

MAY 16 2026

FILED

# CERTIFICATION

May 16, 2026

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

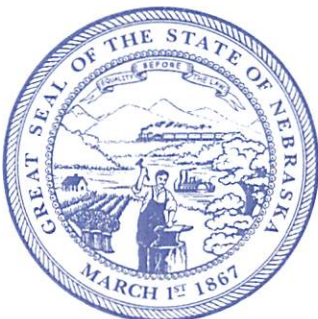
**POLK AND BUTLER MUTUAL INSURANCE COMPANY**

**AS OF**

**DECEMBER 31, 2024**

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

**POLK AND BUTLER MUTUAL INSURANCE COMPANY**

**431 HAWKEYE STREET**

**OSCEOLA, NE 68651**

dated as of December 31, 2024, verified under oath by the examiner-in-charge on April 10, 2026, and received by the company on April 21, 2026, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 6<sup>th</sup> day of May 2026.

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**

**POLK AND BUTLER MUTUAL INSURANCE COMPANY**

**as of**

**December 31, 2024**



Lincoln, Nebraska  
April 13, 2025

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:

**POLK AND BUTLER MUTUAL INSURANCE COMPANY**  
**431 Hawkeye Street**  
**Osceola, Nebraska 68651**

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

**INTRODUCTION**

The State of Nebraska last examined the Company as of December 31, 2019. The current financial condition examination covers the intervening period to and includes the close of business on December 31, 2024 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 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 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 Company'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 Company's general plan of operation.

The Company'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 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, 2024.

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, formerly known as the “Polk and Butler Counties Farmers Insurance Company,” was incorporated under the laws of the State of Nebraska on February 23, 1892 as an assessment fire and lightning insurance company for the purpose of insuring the property of its members located in Polk and Butler Counties in Nebraska against loss or damage by fire and lightning.

At a special meeting of the policyholders held on February 28, 1963, the Articles of Incorporation were amended to change the Company’s name to Polk and Butler Mutual Insurance Company.

### **MANAGEMENT AND CONTROL**

#### **Members**

Article IV of the Company’s Articles of Incorporation states that, “the membership of the Company shall be limited to those persons, corporations, associations or partnerships having insurance in full force and effect. Membership and insurance may be obtained only by written application signed by the applicant and shall commence only when approved by the Secretary or his authorized representative and shall cease when such insurance is canceled or terminates from any other cause.” Article V of the Articles of Incorporation continues to state that, “the annual membership meeting shall be held on the second Thursday of February of each year at a time and place as determined by the Board of Directors. Special membership meetings may be called by the Board of Directors at any time and shall be called upon petition of one-fourth of the Members of the Company.”

**Board of Directors**

Article VI of the Company’s Articles of Incorporation states that, “the corporate powers of the Company shall be vested in a Board of nine Directors each elected by a majority vote of the annual meeting for terms of three years or until their successors are duly elected and qualified. The number of Directors to be elected at each annual meeting hereafter shall be determined by the number of terms which expire on the date of each meeting. No person shall hold the office of Director unless he is a policyholder.”

The following individuals were serving as Directors on December 31, 2024:

<b><u>Name</u></b>	<b><u>Residence</u></b>	<b><u>Term Expires</u></b>
Roger Augustin	Osceola, Nebraska	2025
John Messing	Shelby, Nebraska	2025
Dannie Steager	Surprise, Nebraska	2025
Mike Crook	Rising City, Nebraska	2026
Lee Fozzard	Rising City, Nebraska	2026
Curtis Ingalls	Shelby, Nebraska	2026
Scot Bauer	Surprise, Nebraska	2027
Dean Heins	David City, Nebraska	2027
Darin Sterup	Osceola, Nebraska	2027

Directors receive \$50.00 per diem plus mileage at the rate set by the federal government, for each meeting attended.

**Officers**

Article VI of the Company’s Articles of Incorporation states that, “at the annual meeting of the Directors which shall be held immediately following the annual meeting of the Members, they shall elect for a term of one year a President, Vice-President, Treasurer, and Secretary who when so designated by the Board may also serve as Treasurer and such additional Officers as they deem necessary.” The President receives a \$200 annual stipend as compensation for the

extra duties required of his position. The Board of Directors approved a 2024 salary for the Secretary/Treasurer of \$26,400 per year.

The following is a listing of Officers elected and serving the Company on December 31, 2024:

<u>Name</u>	<u>Office</u>
Lee Fozzard	President
Dannie Steager	Vice President
Darin Sterup	Secretary and Treasurer

### **FIDELITY BOND AND OTHER INSURANCE**

The Company has a fidelity bond providing coverage in the amount of \$25,000 on the Secretary-Treasurer. This bond was issued by Nationwide Mutual Insurance Company, an authorized insurer.

Directors and Officers are protected under a combined Professional Liability and Directors and Officers Liability policy providing a \$500,000 limit on each claim and in the aggregate, subject to a \$10,000 deductible on each.

Agents of the Company are protected under an Insurance Agents and Brokers Professional Liability policy providing \$1,000,000 limit on each claim and in the aggregate, subject to a \$2,500 deductible.

### **TERRITORY AND PLAN OF OPERATION**

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

The Company issues policies in Butler, Cass, Lancaster, Merrick, Polk, Platte, and York Counties in Nebraska. The Company insures farms, residences, churches, schools, mobile homes, trailers and non-commercial buildings.

The Company currently has two licensed agents producing business for the Company through an agency owned by Darin Sterup.

Policies are issued for a term of three years and premiums are collected annually during the term of the policy. No membership fees are charged to the Members.

The Company also provides its Members comprehensive personal and general liability coverage which is underwritten by Nebraska Farmers Mutual Reinsurance Association (NFMRA) through the Nebraska Farmers Agency. The accounting on such business for premiums and agents' fees is handled by the Company. Commissions received by the Company are transferred and disbursed to the agent responsible for the production of such business.

## **REINSURANCE**

### **Ceded**

Each year under review, the Company obtained property reinsurance through NFMRA. The Company is insured for a portion of the ultimate net losses incurred on its originally issued policies for loss by fire, lightning, windstorm, hail, standard extended coverages, and other such coverages as may be approved by the Board of Directors of NFMRA. This coverage applies to dwellings, churches, schools, and other real and personal property except growing crops, in any county in Nebraska. The term of the agreement is from January 1 to December 31, and a new agreement is entered into each year.

NFMRA is liable for 100% of the amount by which the Company's ultimate net losses incurred during the year exceed the ultimate retention. A preliminary retention is calculated based on the Company's insurance in force on December 31, of the immediately preceding year. The ultimate retention is calculated based on the average insurance in force and calculated after year end. The 2024 retention rate was \$950 per million of insurance in force.

If, prior to incurring ultimate net losses exceeding the preliminary retention, the Company incurs a reinsured loss of a single risk greater than \$40,000, NFMRA will assume 100% of the amount of that loss over the applicable excess per risk retention. Recoveries made under this provision greater than recoveries available under the aggregate coverage are deducted from subsequent aggregate recoveries. If the Company receives recoveries under this coverage but the net losses do not exceed the ultimate retention for the year, the amount recovered per risk between the Company's single risk retention and 1/8<sup>th</sup> of 1 percent (1%) of the Company's January 1 insurance in force is to be refunded prior to March 1 of the next year.

The Company retains the first \$1,000 of each risk, each loss, as respects mobile home risks located in trailer courts. The limit of coverage is \$48,000 per trailer court. Two or more trailers in one location constitute a trailer court.

The Company pays a rate of \$2,858 dollars per million dollars of fire and wind insurance in force as an initial assessment. The premium is trued up when final year-end in force premium is determined. The Board of Directors of NFMRA may levy special assessments upon the Company and other reinsured member companies at such times as it deems necessary to pay losses and expenses, and to augment and maintain NFMRA surplus.

### **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 Company at December 31, 2024. All amounts are based on the findings of the current examination:

#### **STATEMENT OF INCOME AND DISBURSEMENTS**

	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>
Balance, beginning of year	\$887,075	\$988,974	\$968,729	\$ 880,185	\$1,014,683
<b><u>Income</u></b>					
Gross receipts from assessments	\$489,758	\$435,098	\$498,227	\$ 547,865	\$696,820
Gross membership, cancellation and policy fees	7,076	7,265	7,115	6,915	8,056
Less return on cancellations					
Liability premiums	<u>27,445</u>	<u>26,184</u>	<u>26,099</u>	<u>26,186</u>	<u>30,880</u>
Total underwriting income	\$524,279	\$468,547	\$531,441	\$ 580,966	\$ 735,756
Interest on investments	9,195	15,082	6,693	11,094	29,813
Rents	<u>3,600</u>	<u>3,600</u>	<u>3,600</u>	<u>3,600</u>	<u>4,500</u>
Total income	<b><u>\$537,074</u></b>	<b><u>\$487,229</u></b>	<b><u>\$541,734</u></b>	<b><u>\$ 595,660</u></b>	<b><u>\$ 770,069</u></b>

**STATEMENT OF INCOME AND DISBURSEMENTS (continued)**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b><u>Disbursements</u></b>					
Gross losses paid	\$112,652	\$174,949	\$400,669	\$ 78,595	\$ 303,538
Less discount and salvage	3,750		5,000		3,000
Less reinsurance recovered	<u>          </u>	<u>          </u>	<u>108,372</u>	<u>76,986</u>	<u>164,918</u>
Net losses paid	\$108,902	\$174,949	\$287,297	\$ 1,609	\$ 135,620
Adjusting expense	1,170	5,894	246	15	542
Commissions to agents	74,847	67,575	77,075	89,104	97,804
Expenses of agents	2,466	2,129	2,203	2,222	2,297
Salaries and expenses of					
Directors and Officers	23,402	25,256	25,420	26,152	26,296
Repair on real estate	128	1,229	457	1,956	1,898
Taxes on real estate	420	456	456	645	576
Insurance department licenses					
& fees	9,157	13,616	8,054	9,983	11,453
All other taxes	4,741	5,022	5,497	5,696	7,536
Advertising, printing & stationary	11,710	6,060	15,119	5,751	14,782
Telephone & postage	5,298	5,423	6,346	6,097	5,950
Reinsurance premiums paid	151,161	158,449	161,412	266,050	461,900
Account write-offs	1,154	1,786	2,185	687	2,071
Annual meeting expense	237	172	135	239	111
Retirement expense	6,000	6,000	6,000	6,000	6,000
Professional fees	1,975	1,975		4,250	2,875
Liability insurance	23,071	21,422	22,129	23,653	26,712
Utilities	2,921	2,989	3,019	3,429	3,359
Other insurance	6,416	6,870	7,228	7,625	8,209
Continuing education		202			
Supplies	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>3,762</u>
Total expenses	<u>\$326,274</u>	<u>\$332,525</u>	<u>\$342,981</u>	<u>\$ 459,554</u>	<u>\$ 684,133</u>
Total disbursements	<u>\$435,175</u>	<u>\$507,474</u>	<u>\$630,278</u>	<u>\$ 461,162</u>	<u>\$ 819,753</u>
Balance, end of year	<u>\$988,974</u>	<u>\$968,729</u>	<u>\$880,185</u>	<u>\$1,014,683</u>	<u>\$ 964,999</u>

**STATEMENT OF ASSETS AND LIABILITIES**  
**December 31, 2024**

**ASSETS**

**Ledger Assets**

Certificates of deposit	\$531,170	
Cash deposited in banks	310,590	
NFMRA surplus note	<u>123,239</u>	
Total ledger assets		<u>\$964,999</u>

**Non-Ledger Assets**

Interest due and accrued on investments	\$ 9,295	
Furniture and supplies	<u>17,790</u>	
Total non-ledger assets		<u>\$ 27,085</u>

**Assets Not Admitted**

Furniture & supplies	\$ 17,790	
NFMRA surplus note	<u>123,239</u>	
Total assets not admitted		<u>\$141,029</u>
Total admitted assets		<u>\$851,055</u>

**LIABILITIES AND SURPLUS**

Amount of losses adjusted and unpaid	\$ 28,144	
Less reinsurance	<u>26,754</u>	
Net unpaid losses		<u>\$ 1,390</u>
Unearned premiums		270,941
Accounts payable		903
Premium tax payable		3,495
Payroll tax payable		<u>1,342</u>
Total liabilities		<u>\$278,070</u>
Surplus as regards Members		<u>\$572,985</u>
Total liabilities and surplus		<u>\$851,055</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:

**Unpaid Claims** – It is recommended the Company report unpaid claims on Annual Statement page 5 line 25 “Amount of losses adjusted and unpaid.”

**Action:** The Company has complied with this recommendation.

**Conflict of Interest Statements** – It is recommended that conflict of interest statements are signed by all Directors of the Board on an annual basis.

**Action:** The Company has complied with this recommendation.

## **COMMENTARY ON CURRENT EXAMINATION FINDINGS**

**Certificates of Deposit** **\$531,170**

As of December 31, 2024, the Company had six certificates of deposit with a value of \$531,170. Each certificate of deposit was verified by direct confirmation from the respective depositories.

**Cash Deposited in Banks** **\$310,590**

This asset consisted of a standard checking and savings account balance. The value was verified by obtaining confirmation directly from the bank. The amount indicated thereon for the checking account was reconciled to the Company’s records as of December 31, 2024 by giving consideration to outstanding checks.

**NFMRA Surplus Note** **\$123,239**

The Company obtained a surplus note from NFMRA on January 1<sup>st</sup>, 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.

Prior to 2021, the Company was appropriately non-admitting its surplus note on the Annual Statement. For the Annual Statements issued 2021 through 2024, the Company ceased to non-admit the surplus note. The Company should be non-admitting the surplus note 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. It is recommended that the Company non-admit its surplus note value from its assets.

**Interest Due and Accrued on Investments** **\$ 9,295**

The Company's estimated interest due or accrued on investments as of December 31, 2024 amounted to \$9,295 and was booked as a non-ledger asset.

**Furniture and Supplies** **\$ 17,790**

The non-ledger amount of \$17,790 reflects the depreciated cost of the Company's office equipment. This item is deducted, as an asset not admitted in both the Company's 2024 Annual Statement and the financial statements of this report in accordance with accepted insurance accounting practices.

**Losses Adjusted and Unpaid/Claims Reported but Unadjusted** **\$ 28,144**

The Company established a liability for the six unpaid claims amounting to \$28,114 on December 31, 2024. One of the six claims was paid in the first quarter of 2025 for \$7,551.

**Unearned Premiums****\$270,941**

The Company reported unearned premiums of \$270,941 on the December 31, 2024 Annual Statement. Amounts reported are calculated by applying unearned factors, computed using the daily pro rata method, and the policy effective date.

**Accounts Payable****\$ 903**

The Company reported an accounts payable liability of \$903 on the December 31, 2024 Annual Statement. This amount consists of unpaid, but not overdue, utilities for the Company's office building and real estate taxes which were paid in January 2025.

**Premium Tax Liability****\$ 3,495**

The Company reported a premium tax liability on the December 31, 2024 Annual Statement of \$3,494.50. This amount was paid in February 2025.

**Payroll Tax Liability****\$ 1,342**

The Company reported payroll tax liability on the December 31, 2024 Annual Statement of \$1,341.50. This amount was paid in February 2025.

**Policyholder's Surplus****\$572,985**

Policyholder's surplus, as determined by this examination, amounted to \$572,985 on December 31, 2024.

**SUMMARY OF COMMENTS AND RECOMMENDATIONS**

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

**Surplus Note** – It is recommended that the Company non-admit its surplus note value from its assets.

**ACKNOWLEDGMENT**

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Isaak Russell', written in a cursive style.

---

Isaak Russell, CFE  
Examiner-in-Charge Supervisory Examiner  
Department of Insurance  
State of Nebraska

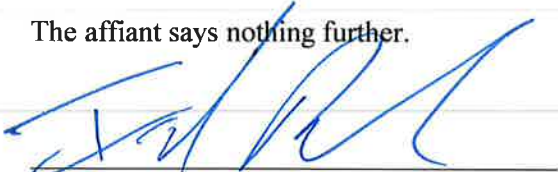
State of Nebraska,

County of Lancaster,

Isaak Russell, being duly sworn, states as follows:

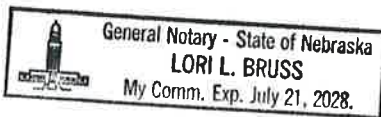
1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of POLK AND BUTLER MUTUAL INSURANCE COMPANY.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of POLK AND BUTLER MUTUAL INSURANCE 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 ISAIAK Russell on this 10<sup>th</sup> day of APRIL, 2026.

(SEAL)



  
Notary Public

My commission expires ~~April 10~~ July 21, 2028 [date].