

JUL 17 2022

FILED

CERTIFICATION

July 17, 2022

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

REPUBLICAN VALLEY MUTUAL PROTECTIVE ASSOCIATION

AS OF

DECEMBER 31, 2020

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

REPUBLICAN VALLEY MUTUAL PROTECTIVE ASSOCIATION

262 O'SULLIVAN ST.

RIVERTON, NEBRASKA 68972

dated as of December 31, 2020 verified under oath by the examiner-in-charge on June 22, 2022, and received by the company on June 24, 2022, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 7th day of July 2022.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read 'Justin C. Schrader', written in a cursive style.

Justin C. Schrader, CFE
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

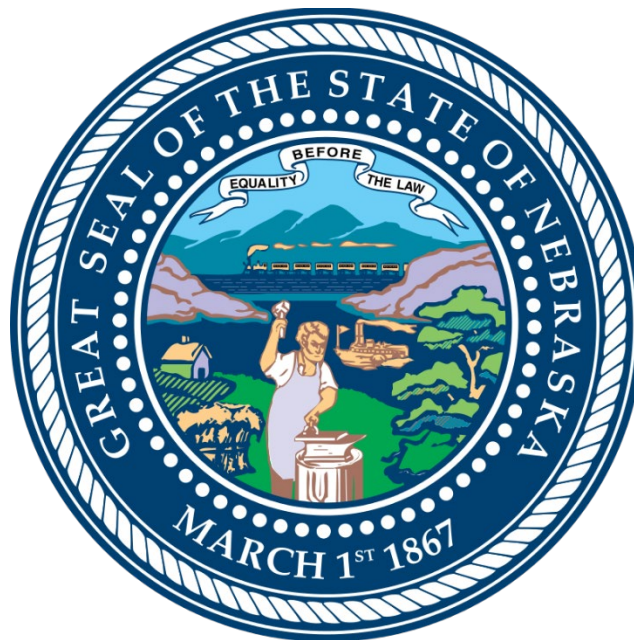
EXAMINATION REPORT

OF

REPUBLICAN VALLEY MUTUAL PROTECTIVE ASSOCIATION

AS OF

December 31, 2020



Lincoln, Nebraska
June 2, 2022

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

Dear Sir:

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

REPUBLICAN VALLEY MUTUAL PROTECTIVE ASSOCIATION
(an unincorporated mutual life insurance association)
262 O'Sullivan St.
Riverton, Nebraska 68972

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

SCOPE OF EXAMINATION

The Association was previously examined as of December 31, 2015. This examination covered the intervening period to December 31, 2020 and included such 2021 proceedings or transactions as were deemed pertinent. This examination has been conducted under the provision of Neb. Rev. Stat. §44-386.04, which states that, "the books and records of every such Association and every Officer, Director, or employee thereof shall be subject to the inspection and examination of the Department of Insurance", and §44-386.08 of said Statutes which allows that, "the Director of Insurance may adopt and promulgate rules and regulations for the administration and enforcement of the provisions of §44-386.01 to §44-386.07, for the procedures for examination of books and records, for the requirements of reports, and for procedures for approval of changes or additions of evidence of insurance coverage to be used by the Associations."

A general review was made 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. The Articles of Association were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Members and the Board of Directors for the five-year period under review were read and noted. The Certificate of Authority to conduct the business of insurance in the State of Nebraska was inspected. Income and disbursement items were checked in sufficient detail to assure proper handling. The assets were evaluated and verified, and the liabilities determined so as to present herein a statement of the Company's financial condition as of December 31, 2020.

HISTORY

The Association was originally formed on May 10, 1951 as an unincorporated mutual life insurance association. The following Associations have since merged into the Association: Franklin County Mutual Life effective October 1, 1993, Hall County Mutual effective November 1, 1996, Valley Mutual Protective Association effective July 1, 2006, Furnas County Mutual Protective Association effective February 1, 2010 and Cornhusker Mutual Life Association effective October 9, 2013.

MANAGEMENT AND CONTROL

Board of Directors

The Articles of Association provide that, "the powers of this Association shall be vested in a Board of Directors consisting of not less than five members who shall serve until the next annual meeting, or until their successors are elected and qualified. If vacancies happen by resignation, or otherwise, while the Association is not in meeting, the remaining members of the Board of Directors may make a temporary appointment until the next annual meeting of the membership, which shall then fill such vacancy for the remainder of said Director's unexpired term." The current Board of Directors consists of four members, which is not in compliance with the Articles of Association and Neb. Rev.

Stat. §44-386.03. It is recommended that the Association appoint a Board member in order to be in compliance with the Articles of Association and Neb. Rev. Stat. §44-386.03.

The Articles of Association provide that, “the Board of Directors shall have the power to make, adopt and/or change rules and regulations for the lawful conduct of the business of this Association, to elect Officers and appoint agents and prescribe the powers and duties thereof, to fill any vacancy on the Board of Directors until the membership at the Association’s annual meeting elects a Director for said vacancy, and generally have power to manage and conduct the business of this Association.”

Those persons serving the Association as Board members at December 31, 2020, were as follows:

<u>Name</u>	<u>Address</u>
Joan Fries	Upland, Nebraska
Ruth Jackson	Riverton, Nebraska
Audrey Peil	Ayr, Nebraska
Delpha Stover	Franklin, Nebraska

Officers

The Articles of Association provides that, “the Officers of this Association shall be a President, Vice-President, Secretary and Treasurer. The President and Vice-President shall be elected from their own number by the Board of Directors. The Secretary-Treasurer shall be appointed by a majority vote of the Board of Directors... The Officers shall hold office until their successors are duly elected and qualified.”

Officers serving the Association at December 31, 2020 were as follows:

<u>Name</u>	<u>Office</u>	<u>2020 Remuneration</u>
Joan Fries	President	\$ 0.00
Audrey Peil	Vice President	0.00
Sharron K. Worman	Secretary-Treasurer	3,325.20

CORPORATE RECORDS

The Secretary-Treasurer made available minutes of all annual and special meetings since 2016. The Secretary-Treasurer also made available for review the current Articles of Association and application form.

PLAN OF ASSOCIATION

The objective of the Association, as set out in its Articles of Association, is to insure the lives of its membership against, “the hazard of death by the execution of valid mutual obligations whereby each member agrees to pay into this Association the sum of \$1.25 within thirty days after receiving notice of the death of any member of this Association, out of which call or assessment there shall be paid the lawful and necessary expenses of this Association (which shall in no case exceed 20% of such call or assessment), the balance remaining to be paid to such beneficiary or beneficiaries as were named by the member or to his or her estate if no beneficiary or beneficiaries were named.” The Association is charging \$2.00 for the death of a member, which is inconsistent with the Association’s Articles of Association. It is recommended that the Association revise its Articles of Association to reflect the change of its assessment amount.

As provided in the Articles of Association, the expenses of the Association, “shall be limited to the actual costs of conducting the business of this Association, such as postage, printing, purchasing of books and records, and other similar articles necessary, and the sum of \$5.00 to each Officer and/or employee of this Association except the Secretary and Treasurer and Assistant thereof, same to be computed upon the basis of the time which each such Officer and/or employee of this Association is actually engaged in the business thereof. The Secretary and Treasurer and associate of this Association shall be paid a salary not to exceed the sum of \$10.00 per day as provided by Section 44-386.”

MEMBERSHIP

The Articles of Association state that, “the Association shall be limited to 2,500 members, all of whom shall, upon their initial application, be residents of Nebraska, and between the ages of 8 and 65 years, both inclusive (counting nearest birthday), and in good health, with no known terminal diseases.” A provision in the current application form states that a member may leave the territory embraced by the Association and shall retain membership.

RECONCILIATION OF MEMBERSHIP

A reconciliation of the Association membership for the current five-year period ending December 31, 2020 is reflected in the following schedule:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Membership, beginning	1,078	920	815	718	623
Add:					
New members	1		1		
Reinstated members	<u>0</u>	<u>2</u>	<u>1</u>		
Total additions	<u>1</u>	<u>2</u>	<u>2</u>		
Deduct:					
Terminations as paid death claims	117	90	86	79	69
Terminations due to non-payment	28	10	9	10	3
Terminations at request of member	<u>14</u>	<u>7</u>	<u>4</u>	<u>6</u>	<u>2</u>
Total deductions	<u>159</u>	<u>107</u>	<u>99</u>	<u>95</u>	<u>74</u>
Membership, ending	<u>920</u>	<u>815</u>	<u>718</u>	<u>623</u>	<u>549</u>

ACCOUNTS AND RECORDS

The Secretary-Treasurer made available records of the Association from 2016 through the start date of the examination in May 2022.

The Association maintains an alphabetical file of all active membership applications. The Association maintains a membership listing alphabetically on which assessments are checked off as they

are received. Individual claim files are established which include death certificate, original application and any change in beneficiary. Accounting records include a checkbook and a separate membership listing for each month's assessments mailed. Also maintained are deposit slips, a checkbook register and all canceled checks.

The Association's current billing cycle is on a monthly basis. Notification cards are sent to members each month. When the Association receives payments, the Secretary-Treasurer records each member's payment on a membership listing and reflects when payment was received.

The ratio of expenses paid, excluding losses, to total assessments and fees collected for the current five-year period, as contained in the Association's filed Annual Statements, are reflected in the following schedule:

<u>Year</u>	<u>Ratio</u>
2016	15.73 %
2017	15.75
2018	17.19
2019	17.39
2020	18.44

The above ratios are within the maximums permitted by the Association's application form and Nebraska Insurance Statutes.

FINANCIAL STATEMENTS

The following financial statements reflect the cash flow and transactions of the Association for the five-year period ending December 31, 2020, as reported in its filed Annual Statements:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Income</u>					
Gross assessments	\$137,390	\$92,659	\$86,565	\$83,580	\$73,415
Prepaid assessments	856	2,687	2,272	2,290	1,270
Prior year assessments received	1,135	1,029	944	1,160	525
Stop payment refund	48				
U.S treasury refund		17			
Total income	<u>\$139,429</u>	<u>\$96,392</u>	<u>\$89,780</u>	<u>\$87,030</u>	<u>\$75,210</u>
<u>Disbursements</u>					
Claims paid	<u>\$143,900</u>	<u>\$ 95,600</u>	<u>\$ 86,000</u>	<u>\$79,000</u>	<u>\$60,950</u>
Salaries: Sec-Tres.	\$ 3,325	\$ 3,325	\$ 3,325	\$ 3,325	\$ 3,325
Asst. Sec-Tres.	2,250				
Social security withheld		551	551	275	275
Rent	1,320	1,320	1,320	1,320	1,320
Insurance Dept. fees/exam	3,235	5	5	5	5
Printing, stationery and postage	10,076	9,452	9,282	8,842	8,318
NE UC Fund	576		50	50	25
Mileage	80	95	95	110	
Tax prep/legal fees	180	180	180	180	180
Return checks and reimbursement on paid aheads	345	272	48	70	14
US Treasury	551		551	917	413
Stop payment fee			25		
Supplies				31	
Dep. correction				12	
Expenses paid	<u>\$ 21,938</u>	<u>\$ 15,177</u>	<u>\$ 15,432</u>	<u>\$15,137</u>	<u>\$13,876</u>
Total disbursements	<u>\$165,838</u>	<u>\$110,777</u>	<u>\$101,432</u>	<u>\$94,136</u>	<u>\$74,821</u>
Net change in cash for the year	<u>\$(26,409)</u>	<u>\$ 14,386</u>	<u>\$(11,652)</u>	<u>\$(7,106)</u>	<u>\$ 384</u>

BALANCE SHEET

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Assets</u>					
Cash deposited in bank	<u>\$41,302</u>	<u>\$33,894</u>	<u>\$16,302</u>	<u>\$9,830</u>	<u>\$10,630</u>
Total assets	<u>\$41,302</u>	<u>\$33,894</u>	<u>\$16,302</u>	<u>\$9,830</u>	<u>\$10,630</u>
<u>Liabilities</u>					
Expenses incurred and not paid	\$ 551	\$ 551	\$ 551	\$ 551	\$ 551
Late assessment payments	1,135				
Stop pay fee refund	48				
Prepaid assessments	<u>856</u>	<u>652</u>	<u>494</u>	<u>627</u>	<u>395</u>
Total liabilities	<u>\$ 2,590</u>	<u>\$ 1,203</u>	<u>\$ 1,045</u>	<u>\$1,178</u>	<u>\$ 946</u>

WORKING FUNDS

Cash in bank, as of December 31, 2020	\$16,968
Less outstanding checks	6,338
Less deposits for assessments of final claims not fully paid	395
Checks covering expenses for final benefits, which have not been made	<u>551</u>
Total working fund balance, as of December 31, 2020	<u>\$ 9,685</u>

LEDGER ASSETS

Cash Deposited In Bank **\$10,630**

Cash deposited in the Association's checking account was confirmed and reconciled to the bank statement after consideration of any outstanding checks.

LIABILITIES

Expenses Incurred But Not Paid	\$ 551
Prepaid Assessments	<u>395</u>
Total Liabilities	<u>\$ 946</u>

Claims assessed were verified to the detail listings of collected assessments and assessments paid in advance at December 31, 2020.

COMPLIANCE WITH PREVIOUS EXAMINATIONS

Recommendations appearing in the previous report of examination are reflected below together with the remedial actions taken by the Association:

1. Salary - The Association's Articles of Incorporation limit the amount paid to Officers and/or employees to the sum of \$5.00 except for the Secretary and Treasurer, which is limited to \$10 per day. The Association is paying the Secretary's assistant \$10 per day. Neb. Rev. Stat 44-386 allows for employees to be paid \$10 per day. It is recommended the Association amend their Articles of Association to allow for the employees to be paid up to \$10 per day if it plans to continue paying an assistant for the Secretary.

Action: The Association has complied with this recommendation.

2. Membership - The Association's Application Form indicates that the Association shall be limited to 2,400 members. This is not consistent with the Articles of Association, which limits the number of members to 2,500. It is recommended the Association amend the Application form to be consistent with the Articles of Association.

Action: The Association has complied with this recommendation.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

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

Board Members - It is recommended the Association appoint a Board member in order to be in compliance with the Articles of Association and Neb. Rev. Stat. §44-386.03.

Assessment Amount - It is recommended that the Association revise its Articles of Association to reflect the change of its assessment amount.

CONCLUSION

The courtesy and cooperation extended by the Secretary-Treasurer, Sharron K. Worman, of the Association during the course of this examination is hereby acknowledged.

Respectfully submitted,



Joseph Jacobson, CFE
Financial Examiner
Nebraska Department of Insurance

State of Nebraska,
County of Lancaster,

Joe Jacobson, being duly sworn, states as follows:

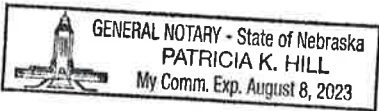
1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Republican Valley Mutual Protection Association.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Republican Valley Mutual Protection Association 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 Joe Jacobson on this 22 day of June, 2022.

(SEAL) 



Notary Public

My commission expires 8-8-23 [date].