

NEBRASKA DEPARTMENT
OF INSURANCE

MAR 09 2020

FILED

CERTIFICATION

March 9, 2020

I, Bruce R. Ramage, 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

EMPLOYERS MUTUAL ACCEPTANCE COMPANY

AS OF

DECEMBER 31, 2018

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.



Bruce R. Ramage
DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

EMPLOYERS MUTUAL ACCEPTANCE COMPANY

11305 CHICAGO CIRCLE

OMAHA, NEBRASKA 68154

dated as of December 31, 2018, verified under oath by the examiner-in-charge on January 3, 2020 and received by the company on February 10, 2020, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 25th day of February 2020.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read 'Justin C. Schrader', is written over a horizontal line.

Justin C. Schrader, CFE
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

EMPLOYERS MUTUAL ACCEPTANCE COMPANY

as of

December 31, 2018



Omaha, Nebraska
January 2, 2020

Honorable Bruce R. Range
Director of Insurance
Nebraska Department of Insurance
1135 M Street, Suite 300
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:

EMPLOYERS MUTUAL ACCEPTANCE COMPANY
11305 Chicago Circle
Omaha, Nebraska 68154

(hereinafter also referred to as the “Company”) and the report of such examination is respectfully presented herein.

INTRODUCTION

The Company was last examined as of December 31, 2014 by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on December 31, 2018, and includes 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

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

A general review was made of the Company’s operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter

provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company". 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 policyholders 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 Certificate of Authority to conduct the business of insurance in the State of Nebraska was inspected and a survey was made of the Company's general plan of operation. Accounting records and procedures were tested to the extent deemed necessary through the substantive examination process.

All accounts and activities of the Company 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 Company's financial condition as of December 31, 2018.

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

DESCRIPTION OF COMPANY

HISTORY

The Company was incorporated under the laws of the State of Nebraska on November 18, 1981, as a mutual assessment health insurance company with given perpetual existence.

MANAGEMENT AND CONTROL

Policyholders

Article I of the Company’s By-Laws states that, “the annual meeting of policyholders shall be held on the third Wednesday in February beginning in 1982 at the hour of 5 o’clock p.m. for the purpose of electing Directors and the transaction of any other business to come before said meeting.” Article IV of the same By-Laws states that, “the annual meeting of the policyholders of this Association shall be held the first Tuesday of March each year beginning 1982 at 5 o’clock p.m. at the home office of the Company unless otherwise designated by the Board of Directors.” Article I and Article IV state different dates for the annual meeting. It is recommended that the Company amend its By-Laws to correct contradictory articles.

Board of Directors

Article VI of the Company’s Articles of Incorporation states that, “the affairs of the Company shall be conducted by a Board of Directors which shall have and shall exercise all the powers of the Company. Directors shall be policyholders. The number of Directors which shall constitute the Board of Directors shall be not less than five (5) nor more than twenty-one (21). Directors shall be elected by the policyholders at the annual meeting and shall take office as provided from time to time by the By-Laws.”

The following persons were serving as Directors at December 31, 2018:

<u>Name</u>	<u>Residency</u>
Ashley Hatheway	Elkhorn, Nebraska
Arthur C. Jetter, Jr.	Omaha, Nebraska
Arthur C. Jetter, III	Elkhorn, Nebraska
Matthew K. Jetter	Omaha, Nebraska
Karen S. Nalley	Omaha, Nebraska

All Directors, with the exception of Matthew Jetter, are employed by the Company's management company, Art Jetter & Company, and are not directly compensated for their service to the Company.

During the examination, the absence of Conflict of Interest statements was discussed with the Secretary of the Company. It is suggested that, as a best practice, all Directors and Officers complete a Conflict of Interest statement.

Committees

The Board of Directors utilizes three committees that consist of all Directors, with the exception of Matthew Jetter. The committees are the Product Development Committee, the New Products Committee, and the Investment Committee.

Through discussion, it was noted that the Investment Committee meets annually. Per Section §44-5105(3) of the Nebraska Insurance Statutes, "on no less than a quarterly basis, and more often if deemed appropriate, the Board of Directors, or Committee of the Board of Directors shall: (a) receive and review a summary report on the insurer's investment portfolio, investment activities, and investment practices engaged in under delegated authority, in order to determine whether the investment activity of the insurer is consistent with its written plan; and (b) review and revise, as appropriate, the written plan." It is recommended that the Investment Committee formally review its investment activity on a quarterly basis in compliance with Nebraska Insurance Statute §44-5105(3).

Officers

Article II of the Company's By-Laws states that, "the Officers of the Company shall be a President, one or more Vice Presidents, a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors."

The following is a listing of Officers elected and serving the Company at December 31, 2018:

<u>Name</u>	<u>Office</u>
Arthur C. Jetter, Jr.	President and Treasurer
Karen S. Nalley	Vice President
Ashley Hatheway	Secretary

TERRITORY AND PLAN OF OPERATION

As evidenced by a current or continuous Certificates of Authority, the Company is licensed to transact business in the State of Nebraska.

The Company has not changed its policy forms during the period under examination. Currently the Company has eleven policies in-force. The policyholders are Directors of the Company and their family members. The Company has discussed opportunities in the dental and individual major medical field. The dental business would be administered by a carrier. The individual major medical insurance would be reinsured and the reinsurer would administer claims. As of the examination date these opportunities were only discussed and not implemented.

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 Company at December 31, 2018. All amounts are based on the findings of the current examination:

STATEMENT OF INCOME AND DISBURSEMENTS

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Balance, beginning of year	\$12,210	\$12,286	\$12,378	\$12,481
<u>Income</u>				
Receipts from assessments	\$ 70	\$ 75	\$ 75	\$ 75
Investment income	6	17	27	14
Reimbursement, bank fees	84	84	84	84
Reimbursement, Director fees	300		300	
Reimbursement, insurance department fees	221	221		
Reimbursement, tax preparation fee	_____	_____	250	_____
Total income	<u>\$ 681</u>	<u>\$ 397</u>	<u>\$ 736</u>	<u>\$ 173</u>
<u>Disbursements</u>				
Director expense	\$ 300		\$ 300	
Insurance department fees	221	\$ 221		
Tax preparation fee			250	
Bank fees	84	84	84	\$ 84
Total disbursements	<u>\$ 605</u>	<u>\$ 305</u>	<u>\$ 634</u>	<u>\$ 84</u>
Balance, end of year	<u>\$12,286</u>	<u>\$12,378</u>	<u>\$12,481</u>	<u>\$12,570</u>

STATEMENT OF ASSETS AND LIABILITIES
December 31, 2018

ASSETS

Ledger Assets

Certificates of deposit	\$10,000	
Other cash deposited in banks	2,485	
Accounts receivable	84	
Total admitted assets		<u>\$12,569</u>

LIABILITIES AND SURPLUS

Unearned premium	\$ 51	
Total liabilities		\$ 51
Surplus as regards policyholders		<u>\$12,518</u>
Total liabilities and surplus		<u>\$12,569</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 Company to comply therewith:

Reimbursement Income – It is recommended that the Company book income related to reimbursements received from Art Jetter & Company for only the amount actually received during the year.

Action: The Company has not complied with this recommendation. This recommendation will be repeated under the caption “Commentary on Current Examination Findings” in this report.

Disbursements – It is again recommended that the Company report all reporting year disbursements under the appropriate caption in future annual statements.

Action: The Company has complied with this recommendation.

Policyholder Surplus – The Company stated the amount of \$12,159 for “Other Liabilities”. This amount included policyholder surplus. The Company’s policyholder surplus, \$11,938 as determined through the examination, should not be reflected on the balance sheet.

Action: The Company has complied with this recommendation.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Tax Preparation Fee Reimbursement **\$ 0**

The Company reported income of \$265 for reimbursement received from Art Jetter & Company for the occupation tax paid by the Company. This amount was not received by the Company and should not be reported as income. Art Jetter & Company pays taxes on behalf of the Company subject to a Guarantee Agreement and the reimbursement and payment of these taxes does not appear on the Company’s bank statement. It is recommended that the Company report income related to reimbursements received from Art Jetter & Company for only the amount actually received during the year.

Tax Preparation Fee **\$ 0**

The Company reported a disbursement of \$250 the annual occupation tax paid by the Company. Similar to the Reimburse Tax Prep Fee finding above, this amount is paid by Art Jetter & Company and not paid by the Company. It is recommended that only expenses paid by the Company be reported as a disbursement.

Certificates of Deposit **\$10,000**

As of December 31, 2018 the Company had a certificate of deposit with a value of \$10,000. The certificate of deposit was verified by direct confirmation from First National Bank of Omaha.

Cash Deposited in Banks **\$ 2,485**

This asset consisted of a checking account balance. The December 31, 2018 balance was verified by obtaining a direct confirmation from Pinnacle Bank.

Unearned Premiums **\$ 51**

The Company reported unearned premiums of \$51 in its December 31, 2018 Annual Statement. Amounts reported are calculated by applying unearned factors, computed using the monthly pro rata method, to the annual premiums collected in September and October.

Policyholder's Surplus **\$12,518**

Policyholder's surplus, as determined by this examination, amounted to \$12,518 at December 31, 2018.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

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

By-Laws – It is recommended that the Company amend its By-Laws to correct contradictory articles.

Conflict of Interest – It is suggested that, as a best practice, all Directors and Officers complete the Conflict of Interest statement.

Investment Activity - It is recommended that the Investment Committee formally review its investment activity on a quarterly basis in compliance with Nebraska Insurance Statute §44-5105(3).

Tax Preparation Fee Reimbursement – It is again recommended that the Company report income related to reimbursements received from Art Jetter & Company for only the amount actually received during the year.

Tax Preparation Fee – It is recommended that only expenses paid by the Company be reported as a disbursement.

ACKNOWLEDGMENT

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

Respectfully submitted,



Isaak Russell, CFE
Supervisory Examiner
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

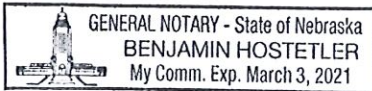
Isaak Russell, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Employers Mutual Acceptance Company.
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 Employers Mutual Acceptance Company 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.


Examiner-in-Charge's Signature

Subscribed and sworn before me by ISAAC RUSSELL on this 3rd day of JANUARY, 20 20.



(SEAL)


Notary Public

My commission expires 3-3-21 [date].