

FEB 07 2025

FILED

CERTIFICATION

February 7, 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

WASHINGTON COUNTY MUTUAL INSURANCE COMPANY

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

WASHINGTON COUNTY MUTUAL INSURANCE COMPANY

1664 WASHINGTON STREET

BLAIR, NE 68008

dated as of December 31, 2023, verified under oath by the examiner-in-charge on January 7, 2025, and received by the company on January 14, 2025, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 28th 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

WASHINGTON COUNTY MUTUAL INSURANCE COMPANY

as of

December 31, 2023



Blair, Nebraska
November 21, 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:

WASHINGTON COUNTY MUTUAL INSURANCE COMPANY
1664 Washington Street
Blair, Nebraska 68008

(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, 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 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, 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 COMPANY

HISTORY

The Company was organized on June 15, 1892, as a Nebraska mutual assessment fire insurance company, under the name of “Washington County Scandinavian Mutual Insurance Company.” In 1951, by amendment to its Articles of Incorporation, the name was changed to the current name. The Company’s By-Laws allow for the Company to “insure farm property, real and personal, country school houses, country churches, parsonages and dwellings located in Washington County and adjoining counties” as well as “property occupied solely as a residence...”

MANAGEMENT AND CONTROL

Members

Article IV of the Company’s Articles of Incorporation states that, “every person, corporation, association or partnership insuring in this Company shall be a member thereof and entitled to one vote at any annual or special meeting of the Company in person.” Section 3a of the Company’s By-Laws states that, “the annual meeting of this Company shall be held in Blair, Nebraska on the second Friday after January 1st of each year, at 1:30 o’clock P.M.” Section 6 further states that, “the members present shall constitute a quorum for the transaction of business at any annual or special meeting of this association or at a meeting of the Board of Directors thereof.”

Board of Directors

Section 4 of the Company’s By-Laws states that, “the Board of Directors shall consist of nine (9) members and shall be elected for a term of three years, shall have general management

and control of the business of the Company, and shall meet at such times as they deem necessary.”

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

<u>Name</u>	<u>Residency</u>	<u>Term Expires</u>
Wesley Andersen	Kennard, Nebraska	2024
Brian Larsen	Herman, Nebraska	2024*
Robert Petersen	Blair, Nebraska	2024
Kenneth Petersen	Tekamah, Nebraska	2025
Jeffrey Quist	Blair, Nebraska	2025
Gary Wachter	Herman, Nebraska	2025
James Anderson	Blair, Nebraska	2026
Daniel Magill	Herman, Nebraska	2026
Ronald Wulf	Kennard, Nebraska	2026

*Jeff Behrendt replaced Brian Larsen in 2024

Directors received \$50 for attendance at meetings prior to January 31, 2023. An increase to \$75 each meeting was approved at the January 31, 2023 Special Board Meeting.

Officers

Section 4 of the Company’s By-Laws states that, “the Board of Directors shall, by ballot, immediately after the annual meeting, elect one President and one Vice-President from among its members and shall appoint and employ a Secretary and/or Secretary/Treasurer, and such other assistants as are deemed necessary.”

The following is a listing of Officers elected and serving the Company at December 31, 2023:

<u>Name</u>	<u>Office</u>
Robert Petersen	President
Daniel Magill	Vice-President
Rose Marie Brummer	Secretary/Treasurer

FIDELITY BOND AND OTHER INSURANCE

Effective February 19, 2023, the Company obtained fidelity bond coverage for its Secretary/Treasurer through Western Surety Company. The coverage is for \$25,000 and the Company pays a \$125 premium, annually.

The Company obtained fire and extended coverage for the home office from Nationwide Mutual Insurance Company.

The Company carries a combined professional liability and Directors and Officers liability policy in the amount of \$1,000,000. This coverage is subject to a \$10,000 deductible and is provided by NAMIC Insurance Company, Inc. (NAMICO)

TERRITORY AND PLAN OF OPERATION

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

The Company insures property from fire and wind risks for citizens of Washington County and adjoining counties. One salaried agent produces business for the Company. The policies issued prior to June 1, 2023, were subject to a \$1,000 deductible for wind and hail, and a \$500 deductible for all other perils. Subsequent to June 1, 2023, the wind deductible was increased to \$1,500 per claim. The annual assessment for farm and town coverage both increased to \$5.00 per thousand in 2023.

The Company, as a convenience for its policyholders and agents, makes available general liability insurance coverages written by Nebraska Farmers Mutual Reinsurance Association of Wahoo, Nebraska (NFMRA). The accounting on such business for premiums and agent fees is handled by the Company, and commissions are retained by the Company.

REINSURANCE

Ceded

The Company is a member of the NFMRA. Under the contract for 2023, the Company retained a liability equal to \$2,800 per million of its average insurance in-force. After the aggregate retention is incurred, NFMRA would assume 100% of any additional liability. The Company's aggregate retention for 2023 was noted to be \$112,031.

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.

General

The contract reviewed contained a standard insolvency clause, an arbitration clause, an offset clause, and an errors and omissions clause. The contract also 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	<u>\$314,303</u>	<u>\$326,488</u>	<u>\$352,227</u>	<u>\$371,662</u>	<u>\$368,482</u>
<u>Income</u>					
Gross receipts from assessments	\$179,236	\$171,107	\$195,563	\$203,575	\$231,840
Return on cancellations	<u>(3,621)</u>	<u>(3,898)</u>	<u>(1,181)</u>	<u>(3,771)</u>	<u>(4,755)</u>
Total underwriting income	\$175,614	\$167,210	\$194,382	\$199,804	\$227,084
Interest on investment	2,719	2,908	1,850	901	3,925
Other interest	1,167	1,195	1,144	1,144	1,144
Rent	6,000	6,000	6,000	6,000	6,000
Liability premiums	23,589	21,919	23,250	22,347	21,590
Collapse premium	882	927	969	1,025	1,043
Principal on surplus note	10,172				
NFMRA refund	10,267	5,492			
Additional value on C.D.'s	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>84</u>
Total income	<u>\$230,410</u>	<u>\$205,650</u>	<u>\$227,596</u>	<u>\$231,221</u>	<u>\$260,871</u>
<u>Disbursements</u>					
Gross/net losses paid	\$ 39,030	\$ 11,880	\$ 36,028	\$ 58,018	\$ 28,543
Liability premium	20,477	19,918	19,464	18,728	18,104
NAMIC dues	1,725	1,793	1,820	1,838	1,903
Surety bond	114	125	125	125	125
Office repairs	3,465	2,460	3,395	1,470	1,495
Building insurance	1,392	1,521	1,559	1,600	1,720
Bonus	5,000	5,000	5,000	5,000	5,000
Director salaries and expenses	1,400	1,875	1,100	1,200	1,675
Employee salaries	18,828	19,530	20,408	21,328	22,144
Supplies	494	471	320		
990 form	310	315	569	325	330
Taxes on real estate	1,241	1,261	1,311	1,493	1,486
Department licenses & fees	6,140	2,359	2,262	2,555	2,702
All other taxes	12,702	12,366	12,586	12,692	12,888
Advertising, printing & postage	4,294	3,557	3,149	3,827	4,741
Telephone & utilities	5,604	5,188	5,863	5,501	5,768
Reinsurance premiums paid	82,802	77,607	80,301	85,627	141,853
Miscellaneous	10,911	10,363	10,567	10,681	10,937
Directors liability	2,295	2,324	2,333	2,394	2,474
Snow removal					935
Donations	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>250</u>
Total disbursements	<u>\$218,225</u>	<u>\$179,912</u>	<u>\$208,161</u>	<u>\$234,401</u>	<u>\$265,073</u>
Balance, end of year	<u>\$326,488</u>	<u>\$352,227</u>	<u>\$371,662</u>	<u>\$368,482</u>	<u>\$364,279</u>

STATEMENT OF ASSETS AND LIABILITIES
December 31, 2023

ASSETS

Ledger Assets

Real estate	\$ 3,121	
Common stock	1,500	
Certificates of deposit	174,029	
Cash deposited in banks	<u>185,629</u>	
Total ledger assets		\$364,279

Non-Ledger Assets

Interest due or accrued on investments	\$ 8,765	
Surplus note	<u>45,775</u>	
Total non-ledger assets		<u>\$ 54,540</u>

Gross assets \$418,819

Assets Not Admitted

Interest due or accrued on investments	\$ 8,765	
Surplus note	<u>45,775</u>	
Total assets not admitted		<u>\$ 54,540</u>

Total admitted assets \$364,279

LIABILITIES AND SURPLUS

Unearned premiums	\$ 72,667	
Real estate taxes	1,315	
Premium tax	<u>2,989</u>	

Total liabilities \$ 76,972

Surplus as regards members \$287,307

Total liabilities and surplus \$364,279

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:

Fidelity Bond – It is recommended that the Company increase its fidelity bond coverage to \$25,000 as recommended by Exhibit R of the NAIC Handbook.

Action: The Company has complied with this recommendation.

Reinsurance – It is recommended that the Company work with its reinsurer to include an entire agreement clause as required per SSAP No. 62R, paragraph 8c of the NAIC Accounting Practices and Procedures Manual.

Action: The Company has complied with this recommendation.

Common Stock – It is recommended that the Company report the cost of the common stock as a ledger asset and the unrealized gain as a non-ledger asset of interest due or accrued on investments.

Action: The Company has complied with this recommendation.

Conflict of Interest Statements – It is recommended that the Company require its Directors and Officers to complete annual conflict of interest questionnaires that are reviewed by the Directors at the annual meeting.

Action: The Company has complied with this recommendation.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Common Stock

\$ 1,500

The Company owns 30 shares of NAMIC common stock that had an initial par value of \$10 per share. The Company purchased these shares in 1998 for \$50 per share, or \$1,500. The market value of the stock is \$10,265. The Company is appropriately reporting the cost as a ledger asset and the unrealized gain as a non-ledger asset of \$8,765.

Certificates of Deposit**\$174,029**

As of December 31, 2023, the Company had ten certificates of deposit with a total value of \$174,029. Each certificate of deposit was verified by direct confirmation from the respective depositories.

Cash Deposited in Banks**\$185,629**

This asset consisted of one checking account balance. The account was 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, 2023, by giving consideration to outstanding checks and deposits.

Interest Due or Accrued**\$ 8,765**

The Company is accurately reporting the difference of its NAMIC common stock value of \$10,265 and the initial cost of \$1,500 as unrealized interest accrued in the amount of \$8,765.

NFMRA Surplus Note**\$ 45,775**

The surplus note issued by NFMRA had a value of \$45,775 as of December 31, 2023. This item is deducted, as an asset not admitted in both the Company'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 notes have no independent rating.

Unearned Premiums**\$ 77,209**

The Company reported unearned premiums of \$72,667 in its December 31, 2023 Annual Statement. In the past, this amount was calculated by applying an unearned factor of 34% to net premiums collected during the year. It was noted that the 34% unearned factor was used in 2019-2021, but not in 2022 or 2023. The net premium for 2023 was \$227,084 and when the correct

unearned premium factor was applied, it totaled \$77,209. It is recommended that the Company consistently report unearned premiums utilizing the 34% of net premium that was suggested by its reinsurance provider.

Real Estate Tax Liability **\$ 1,316**

The Company reported real estate tax liability in its Annual Statement of \$1,316, which was subsequently paid in January 2024.

Fire Tax Liability **\$ 2,989**

The Company reported fire tax liability in its Annual Statement of \$2,989, which represents the premium tax due to the Nebraska Department of Insurance. The Company paid this amount in February 2024, with its 2023 State of Nebraska Annual Tax Return.

Policyholder's Surplus **\$282,765**

Policyholder's surplus, as determined by this examination, amounted to \$282,765 on December 31, 2023.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

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

Unearned Premium – It is recommended that the Company consistently report unearned premiums utilizing the 34% of net premium that was suggested by its reinsurance provider.

ACKNOWLEDGMENT

The courteous cooperation extended by the Secretary/Treasurer of the Company during this examination is hereby acknowledged.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Isaak Russell". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

State of Nebraska,

County of Lancaster,

Isaak Russell, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of WASHINGTON COUNTY 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 WASHINGTON COUNTY 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 7th day of JANUARY, 2025.





Notary Public

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