

A photograph of a warehouse interior. In the center-right, a worker in a bright green shirt and blue jeans is operating a yellow Hyster forklift. The forklift has "HYSTER" written vertically on its mast. To the left, there are tall, blue metal shelving units filled with various items, some wrapped in white plastic. The floor is a light-colored concrete. The background shows more of the warehouse structure, including a door and additional shelving. The overall scene is industrial and well-lit.

THE SECURE ADVANTAGE

SECURITY INSURANCE COMPANY OF NORTH AMERICA 2020 ANNUAL REPORT

LETTER FROM THE PRESIDENT

Jere Johnston, President | Security Insurance Company of North America

Dear Shareholder,

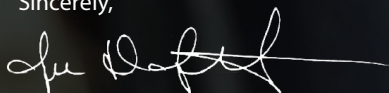
The year 2020 marks the eighteenth year in operation for the Security Insurance Company of North America. Since we began the journey in December 2002, we have grown to 32 member companies located throughout the United States. The growth achieved to date reflects an intelligent and diverse membership that is proactively involved in charting a safe course into the future, and to enhance the structure and stability of Security.

The fiscal year ending March 31, 2020 continues to reflect our strong growth and profitability. Annual premium through March 2020 exceeded \$13.25 million, and total Shareholders' Equity including investment income exceeds \$19 million. Security also proudly distributed in excess of \$2.6 million in dividends to its member companies.

As an enhanced communication tool, we have prepared an Annual Report for your review. Throughout its pages, you will find photos and testimonials from a diverse membership spanning retail, manufacturing, and distribution industries. With their extensive knowledge and blended experience, these member companies exemplify our commitment to safety. A commitment born of a desire to bring some stability and predictability to a volatile cost segment of our businesses in today's environment. Our success would not be possible without our members who contribute their time, ideas and energy to control losses, manage claims and support the quality growth we have enjoyed.

I would like to express my appreciation to our devoted service partners, as well. Without their hard work and dedication we would not be here today.

Sincerely,

A handwritten signature in black ink, appearing to read "Jere Johnston".

Jere Johnston, President

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WHAT ARE THE BENEFITS OF PARTICIPATING IN A CAPTIVE?

Reduce Total Cost of Risk - Membership in a captive requires a significant commitment to risk management. Rather than a conventional insurance company profiting from the members' superior financial condition and risk management programs and using those profits to subsidize the premiums of other less attractive companies, members of the captive can reduce their cost of risk when losses are less than projected.

Stability of the Pricing Cycle - With the group captive's buying power, there is less exposure to market pricing, so the captive avoids the disruptive underwriting cycles in the traditional marketplace.

Optimize Risk Management Program - Loss prevention services are tailored to meet the members' individual needs and the cost is included within the premiums.

Claims Management - Having members included in the claims process yields a much better result than dictating claim outcomes.

Immediate Reward for Reducing Losses - Captive members see the impact of an improved risk management program through lower premiums and greater dividends.

Cash Flow Management - In a captive the member knows what their potential losses are and can manage the cash flow required to fund those losses in a more controlled manner.

Coverage Availability - Captives can offer coverage that might not otherwise be price competitive or available in the commercial markets.



HISTORY & MISSION

Security Insurance Company of North America (the “Company”) was incorporated in December of 2002 to enable manufacturing, distribution, service and other businesses to obtain adequate insurance coverage at affordable rates, and to be treated as a partner in the overall risk management process. The founders of the Company perceived that the commercial insurance industry was not responsive to this basic commercial necessity.

The Company is licensed and managed in the Cayman Islands to reinsure the risks of its shareholder insureds written by a Program Insurer that is licensed and provides insurance coverage in one or more states of the United States. Management endeavors to ensure that such Program Insurer is rated “A” or higher by A.M. Best & Company. The types of coverage currently written by the Company are Workers’ Compensation, Automobile Liability and Physical Damage and Commercial General Liability. The Company is capable of expanding into other types of coverages.

The Company believes that its management strength lies in its strong individual involvement by shareholders during semi-annual board meetings. The Company has established an Executive Committee that can act when the Board is unable to meet. Day-to-day management of the Company is provided by the Company’s licensed offshore Insurance Manager. New shareholders are recommended through the Underwriting Committee. The Company desires participation by well-managed, profitable companies whose management philosophies and personalities are compatible with those of the other shareholders.

From the beginning, the Company has focused on one thought: Insurance is a Manageable Cost. The mystique and mystery of the insurance industry should be unveiled. Shareholders should be in control of their insurance destinies and not dictated to by the insurance industry.

NEW MEMBER CRITERIA

The underwriting guidelines of the Company target a selection of high-quality, commercial companies for participation in the captive. Membership criteria focuses on industry best practices, recognizing that companies committed to quality have satisfied clients and employees and, as a result, are financially successful over the long-term.

The target market is larger commercial companies with consistent commitment to training and safety and that have a strong core of key employees focused on quality and safety as part of the job. The captive prefers to write all lines of coverage: auto liability, physical damage, general liability and workers’ compensation for all members.

The following guidelines describe the preferred characteristics of prospective captive members, but with the understanding that each company is unique and should be looked at according to its own merits.

1. **Financial Stability** – The captive is a long-term commitment thus requiring financially solid members.
2. **Territory** – The captive is currently looking for members countrywide (48 states).
3. **Industry Classes** – Manufacturing, retail, service, distribution or print and publishing.
4. **Minimum Premium of \$300,000** across all lines of coverage.
5. **Minimum of Five Years in Business** – This allows for the “kinks” of a start-up operation to get worked out.
6. Each prospective member must **pass an on-site safety review** by the safety services provider to the captive.

“The Captive and all the working members are a cohesive group that encourages and motivates one another to continue to build a strong safety program, with ongoing support. Additionally, the savings that we have encountered over the course of the years is substantial when your are working in a pennies business.”

Kathryn L. Christensen, Vice President
Sullivan's Foods, Inc. | Savanna, Illinois

DIVIDEND DISTRIBUTION

Security Insurance Company of North America reviews the ability to pay dividends semi-annually during the Board of Directors’ Meetings. At these meetings, the loss activity is reviewed for all expired underwriting years and compared to the expected remaining liabilities for that year as determined by an independent actuary. If the board determines that there is more equity than is needed to pay for future liabilities they may decide to declare a dividend for specific underwriting years. The dividend declaration is ultimately based on each individual member's performance in that particular year and will usually just be a portion of the available equity. The board will continue to review the current year at each board meeting for further dividends until they close the accounting on individual years at which time the remaining equity is distributed. Each member/owner can easily see what their equity is in each of the underwriting years via the company financial statement.

As of the fiscal year ending 03/31/2020, Security distributed **\$20,846,972** in dividends to its owners.

SAFETY ACHIEVEMENT AWARDS

Security recognizes outstanding achievement in safety and loss control through the annual presentation of the Dale Sabers Excellence in Safety Awards (formerly, the Presidents Club). 2019/2020 awards have been presented to the following companies:

Farnsworth Group, Inc. | Jarp Industries Inc | Johnson Machine Works, Inc.
Link Manufacturing, Ltd. | Martin Automatic, Inc. | Panel Processing Inc
Sullivan's Foods, Inc | The Potato King, Inc. | UCC Holdings Corporation

"A COMMITMENT BORN OF A DESIRE TO BRING SOME STABILITY AND PREDICTABILITY TO A VOLATILE COST SEGMENT OF OUR BUSINESSES IN TODAY'S ENVIRONMENT."

- JERE JOHNSTON, PRESIDENT OF SECURITY INSURANCE COMPANY OF NORTH AMERICA

BALANCE SHEETS AS OF MARCH 31, 2020 | STATED IN US DOLLARS

| ASSETS | March 2020 | March 2019 |
|---|-------------------|-------------------|
| Cash & Cash Equivalents | 3,826,946 | 2,315,132 |
| Investments | 25,832,465 | 27,808,444 |
| Claims Escrow Account | 1,050,000 | 700,000 |
| AD&D Claims Recoverable | 33,437 | 78,444 |
| Claims Indemnifications Receivable | 1,335,620 | 1,291,425 |
| Provisional Claims Indemnifications | 4,342,076 | 4,336,689 |
| Accounts Receivable and Prepayments | 277,565 | 304,598 |
| Total Assets | 36,698,108 | 36,834,731 |
| LIABILITIES | | |
| Case Reserves | 4,817,025 | 4,137,598 |
| IBNR Reserves | 9,060,226 | 8,775,915 |
| Dividend Payable | 1,407,550 | 1,789,790 |
| Reinsurance Balances Payable | 2,126,618 | 1,572,971 |
| Commutation Payable | 0 | 705,000 |
| Accrued Expenses | 116,187 | 85,070 |
| Total Liabilities | 17,527,607 | 17,066,344 |
| SHAREHOLDER'S EQUITY | | |
| Issued Shared Capital | 70 | 68 |
| Shared Premium | 1,049,930 | 1,019,932 |
| Contributed Surplus | 15,217,423 | 14,857,296 |
| Less: Letters of Credit | (6,306,854) | (5,335,722) |
| Retained Earnings | 9,209,932 | 9,226,813 |
| Total Shareholders' Equity | 19,170,501 | 19,768,387 |
| Total Liabilities and Shareholders' Equity | 36,698,108 | 36,834,731 |

EXECUTIVE SUMMARY

AS OF MARCH 31, 2020 | STATED IN US DOLLARS

| | 2015 U/W Year | 2016 U/W Year | 2017 U/W Year | 2018 U/W Year | 2019 U/W Year | 2020 U/W Year |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Earned Premium | \$11,501,041 | \$13,115,824 | \$12,740,971 | \$13,084,391 | \$13,508,707 | \$13,250,808 |
| Total Incurred Losses | \$4,669,524 | \$5,193,586 | \$4,139,367 | \$6,125,042 | \$5,819,246 | \$4,658,724 |
| Incurred Loss Ratio | 40.60% | 39.60% | 32.49% | 46.81% | 43.08% | 35.16% |
| Incurred Loss Ratio Including Claims Indemnifications | 39.37% | 38.91% | 31.73% | 43.37% | 40.78% | 33.94% |
| Claims Indemnifications As a % of Earned Premium | 3.13% | 1.76% | 2.40% | 7.95% | 5.62% | 3.58% |
| Operating Costs As a % of Earned Premium | 44.04% | 43.62% | 43.76% | 42.47% | 41.84% | 41.88% |
| Shareholder Dividends (U/W Year) | \$2,053,515 | \$2,082,910 | \$1,882,436 | \$571,160 | \$0 | \$0 |

| | Fiscal Year Ended 03/31/2015 | Fiscal Year Ended 03/31/2016 | Fiscal Year Ended 03/31/2017 | Fiscal Year Ended 03/31/2018 | Fiscal Year Ended 03/31/2019 | Fiscal Year Ended 03/31/2020 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Number of Shareholders | 26 | 30 | 34 | 34 | 34 | 35 |
| Investment Income (Loss) | \$365,684 | \$412,270 | \$50,949 | \$139,466 | \$1,079,757 | \$1,010,377 |
| Net Income (Loss) | \$2,129,899 | \$3,197,819 | \$3,062,614 | \$2,689,292 | \$3,829,470 | \$2,632,121 |
| Shareholder Dividends (Fiscal Year) | \$1,109,269 | \$1,497,111 | \$2,489,657 | \$2,383,009 | \$3,601,856 | \$2,649,003 |
| Total Assets | \$23,973,624 | \$27,988,638 | \$30,738,345 | \$34,095,654 | \$36,834,731 | \$36,698,108 |
| Shareholders' Equity | \$11,846,459 | \$15,366,406 | \$17,682,504 | \$18,977,726 | \$19,768,387 | \$19,170,501 |

HISTORICAL DATA

AS OF AUGUST 31, 2020

| YEAR | PAYROLLS | UNITS | SALES | LOSS FUND | PREMIUM |
|-------------------|---------------|-------|-----------------|-------------|--------------|
| 14/15 | \$297,851,207 | 962 | \$1,779,292,498 | \$6,696,420 | \$11,501,041 |
| 15/16 | \$351,083,656 | 1,086 | \$2,174,499,429 | \$7,691,871 | \$13,115,827 |
| 16/17 | \$373,089,702 | 1,134 | \$2,477,540,100 | \$7,499,675 | \$12,740,969 |
| 17/18 | \$458,058,674 | 1,279 | \$2,895,855,589 | \$7,881,745 | \$13,064,388 |
| 18/19 | \$498,069,843 | 1,329 | \$2,914,040,052 | \$8,223,238 | \$13,496,206 |
| 19/20 (unaudited) | \$511,336,444 | 1,321 | \$2,972,596,490 | \$8,095,628 | \$13,210,880 |
| 20/21 (projected) | \$533,620,869 | 1,377 | \$2,980,105,378 | \$8,496,482 | \$14,036,811 |

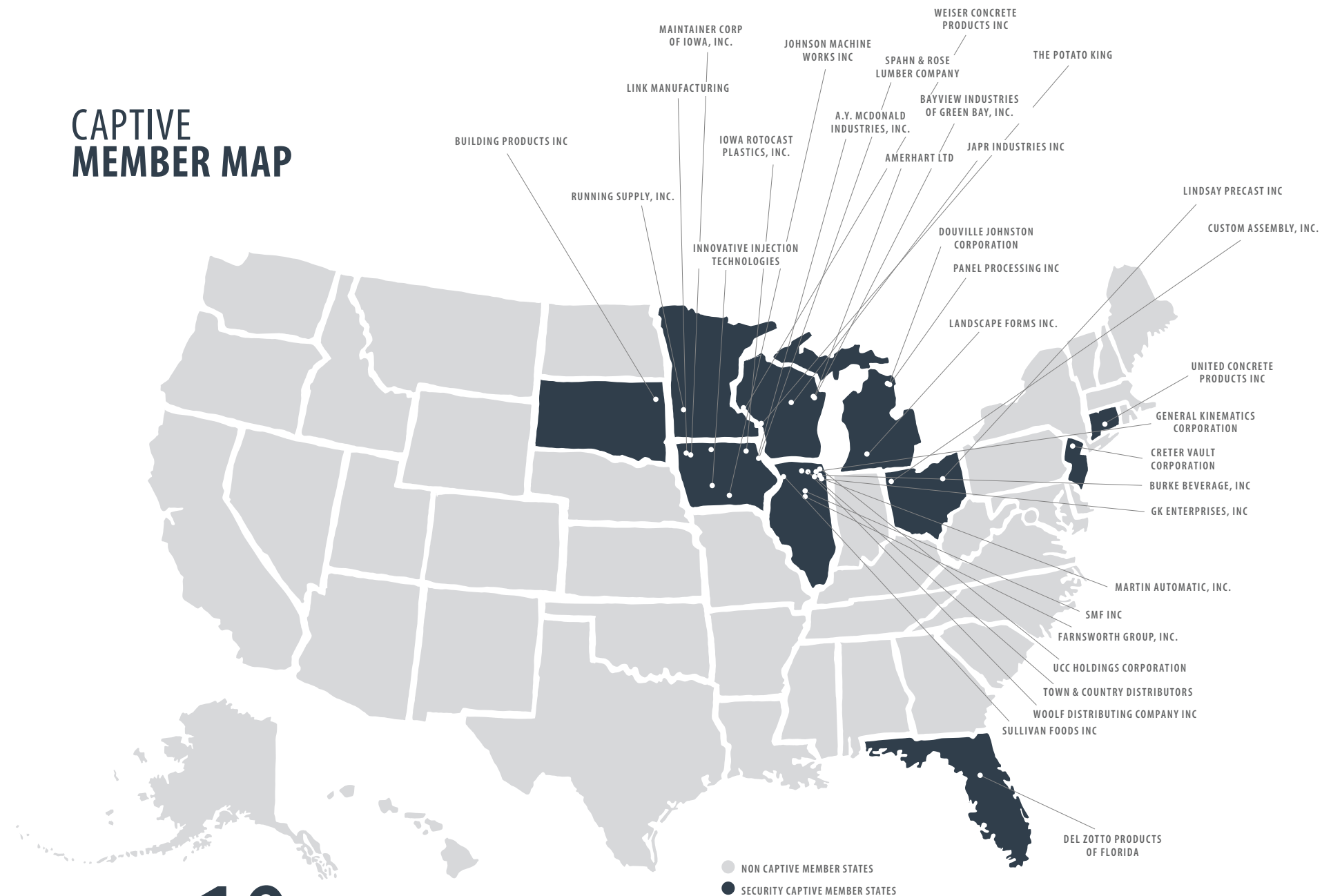
CLAIMS & SAFETY METRICS

- As of March 31, 2020, 50% of closed liability claims were closed with no payments to claimants.
- As of March 31, 2020, there has been a total savings of \$4,219,348.30 on NCM cases for Security.
- CBCS has recovered a total of \$1,903,053.59 from December 31, 2002 to March 31, 2020.

PERFORMANCE SCORECARD

In order to promote continuous improvement, the captive utilizes a performance scorecard that shows each member how they compare to their peers in 10 different categories. This scorecard is updated twice each year.

CAPTIVE MEMBER MAP

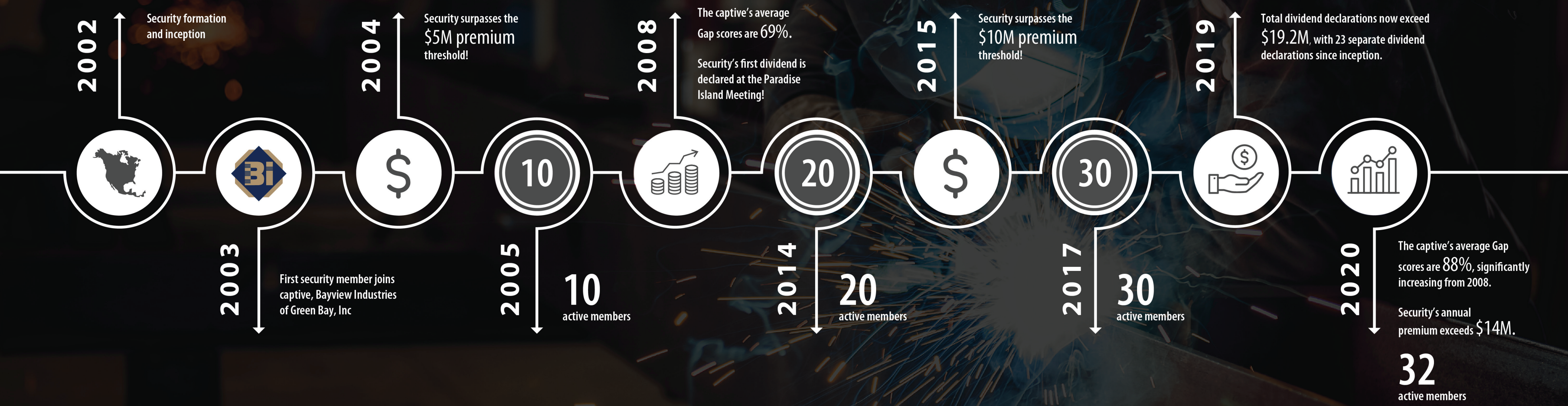


10 STATES REPRESENTED BY SECURITY CAPTIVE MEMBERS

" BEING IN A CAPTIVE ARRANGEMENT WILL HELP ENABLE US TO **FOCUS MORE ON OUR BUSINESS AND LESS ON INSURANCE.** "

- MICHAEL KEYSOR, PRESIDENT OF CUSTOM ASSEMBLY INC.

SECURITY INSURANCE COMPANY OF NORTH AMERICA





A.Y. MCDONALD MANUFACTURING COMPANY

Dubuque, Iowa | Member Since 2015

"We did a fairly extensive search of captive providers and ultimately Cottingham & Butler came out on top, both in terms of price and expertise. Cottingham & Butler is a unique provider in terms of what they deliver in the captive arena, and I think they clearly out-pace the rest."

John Schmidt, CFO | A.Y. McDonald Manufacturing Company



**BayView Industries
of Green Bay Inc.**

BAYVIEW INDUSTRIES OF GREEN BAY INC.

Green Bay, Wisconsin | Founding Member 2003

"Companies usually have a safety consciousness, but when you join a captive and have your numbers being shared and looked at, there's more of a self-desire to do your best. It forces us to focus on safety on a regular basis, and to a different level than when you are relying on insurance."



AMERHART LTD.

Green Bay, Wisconsin | Member Since 2007

"The sharing of best practices and process improvements has given us the confidence to make many improvements to our safety program based on the experience of other captive members"

Taylor Kasper, Financial Operations Manager | Amerhart Ltd.



BUILDING PRODUCTS INC.

Watertown, South Dakota | Member Since 2008

"The safety program at Building Products Inc. has been greatly enhanced through the discipline, hands-on training, and audit offered through the Security Insurance Company of North America captive."

Lee Schull, President & CEO | Building Products Inc.



CRETER VAULT CORPORATION

Flemington, New Jersey | Member Since 2015



DOUVILLE JOHNSTON CORPORATION

Alpena, Michigan | Founding Member - 2003



DEL ZOTTO PRODUCTS OF FLORIDA INC

Ocala, Florida | Member Since 2019

"Since joining Security, the safety culture amongst all the employees has improved greatly and as a result we are seeing positive outcomes"

Pepper Del Zotto, Human Resources | Del Zotto Products of Florida Inc



FARNSWORTH GROUP

Bloomington, Illinois | Member Since 2017

"Being a new member, we quickly developed confidence in the services offered and have benefited from the relationships built with other members. We are excited about the future and seeing the benefits of being a part of this amazing group."

Kathy DeWerff, Vice President of Human Resources | Farnsworth Group



GENERAL KINEMATICS

Crystal Lake, Illinois | Member Since 2015



IOWA ROTOCAST PLASTICS

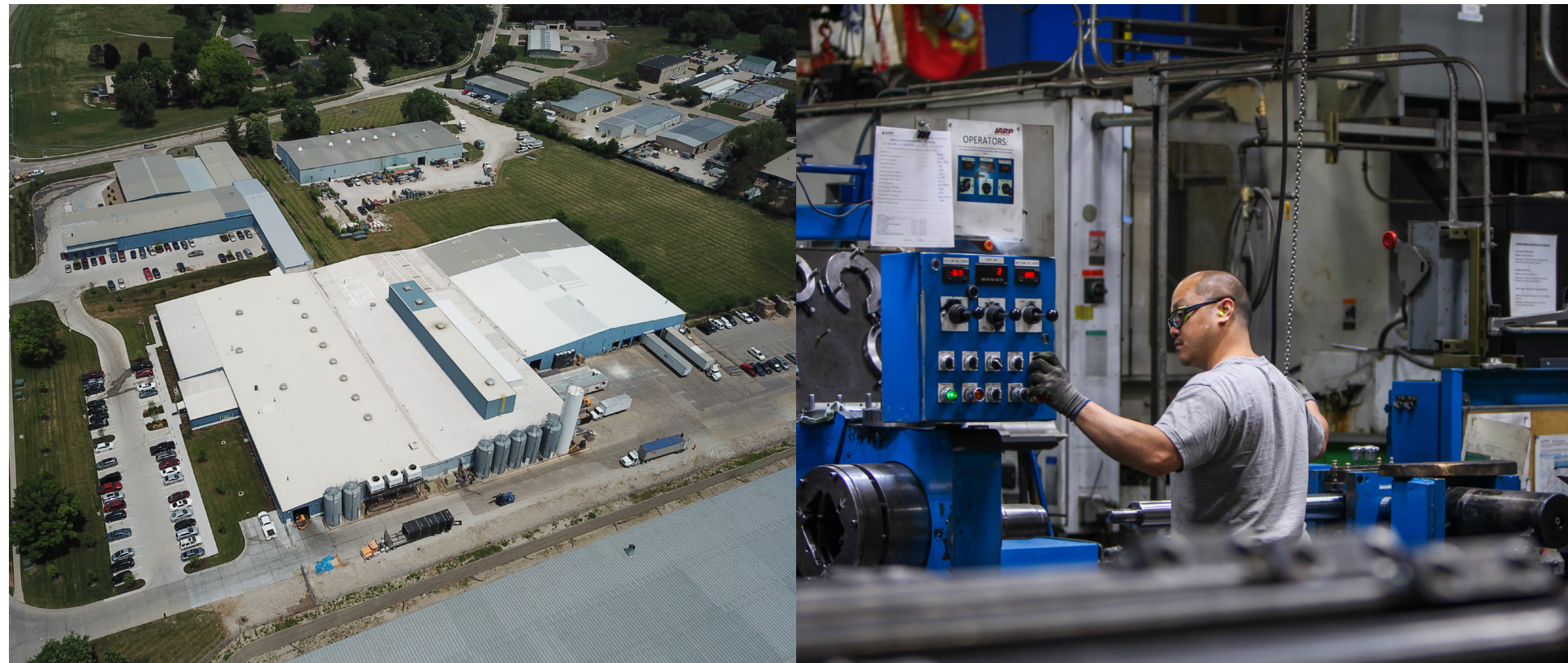
IOWA ROTOCAST PLASTICS INC.

Decorah, Iowa | Member Since 2017



INNOVATIVE INJECTION TECHNOLOGIES, INC.

West Des Moines, Iowa | Member Since 2014



JARP INDUSTRIES, INC.

Schofield, Wisconsin | Member Since 2013

landscapeforms®

LANDSCAPE FORMS, INC.

Kalamazoo, Michigan | Member Since 2017

"Being part of the captive has helped us identify and drive safety improvements, raising the bar for safety at our organization."

Nate Quick, Safety Coordinator | Landscape Forms, Inc.



Maintainer

MAINTAINER CORP OF IOWA

Sheldon, Iowa | Member Since 2016

"Being a part of Security has many benefits. It has helped us emphasize our safety and save us money. Not only has it benefited Maintainer financially and physically, but being able to meet and share ideas with leaders of other companies is a great benefit as well."

LINK®
Your Trust...Our Passion!™

LINK MANUFACTURING, LTD

Sioux Center, Iowa | Member Since 2006



Martin Automatic Inc

MARTIN AUTOMATIC INC

Rockford, Illinois | Member Since 2015

"In 2016 we began evaluating our insurance options. Early in the process it became clear to us that the Security membership has a long-term reason for forming this captive – to gain control of our risk management through our collective efforts, resulting in improved operations."

Jon Bauch, CFO | Martin Automatic Inc



PANEL PROCESSING, INC.
Alpena, Michigan | Member Since 2008



SPAHN & ROSE LUMBER COMPANY
Dubuque, Iowa | Member Since 2004

"The captive has helped us focus and educate our people on the importance of safety resulting in a very safe workplace!"

Brock Even, CFO | Spahn & Rose



RUNNINGS SUPPLY
Marshall, Minnesota | Member Since 2014

"The captive has helped us focus on the safety of our employees and customers, while giving us more control over our claims."

Jeff Haukom, CFO | Runnings Supply



SULLIVAN'S FOODS
Savanna, Illinois | Member Since 2005

"Over the course of our tenure with Security, we have enjoyed the pleasure of having just one claims representative, who keeps abreast of all our claims and does a dynamic job in assisting to controlling costs."

Kathryn Christensen, Vice President | Sullivan's Foods





THE POTATO KING, INC.

LaCrosse, Wisconsin | Member Since 2014

"We joined the captive in 2014 and in our 1st year, we made it without a claim. This made it a very good experience for us, as well as a profitable one."

Keith Herlitzke, Owner | The Potato King, Inc



WIESER CONCRETE PRODUCTS INC

Maiden Rock, Wisconsin | Member Since 2009



UCC HOLDINGS CORPORATION

Waukegan, Illinois | Member Since 2009

"Since joining the captive nearly 10 years ago we have experienced outstanding returns. The emphasis on safety has paid off in declining insurance rates and dividends."

Fred K. Schroeder, Controller | UCC Holdings Corporation



WOOLF DISTRIBUTING

WOOLF DISTRIBUTING COMPANY INC.

Woodstock, Illinois | Member Since 2015

"Woolf Distributing Co., Inc. has always tried to make safety a priority. With the help of SICNA, we have added the support and structure to not only make safety a focus, but to make safety a part of the Woolf Culture, not only at work, but in all of our daily lives."

Karen Corley | Woolf Distributing Company Inc.



A.Y. McDonald
Member Since 2015



Amerhart Ltd.
Member Since 2007



BayView Industries of
Green Bay Inc.
Founding Member - 2003



Building Products, Inc.
Member Since 2008



Burke Beverage, Inc.
Founding Member - 2003



Landscape Forms Inc.
Member Since 2017



Lindsay Precast, Inc.
Member Since 2012



Link Manufacturing
Member Since 2006



Maintainer Corp.
Member Since 2016



Martin Automatic Inc
Member Since 2015



Creter Vault
Member Since 2015



Custom Assembly, Inc.
Member Since 2014



Del Zotto Products of Florida Inc
Member Since 2019



Douville Johnston Corp.
Founding Member - 2003



Farnsworth Group
Member Since 2017



Panel Processing, Inc.
Member Since 2008



Running Supply, Inc.
Member Since 2014



SMF, Inc.
Member Since 2006



Spahn & Rose
Lumber Co.
Member Since 2004



Sullivan's Food, Inc.
Member Since 2005



GK Enterprises, Inc
Member Since 2018



General Kinematics
Member Since 2015



Innovation Injection
Technologies
Member Since 2014



Iowa Rotocast Plastics, Inc.
Member Since 2017



JARP Industries, Inc.
Member Since 2013



Johnson Machine Works, Inc.
Member Since 2004



The Potato King, Inc.
Member Since 2014



Town & Country Distributors
Member Since 2008



UCC Holdings Corporation
Member Since 2009



United Concrete Products, Inc.
Member Since 2011



Wieser Concrete Products, Inc.
Member Since 2009



Woolf Distributing
Member Since 2015

SERVICE PROVIDERS

COTTINGHAM & BUTLER

Cottingham & Butler is the lead broker and consultant to the captive. Cottingham & Butler is directed by the captive Board of Directors to ensure that the service providers properly manage the operations of the company and execute the decisions of the captive's Board of Directors.

THE HARTFORD

The Hartford is the policy-issuing carrier. They issue all policies for the captive and take care of all the legal requirements of providing insurance. The Hartford also provides the specific excess and aggregate reinsurance for losses in excess of the captive's retention, thereby protecting the captive from catastrophic losses.

ARTEX RISK SOLUTIONS (CAYMAN) LIMITED

Artex serves as the Offshore Captive Manager responsible for maintaining the accounting records of the captive, preparing financial statements, serving as Assistant Corporate Secretary, and maintaining the corporate and statutory records, including the minutes of all board meetings.

COTTINGHAM & BUTLER CLAIMS SERVICES (CBCS)

CBCS provides the claims administration, thus handling the settlement of all claims under the policies.

SAFETY MANAGEMENT SERVICES COMPANY (SMSC)

SMSC provides risk control services and works with each member to develop standards and goals for their individual loss control purposes.

KPMG

KPMG (Cayman) serves as the captive's tax advisor, conducts the annual audit of the captive, and issues the audited financial statements.

COMERICA

Comerica Bank serves as the primary banking relationship for the captive providing depository, custodial and letter of credit services.

HEBER FUGER WENDIN

HFW acts as the investment advisor to the captive. They also manage the captive's investment portfolio subject to the captive investment policy. They also manage the captives investment portfolio based on an investment policy approved by the Board of Directors.

MCDERMOTT, WILL AND EMERY

McDermott, Will, and Emery Law Offices provide the captive with legal advice as needed.

PINNACLE ACTUARIAL RESOURCES, INC.

Pinnacle acts as the independent actuarial resource for the captive. They provide loss fund estimates for both current and prospective members as well as IBNR estimates for the captive.





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