

JUN 01 2025

FILED

CERTIFICATION

June 1, 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

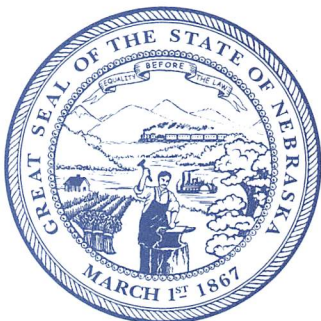
WESTERN UNITED MUTUAL INSURANCE ASSOCIATION

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.



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

WESTERN UNITED MUTUAL INSURANCE ASSOCIATION

116 W. 3RD STREET, PO BOX 627

WILBER, NEBRASKA 68465

dated as of December 31, 2023, verified under oath by the examiner-in-charge on
May 7, 2025, and received by the company on May 8, 2025, has been adopted
without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 22nd day of May 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, stylized 'W'.

Tadd Wegner, CFE
Chief Financial Regulator

STATE OF NEBRASKA

Department of Insurance

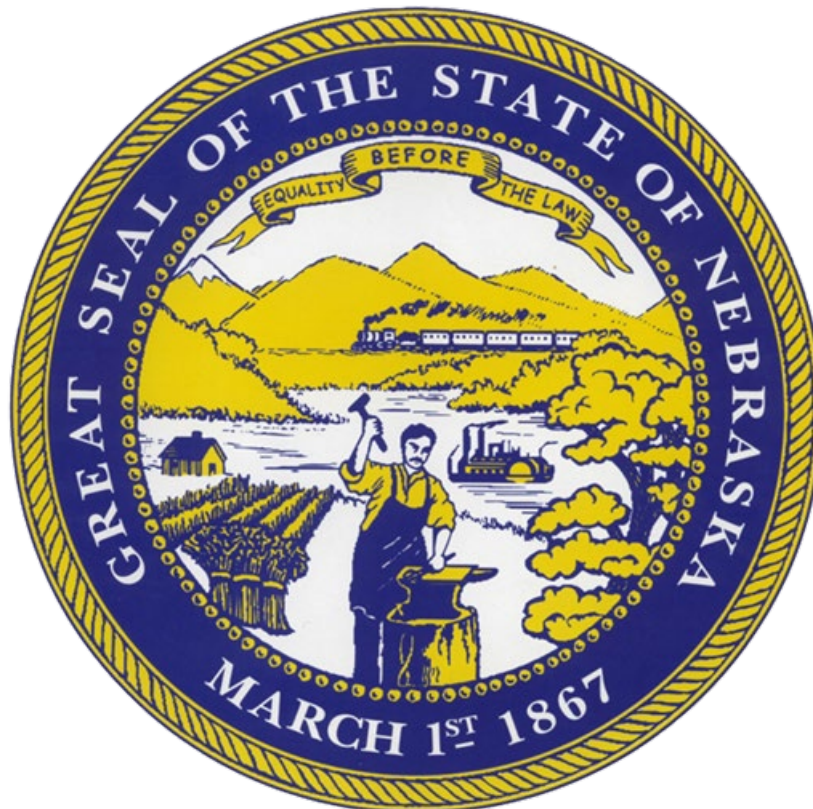
EXAMINATION REPORT

OF

WESTERN UNITED MUTUAL INSURANCE ASSOCIATION

as of

December 31, 2023



Lincoln, Nebraska
April 14, 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:

**WESTERN UNITED MUTUAL INSURANCE ASSOCIATION
116 W. 3rd Street, PO Box 627
Wilber, Nebraska 68465**

(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, 2019. 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 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 in 1879 and became incorporated under the laws of the State of Nebraska on February 16, 1896, as a mutual assessment fire and lightning association, with a corporate existence of fifty years unless previously dissolved according to law. On January 21, 1946, the original charter was extended an additional fifty years from February 16, 1946, and on April 21, 1977, was amended to be perpetual in existence.

At a special meeting held on April 21, 1977, the members approved an amendment to Article III of the Articles of Incorporation, thereby authorizing the Association to write insurance for its members of the kinds provided by Article II of Chapter 44 of the Revised Statutes of the State of Nebraska as amended from time-to-time and as provided by the By-Laws of the Association.

The Association acquired, by consolidation, Farmers Mutual Insurance Company of DeWitt, effective January 1, 2001. This consolidation was approved by the Nebraska Department of Insurance. To accomplish this consolidation, the Association changed its name from Western Union Mutual Insurance Company of Saline County to Western United Mutual Insurance Association.

The Association assumed, through a bulk reinsurance agreement, all the obligations, liabilities and rights of Farmers Mutual of Thayer County effective January 1, 2004. This bulk reinsurance agreement was approved by the Nebraska Insurance Department. Under this agreement the Association will perform all acts required under the provisions of the policy as originally issued or subsequently amended.

MANAGEMENT AND CONTROL

Members

Article V, Section 3 of the Association's Articles of Incorporation states that, "each person owning an in-force policy of insurance issued by the Company shall be deemed a voting Member of the Company with the rights set forth in the By-Laws. Each Member shall be entitled to one vote on all matters submitted to the Members." Article II, Section 1 of the Association's By-Laws states, "the annual meeting of the Members shall be held not later than June 30 of each year..." Article II, Section 2 of the Association's By-Laws states that, "special meetings of the Members, for any purpose, may be called by the Board of Directors or at the written request of twenty-five Members."

Board of Directors

Article VI, Section 1 of the Association's Articles of Incorporation states that, "the number of members of the Board of Directors, which shall be not less than five (5) nor more than twenty-one (21) persons, shall be determined as set forth in the Association's By-Laws. Each person elected to the Board of Directors of the Company must be a Member of the Company." Article III, Section 2 of the Association's By-Laws states that, "Directors shall be elected for a term of three years. The terms of office shall be staggered so that the same number of Directors, as near as may be, are elected at each annual meeting of the Members." Article III, Section 8 of the Association's By-Laws states that, "two-thirds of the elected Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than a quorum is present at a meeting, the Directors present may adjourn the meeting from time to time without further notice."

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

<u>Name</u>	<u>Residency</u>	<u>Term Expires</u>
Andy Schoen	Adams, Nebraska	2024
Dustin Weber	Exeter, Nebraska	2024
Eugene Wollenburg	DeWitt, Nebraska	2024
Randall Huls	Cortland, Nebraska	2025
Brian Isernhagen	Deshler, Nebraska	2025
Vernon Koch	Dewitt, Nebraska	2025
S. Scott Bartels	Western, Nebraska	2026
John Kastanek	Wilber, Nebraska	2026
Kenneth Zoubeck	Milligan, Nebraska	2026

Officers

Article IV, Section 1 of the Association's By-Laws provides that, "the Officers of the Association shall be Chairman, Vice Chairman, and Secretary-Treasurer, each of whom shall be elected or appointed by the Board of Directors."

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

<u>Name</u>	<u>Office</u>
John L. Kastanek	President
Randall Huls	Vice President
Kenneth V. Ripa	Secretary-Treasurer

Committees

Article V, Section 1 of the Association's B-Laws provides that, "the Board of Directors may designate an Executive Committee, the majority of which shall be Directors. The General Manager shall be an ex officio, non-voting member of the Executive Committee." Article V, Section 1 of the Association's By-Laws further provides that, "the Executive Committee shall have all the powers and authority of the Board of Directors when the Board of Directors is not convened, provided however, the Board of Directors reserves to itself alone the power to recommend to the Members any action required their approval. The Executive Committee shall

act by a majority of its Members. The Executive Committee shall be subject to the control of the Board of Directors.”

The following persons were serving on the Executive Committee at December 31, 2023:

Randall Huls

John Kastanek

Kenneth Ripa

Article V, Section 2 of the Association’s By-Laws provides that, “the Board of Directors shall designate an Investment Committee, the majority of which shall be Directors. The General Manager shall be an ex officio, non-voting member of the Investment Committee.”

The following persons were serving on the Investment Committee at December 31, 2023:

Randall Huls

John Kastanek

Kenneth Ripa

FIDELITY BOND AND OTHER INSURANCE

The Association is protected by an employee dishonesty policy, which provides coverage up to \$100,000. The recommended fidelity bond, as suggested by the NAIC Financial Condition Examiners Handbook, is between \$125,000 and \$150,000. It is recommended that the Association increase its fidelity bond to \$125,000-\$150,000 in accordance with the suggested NAIC limits.

A combined professional liability and Directors and Officers liability policy, in the amount of \$1,000,000, per occurrence and \$2,000,000 aggregate is carried by the Association. Employee dishonesty coverage, in the amount of \$100,000 per occurrence, was in effect at the time of the examination. This coverage is subject to a \$500 deductible.

The Association also carries building coverage in the amount of \$403,109 and business and personal property in the amount of \$107,332 subject to a \$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 Association issues policies of insurance on rural and town dwellings, detached buildings, livestock and personal property against the hazards as specified by Subsections (5) and (18) of Section 44-201 R.R.S. Nebraska 1943, or as hereafter amended. Policies are issued for a one-year period with a requirement that the policies be rewritten every four years. All assessments are made annually in advance. No special assessments were levied during the period under review.

The Association, as a convenience for its policyholders and agents, makes available general liability insurance coverage written by Acceptance Indemnity Insurance Company and Grinnell Mutual Reinsurance Company (Grinnell). Accounting for the premiums and agents' fees for this business is the responsibility of the Association.

Additionally, the Association's wholly owned subsidiary, Western United Mutual Agency, makes complimentary lines of coverage, such as automobile and commercial liability, available to both members and non-members.

REINSURANCE

Ceded

In 2023, the Association obtained reinsurance through Grinnell. This consisted of property excess of loss reinsurance, catastrophe excess of loss reinsurance, and property aggregate excess of loss reinsurance.

The property excess of loss reinsurance through Grinnell required the Association to retain the first \$125,000 of the ultimate net loss incurred by the Association for each loss.

Grinnell would then cover all losses beyond the \$125,000 retention, up to \$15,000,000.

The catastrophe excess of loss reinsurance required the Association to retain the first \$1,250,000 ultimate net loss incurred, per loss occurrence, net of all other reinsurance recoveries.

Grinnell would assume 100% of all losses beyond the \$1,250,000 retention, without limit.

The property aggregate excess of loss reinsurance required the Association to retain \$2,350,000 ultimate net loss, net of all other reinsurance recoveries and Grinnell would cover 100% of all losses beyond the \$2,350,000 retention, without limit.

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 Association as of 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>\$4,926,152</u>	<u>\$5,116,000</u>	<u>\$4,722,864</u>	<u>\$ 6,911,638</u>	<u>\$6,154,829</u>
<u>Income</u>					
Gross receipts from assessments	\$4,242,117	\$4,424,626	\$4,613,092	\$ 4,968,745	\$5,180,642
Gross membership fees	10,591	13,810	12,780	14,132	13,556
Less return on cancellations	<u>55,040</u>	<u>69,450</u>	<u>59,609</u>		
Net received from members	\$4,197,668	\$4,368,986	\$4,566,263	\$ 4,982,877	\$5,194,198
Interest on investments	130,214	50,567	87,716	(86,206)	200,141
Liability premiums	266,779	253,502	232,896	100,355	121,575
Depreciation on furniture and equipment	4,268	4,268	3,935	2,254	
Advance from reinsurer	80,213		(45,426)		
Unrealized gain/loss			60,333	(117,541)	
Prior year unpaid loss adjustment	14,520	104,626			
Rounding			(2)		
Total income	<u>\$4,693,662</u>	<u>\$4,781,949</u>	<u>\$4,905,716</u>	<u>\$ 4,881,738</u>	<u>\$5,515,914</u>
<u>Disbursements</u>					
Gross losses paid	\$1,884,304	\$2,450,886	\$ 254,286	\$13,276,098	\$4,317,257
Less discount and salvage	1,000	12,150			
Less recovered from reinsurance	<u>72,516</u>	<u>77,275</u>	<u>438,510</u>	<u>10,839,086</u>	<u>3,319,197</u>
Net losses paid	\$1,810,788	\$ 2,361,461	\$ (184,224)	\$ 2,437,012	\$ 998,060
Adjusting expense	5,628	5,546	5,542	458,351	130,919
Commissions paid to agents	336,440	345,926	398,612	695,637	624,074
Expense of Directors/Officers	2,876	3,005	3,264	1,453	3,098
Salaries of office employees	171,476	155,393	160,986	163,625	207,499
Rent		395	20		
Repair on real estate	609	552	4,542	10,873	384
Taxes on real estate	1,050	1,047	1,037	1,051	1,047
Insurance dept. licenses and fees	50,364	53,069	54,390	21,732	
All other taxes	216,537	99,914	433,686	53,990	110,388
Advertising, printing, and stationary	27,714	29,024	31,684	17,003	28,226
Telephone and postage	11,155	11,162	22,929	16,783	10,424
Reinsurance premiums paid	1,440,157	1,618,834	1,254,099	1,367,971	1,866,886
Liability premiums	241,634	220,997	191,789	34,591	
Office expenses	2,706	4,021	4,959	5,088	12,155
Company insurance	22,947	24,090	27,635	21,168	29,852
Employee benefits			38,671	94,146	77,953
Investment expenses	4,456	10,232	17,249	15,810	18,533

STATEMENT OF INCOME AND DISBURSEMENTS (continued)

<u>Disbursements (cont.)</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Meeting expenses	292	146	28	162	154
Secretary/Treasurer expense		242	850	100	235
Professional dues	7,465	8,520	7,779	8,897	8,580
Miscellaneous		555	(1,831)	(4,800)	141
Equipment breakdown premium	78,297	118,293	131,521	444	
Utilities	3,511	3,322	3,346	7,298	4,609
Office employee training	485	482	564		
Office equipment lease	8,922	8,526	7,769	7,069	6,470
Stop payment fee	516	152	1,073		
Underwriting expenses/Inspections				8,910	26,237
Professional services	6,328	9,789	23,815	20,721	15,275
Bank fees	348	522	256	6,783	10,471
Auto debit set up fee	41				
Office equipment purchase	17	558	1,148	9,319	2,571
Other	45		43	1,323	5,177
Software expense	13,162	13,614	18,059	39,897	36,936
Office equipment repair/supplies	13,139	13,505	15,843	16,885	20,965
Memorials	150				
Depreciation	6,612	6,612	6,279	2,344	3,130
Adjusters' mileage				2,512	374
Contril expense	17,606	23,306	15,321		
Travel	756	275	25		
Change in accounts payable	(1,348)	(15,473)	(20,316)	40,303	
Furniture and fixtures	930				13,126
Cash advance from reinsurer repaid		34,787			
Unrealized loss		2,684			
Contracted services			38,500		
Unknown amount at filing date				54,096	
Change in premium taxes payable					600
Change in payroll taxes payable					1,104
Change in unpaid claims					359,446
Change in unearned premiums					677,003
Total disbursements	<u>\$4,503,814</u>	<u>\$5,175,085</u>	<u>\$2,716,942</u>	<u>\$ 5,638,547</u>	<u>\$5,312,104</u>
Balance, end of year	<u>\$5,116,000</u>	<u>\$4,722,864</u>	<u>\$6,911,638</u>	<u>\$ 6,154,829</u>	<u>\$6,358,639</u>

STATEMENT OF ASSETS AND LIABILITIES
December 31, 2023

ASSETS

Ledger Assets

Real estate	\$ 60,160	
Bonds/CDs/Mutual funds/ETPs	3,674,525	
Common stock	20,531	
Cash in office and primary bank	276,859	
Cash deposited in other institutions/Govt cash reserves	939,977	
Reinsurance receivable	1,122,502	
NFMRA surplus note	<u>264,085</u>	
Total ledger assets		\$6,358,639

Non-Ledger Assets

Furniture	\$ 14,917	
Income tax receivable	134,360	
Unrealized capital gain(loss) on investments	<u>(48,007)</u>	
Total non-ledger assets		<u>\$ 101,270</u>

Gross assets	\$6,459,909
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Assets Not Admitted

Furniture	\$ 14,917	
NFMRA surplus note	<u>264,085</u>	
Total assets not admitted		<u>\$ 279,002</u>

Total admitted assets	<u>\$6,180,907</u>
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LIABILITIES AND SURPLUS

Losses adjusted and unpaid	\$995,159	
Less reinsurance	<u>992,159</u>	
Net unpaid losses		\$ 3,000
Unearned premiums		2,739,528
Taxes, licenses and fees payable		<u>24,585</u>

Total liabilities	<u>\$2,767,113</u>
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Surplus as regards policyholders	<u>\$3,413,794</u>
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Total liabilities and surplus	<u>\$6,180,907</u>
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COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The recommendations appearing in the previous report of examination are reflected below together with the remedial actions taken by the Association to comply therewith:

Real Estate - It is again recommended that the Association expense the remaining asset balance of its carpeting (\$1,488.29) and shelving (\$252.83) by debiting depreciation expense and crediting accumulated depreciation in the amount of \$1,741.12.

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

Fidelity Bond - It is recommended that the Association increase its fidelity bond to \$100,000-\$125,000 in accordance with the suggested NAIC limits.

Action: The Association complied with the recommendation. It is now recommended that the Association increase its fidelity bond to \$125,000 - \$150,000 in accordance with the suggested NAIC limits. This recommendation will be repeated under the caption “Commentary on Current Examination Findings” in this report.

Custodial Agreement – It is recommended that the Association obtain a custodial agreement with Fidelity Investments that complies with the required provisions of Nebraska Department of Insurance Rules and Regulations, Title 210, Chapter 81.

Action: The Association attempted to comply with this regulation. It obtained a custodial agreement with Fidelity Investments. However, the current custodial agreement does not comply with all the required provisions of Nebraska Department of Insurance Rules and Regulations, Title 210, Chapter 81. Seven of the fifteen provisions are either missing or not in compliance with Title 210, Chapter 81 requirements. This recommendation will be repeated under the caption “Commentary on Current Examination Findings” in this report.

Investment Approval - It is recommended that the Association document review and approval of investments on a quarterly basis to ensure compliance with Nebraska Statute §44-5105.

Action: The Association has not complied with this recommendation. The exam team received a response from the Association confirming that going forward they will be scheduling meetings specifically dedicated to financial reporting going forward. This

recommendation will be repeated under the caption “Commentary on Current Examination Findings” in this report.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Real Estate

\$ 60,160

On August 15, 1995, the Association purchased an office building in Wilber, Nebraska. The original purchase price of the building was \$30,000. The Association subsequently made capitalized improvements to the building in amount of \$87,189, including \$27,997 for an addition to the office building that was completed in 2009. The Association determined the useful life of the office building and capitalized improvements to be fifty years which has resulted in calculated annual depreciation of \$2,344 for the current period. The examination found that a useful life of fifty years for certain capitalized improvements, specifically carpeting and shelving, was not reasonable based on the Accounting Practices and Procedures Manual SSAP No. 19. No examinations changes were made as the amount was deemed immaterial however, it is again recommended that the Association depreciate capitalized improvements such as carpeting and shelving over a useful life of three to five years or expense such improvements in the current year.

Bonds/Mutual Funds/CDs/ETPs

\$3,674,525

The Association holds investments in mutual funds, certificates of deposit, bonds and exchange traded products through two accounts with Fidelity Investments and Fidelity Brokerage Services administered through Hightower Advisors, LLC of Omaha, which were confirmed by examiners.

It was noted in the last exam that the Association did not maintain a custodial agreement with Fidelity Investments. It was recommended in the last exam that the Association obtain a custodial agreement with Fidelity Investments that complies with the required provisions of Nebraska Department of Insurance Rules and Regulations, Title 210, Chapter 81. The

Association obtained a custody agreement, but review of the agreement revealed that several of the provisions are either missing or not in compliance with Title 210, Chapter 81.

It was also noted in the last exam that the Association did not maintain evidence of quarterly approval of investments. It is recommended that the Association document review and approval of investments on a quarterly basis to ensure compliance with Nebraska Revised Statute §44-5105.

Common Stock **\$ 20,531**

The Association has an investment in NAMICO class B common stock with a reported value of \$20,531 on the annual statement. The Association's 60 shares of NAMICO were confirmed by examiners with the issuer.

Cash in Office and Primary Bank **\$ 276,859**

This asset consisted of \$50 in petty cash and \$276,809 deposited in a checking account with Farmers and Merchants Bank located in Wilber, Nebraska. This balance was verified by obtaining a certification confirmed by a bank officer. The amount indicated thereon was reconciled to the Association's records as of December 31, 2023, by giving consideration for outstanding checks and deposits.

Cash in Other Financial Institutions/Government Reserves **\$ 939,977**

This asset consists of funds held in the Fidelity accounts in government cash reserves as of December 31, 2023, and was confirmed by the examiners.

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

The surplus note issued by NFMRA had a value of \$264,085 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 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.

Reinsurance Receivable

\$1,122,502

This asset represents the amount due from Grinnell for claims paid in excess of retention at year-end 2023 for \$130,344. The remainder of the balance, \$992,159, represents the projected 2023 unpaid losses the Association anticipates recovering from their reinsurer since retention was met. The Association's amount of reinsurance recoverable on unpaid losses has been accepted for purposes of this examination.

Furniture, Fixtures and Supplies

\$ 14,917

This non-admitted asset reflects the carrying value of the Association's office equipment and supplies. The total of these items is deducted as a non-admitted asset in both the Association's 2023 Annual Statement and the financial statements of this report in accordance with statutory accounting principles.

Unrealized Capital Gain (Loss) on Investments

\$ (48,007)

This non-ledger asset reflects the Association's adjusting entry to report unrealized gains on equities and common stocks at market value in the 2023 Annual Statement. The unrealized gain on equities was \$40,698 and the unrealized gain on stocks was \$7,309, which were verified by examiners.

Income Tax Receivable

\$ 134,360

The Association reported \$184,839 of Income Tax Payable on its 2023 Annual Statement under Non-Ledger Assets. This would be a receivable since it is booked as an asset. Also, the exam team reviewed the subsequent collection of this refund and determined that the Association double booked the November 2022 payment. This receivable was determined to be \$134,360,

consisting of a state refund of \$90,280 and a federal refund of \$44,080. The exam team will adjust this asset to \$134,360 and reduce surplus by the difference of \$50,479.

Unpaid Losses

\$ 995,159

This amount consists of adjusted and unpaid losses at year-end for the loss years of 2021 through 2023. The following schedule illustrates the amount of adjusted and unpaid losses outstanding for each loss year:

2023	\$800,106
2022	192,053
2021	<u>3,000</u>
Total	\$995,159

Examination evidence revealed that the Association met its retention for reinsurance coverage in each year under examination. Examination testing of the above amounts found the Association's amount for adjusted and unpaid losses to be reasonable and, as such, the amount has been accepted for purposes of this examination.

Unearned Premiums

\$2,739,528

This liability represents the portion of premiums received that are unearned as of the valuation date. The Association's unearned premium amount was recalculated by examiners and found to be reasonable. The unearned premium amount reported has been accepted for purposes of this examination.

Taxes, Licenses and Fees Payable

\$ 24,585

This accrued liability represents premium taxes incurred in 2023 and to be paid after the examination date. This amount has been accepted for purposes of this examination.

Policyholder Surplus**\$3,413,794**

Policyholder surplus was initially reported in the Association's 2023 annual statement in the amount of \$3,464,273. Based on the reduction to the Association's reported asset of income tax receivable, surplus has been adjusted by \$50,479 to \$3,413,794.

Gross Receipts from Assessments**\$5,180,642**

The exam team had difficulty obtaining a reconciliation between the IMT Software Services (Spectrum) year-end written premium data files, \$5,825,807, and the amount reported in account #441100 Premium Property, \$5,177,586. It is recommended that the Association reconcile its general ledger accounting with the Spectrum written premium report annually to ensure the reporting accuracy of gross receipts from assessments.

Gross Losses Paid**\$4,317,257**

Similar to gross receipts from assessments, the exam team had difficulty obtaining a reconciliation between the Spectrum year-end paid claims data file, \$5,672,524, and the amount reported in account #641100 Claim Paid Property, \$7,017,143. It is recommended that the Association reconcile its general ledger accounting with the Spectrum paid claims report annually to ensure the reporting accuracy of gross losses paid.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Fidelity Bond - It is recommended that the Association increase its fidelity bond to \$125,000-\$150,000 in accordance with the suggested NAIC limits.

Real Estate – It is again recommended that the Association fully depreciate capitalized improvements such as carpeting and shelving as they have exceeded their financially useful life of three to five years and expense such improvements in the current year.

Custodial Agreement - It is recommended that the Association obtain an updated custodial agreement with Fidelity Investments that complies with all the required provisions of Nebraska Department of Insurance Rules and Regulations, Title 210, Chapter 81.

Investment Approval - It is again recommended that the Association document review and approval of investments on a quarterly basis to ensure compliance with Nebraska Revised Statute §44-5105.

Reconciliations - It is recommended that the Association reconcile its general ledger accounting with the IMT Software Services paid claims and written premium reports annually to ensure the reporting accuracy of gross receipts from assessments and gross losses paid.

ACKNOWLEDGMENT

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

In addition to the undersigned, Tyler Goodwater, APIR, and Mark Haake, APIR, Financial Examiners 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
Supervisory Examiner
Department of Insurance
State of Nebraska

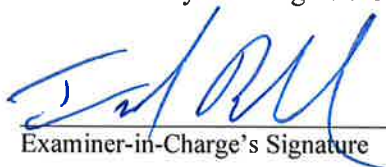
State of Nebraska,

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 Western United 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 Western United 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.

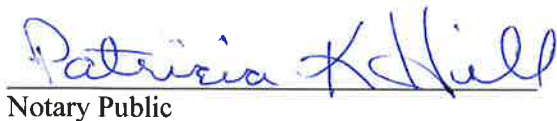
The affiant says nothing further.


Examiner-in-Charge's Signature

Subscribed and sworn before me by Isaak Russell on this 7th day of May 2025.

(SEAL)




Notary Public

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

GENERAL AFFIDAVIT

As a resident in the county of Saline with the state of Nebraska,
Kenneth V. Ripe personally, approached me, the undersigned Notary,
and made his/her sworn testimony in a general affidavit, that the following statement is
completely factual and true to the best of his/her belief and knowledge.

Statement:

I have received and reviewed the 2023 Nebraska Department of Insurance's 2023
Report of Examination.

I have received and reviewed Western United Mutual Insurance Association's response
to the 2023 exam.

Affiant Signature: Kenneth V. Ripe

Secretary/Treasurer

Date Signed: the 3rd of June 20 25

Sworn and subscribed to before me on this day, 3rd of June 20 25

State of Nebraska – General Notary
VICKY A. OCHS
My Commission Expires
April 23, 2027

Vicky A. Ochs
Notary Public

(seal)