

JUN 14 2024

CERTIFICATION

FILED

June 14, 2024

I, Eric Dunning, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

**GERMAN FARMERS MUTUAL ASSESSMENT INSURANCE ASSOCIATION OF
HALL COUNTY, INC.**

AS OF

DECEMBER 31, 2022

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.



A handwritten signature in blue ink, appearing to read "Eric Dunning", is written over a horizontal line.

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

THE GERMAN FARMERS MUTUAL ASSESSMENT INSURANCE ASSOCIATION OF

HALL COUNTY, INC.

151 TILDEN ROAD

CAIRO, NE 68824

dated as of December 31, 2022, verified under oath by the examiner-in-charge on
May 16, 2024, and received by the company on May 20, 2024, has been adopted
without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 4th day of June 2024.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read "L. Crawford", written in a cursive style.

Lindsay Crawford, CFE
Chief Financial Regulator

STATE OF NEBRASKA

Department of Insurance

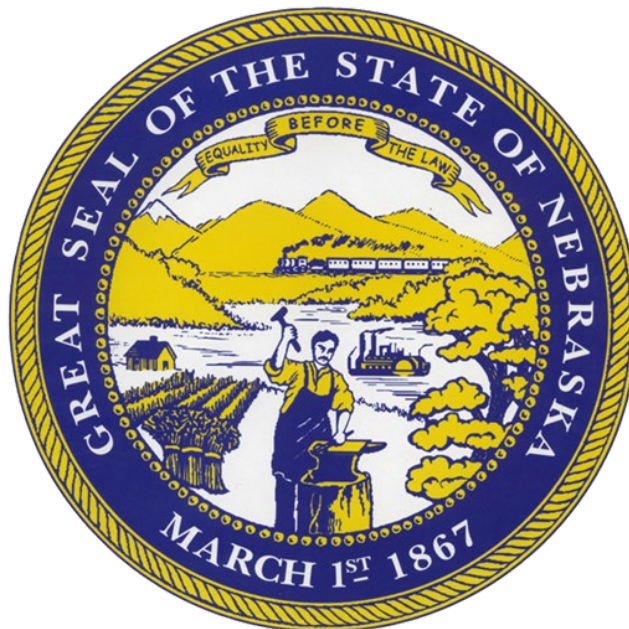
EXAMINATION REPORT

OF

**THE GERMAN FARMERS MUTUAL ASSESSMENT
INSURANCE ASSOCIATION OF HALL COUNTY, INC.**

as of

December 31, 2022



Cairo, Nebraska
May 9, 2024

Honorable Eric Dunning
Director of Insurance
Nebraska Department of Insurance
1526 K Street, Suite 200
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

**THE GERMAN FARMERS MUTUAL ASSESSMENT INSURANCE ASSOCIATION OF
HALL COUNTY, INC.
151 Tilden Road
Cairo, NE 68824**

(hereinafter also referred to as the "Association"), and the report of such examination is respectfully presented herein.

INTRODUCTION

The State of Nebraska last examined the Association as of December 31, 2018. The current financial condition examination covers the intervening period to and includes the close of business on December 31, 2022 and such subsequent events and transactions as were considered pertinent to this report. The State of Nebraska participated in this examination and assisted in the preparation of this report.

SCOPE OF EXAMINATION

The Nebraska Department of Insurance conducted this examination pursuant to and in accordance with the provisions of Section §44-5904(1) of the Nebraska Insurance Statutes.

The Nebraska Department of Insurance made a general review of the Association's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Association's history was traced and has been set out in this report under the caption "Description of Association." All items pertaining to management and control were reviewed. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Members and Board of Directors held during the examination period were read and noted. Attendance at meetings and election of Directors and Officers were also noted.

The fidelity bond and other insurance coverages protecting the Association's property and interests were reviewed. The Certificate of Authority to conduct the business of insurance in the State of Nebraska was inspected and a survey was made of the Association's general plan of operation.

The Association's reinsurance facilities were ascertained and noted and have been commented upon in this report under the caption "Reinsurance." Accounting records and procedures were tested to the extent deemed necessary through the substantive examination process.

All accounts and activities of the Association were considered in accordance with the provisions of Section §44-5904(1) of the Nebraska Insurance Statutes. The assets were verified and evaluated, and the liabilities were determined in order to present the statement of the Association's financial condition as of December 31, 2022.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF ASSOCIATION

HISTORY

The Association was organized as an unincorporated mutual fire and lightening insurance association on March 25, 1892. On June 1, 1970, insurance against windstorm and tornado was added. On February 23, 1952, the name of the Association was determined to be “The German Farmers Mutual and Storm Assessment Insurance Association of Grand Island” and on January 12, 1957 the name was changed to “The German Farmers Mutual Fire, Storm, and Hail Assessment Insurance Association of Grand Island, Nebraska.” On April 12, 1984 the Association changed from an unincorporated association to an incorporated insurance association and changed the name to “The German Farmers Mutual Assessment Insurance Association of Hall County, Incorporated.”

MANAGEMENT AND CONTROL

Members

Article III, Section 1 of the Association’s By-Laws states that, “prospective applicants may be residents or nonresidents of Hall and adjoining Counties, be of good repute, and all property to be covered by the policy must be located in Hall, Merrick, Nance, Howard, Sherman, Buffalo, Clay, Adams and Hamilton Counties in Nebraska, or be scheduled as to its location.” The applicants become members upon the approval of the Board of Directors. Article III, Section 2 of the Association’s By-Laws also states that, “...members have one vote – regardless of the number of policies a member may hold, and only one member of a number who all have an equity in one policy is permitted to vote in meetings.”

Article IV, Section 2 of the Association's By-Laws states that, "the Annual Meeting of the Members of the Corporation will be held in January anytime after the January Board meeting."

Board of Directors

Article I, Section 1 of the Association's By-Laws states that, "management of the affairs of the corporation shall rest with a board of twelve policy holders, who must be members of the corporation, and shall constitute the Board of Directors." The By-Laws dictate that each Director will be elected for a term of three years and the terms are arranged so that four members are elected each year. Article I, Section 4 of the Association's By-Laws states that, "all vacancies in the Board shall be filled by majority vote of the Board until the next annual meeting. The appointment must be approved or filled at the next annual meeting and such appointees have the same rights as other Board members during the duration of their appointment. The Board member so elected shall then serve for the unexpired term." Nine members shall constitute a quorum at all meetings, and all deliberations of the Board are to be decided by a majority vote.

During the period under exam, two Directors recommended replacements at the expiration of their terms. The replacements were not elected and appointed by the Board of Directors as prescribed in the By-Laws. Additionally, one Director retired prior to the conclusion of his three-year term. The position was offered to and accepted by a new Director, whose term did not expire at the end of the retired Director's unexpired term. It is recommended that new members of the Association's Board of Directors be formally appointed and elected by the Board of Directors as prescribed in the By-Laws. It is further recommended that when a

member is replaced during their existing term, the new member serves only for the unexpired term before reelection, per the By-Laws.

The following persons were serving as Directors at December 31, 2022:

<u>Name</u>	<u>Residency</u>	<u>Term Expires</u>
Joe Boehle	St Libory, NE	2023
Michael Peters	St Libory, NE	2023
Mary Stoltenberg	St Libory, NE	2023
Rick Yoder	Cairo, NE	2023
Craig Harders	Wood River, NE	2024
John Harders	Wood River, NE	2024
William Kurz	Palmer, NE	2024
Shane Moeller	Cairo, NE	2024
Keith Ostermeier	Grand Island, NE	2024
Kathleen Mettenbrink	Grand Island, NE	2025
Gregory Niemoth	Grand Island, NE	2025
Jerald Placke	St Libory, NE	2025

In January 2023, Director Joe Boehle resigned and his vacancy was filled by Elmer Perez.

Directors are compensated \$15.00 per hour (minimum of 4 hours) plus the Federal Government rate for mileage. The President receives \$20.00 per hour plus mileage.

Officers

Article I, Section 2 of the Association’s By-Laws states that, “the Board shall elect from its own number, a President, and a Vice President. A Secretary, a Treasurer, and the number appraisers is to be designated and elected by the Board.”

The following is a listing of Officers elected and serving the Association at December 31, 2022:

<u>Name</u>	<u>Office</u>
Craig Harders	President
Michael Peters	Vice President
Cindy Yoder	Secretary / Office Manager
Megan Roth	Treasurer
Heather Hadenfelt	Alternate Treasurer

FIDELITY BOND AND OTHER INSURANCE

At the time of the last exam, the Association did not maintain a fidelity bond as recommended by the NAIC Financial Condition Examiners Handbook. It was recommended that the Association obtain a fidelity bond in the amount of \$75,000. At December 31, 2022, the Company had a \$75,000 fidelity bond in place.

The Association has a combined Professional Liability and Directors and Officers liability insurance policy in force at December 31, 2022 which provided coverage of \$1,000,000 per claim and in aggregate, and subject to a \$10,000 per claim deductible. In addition, an Insurance Agents and Brokers Professional Liability policy having a \$3,000,000 limit per claim and in aggregate and subject to a \$5,000 deductible was also in force. The Association also carries a Business Auto Policy and a Commercial General Liability Policy.

TERRITORY AND PLAN OF OPERATION

As evidenced by a current Certificate of Authority, the Association is licensed to transact business in the State of Nebraska. As allowed in the Articles of Incorporation, the Association currently writes fire, storm, and multiple peril coverage on property located in Hall, Merrick, Nance, Howard, Sherman, Buffalo, Clay, Adams, and Hamilton counties in Nebraska.

Appraisers are designated by the Board. Appraisers serve as both agents and claim adjusters, as well as property appraisers for underwriting purposes. The appraisers' territories are generally acknowledged as being either east or west of Highway 281 in Nebraska. Appraisers receive a 40% commission on new and increased insurance written by the Association, as well as 75% of the commissions on any liability policies written by another insurer. The Association retains the other 25% of the liability commission. The appraisers also receive \$21.00 per hour and the current Federal mileage rate while on Association business.

REINSURANCE

Ceded

The Association is a member of the Nebraska Farmers Mutual Reinsurance Association of Wahoo, Nebraska (NFMRA), and used the reinsurance facilities of NFMRA for each year covered by this examination. Under the contract of 2022, the Association retained an aggregate liability up to an amount equal to \$2,700 per million dollars of December 1, 2021 insurance in force. The Association's aggregate retention for 2022 was \$1,346,935.

Prior to incurring the aggregate retention, the reinsurer assumes 100% of any insured loss on a single risk in excess of \$40,000. Recoveries made under this section which are greater than the recoveries available under the aggregate coverage shall be deducted from subsequent aggregate recoveries. If the Association makes recoveries under this section but net losses do not exceed the aggregate retention, the amount recovered per risk between the single risk retention and 1/8th of 1% of the January 1st insurance in force is to be refunded to NFMRA. This excess per risk coverage is not applicable once the aggregate net losses exceed the aggregate retention.

The Association retains the first \$1,000 of each risk, each loss, as respects mobile home risks located in trailer courts. The reinsurer's limit of coverage is \$48,000 for losses in any one trailer court.

General

The contract reviewed contained a standard insolvency clause, an arbitration clause, an offset clause, and an errors and omissions clause. The contract contained the entire agreement clause as required per SSAP No. 62R, paragraph 8c of the NAIC Accounting Practices and Procedures Manual.

BODY OF REPORT

FINANCIAL STATEMENTS

The following statement of assets and liabilities, together with the accompanying statement of income and disbursements, reflects the financial condition of the Association at December 31, 2022. All amounts are based on the findings of the current examination:

STATEMENT OF INCOME AND DISBURSEMENTS

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Balance, beginning of year	\$1,954,139	\$1,846,680	\$1,925,081	\$1,959,469
<u>Income</u>				
Gross receipts: assessments	\$2,100,517	\$2,238,055	\$2,756,002	\$3,268,847
Membership and policy fees	1,210	1,420	1,825	1,760
Less return on cancellations	<u>26,666</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net received from members	\$2,075,061	\$2,239,475	\$2,757,827	\$3,270,607
Interest on investments	27,765	25,193	13,507	4,755
Other interest	3,591	3,675	3,521	0
Liability premiums	159,037	165,968	194,946	205,134
NSF fee		110		
Installment fee		1,593	2,110	2,740
Vacancy permits	875	750	1,750	1,000
Late fee				1,950
Miscellaneous	1,624	100	851	
Reinsurance premium refund	<u>44,158</u>	<u> </u>	<u> </u>	<u> </u>
Total revenue	<u>\$2,312,111</u>	<u>\$2,436,865</u>	<u>\$2,974,512</u>	<u>\$3,486,187</u>

STATEMENT OF INCOME AND DISBURSEMENTS (continued)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<u>Disbursements</u>				
Gross losses paid	\$1,322,101	\$1,516,463	\$2,588,646	\$3,931,182
Less discount and salvage and subrogation	8,510	47,498	91,767	17,317
Less reinsurance recovered	<u>106,938</u>	<u>547,505</u>	<u>1,319,310</u>	<u>2,249,188</u>
Net losses paid	\$1,206,652	\$ 921,461	\$1,177,569	\$1,664,678
Adjusting expense	\$ 691	\$ 2,815	\$ 11,950	\$ 8,206
Legal, accounting & bank fees	12,725	2,311	2,569	2,022
Labor for salvage	1,156	50		
Commissions to agents	132,700	160,062	240,350	297,770
Salaries of agents & employees	107,280	139,308	173,718	217,465
Expenses of agents & employee mileage	15,422	20,855	21,130	26,869
Salaries and expenses of Directors and Officers	2,445	4,346	2,737	3,288
Rent		8,908	9,903	11,837
Over/Under Premium Write-off		(517)	(1,482)	(3,238)
Miscellaneous expense		2,004		
Other taxes	22,874	26,744		
Insurance department licenses & fees	220		4,170	4,146
All other taxes		11,245	45,092	54,434
Payroll	8,476			
Advertising, printing & stationary	768	2,040	1,709	1,633
Telephone, postage, utilities	7,779	10,245	11,409	20,230
Reinsurance premiums paid	742,214	879,369	1,056,019	1,417,725
Liability premiums	137,890	143,601	160,025	193,438
Insurance expense, continuing education, dues	9,659	10,135	14,408	16,075
Meeting expense, dues, supplies, software	<u>10,618</u>	<u>13,482</u>	<u>8,847</u>	<u>7,631</u>
Total disbursements	<u>\$2,419,569</u>	<u>\$2,358,463</u>	<u>\$2,940,125</u>	<u>\$3,944,209</u>
Balance, end of year	<u>\$1,846,680</u>	<u>\$1,925,081</u>	<u>\$1,959,469</u>	<u>\$1,501,446</u>

STATEMENT OF ASSETS AND LIABILITIES
December 31, 2022

ASSETS

Ledger Assets

Certificates of deposit	\$ 500,290	
Other cash deposited in banks	919,503	
Surplus note	<u>81,653</u>	
Total ledger assets		<u>\$1,501,446</u>

Assets Not Admitted

Surplus note	\$ <u>81,653</u>	
Total assets not admitted		<u>\$ 81,653</u>
Total admitted assets		<u>\$1,419,793</u>

LIABILITIES AND SURPLUS

Losses adjusted and unpaid	\$2,158,107	
Less reinsurance	<u>(2,158,107)</u>	
Net unpaid losses		\$ 0
Unearned premiums		980,654
Other liabilities		<u>14,331</u>
Total liabilities		\$ 994,985
Surplus as regards policyholders		<u>424,808</u>
Total liabilities and surplus		<u>\$1,419,793</u>

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The recommendations appearing in the previous report of examination are reflected below together with the remedial actions taken by the Association to comply therewith:

Meeting of the Members and Board of Directors – It is recommended that the annual meeting of the Members be held on the fourth Saturday of January of each year and that the regular meetings of the Board of Directors be held on the third Saturday in January and the first Saturday in July or amend the By-Laws to allow for alternative meeting dates.

Action: The Association has complied with this recommendation.

Fidelity Bond – It is recommended that the Association obtain a fidelity bond in the amount of \$75,000 as recommended by the NAIC Financial Condition Examiners Handbook.

Action: The Association has complied with this recommendation.

Entire Agreement Clause – It is recommended that the Association include an entire agreement clause to comply with SSAP No. 62R, paragraph 8c of the NAIC Accounting Practices and Procedures Manual.

Action: The Association has complied with this recommendation.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Certificates of Deposit

\$ 500,290

The Association had ten Certificates of Deposit at December 31, 2022 with a reported balance of \$500,290. These certificates were verified by confirmations received from the issuing depositories or brokers and copies of the Certificates.

Other cash deposited in banks

\$ 919,503

The Association maintains a checking account in a FDIC insured state bank. The deposits were verified by obtaining a direct confirmation from the bank. The amount indicated thereon for

the checking account was reconciled to the Association's records as of December 31, 2022, by giving consideration to outstanding checks and deposits.

NFMRA Surplus Note

\$ 81,653

The Association obtained a surplus note from NFMRA on January 1st, 2015. The surplus note bears an interest rate of 2.5% per annum. The surplus note is not considered a liability or claim against the assets of NFRMA. The principal and/or interest can be paid only when the amount of the surplus of the reinsurance association over all liabilities is double that of the amount of the principal and/or interest then being paid. The Company agreed to buy the note in lieu of realizing substantial increases in their reinsurance rates. The amount of the surplus note was confirmed with NFMRA.

The surplus note is non-admitted in the Association's 2022 Annual Statement in accordance with the NAIC Accounting Practices and Procedures Manual due to the restrictions based upon Membership with NFMRA, the fact that there is no established market or fair value, and that the notes have no independent rating.

Net Unpaid Losses

\$ 0

The Association established a liability for unpaid losses amounting to \$2,158,107 for 131 outstanding claims in its December 31, 2022 Annual Statement. The reinsurance retention has been met for all years with unpaid losses, leaving no liability to the Association for the unpaid losses.

Unearned Premiums

\$ 980,654

The Association reported unearned premiums of \$980,654 in its December 31, 2022 Annual Statement. Amounts reported are calculated by multiplying the net amount of premiums by thirty percent. With updated software, the Association can now calculate unearned premium

on a per-policy basis. Per this report, the unearned premium on December 31, 2022 was \$1,642,950. Due to the negative impact an immediate recognition of this unearned premium amount would have on the financial statements, members of the Association proposed a plan to phase in the results of this per policy unearned premium report over time.

The figures from 2022 were accepted by the Nebraska Department of Insurance as filed. It is recommended that the Association phase in the results of the per policy unearned premium report over time as outlined in the proposal made to the Nebraska Department of Insurance, dated April 12, 2024.

Surplus as Regards Policyholders

\$ 424,808

Policyholder's surplus, as determined by this examination, amounted to \$424,808 at December 31, 2022.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following comments and recommendations have been made as a result of this examination:

Compliance with By-Laws – Elections / Appointments – It is recommended that new members of the Association's Board of Directors be formally appointed and elected by the Board of Directors as prescribed in the By-Laws. It is further recommended that when a member is replaced during their existing term, the new member serves only for the unexpired term before reelection, per the By-Laws.

Unearned Premium – It is recommended that the Association phase in the results of the per policy unearned premium report over time as outlined in the proposal made to the Nebraska Department of Insurance dated April 12, 2024.

ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Association during this examination is hereby acknowledged.

In addition to the undersigned, Jennifer Lindblad, Financial Examiner with the Nebraska Department of Insurance, participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



Tadd K. Wegner, CFE
Assistant Chief Examiner – Field
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

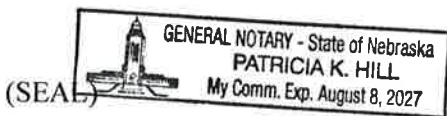
Tadd K. Wegner, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of The German Farmers Mutual Assessment Insurance Association of Hall County, Inc.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of The German Farmers Mutual Assessment Insurance Association of Hall County, Inc. was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.

Tadd K. Wegner
Examiner-in-Charge's Signature

Subscribed and sworn before me by Tadd K. Wegner on this 16 day of May, 2024.



Patricia K Hill
Notary Public

My commission expires 8-8-27 [date].