

CERTIFICATION

October 22, 2015

I, Bruce R. Range, 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
EMPLOYERS MUTUAL ACCEPTANCE COMPANY

as of

December 31, 2014

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.



Bruce R. Range
DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

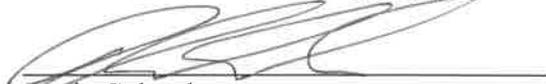
Take notice that the proposed report of the financial examination of

EMPLOYERS MUTUAL ACCEPTANCE COMPANY

dated as of December 31, 2014, verified under oath by the examiner-in-charge on September 15, 2015, and received by the company on September 15, 2015, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3)(a).

Dated this 2 day of October, 2015.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE



Justin Schrader
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

EMPLOYERS MUTUAL ACCEPTANCE COMPANY

as of

December 31, 2014



Omaha, Nebraska
July 24, 2015

Honorable Bruce R. Ramage
Director of Insurance
Nebraska Department of Insurance
941 "O" Street, Suite 400
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:

EMPLOYERS MUTUAL ACCEPTANCE COMPANY
11305 Chicago Circle
Omaha, Nebraska 68154

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

INTRODUCTION

The Company was last examined as of December 31, 2010 by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on December 31, 2014, and includes such subsequent events and transactions as were considered pertinent to this report.

SCOPE OF EXAMINATION

This examination was conducted pursuant to and in accordance with the provisions of Section §44-5904(1) of the Nebraska Insurance Statutes.

A general review was made 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 was also noted.

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. 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, 2014.

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 incorporated under the laws of the State of Nebraska on November 18, 1981, and given perpetual existence. The stated nature of business is to generally engage in the business of an assessment association providing accident and sickness insurance and any and every insurance lawfully pertaining thereto or connected therewith, and to do all things deemed necessary, appropriate, proper and incidental to the operation of said business.

MANAGEMENT AND CONTROL

Policyholders

The By-Laws of the Company provide that the annual meeting of the policyholders, “shall be held on the second Wednesday in February of each year at 10:00 a.m. at the Home Office of the corporation unless otherwise designated by the Board of Directors.” Provision is made for the calling of special meetings. The Company’s Articles of Incorporation state, “one-third of the policyholders entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of the policyholders.”

Board of Directors

The Articles of Incorporation provide that, “the affairs of the Company shall be conducted by a Board of Directors (consisting of) not less than five, nor more than twenty-one.” Directors shall be policyholders. Directors are elected annually at the policyholders meeting to serve a one-year term. A majority of Directors must be residents of the State of Nebraska.

The following persons were serving as Directors at December 31, 2014:

<u>Name</u>	<u>Residence</u>
Warren Foss	Omaha, Nebraska
Arthur C. Jetter, Jr.	Omaha, Nebraska
Arthur C. Jetter III	Elkhorn, Nebraska
Matthew K. Jetter	Omaha, Nebraska
Karen S. Nalley	Omaha, Nebraska

Matthew Jetter received a \$300 stipend for his service to the Board of Directors. All other Directors are employed by the Company’s management company, Art Jetter and Company, and are not directly compensated for their service to the Company.

Officers

The Company's Articles of Incorporation state, "the Officers of the corporation shall be a President, one or more Vice-Presidents, Secretary, Treasurer and such subordinate Officers as may be elected by the Board of Directors, who shall be chosen by the Board of Directors in such manner or as may be provided from time to time in the By-Laws." Neither the Articles of Incorporation nor the By-Laws require the annual reelection or appointment of Officers.

The following is a listing of Officers elected and serving the Company at December 31, 2014:

<u>Name</u>	<u>Office</u>
Arthur C. Jetter, Jr.	President & Treasurer
Karen S. Nalley	Vice-President
Warren Foss	Secretary

Administration Agreement

The Company entered into an Administration Agreement with Art Jetter and Company, a Nebraska corporation, effective January 1, 2003. This agreement provides that the Administrator, Art Jetter and Company, shall, "supervise and direct all the affairs of the Company, including, without limitation, marketing, claims administration, personnel and accounting." Compensation, as full consideration for services provided is \$1,000 monthly.

Notwithstanding the above, the Board of Directors of the Company may authorize the payment of bonuses to the Administrator, in such amounts and at such times as may be determined by the Board of Directors of the Company, as additional compensation for services performed.

On January 1, 2011, Art Jetter and Company issued a guarantee to pay any debts incurred by the Company to policyholders or creditors. This guarantee effectively waived all

management fees associated with the administration agreement as Art Jetter and Company would be paying itself for the services provided.

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 has not changed its policy forms during the period under examination. Currently the Company has ten in-force polices. The Company is planning to explore product opportunities created by health care reform. Future success of the Company will likely be based upon their ability to sell aggregate stop loss insurance in the partially self-funded small group health insurance market.

BODY OF REPORT

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2014. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

STATEMENT OF INCOME AND DISBURSEMENTS

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Balance, beginning of year	<u>\$11,008</u>	<u>\$11,919</u>	<u>\$12,029</u>	<u>\$12,132</u>
<u>Income</u>				
Gross receipts from assessments	\$ 70	\$ 70	\$ 70	\$ 70
Interest on investment	56	40	33	8
Reimbursement insurance department fees	221	221	221	221
Reimbursement bank fees	77	84	77	84
Reimbursement insurance director fees				300
Reimbursement occupation tax	<u> </u>	<u> </u>	<u> </u>	<u>29</u>
Total income	<u>\$ 424</u>	<u>\$ 415</u>	<u>\$ 401</u>	<u>\$ 712</u>
<u>Disbursements</u>				
Losses paid	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Insurance Dept. licenses & fees	\$ 221	\$ 221	\$ 221	\$ 221
All other taxes				29
Bank fees	84	84	77	84
Director fee	<u> </u>	<u> </u>	<u> </u>	<u>300</u>
Total expenses	<u>\$ 305</u>	<u>\$ 305</u>	<u>\$ 298</u>	<u>\$ 634</u>
Total disbursements	<u>305</u>	<u>305</u>	<u>298</u>	<u>634</u>
Balance, end of year	<u><u>\$11,919</u></u>	<u><u>\$12,029</u></u>	<u><u>\$12,132</u></u>	<u><u>\$12,210</u></u>

STATEMENT OF ASSETS AND LIABILITIES
December 31, 2014

ASSETS

Ledger Assets

Certificates of deposit	\$10,000	
Other cash deposited in banks	2,181	
Receivable from affiliate	<u>29</u>	
 Total assets		 <u>\$12,210</u>

LIABILITIES AND SURPLUS

Unearned premiums	\$ 51	
Insurance department fee reserve	221	
Contingent reserve	<u>11,938</u>	
 Total liabilities		 \$12,210
 Surplus as regards policyholders		 <u>0</u>
 Total liabilities and surplus		 <u>\$12,210</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:

Disbursements – It is recommended that the Company report all reporting year disbursements under the appropriate caption in future annual statements.

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 Premiums – It is recommended that the Company report unearned premium under the caption “Unearned premiums” in future annual statements.

Action: The Company has complied with this recommendation.

Accounts Payable – It is recommended that the Company book an account payable for all future amounts due to its management company Art Jetter & Company.

Action: This recommendation is no longer applicable due to the guarantee by Art Jetter & Company to pay the Company's liabilities to creditors and policyholders.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Income

The Company reported income of \$29 for reimbursement received from Art Jetter & Company for the occupation tax paid by the Company. This amount was not received and was properly recorded as a receivable from affiliate on the balance sheet. As such, the income of the Company was overstated \$29.

Disbursements

The Company compensates one of its Directors, Matthew Jetter, \$300 for his service to the Board of Directors. This expense was recorded by the Company as a write-in "Director Fee" under the Other Expenses. It is recommended that salaries and expenses associated with the Company's Board of Directors and Officers be reported in the Annual Statement disbursements under line 12, "Salaries and expenses of Directors & Officers".

Certificates of Deposit

\$10,000

The Company maintains a \$10,000 certificate of deposit on deposit with the Nebraska Department of Insurance to comply with the security requirement of Nebraska Insurance Statute 44-821. A certificate of confirmation was received from the bank.

Other Cash Deposited in Banks

\$ 2,181

Cash deposited in bank consists of a checking account verified by obtaining a certificate of confirmation from the bank and reconciling amounts thereon to the Company's records. The bank account is reconciled to the company records on a regular basis.

Receivable from Affiliate **\$ 29**

The receivable from affiliate consists of \$29 paid by the Company for state occupation tax. Due to the guarantee by Art Jetter & Company, all expenses incurred by the Company are reimbursed by Art Jetter & Company. The occupation tax paid by the Company was not reimbursed as of December 31, 2014.

Losses **\$ 0**

No losses were incurred during the exam period.

Unearned Premiums **\$ 51**

This liability represents the portion of the premiums collected in 2014 that were unearned as of year-end.

Insurance Department Fee Reserve **\$ 221**

The payable is unpaid 2014 premium taxes and fees due to the Nebraska Department of Insurance.

Contingent Reserve **\$11,938**

This amount represents the Company's policyholder surplus that was reported as an Other Liability. It is recommended that the Company's policyholder surplus be excluded from the liabilities section of the balance sheet.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

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

Reimbursement Income – It is recommended that the Company book income related to reimbursements received from Art Jetter & Company for only the amount actually received during the year.

Disbursements – It is again recommended that the Company report all reporting year disbursements under the appropriate caption in future annual statements.

Policyholder Surplus – The Company stated the amount of \$12,159 for “Other Liabilities”. This amount included policyholder surplus. The Company’s policyholder surplus, \$11,938 as determined through the examination, should not be reflected on the balance sheet.

ACKNOWLEDGEMENT

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'K. Stubbs', written over a horizontal line.

Kevin Stubbs, CFE
Examiner-in-Charge
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

Kevin Stubbs, being duly sworn, states as follows:

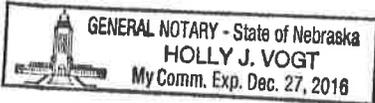
1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of the **Employers Mutual Acceptance Company**.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of the **Employers Mutual Acceptance 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 Kevin Stubbs on this 15 day of September, 20 15.



(SEAL)



Notary Public

My commission expires 12/27/16 [date].