

JUL 29 2024

# CERTIFICATION

FILED

July 29, 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

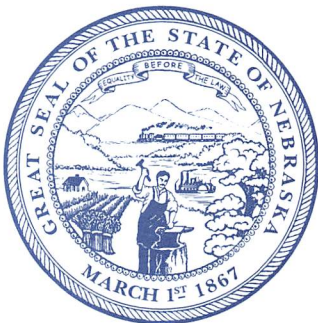
**SCANDINAVIAN MUTUAL INSURANCE COMPANY OF AXTELL, KEARNEY COUNTY, NEBRASKA**

**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.



  
\_\_\_\_\_  
DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

**SCANDINAVIAN MUTUAL INSURANCE COMPANY OF AXTELL, KEARNEY COUNTY, NEBRASKA**

**417 MAIN STREET**

**AXTELL, NE 68924**

dated as of December 31, 2022, verified under oath by the examiner-in-charge on  
June 26, 2024, and received by the company on July 11, 2024, has been adopted  
without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 19<sup>th</sup> day of July 2024.

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' and 'W'.

Tadd Wegner, CFE  
Chief Financial Regulator

**STATE OF NEBRASKA**

**Department of Insurance**

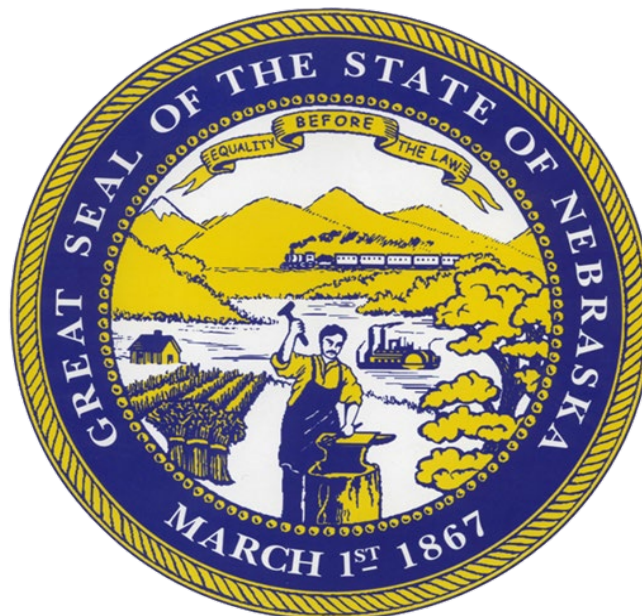
**EXAMINATION REPORT**

**OF**

**SCANDINAVIAN MUTUAL INSURANCE COMPANY OF  
AXTELL, KEARNEY COUNTY, NEBRASKA**

**as of**

**December 31, 2022**



Axtell, Nebraska  
June 18, 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:

**SCANDINAVIAN MUTUAL INSURANCE COMPANY OF AXTELL, KEARNEY  
COUNTY, NEBRASKA  
417 Main Street  
Axtell, Nebraska 68924**

(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, 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 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 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, 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 COMPANY**

### **HISTORY**

The Company was organized in 1885 and incorporated under the laws of the State of Nebraska, on February 8, 1890, as fire, lightning, and storm insurance company. Its original name was The Swedish Mutual Fire Insurance Company of Axtell, Kearney County, Nebraska. The original Articles of Incorporation provided for a corporate life of five years.

On January 18, 1894, the original Articles of Incorporation were amended to provide coverage against loss by fire, lightning, and tornado. This amendment also changed the name to Swedish Mutual Fire, Lightning, and Tornado Insurance Company of Axtell, Kearney County, Nebraska (Swedish Mutual FL&T) and provided for a corporate existence of twenty-five years. On this same date another company, Swedish Mutual Livestock Insurance Company of Axtell, Kearney County, Nebraska (Swedish Mutual Livestock), was formed by the Officers, Directors, and Policyholders of the Swedish Mutual FL&T.

On January 11, 1915, the Articles of Incorporation were amended to merge Swedish Mutual FL&T and Swedish Mutual Livestock with the surviving company being the Scandinavian Mutual Company of Axtell, Kearney County, Nebraska. This amendment also extended coverage to include horses, mules, and cattle.

The Articles of Incorporation were amended on January 12, 1939, and again on January 8, 1947 to add the perils of fire, lightning, windstorm, inherent explosion, hail damage, and extended coverage on buildings, household goods, horses, cattle, grain, and implements.

In 1994 and 1995, the Board of Directors and the Policyholders of the Company approved mergers with Farmers Mutual Insurance Company of Buffalo County in Kearney, Nebraska, and Nysted Farmers Assessment Insurance Company in Dannebrog, Nebraska,

respectively. The mergers were approved by the Department and effective December 31, 1994, and January 1, 1996, respectively.

On January 9, 1996, the Department approved Amended Articles of Incorporation and By-Laws whereby the name of the Company was established as the Scandinavian Mutual Insurance Company of Axtell, Kearney County, Nebraska.

## **MANAGEMENT AND CONTROL**

### **Members**

Article VII of the Company's Articles of Incorporation states that, "all persons holding insurance in this Company shall be members thereof as long as their policies run, providing they faithfully obey the rules and regulations thereof, and meet promptly the assessments made upon them and shall be entitled to cast one vote in the election of Officers."

Section 2 of the Company's By-Laws states that, "the annual meeting of the Policy holders is to be in January of each year at such place and time as is decided by the Board of Directors."

### **Board of Directors**

Article III of the Company's Articles of Incorporation states that, "the affairs of this corporation shall be managed by a Board of Directors consisting of not less than 12 nor more than 14 Directors to be elected by the Policyholders at their annual meeting for terms not to exceed three years." As of December 31, 2022, the Company had 11 Directors serving on its Board of Directors. It is recommended that the Company comply with Article III of the Company's Articles of Incorporation and elect at least one additional Director to serve on its Board of Directors. The sixth duty of Section 4 of the Company's By-Laws states that, "an Executive Committee, composed of both Officers and Directors of the Company, shall conduct

the business affairs of the Company in the absence of the Board of Directors.” It was noted that the Board of Directors meets annually in January and at specially called meetings. In the interim, the Executive Committee meets monthly to manage the affairs of the Company.

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

<u>Name</u>	<u>Residency</u>	<u>Term Expires</u>
Carroll Bernt	Loomis, Nebraska	2023
David Cyboron	Boelus, Nebraska	2023
Dustin Eutsler	Gibbon, Nebraska	2023
Duane Sidders	Wood River, Nebraska	2023
Steve Winz	Holdrege, Nebraska	2023
Brent Artz	Wilcox, Nebraska	2024
Ihling (Lee) Carskadon	Edison, Nebraska	2024
Chris Erickson	Holdrege, Nebraska	2024
Dennis Fries	Kearney, Nebraska	2025
Dan High	Bertrand, Nebraska	2025
Bruce Anderbery	Axtell, Nebraska	2025

Directors receive \$110 per meeting attended and 68.5 cents per mile for travel in the interest of the Company.

### Officers

Article III of the Company’s Articles of Incorporation states that, “the Board shall elect each year from their membership a President and a Vice-President, who shall serve as Officers of the corporation. A Secretary, Treasurer, or Secretary-Treasurer (non-Board member) shall also be elected by the Board for a term of one year.”



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

<u>Name</u>	<u>Office</u>
Pat Ryan, Jr.	President
Larry Landstrom	Vice President
Loretta Morgan	Secretary-Treasurer
Erin Pittz	Assistant Secretary-Treasurer

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

The Company carries employee dishonesty coverage, in the amount of \$100,000 per occurrence. This coverage is provided by Auto-Owners Insurance Company and covers Loretta Morgan, Erin Pittz, and Pat Ryan, Jr.

The Company also carries professional liability coverage through NAMIC Professional Liability Insurance Program for its agents and brokers, and Directors and Officers. Each policy is in the amount of \$1,000,000. The agents and brokers policy is subject to a \$2,500 deductible, and the Directors and Officers policy is subject to a \$10,000 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. It was determined during the examination that the Company did not retain the Certificate of Authority for May 2022 – April 2023. It is recommended that a copy of the Certificate of Authority is retained for all years during the examination period.

Article II of the Company’s Articles of Incorporation state that, “the object of the Company shall be to insure its members against loss by fire, lightning, windstorm, or hail, inherent explosion, and extended coverage on buildings, household goods, horses, cattle, grain and implements. The territory in which this Company shall conduct its business shall include and embrace the countries of Adams, Buffalo, Custer, Dawson, Franklin, Greeley, Gosper, Hall, Harlan, Howard, Kearney,

Merrick, Nance, Phelps, and Sherman, in the State of Nebraska and any other territory hereafter authorized by the policy holders.” Section 1 of the Company’s By-Laws state that, “this Company shall consist of persons owning property in Adams, Buffalo, Clay, Custer, Dawson, Franklin, Frontier, Furnas, Garfield, Gosper, Greeley, Hall, Hamilton, Harlan, Howard, Kearney, Merrick, Nance, Phelps, Sherman, Red Willow, Valley, Webster and Wheeler Counties, in the State of Nebraska.” The Company’s Executive Committee approved the expansion of their service area into Loup County on September 11, 2020. Section 1 of the Company’s By-Laws does not include Loup County in the list of counties where property shall be owned in. It is recommended that the Company amend its By-Laws to reflect the expansion of service area and submit for approval as required under Neb. Rev. Stat. §44-801.

### **REINSURANCE**

The Company is a member of the Nebraska Farmers Mutual Reinsurance Association of Wahoo, Nebraska (NFMRA). Under the contract for 2022, the Company retained a liability equal to \$2,880 per million of its average insurance in-force. After the aggregate retention was incurred, NFMRA assumed 100% of any additional liability. The Company’s preliminary retention for 2022 was noted to be \$655,014.

Prior to incurring the retention limit, NFMRA assumes 100% of any insured loss on a single risk greater than \$40,000. Recoveries made under this section, which are greater than recoveries available under the aggregate retention, are deducted from subsequent aggregate recoveries. If you make recoveries under this coverage but your net losses do not exceed your Ultimate Retention for the year, the amount recovered per risk between your single risk retention and 1/8<sup>th</sup> of 1% of your January 1<sup>st</sup> insurance in force is to be refunded to NRMRA prior to

March 1 of the next year. This Excess Per Risk coverage shall not apply once your ultimate net losses exceed your Preliminary or Ultimate Retention.

### **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, 2022. All amounts are based on the findings of the current examination:

**STATEMENT OF INCOME AND DISBURSEMENTS**

	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
Balance, beginning of year	\$2,217,835	\$2,595,445	\$2,974,096	\$2,943,117
<b><u>Income</u></b>				
Gross receipts from assessments	\$1,210,407	\$1,078,907	\$1,208,906	\$1,373,342
Gross membership, cancellation and policy fees	881	671	794	743
Assessments paid in advance	429,303	551,677	586,054	560,506
Return on cancellations	<u>(23,017)</u>	<u>(44,688)</u>	<u>(24,042)</u>	<u>(42,628)</u>
Total underwriting income	\$1,617,574	\$1,586,567	\$1,771,712	\$1,891,963
Interest on investment	47,268	28,488	85,358	36,158
Liability premiums	74,932	76,293	78,580	77,561
Other income	20	12	20	(19)
Due to prior year changes in unrealized gain/loss		13,388		
Net income tax receipts				975
Proceeds from bonds				31,472
Surplus note & agency	268,905			
Unidentified Depreciation				2,261
Unidentified variance as of filing date	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>956</u>
Total income	<u>\$2,008,699</u>	<u>\$1,704,748</u>	<u>\$1,935,670</u>	<u>\$2,041,327</u>
<b><u>Disbursements</u></b>				
Gross losses paid	\$ 766,966	\$ 704,644	\$1,306,658	\$2,651,981
Discount and salvage	(7,000)			
Recovered from reinsurance	<u>(173,514)</u>	<u>(364,553)</u>	<u>(558,431)</u>	<u>(1,901,570)</u>
Net losses paid	\$ 586,452	\$ 340,091	\$ 748,227	\$ 750,411
Commissions paid to agents	193,000	173,728	193,850	194,147
Salaries of employees	153,259	154,604	148,731	183,213
Rent	80	105	100	100
Taxes on real estate		640	685	537
Insurance department licenses and fees	3,694			
All other taxes	37,848	30,843	165,458	32,482
Advertising, printing and stationary	4,886	5,667	5,247	5,437
Telephone and postage	3,829	6,954	5,738	5,942

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

	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
Reinsurance premiums paid	\$ 473,631	\$ 471,921	\$ 551,712	\$ 598,691
Liability premiums	66,977	65,629	66,398	6,168
Other expenses		75,915		
Bank charges	60		31	165
Licenses and permits	174		197	200
Computer and internet	11,073		11,896	17,204
Education	267		392	30
Donations	625		700	800
Dues and subscriptions	6,249		5,686	6,397
Executive committee	7,457		9,795	10,822
Insurance	13,550		13,402	14,294
Meals and entertainment	3,349		1,045	1,063
Miscellaneous			48	
Office supplies	2,386		3,705	6,502
Reimbursement	717		11,368	10,456
Repairs and maintenance	884		7,935	4,258
Professional fees	3,160		7,270	8,125
Travel	11,098			
Broker's fees			3,688	3,880
Utilities	3,241		3,345	2,903
Depreciation expense				2,261
Change in accounts payable	15,554			
Change in payroll taxes payable	(3,031)			
Change in reinsurance recoverable	30,285			
Unknown due to change in accounting software	335			
Total disbursements	<u>\$1,631,089</u>	<u>\$1,326,097</u>	<u>\$1,966,649</u>	<u>\$1,926,488</u>
Balance, end of year	<u>\$2,595,445</u>	<u>\$2,974,096</u>	<u>\$2,943,117</u>	<u>\$3,057,956</u>

**STATEMENT OF ASSETS AND LIABILITIES**  
**December 31, 2022**

**ASSETS**

**Ledger Assets**

Real estate	\$ 10,389	
Bonds	165,000	
Common stocks	447,347	
Certificates of deposit	810,000	
Other cash deposited in banks	1,321,115	
Agents' balances on business written subsequent to Oct 1 <sup>st</sup> of current year	35,029	
Surplus notes	264,085	
Investment in agency	<u>4,991</u>	
Total ledger assets		<u>\$3,057,956</u>

**Non-Ledger Assets**

Interest due or accrued	\$ 98,101	
Furniture	304	
Income tax recoverable and reinsurance recoverable	<u>62,125</u>	
Total non-ledger assets		<u>\$ 160,530</u>

Gross assets \$3,218,486

**Assets Not Admitted**

Furniture	\$ 304	
Surplus notes	264,085	
Investment in agency	<u>4,991</u>	
Total assets not admitted		<u>\$ 269,381</u>

Total admitted assets \$2,949,105

## **LIABILITIES AND SURPLUS**

Losses adjusted and unpaid	\$ 1,221,731
Reinsurance	(1,189,444)
Unearned premiums	887,039
Unpaid salaries and commissions	16,509
Premium taxes payable	9,097
Payroll taxes payable	5,529
Accounts payable	<u>5,065</u>
Total liabilities	\$ 955,526
Surplus as regards policyholders	<u>1,993,579</u>
Total liabilities and surplus	<u>\$ 2,949,105</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:

**Conflict of Interest** – It is suggested that, as best practice, all Officers complete the Conflict of Interest forms annually.

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

**Executive Committee** – It is recommended that the Company comply with its Articles of Incorporation and appoint the Secretary-Treasurer to the Executive Committee or amend its Articles of Incorporation to reflect current membership.

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

**Common Stock Unrealized Gains/Losses** – It is recommended that the Company report the cost of common stock as a ledger asset and recognize the unrealized gains or losses as a non-ledger of interest due or accrued on investments.

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

**Custodial Agreement** – It is recommended that the Company work with Hightower to identify where the Company's assets, delineated between Core Account and Mutual Funds on the monthly investment reports, are being held. From there, the Company should work with the custodian(s) and enter into a custodial agreement that contains the required provisions of Nebraska Department of Insurance Rules and Regulations, Title 210, Chapter 81.

**Action:** The Company has entered into a custodial agreement. However, it does not comply with Title 210, Chapter 81. This recommendation will be repeated under the caption “Commentary on Current Examination Findings” in this report.

## **COMMENTARY ON CURRENT EXAMINATION FINDINGS**

### **Real Estate**

**\$ 10,389**

Real estate owned by the Company consists of land and a building in downtown Axtell, Nebraska. The building houses the Company’s office. The property was acquired on August 28, 1946 for \$1,000, which with subsequent net capitalized improvements, less depreciation, accounts for the book value of \$10,389.

### **Bonds**

**\$ 165,000**

Bonds owned by the Company at December 31, 2022, consisted of United States Government Series “EE” Bonds. The accrued interest on these bonds was \$174,492 as of the examination date and was included on the financial statement as a non-ledger asset.

The Company maintains physical custody of these securities in a safe deposit box at Farmers & Merchants Bank, which was verified by the examiner.

### **Common Stocks**

**\$ 447,347**

The Company is appropriately reporting the cost as a ledger asset. The market value of the stock is \$370,955 and the unrealized loss is \$(76,391), which is appropriately reported as a non-ledger asset.

The Company owns mutual funds, categorized as common stocks, that are managed by HighTower Advisors, LLC (Hightower). The mutual funds are subject to an appropriate Discretionary Advisory Agreement with Fidelity, but the exam team determined that this custody agreement regarding these assets does not comply with the required provisions of Title 210,



Chapter 81. It is recommended that the custodial agreement with Fidelity be amended to comply with the Nebraska Department of Insurance Rules and Regulations, Title 210, Chapter 81.

**Certificates of Deposit** **\$ 810,000**

As of December 31, 2022, the Company owned fifteen certificates of deposit with a value of \$810,000. Each certificate of deposit was verified by obtaining confirmation from the bank.

**Cash Deposited in Banks** **\$ 1,321,115**

This asset consisted of a checking account and a money market account. These deposits were verified by obtaining a direct confirmation from the bank. The amount indicated thereon for the checking account was reconciled to the Company's records as of December 31, 2022, by giving consideration to outstanding checks.

**Agents' balances on business written subsequent to Oct 1st of current year** **\$ 35,029**

The asset represents premiums receivable on policies with 2022 effective dates. This amount has been accepted for purposes of this examination.

**NFMRA Surplus Note** **\$ 264,085**

The surplus note issued by NFMRA had a value of \$322,770 as of December 31, 2018. In 2017, NFMRA paid down the note by \$58,685 to arrive at the reported value of \$264,085. The amount of the surplus note was confirmed with NFMRA.

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

**Investment in agency** **\$ 4,991**

Scandinavian Agency, Inc. is a book of auto insurance business in which the Company has an investment. This amount has been accepted for purposes of this examination.

**Interest Due or Accrued on Investments** **\$ 98,101**

Accrued interest on bonds as of December 31, 2022 amounted to \$98,101 and was reported by the Company. As noted under Bonds and Common Stocks above, the Company had unrealized accrued interest gains under bonds in the amount of \$174,492 and unrealized loss under common stocks in the amount of \$(76,391).

**Furniture and Supplies** **\$ 304**

The non-ledger amount of \$304 reflects the depreciated cost of the Company's office equipment, furniture, and supplies. This item is deducted, as an asset not admitted in both the Company's 2022 Annual Statement and the financial statements of this report in accordance with accepted insurance accounting practices.

**Income Tax Recoverable and Reinsurance Recoverable** **\$ 62,125**

The Company reported the non-ledger amount of \$61,125 for Income Tax Recoverable and Reinsurance Recoverable but should have reported these recoverables in the amount of \$62,125. The difference is a matter of an immaterial key-error.

**Losses Adjusted and Unpaid** **\$ 1,221,731**

The Company established a liability for unpaid losses amounting to \$1,221,731, but the liability was reported as \$1,224,000 as it was rounded to the nearest thousand. The Company should be reporting the liability as \$1,221,731, which is rounded to the nearest dollar, in its December 31, 2022 Annual Statement. The one hundred and nine losses adjusted and unpaid

were traced to subsequent settlement and it appears the reserve estimated at year end was appropriate.

**Reinsurance Recoverable** **\$ 1,189,444**

The Company reported reinsurance recoverable in the amount of \$655,014, but should be reporting the reinsurance recoverable in the amount of \$1,189,444. The Company has outstanding and unpaid losses from 2020, 2021, and 2022, as of the examination period's year-end. During 2021 and 2022, the Company met its retention and will be reimbursed by NFMRA once these claims are paid by the Company. It is recommended that Reinsurance Recoverable from outstanding losses be reported as the amount of outstanding losses expected to be recovered by the reinsurer upon payment of claim.

**Unearned Premiums** **\$ 887,039**

The Company reported unearned premiums of \$887,039 in its December 31, 2022 Annual Statement. Amounts reported are calculated by applying unearned factors, computed using the monthly pro rata method, to each month's premiums.

**Unpaid Salaries and Commissions** **\$ 16,509**

Unpaid salaries and commissions as of December 31, 2022 consisted of agent commissions in the amount of \$16,509. The liability was settled in January 2023.

**Other Liabilities** **\$ 19,691**

Unpaid other liabilities as of December 31, 2022 consisted of the following:

Premium taxes payable	\$ 9,097
Federal taxes	4,458
Federal unemployment	197
State income tax	874
Accounts payable	<u>5,065</u>
Total	<u>\$19,691</u>

The premium taxes payable represents the premium tax due from the Company to the Nebraska Department of Insurance. This amount was settled in February 2023.

**Policyholder's Surplus** **\$ 1,993,579**

Policyholder's surplus, as determined by this examination, amounted to \$1,993,579 at December 31, 2022.

**Depreciation Expense** **\$ 2,261**

The Company did not report depreciation expense in the Company's 2022 Annual Statement but it should have been reported in the amount of \$2,261. In 2022, the Company recognized depreciation of \$1,448 and \$812 on real estate owned and furniture and equipment depreciated, respectively. It is recommended that the Company report Depreciation Expense on page 5 of the Annual Statement.

**Unidentified variance as of filing date** **\$ 956**

Unidentified variance as of the filing date was reported on the income statement in the amount of \$956 as the Company was unable to identify the variance and deemed the amount as immaterial since it is less than 0.05% of total income.

**Liability premiums** **\$ 77,561**

Liability premium is reported as \$99,189 in the income statement, which is overstated due to premiums not being allocated appropriately. The Company has a general ledger account named Services in the amount of \$21,640 that is included in liability premium income but should be allocated to the following line items: Advanced Assessments, Anniversary Billings, and Late Fees. Only \$12 of the services account should be allocated to the reported in liability premium income. The liability premium income should be reported as \$77,561. It is recommended that the Company report premiums accurately in the annual statement.

**Gross receipts from assessments**

**\$ 1,373,342**

As stated above in liability premiums, the reported amount for liability premium income was overstated due to an inappropriate allocation of premiums. As a result, anniversary billings of \$1,356,492 were understated by \$16,850. It is recommended that the Company report premiums accurately in the annual statement.

**Gross memberships, cancellation and policy fees**

**\$ 743**

As stated above in liability premiums, the reported amount for liability premium income is overstated due to the allocation of premiums. As a result, late fees are understated by \$20. It is recommended that premiums be allocated into their respective accounts.

**Assessments paid in advance**

**\$ 560,506**

As stated above in liability premiums, the reported amount for liability premium income is overstated due to the allocation of premiums. As a result, advanced assessments are understated by \$4,758. It is recommended that premiums be allocated into their respective accounts.

## **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 reflect the expansion of service area and submit for approval as required under Neb. Rev. Stat. §44-801.

**Board of Directors** – It is recommended that the Company comply with Article III of the Company's Articles of Incorporation by electing an additional Director to serve on its Board of Directors.

**Depreciation Expense** – It is recommended that the Company report Depreciation Expense on page 5 of the Annual Statement.

**Allocation of Premiums** - It is recommended that the Company report premiums accurately in the annual statement.

**Certificate of Authority** – It is recommended that a copy of the Certificate of Authority is retained for all years during the examination period.

**Reinsurance Recoverable** – It is recommended that reinsurance recoverable from outstanding losses be reported to reflect all years for which recovery from the reinsurer upon payment of claim is expected.

**Custodial Agreement** – It is recommended that the custodial agreement with Fidelity be amended to comply with Nebraska Department of Insurance Rules and Regulations, Title 210, Chapter 81.

**ACKNOWLEDGMENT**

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

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

Respectfully submitted,



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Tadd 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 Scandinavian Mutual Insurance Company of Axtell, Kearney County, Nebraska.
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 Scandinavian Mutual Insurance Company of Axtell, Kearney County, Nebraska 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 26 day of June, 2024.

(SEAL) 

Patricia K. Hill  
Notary Public

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