distribution network. The specialty book continued to grow in 2021 and now makes up more than one third of total direct premium.

GuideOne has previously offered personal lines products including homeowners and personal auto coverage, but these lines have been rolled onto another insurance company's paper. This book roll was substantially completed by year-end 2017.

The group is licensed in all 50 states and business is produced through independent agents and managing general underwriters.

GuideOne's property/casualty subsidiaries participate in an intercompany reinsurance pooling agreement that provides for the allocation of premiums, losses, LAE, and underwriting expenses. Under the agreement, all insurance business is ceded to GuideOne Insurance Company, as the lead. The lead retains more than half of the business and retrocedes smaller percentages back to GuideOne Property & Casualty Company and GuideOne Specialty Insurance. The members of the group share common facilities, personnel and services, as provided by the lead company.

Enterprise Risk Management

GuideOne maintains appropriate enterprise risk management (ERM) practices with both its senior management team and Board of Directors fully engaged in the process. During 2022 the company has updated its capital model with updates to business plans, reserves, reinsurance, investments, and catastrophes. Key areas of ERM emphasis in 2022 have included establishment of a risk

Enterprise Risk Management (Continued...)

committee by the board of directors and increased organizational emphasis on risk management and better integration of capital modeling and coordination with the finance team. During 2022 the focus of key risks include :

- Reinsurance counterparty risk and implications of Russian sanctions and potential expansions

- Reserve risk and impacts of inflation

- Interest rate impacts - investments, capital adequacy, and beyond

- Operational risk and potential impact from growth

Guide one has a formal risk appetite statement around loss of surplus (no more than 10%) in any one year period and achievement of its ROE targets along with minimizing personnel turnover and effectively managing operational risks.

The group remains exposed to hurricane losses, tornado/hail losses, and acts of terrorism, and to a lesser extent earthquake losses. It is managing its catastrophic risk via geographic concentration management and a more comprehensive reinsurance program. The group's book of business is geographically spread throughout the United States with its largest states being California, New York, and Florida, each with between 11 and 15 percent of direct premium written each.

Reinsurance Summary

The company generally maintains reinsurance on all lines of business to manage net retained loss on individual policies and from an accumulation of net policy losses. For property and casualty lines, on average, the company typically retains a net per risk limit of $2.5 million or less. The company has an all-perils property catastrophe excess of loss reinsurance program covering a substantial portion of $238 million in excess of $25 million per occurrence. Property per risk excess of loss coverage is maintained for the Core and Program segments covering $38 million in excess of $2 million, and extensive facultative reinsurance for the Specialty Property segment is in place as well as quota share reinsurance for the Church property portfolio. Casualty business is covered by $33 million excess of $2 million on an excess of loss per occurrence basis.

As part of its reinsurance security oversight, the company has established a Reinsurance Committee that meets quarterly to monitor and review the credit quality of the existing reinsurance portfolio.

Financial Statements

Balance Sheet	3-Months 2022 USD (000)	%	Year End - December 31 2021 USD (000)	%	2020 USD (000)	%
Cash and Short Term Investments	92,681	4.8	92,826	4.7	115,023	7.0
Bonds	1,082,448	55.7	1,063,273	53.9	891,401	54.5
Preferred and Common Stock	21,184	1.1	21,442	1.1	53,042	3.2
Other Invested Assets	180,295	9.3	177,906	9.0	124,529	7.6
Total Cash and Invested Assets	1,376,607	70.9	1,355,447	68.7	1,183,994	72.4
Premium Balances	352,519	18.2	412,933	20.9	282,755	17.3
Net Deferred Tax Asset	55,496	2.9	57,017	2.9	59,889	3.7
Other Assets	157,095	8.1	148,941	7.5	108,772	6.7
Total Assets	1,941,718	100.0	1,974,338	100.0	1,635,411	100.0
Loss and Loss Adjustment Expense Reserves:						
Net Reported Loss Reserves*	289,355	14.9	310,371	15.7	269,484	16.5
Net IBNR Loss Reserves*	405,054	20.9	271,721	13.8	252,726	15.5
Net LAE Reserves	...	...	83,948	4.3	89,384	5.5
Total Net Loss and LAE Reserves	694,409	35.8	666,040	33.7	611,594	37.4
Net Unearned Premiums	408,654	21.0	414,599	21.0	336,534	20.6
Other Liabilities	375,671	19.3	435,234	22.0	245,701	15.0
Total Liabilities	1,478,734	76.2	1,515,874	76.8	1,193,829	73.0
Capital Stock	10,000	0.5	10,000	0.5	...	...
Paid-In and Contributed Surplus	5,000	0.3	5,000	0.3	...	...
Unassigned Surplus	340,484	17.5	335,965	17.0	334,082	20.4
Other Surplus	107,500	5.5	107,500	5.4	107,500	6.6
Total Policyholders' Surplus	462,984	23.8	458,465	23.2	441,582	27.0
Total Liabilities and Surplus	1,941,718	100.0	1,974,338	100.0	1,635,411	100.0

Source: BestLink® - Best's Financial Suite
* Interim reserves balances include LAE.

Last Update
July 01, 2022

Identifiers
AMB #: 003918

This company is a data record that AM Best utilizes to represent the AM Best Consolidated financials for the Property/Casualty business of AMB#: 044975 GuideOne Mutual Holding Company.

AMB#: 002404 GuideOne Insurance Company has been assigned as the AMB Group Lead for this consolidation and should be used to access name, address, or other contact information for this AM Best Consolidated Group.

Financial Data Presented

See LINK for details of the entities represented by the data presented in this report.

GuideOne Insurance Companies

Operations

Date Incorporated: December 26, 1946

Domiciled: Iowa, United States

Licensed: The individual member companies of the group collectively operate in all states.

Business Type: Property/Casualty
Organization Type: Mutual
Marketing Type: Independent Agency

Best's Credit Ratings

Rating Relationship

This group represents an AM Best Rating Unit. In our opinion, companies under this Rating Unit have an Excellent ability to meet their ongoing insurance obligations and an Excellent ability to meet their ongoing senior financial obligations.

Best's Credit Rating Effective Date: June 14, 2022

Rating rationale and credit analysis can be found in the Best's Credit Report for AMB# 003918 - GuideOne Insurance Companies.

		Best's Credit Ratings	
AMB#	**Rating Unit Members**	**Financial Strength Rating**	**Long-Term Issuer Credit Rating**
001854	GuideOne America Insurance Co	A-	a-
001870	GuideOne Elite Insurance Co	A-	a-
002404	GuideOne Insurance Company	A-	a-
014334	GuideOne National Insurance Co	A-	a-
011577	GuideOne Prop & Cas Ins Co	A-	a-
002403	GuideOne Specialty Ins Co	A-	a-

Management

Administration of the group's affairs has been under the direction of insurance executives headed by Bernard Hengesbaugh, President and Chief Executive Officer, since June 2022.

History

On April 1, 1947, GuideOne Mutual Insurance Company (then known as Preferred Risk Mutual Insurance Company) became licensed to operate in Iowa and initially set out to create an auto insurance company that would insure only non-drinkers. The company gained a loyal following among religious leaders and went on to launch the country's first multiple peril package policy specifically for churches in 1962. By 1978, GuideOne was licensed in 38 states and had approximately 2,000 agents. In the mid-1990s, the company's mutual ownership structure was simplified and a common name was adopted to create a unified, identifiable product and a strong national brand. During the early 2000s, GuideOne's life insurance business was sold as part of an alliance established with Kansas City Life (KCL) Insurance Company. Today, GuideOne operates in all 50 states through a network of independent agents, serving churches, educational institutions, non-profits and senior living centers with commercial insurance products.