

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

FEB 05 2025

CERTIFICATION

FILED

February 5, 2025

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

FARMERS MUTUAL FIRE INSURANCE ASSOCIATION OF SEWARD COUNTY

AS OF

DECEMBER 31, 2023

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.





DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

FARMERS MUTUAL FIRE INSURANCE ASSOCIATION OF SEWARD COUNTY

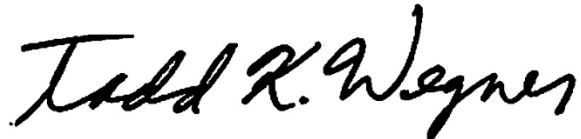
1542 PLAINVIEW AVE

SEWARD, NE 68434

dated as of December 31, 2023, verified under oath by the examiner-in-charge on January 8, 2025, and received by the company on January 8, 2025, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 24th day of January 2025.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink that reads "Tadd R. Wegner". The signature is written in a cursive style with a large initial 'T'.

Tadd Wegner, CFE
Chief Financial Regulator

STATE OF NEBRASKA

Department of Insurance

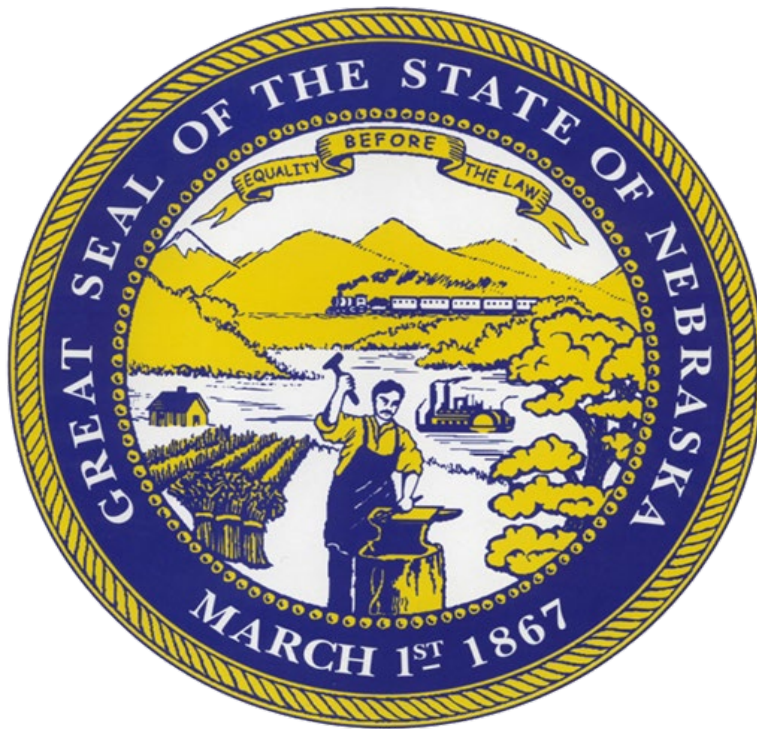
EXAMINATION REPORT

OF

FARMERS MUTUAL FIRE INSURANCE ASSOCIATION OF SEWARD COUNTY

as of

December 31, 2023



Seward, Nebraska
September 5, 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:

FARMERS MUTUAL FIRE INSURANCE ASSOCIATION OF SEWARD COUNTY
1542 Plainview Ave
Seward, NE 68434

(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, 2023 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, 2023.

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 assessment fire and lighting association in 1883 under the name “Farmers Mutual Fire Insurance Association”. On January 16, 1954, the Articles of Incorporation and By-Laws were amended, authorizing the Association to expand its operations to include the writing of wind and hail insurance.

Currently, the Association operates pursuant to Amended Articles of Incorporation that were approved by the Nebraska Department of Insurance on October 24, 1972. The Association also amended By-Laws that were adopted and approved by the Board of Directors July 27, 1978, and filed with the Nebraska Department of Insurance January 10, 1979.

MANAGEMENT AND CONTROL

Members

Article I of the Association's By-Laws states that, “the annual meeting of the Members of the Company shall be held in the City of Seward, Nebraska, on the fourth Saturday of each January...The Board of Directors is empowered to call a special meeting when deemed necessary...Each Member in good standing shall be entitled to one vote for the election of Directors and on all matters coming before any annual or special meeting of the Members.” Article V of the Association’s Articles of Incorporation states that, “fifteen Members shall constitute a quorum for the transaction of business at an annual or special meeting of the Members.”

Board of Directors

Article IV of the Association’s Articles of Incorporation states that, “the affairs of the Company shall be managed by a Board of Directors elected by the Members of not less than five nor more than twenty-one Members, all of whom shall be Members of the Company.” Article I

of the Association's By-Laws states that, "Directors shall be elected for a term of three years and shall serve until their successors are duly elected and qualified."

The following persons were serving as Directors at December 31, 2023:

<u>Name</u>	<u>Residency</u>	<u>Term Expires</u>
Philip Bangert	Seward, Nebraska	2024
Thomas Sieck	Pleasant Dale, Nebraska	2024
Steve Woebbecke	Pleasant Dale, Nebraska	2024
Alan Hans	Seward, Nebraska	2025
Howard Kriesser	Garland, Nebraska	2025
JoAnn Sieck	Pleasant Dale, Nebraska	2025
Robert Menze	Gresham, Nebraska	2026
Jeffrey Sieck	Columbus, Nebraska	2026

Directors receive \$35.00 for attendance at Board meetings and continuing education, and \$60.00 for other meetings. Directors receive \$0.50 per mile while traveling for meetings and loss adjusting. Directors also receive a commission of 7.5% if they collect premium. Loss adjustments on claims are handled by both the Board of Directors and agents who collect \$20.00 per hour with \$0.50 per mile while traveling on Association business.

Officers

Article IV of the Association’s Articles of Incorporation provide that, “the Officers of the Company shall be a President, a Vice-President, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors. One person may hold any two offices except the office of President and Vice-President.” The following is a listing of Officers elected and serving the Association at December 31, 2023:

<u>Name</u>	<u>Office</u>
Alan Hans	President
Jeff Sieck	Vice President
Phil Bangert	Secretary/Treasurer

FIDELITY BOND AND OTHER INSURANCE

The Association has in force an individual fidelity bond on the Secretary-Treasurer in the amount of \$25,000. The said fidelity bond is written by Universal Surety Company an authorized insurer.

The Association also purchased a combined professional liability and Directors and Officers liability policy. The policy has a limit of \$1,000,000 per claim and \$1,000,000 in the aggregate for all claims for the policy period and a deductible of \$10,000 per claim.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Association is licensed to transact business in Nebraska. The Association writes fire, lightning, wind, and hail insurance on the assessment plan in Seward and surrounding counties. Fire and lightning coverage is written on farm and town dwellings, farm implements, livestock, hay, and grain. Windstorm and hail coverage is available on all risks. Assessments are collected on an annual basis.

The Association, as a convenience for its policyholders and agents, makes available three general liability insurance coverages written by Acceptance Casualty Insurance Company. The Association handles the accounting on such business for premiums and agents fees. Commissions received by the Association are transferred and disbursed to the agents responsible for the production of such business.

The general liability insurance items, such as premiums and commissions, pertaining to these agency operations have been specifically designated by the use of the word “liability” in the financial statement presented in the examination report.

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 2023, the Association retained a liability up to an amount equal to \$2,800 per million of the 2023 average insurance in force. After this aggregate retention was incurred, NFMRA assumed 100% of any additional liability. The Association's aggregate retention for 2023 was noted as being \$202,206.

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

This contract also provided that the Company retain for its own account the first \$1,000 of each risk, each loss, as respects mobile home risks located in trailer courts. NFMRA's limit of coverage shall be \$48,000 for losses in any one-trailer court; with two or more trailers in any one location constituting a trailer court.

General

All contracts reviewed contained a standard insolvency clause, an arbitration clause, an offset clause, and an errors and omissions clause. All contracts 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 Company at December 31, 2023. 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>	<u>2023</u>
Balance, beginning of year	\$869,666	\$907,529	\$739,556	\$ 885,926	\$ 856,416
<u>Income</u>					
Gross receipts from assessments	\$386,601	\$381,615	\$423,851	\$ 408,397	\$ 475,744
Interest on investments	14,259	9,891	14,295	7,773	13,127
Liability premiums	26,631	25,640	24,634	22,768	23,521
Policy fee					7,400
Subrogation					841
Reinsurance recovery			149,411	1,708,720	
Refund reinsurance premium		12,044			
SBA – PPP	_____	_____	17,430	_____	_____
Total revenue	<u>\$427,490</u>	<u>\$429,190</u>	<u>\$629,621</u>	<u>\$2,147,658</u>	<u>\$ 520,632</u>

Disbursements

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Gross losses paid	\$ 94,702	\$285,933	\$175,536	\$1,858,055	\$1,310,194
Less reinsurance recovered	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>1,157,725</u>
Net losses paid	\$ 94,702	\$285,933	\$175,536	\$1,858,055	\$ 152,469
Adjusting expense	\$ 1,385	\$ 4,187	\$ 909	\$ 1,834	\$ 700
Commissions paid to agents	29,056	30,764	35,755	32,278	36,508
Meeting Exp				2,184	
Mileage	927	1,873	624	1,006	763
Education					81
Salaries of agents					40,500
Salaries and expenses of					
Directors & Officers	50,284	39,812	42,258	42,982	
Supplies	174	279	479		
Bank charges	95	336	298	156	196
D&O insurance					3,443
Errors & omissions	3,698	3,394	3,188	3,348	
SAMIC				3,074	3,170
NAMIC dues	2,895	2,993	2,632		
Insurance department					
licenses & fees	3,908	29	84		5,290
Meeting	1,939	1,450			
NE Dept Ins				1,888	
All other taxes			4,752		7,068
Meetings			1,655		
Advertising, printing					
& stationary		1034		1,087	699
Telephone & postage	659	573	578	866	285
Reinsurance premiums paid	172,893	194,759	194,784	205,779	291,790
Meetings					3,642
Liability premiums		24,872	19,330	21,820	18,344
Fidelity bond	63	63			
Bond			63	63	63
State taxes and fees		4,812			
Education			326		
Licensing & education	182				
Accounting	<u> </u>	<u> </u>	<u> </u>	<u>750</u>	<u>750</u>
Total expenses	\$268,156	\$311,229	\$307,715	\$ 319,113	\$ 413,291

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total disbursements	<u>\$362,859</u>	<u>\$597,163</u>	<u>\$483,251</u>	<u>\$2,177,168</u>	<u>\$ 565,760</u>
Balance, end of year	<u>\$934,297</u>	<u>\$739,556</u>	<u>\$885,926</u>	<u>\$ 856,416</u>	<u>\$ 811,288</u>

STATEMENT OF ASSETS AND LIABILITIES
December 31, 2023

ASSETS

Ledger Assets

Certificates of deposit	\$419,094	
Other cash deposited in banks	180,926	
NFMRA surplus note	<u>211,268</u>	
Total ledger assets		<u>\$811,288</u>

Assets Not Admitted

NFMRA surplus note	<u>\$211,268</u>	
Total assets not admitted		<u>\$211,268</u>
Total admitted assets		<u>\$600,020</u>

LIABILITIES AND SURPLUS

Losses adjusted and unpaid	\$437,822	
Less reinsurance	<u>437,822</u>	
Unearned premiums		324,699
State department of insurance		<u>3,749</u>
Total liabilities		\$328,448
Surplus as regards policyholders		<u>271,572</u>
Total liabilities and surplus		<u>\$600,020</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:

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

Action: The Association has complied with this recommendation.

Documentation Maintenance – It is recommended that the Association maintain documentation in compliance with Nebraska Insurance Statute 44-5905(b)(i)(A) for losses adjusted and unpaid and unearned premiums.

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

Reporting Address – It is recommended that the Association report the current address of 1542 Plainview Ave. Seward, NE 68434 in future filings with the Nebraska Department of Insurance.

Action: The Association has complied with this recommendation.

Premium Tax Expense – It is recommended that premium taxes paid the state of Nebraska be reported on Annual Statement page 4 line 17 "Insurance department licenses and fees".

Action: The Association has complied with this recommendation.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Certificates of Deposit

\$419,094

As of December 31, 2023, the Association had seven certificates of deposit with a value of \$419,094. Each certificate of deposit was verified by direct confirmation from the respective depository.

Other Cash Deposited in Banks

\$180,926

This asset consists of two checking accounts, and one money market account. The amount indicated thereon was reconciled to the Association’s records as of December 31, 2023, by giving consideration to outstanding checks.

NFMRA Surplus Note

\$211,268

The surplus note issued by NFMRA had a value of \$211,268 as of December 31, 2023. This item is deducted, as an asset not admitted in both the Association’s 2023 Annual Statement and the financial statements of this report 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 note has no independent rating.

Net Unpaid Losses

\$ 0

This amount consists of forty seven unpaid losses, totaling \$437,822, less reinsurance recoverable of \$437,822. Supporting documentation was not maintained and the provided support indicated that unpaid losses amounted to \$377,155. Nebraska Insurance Code 44-5905(b)(i)(A) states that, “every company or person subject to the Insurers Examination Act shall retain all books, records, accounts, papers, documents, and computer or other recordings relating to the property, assets, financial accounts, and business of such company or person in a manner that permits examination of such books, records, accounts, papers, documents, and computer or other recordings for five years, or until the period of time in which the transaction took place has undergone a financial examination by the Director, whichever is later, following the completion of a transaction relating to the property, assets, financial accounts, and business of such company or person.”

It is recommended that the Association maintain documentation in compliance with Nebraska Insurance Statute 44-5905(b)(i)(A).

Unearned Premiums

\$329,699

The Association reported unearned premiums of \$329,699 in its December 31, 2023 Annual Statement. Amounts reported are system generated and represent the unearned portion of each policy based on the remaining policy days on each policy at December 31, 2023. Supporting documentation was not maintained and the provided support indicated that unearned premiums amounted to \$244,958. Nebraska Insurance Code 44-5905(b)(i)(A) states that, “every company or person subject to the Insurers Examination Act shall retain all books, records, accounts, papers, documents, and computer or other recordings relating to the property, assets, financial accounts, and business of such company or person in a manner that permits examination of such books, records, accounts, papers, documents, and computer or other recordings for five years, or until the period of time in which the transaction took place has undergone a financial examination by the Director, whichever is later, following the completion of a transaction relating to the property, assets, financial accounts, and business of such company or person.”

It is recommended that the Association maintain documentation in compliance with Nebraska Insurance Statute 44-5905(b)(i)(A).

State Department of Insurance

\$ 3,749

The Association reported premium taxes payable to the Nebraska Department of Insurance of \$3,749 in its December 31, 2023 Annual Statement.

Surplus as Regards Policyholders

\$271,572

The surplus as regards members, as determined by this examination, amounted to \$271,572.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

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

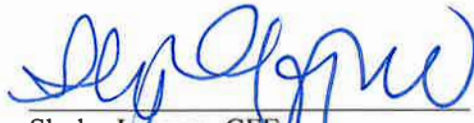
Documentation Maintenance – It is recommended that the Association maintain documentation in compliance with Nebraska Insurance Statute 44-5905(b)(i)(A) for unearned premiums and losses adjusted and unpaid.

ACKNOWLEDGMENT

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

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

Respectfully submitted,



Skyler Lawyer, CFE
Assistant Chief Examiner - Field
Department of Insurance
State of Nebraska

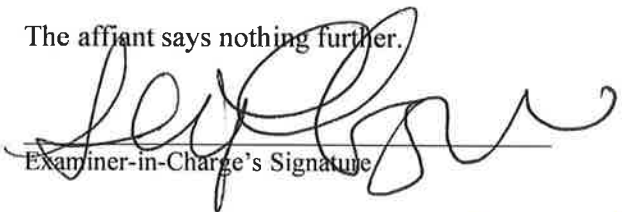
State of Nebraska,

County of Lancaster,

Skyler Lawyer, 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 Farmers Mutual Fire Insurance Association of Seward County.
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 Farmers Mutual Fire Insurance Association of Seward County 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 Skyler Lawyer on this 8th day of Jan, 2025.




Notary Public

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