

JAN 28 2024

FILED

CERTIFICATION

January 28, 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

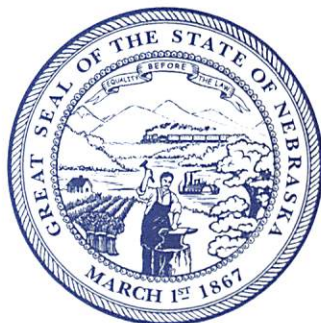
YORK COUNTY FARMERS MUTUAL INSURANCE COMPANY

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.



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

YORK COUNTY FARMERS MUTUAL INSURANCE COMPANY

400 N LINCOLN AVENUE

YORK, NEBRASKA 68467

dated as of December 31, 2022, verified under oath by the examiner-in-charge on January 4, 2024, and received by the company on January 4, 2024, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 18th day of January 2024.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read "L. Crawford".

Lindsay Crawford, CFE
Chief Financial Regulator

STATE OF NEBRASKA

Department of Insurance

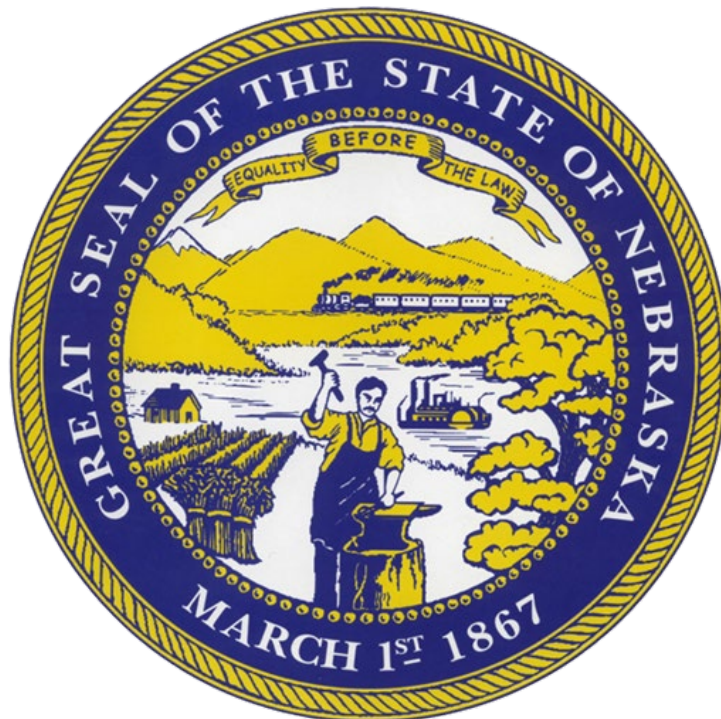
EXAMINATION REPORT

OF

YORK COUNTY FARMERS MUTUAL INSURANCE COMPANY

as of

December 31, 2022



York, Nebraska
December 29, 2023

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:

YORK COUNTY FARMERS MUTUAL INSURANCE COMPANY
400 N Lincoln Ave
York, Nebraska 68467

(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 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, 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 and incorporated as “The Farmers Mutual Insurance Company of York County” on February 11, 1893. Its objective was to insure detached farm dwellings, barns, farm buildings, and livestock against damage by fire and lightning on the assessment plan. Business was restricted to the territory embraced by York County, Nebraska. On December 19, 1914, the Articles of Incorporation were amended to permit the Company to insure farm property, country school houses, country town halls and parsonages, the contents of such buildings, and hay and grain against loss by fire and lightning and, to insure all such property against loss by tornado and windstorm.

The Company’s current name was adopted by proper amendments to the Articles of Incorporation on January 6, 1936. The amendments also provided for a corporate existence of 99 years from that date and allowed that the general nature of business shall be to insure property in accordance with the laws of Nebraska relating to assessment associations. This amendment eliminated the territorial restrictions as had been imposed by the original Articles of Incorporation.

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 or by proxy.” Article VI provides that, “the annual or special meetings of the Company shall be held at the time and place provided in the By-Laws, and ten members present shall constitute a quorum. All

elections and changes of the Articles of Incorporation shall be by ballot at a regular or special meeting of the members.”

Section 4 of the Company’s By-Laws states that, “the annual meeting of this Company shall be held in York, Nebraska, on the second Saturday in January of each year at 1:30 o’clock P.M. At each annual meeting such Officers and Directors shall be elected as may be necessary to fill all vacancies. The Board of Directors may call a special meeting thirty (30) days after notice thereof shall have been mailed to all members, but only such business shall be transacted at such special meeting as is stated in the notice thereof.”

Board of Directors

Section 5 of the Company’s By-Laws states that, “the Board of Directors shall consist of not less than 5 nor more than 9 members and shall be elected for a term of two years, shall have general management and control of the business of the Company, and shall meet at such times as they may determine.”

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

<u>Name</u>	<u>Residency</u>	<u>Term Expires</u>
William Hoffman	York, Nebraska	2023
Randy Quick	Benedict, Nebraska	2023
Mark Sackschewsky	Waco, Nebraska	2023
Kevin Wegener	York, Nebraska	2023
Craig Bolton	Benedict, Nebraska	2024
Veronica Brandl	Columbus, Nebraska	2024
William Brown	York, Nebraska	2024
Ronald Clark	McCool Junction, Nebraska	2024
Kyle Smith	McCool, Nebraska	2024

Directors currently receive \$100 per meeting attended and mileage for Company business.

Claim adjustments are paid \$50 plus mileage for each visit.

Officers

Section 5 of the Company's By-Laws states that, "the Officers shall consist of a President, Vice President, Secretary, and Treasurer, and such other officers as may be elected by the members at annual meetings. The Officers shall be elected for terms of one year each, shall perform the duties incident to their respective offices, and such other duties as are respectively delegated to them by the Board of Directors."

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

<u>Name</u>	<u>Office</u>
Randy Quick	President
Mark Sackschewsky	Vice President
Veronica Brandl	Secretary
Ronald Clark	Treasurer

During the examination, it was noted that the Directors and Officers of the Company do not complete conflict of interest statements. It is recommended that the Company require each of its Directors and Officers to complete a conflict of interest statement on an annual basis.

FIDELITY BOND AND OTHER INSURANCE

The Company currently has fidelity coverage with Nationwide Mutual Insurance Company providing \$25,000 coverage. During the examination, it was noted that the fidelity coverage with Nationwide Mutual Insurance Company is noncompliant with the suggested minimum recommended coverage. It is recommended that the Company increase its fidelity coverage to a minimum of \$50,000 - \$75,000 as recommended by the NAIC Financial Condition Examiners Handbook. The Company is also protected by a professional liability policy with NAMIC Insurance Company (NAMICO) providing \$1,000,000 coverage with a \$2,500 deductible. NAMICO also provides directors and officers liability coverage in the amount of

\$1,000,000 with a \$10,000 deductible. The Company's adjustor is covered by a workers' compensation policy from SFM Mutual Insurance with a limit of \$500,000.

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. Fire, windstorm and extended coverage is written on farm property, real and personal, county churches, parsonages, dwellings located in towns or cities in York County, and farm property, town dwellings and buildings (not commercial) in adjoining counties. Certain Directors and outside agencies act as soliciting agents in procurement of new members and new business.

The Company utilizes a perpetual policy, which is reviewed and updated at no more than a five-year interval. Premiums had been charged annually, but now also bill in monthly and quarterly installments.

The Company, as a convenience for its policyholders and agents, makes available general liability insurance coverage written by Acceptance Casualty Insurance Company. The accounting on such business for premiums and agents' fees is handled by the Company. Commissions received by the Company are disbursed to the agents responsible for the production of such business.

REINSURANCE

Ceded

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 aggregate retention for 2022 was initially estimated at \$433,701.

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.

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Balance, beginning of year	\$ 820,374	\$1,009,032	\$1,167,435	\$ 792,758
<u>Income</u>				
Gross receipts from assessments	\$ 682,758	\$ 783,654	\$ 975,038	\$1,397,677
Liability premiums	<u>32,950</u>	<u>38,964</u>	<u> </u>	<u> </u>
Total underwriting income	\$ 715,708	\$ 822,618	\$ 975,038	\$1,397,677
Interest on investments	9,664	11,078	6,111	3,170
Other interest	41	132		
Reinsurance premium refund		13,722	18,876	
Other income			181	
Rent			2,750	6,700
Reinstatement fees	150	100		
Installment fees	<u>851</u>	<u>1,361</u>	<u>1,907</u>	<u>2,686</u>
Total income	<u>\$ 726,414</u>	<u>\$ 849,011</u>	<u>\$1,004,863</u>	<u>\$1,410,233</u>
<u>Disbursements</u>				
Gross losses paid	\$ 170,521	\$ 189,262	\$1,047,293	\$3,704,922
Recovered from reinsurance	<u>(43,597)</u>	<u>(15,980)</u>	<u>(344,981)</u>	<u>(3,487,767)</u>
Net losses paid	\$ 126,923	\$ 173,283	\$ 702,312	\$ 217,154
Adjusting expense	3,200	5,250	39,295	131,791
Bank charges	248			
Commissions paid to agents	105,706	121,587	144,914	206,834
Accounting	3,549	2,552	2,187	6,820
Insurance and bonding	180			
Mileage	1,137	2,099	5,228	8,141
Directors and officers salaries	8,268	8,700	8,400	5,850
Employee salaries	35,344	35,000	27,664	27,519
Rent	4,800	4,800	1,200	
Workers compensation premium		489		
Insurance department fees	6,365	400		1,490
Other taxes	5,701	8,108	10,420	17,492
Advertising, printing, stationary	1,811	1,289	1,776	3,989
Telephone, postage	820	1,434		
Reinsurance premiums	194,829	280,619	370,451	463,693
Meals and entertainment		333		
Liability premiums	29,634	34,259	44,527	49,120
Miscellaneous expense			13,431	1,885

STATEMENT OF INCOME AND DISBURSEMENTS (continued)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Dues	3,477	3,748	3,359	4,575
D&O/A&B/WC liability premium	4,851	4,496		
Payroll tax liability adjustment	817	809	(2,264)	1,157
Payroll taxes		2,295		
Interest on borrowed money			1,204	3,311
Depreciation				1,701
Supplies			890	1,788
Utilities			2,514	4,740
Other Expenses (Itemize)		2		
Over/Under write off	96	(944)	2,033	447
Contributions				150
Repair on real estate	_____	_____	_____	2,892
Total disbursements	<u>\$ 537,756</u>	<u>\$ 690,608</u>	<u>\$1,379,541</u>	<u>\$1,162,539</u>
Balance, end of year	<u>\$1,009,032</u>	<u>\$1,167,435</u>	<u>\$ 792,758</u>	<u>\$1,040,452</u>

STATEMENT OF ASSETS AND LIABILITIES
December 31, 2022

ASSETS

Ledger Assets

Book value of real estate	\$ 70,572	
Common stock	1,500	
Cash in office	20	
Certificates of deposit	589,475	
Other cash deposited in banks	<u>378,884</u>	
 Total ledger assets		 <u>\$1,040,452</u>

Non-Ledger Assets

Deferred gain on common stock	\$ 8,765	
 Total non-ledger assets		 <u>\$ 8,765</u>
 Total admitted assets		 <u>\$1,049,217</u>

LIABILITIES AND SURPLUS

Losses unpaid	\$1,303,881	
Reinsurance recoverable	(1,303,881)	
Unearned premiums*	856,693	
Premium tax liability	\$14,447	
Payroll taxes payable	<u>365</u>	
 Total liabilities		 \$ 871,505
 Surplus as regards members		 <u>177,712</u>
 Total liabilities and surplus		 <u>\$1,049,217</u>

*Due to the circumstances noted on page 13, the unearned premium amount is an estimate that was calculated by the examiner.

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 Statements – It is suggested 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 not complied with this recommendation. This recommendation will be repeated under the caption “Commentary on Current Examination Findings” in this report.

Unpaid Losses – It is recommended that for future reporting periods the Company retain documentation of the year-end unpaid claims that comprise the amount reported in the Annual Statement.

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

Unearned Premium – It is recommended that for future reporting periods the Company retain documentation supporting the unearned premium reserve that is reported in the Annual Statement.

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

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Book Value of Real Estate

\$ 70,572

The Company’s Home Office is located in York, Nebraska. The site was purchased in 2021 for \$73,334. Amortized cost after depreciation on December 31, 2022 was \$70,572.

Common Stock

\$ 1,500

The Company owns 30 shares of NAMIC common stock that had an initial par value of \$10 per share or \$300. The Company purchased these shares 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, but the Company did not obtain the shareholders letter and did not report the unrealized gain as a non-ledger asset of \$8,765.

Cash in Office **\$ 20**

The Company retains \$20 of petty cash in the office at all times.

Certificates of Deposit **\$ 589,475**

As of December 31, 2022, the Company had four certificates of deposit with a value of \$589,475. Each certificate of deposit was verified by direct confirmation from the respective depositories.

Cash Deposited in Banks **\$ 378,884**

This asset consisted of a checking account and a savings account balance. These deposits were verified by obtaining a direct confirmation from the banks. 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.

Deferred Gain on NAMIC Stock **\$ 8,765**

As noted under Common Stocks, the Company is appropriately reporting the cost of the stock as a ledger asset for \$1,500. The difference between market value, \$10,265, and cost is not recorded as unrealized interest accrued on investments. It is recommended that the Company obtain the shareholders letter from common stocks held and report the deferred gain or loss as a non-ledger asset as of year-end on the annual statement.

Unpaid Losses **\$1,303,881**

The Company established a liability for unpaid losses amounting to \$1,303,881 in its December 31, 2022 Annual Statement. The exam team reviewed the records to support this

amount and found that the reports are living documents and have been updated since 2022 reporting, therefore this amount was not confirmed on the exam. It is recommended that for future reporting periods the Company retain documentation of the year-end unpaid claims that comprise the amount reported in the Annual Statement.

Reinsurance Recoverable

\$1,303,881

The Company met its retention in 2021 and 2022 and it would be expected that the reinsurance recoverable would match the unpaid claims reserve. At the beginning of 2022, NFMRA utilizes the 2021 in-force amounts to estimate the 2022 retention. Once the 2022 in-force numbers are known, NFMRA adjusts the retention based on actual results. There was no difference between the initial estimate and the actual retention for 2022. The Company would not owe any additional funds on the 2022 unpaid claim estimate. The unpaid claims as of year-end 2022 was estimated as \$1,303,881 in which the full amount is expected to be recovered by the reinsurer.

Unearned Premiums

\$ 856,693

The Company reported unearned premiums of \$564,771 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. The Company was not able to provide documentation supporting this amount as the reports are updated continually. The exam team was able to use the 2022 premiums collected database to recalculate the unearned premium reserve as \$856,693 using the methodology noted above. It is recommended that for future reporting periods the Company retain documentation supporting the unearned premium reserve that is reported in the Annual Statement.

Payroll Taxes Payable

\$ 365

The Company reports the accrued payroll taxes that it will pay subsequent to year-end in its Annual Statement.

Premium Tax Liability

\$ 14,447

The Company did not report a premium tax liability in its Annual Statement. The liability amount reported in the corrected 2022 State of Nebraska Annual Tax Return was \$14,447. It is recommended that the Company report premium tax liability as a liability write-in on the annual statement. The amount of premium tax liability reported should be the premium tax balance due at year end.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

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

Deferred Gain or Loss on Common Stock – It is recommended that the Company obtain the shareholders letter from common stocks held and report the deferred gain or loss as a non-ledger asset as of year-end on the annual statement.

Conflict of Interest Statements – It is suggested 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.

Unpaid Losses – It is recommended that for future reporting periods the Company retain documentation of the year-end unpaid claims that comprise the amount reported in the Annual Statement.

Unearned Premium – It is recommended that for future reporting periods the Company retain documentation supporting the unearned premium reserve that is reported in the Annual Statement.

Subsequent Losses Paid – It is recommended that the Company retain the specific claim number and reserve amount for those claims which are recorded as still being adjudicated (Line 26) at year-end. This allows examiners to analyze the adequacy/accuracy of the Company's reserving practices by determining positive or negative development.

By-Laws & Policy – It is recommended that the Company submit its most current By-Laws & policy to the DOI for approval as required under Neb. Rev. Stat. §44-801.

Coverage for Bond Certificate – It is recommended that the Company increase its Fidelity Bond with Nationwide Mutual Insurance Company to an amount between \$50,000 and \$75,000 as recommended by the NAIC Financial Condition Examiners Handbook.

Allocation of Premiums – It is recommended that when completing the annual statement that Liability Premiums are reported on a separate line item from Fire, Wind, and Inland Marine Premiums.

Investment Policy – It is recommended that a written investment policy plan be adopted as required under Neb Rev. Stat. §44-5105.

Premium Tax Liability – It is recommended that the Company report premium tax liability as a liability write-in on the annual statement. The amount of premium tax liability reported should be the premium tax balance due at year-end.

ACKNOWLEDGMENT

The courteous cooperation extended by the Company during this examination is hereby acknowledged.

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

Respectfully submitted,



Tadd Wegner, CFE
Assistant Chief Examiner - Field
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

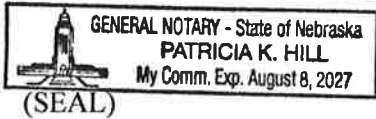
Tadd K. Wegner, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of York County Farmers 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 York County Farmers 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.

Tadd K. Wegner
Examiner-in-Charge's Signature

Subscribed and sworn before me by Tadd K. Wegner on this 4th day of Jan, 2024.



Patricia K. Hill
Notary Public

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