CERTIFICATION

July 11, 2014

I, Bruce R. Ramge, 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, 2013

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.

STATE OF NEBRSKA
DEPARTMENT OF INSURANCE
JUL 11 2014
FILED

Bruce R. Ramge
DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Take notice that the proposed report of the financial examination of

YORK COUNTY FARMERS MUTUAL INSURANCE COMPANY

dated as of December 31, 2013, verified under oath by the examiner-in-charge on July 1, 2014, and received by the company on July 3, 2014, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3)(a).

Dated this 10 day of July, 2014.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

Justin Schrader
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

YORK COUNTY FARMERS MUTUAL INSURANCE COMPANY

as of

December 31, 2013

York, Nebraska
June 25, 2014

Honorable Bruce R. Ramge
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:

YORK COUNTY FARMERS MUTUAL INSURANCE COMPANY
306 East Seventh Street
York, Nebraska 68467

(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, 2009 by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on December 31, 2013, and includes 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

This examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and 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 members and Board of Directors, held during the examination period, were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, approval of investment transactions and authorizations of salaries were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed, as were plans for employee welfare and pension. 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.

Data reflecting the Company's growth during the period under review is reflected in the financial section of this report under the caption "Body of Report".

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. The Company's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were noted.

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, 2013.

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 object 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, if the members shall hereinafter so elect, to insure all such property against loss by tornado and windstorm.

The present name, "York County Farmers Mutual Insurance Company", was adopted by proper amendments to the Articles of Incorporation on January 6, 1936. Said 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. These Amended Articles of Incorporation also eliminated the territorial restrictions as had been imposed in the original Articles.

MANAGEMENT AND CONTROL

Members

Article IV of the Amended 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 either 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."

The By-Laws require that, "the annual meeting of the 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 By-Laws requires 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, 2013:

Name	Residence	Term Expires
William Brown	York, Nebraska	2014
Ronald Clark	McCool Junction, Nebraska	2014
David Doremus	Benedict, Nebraska	2014
Randy Quick	Benedict, Nebraska	2015
Stanley Rhodes	Exeter, Nebraska	2015
Mark Sackschewsky	Waco, Nebraska	2015
William Hoffman	York, Nebraska	2015

Directors currently receive $100 per meeting attended and mileage for Company business as approved for federal employees. Directors also receive $150 plus mileage for each Nebraska Farmers Mutual Reinsurance Association (NFMRA) meeting attended. Claim adjustments are paid $50 plus mileage for each visit.

Officers

The Company By-Laws state 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, 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 at December 31, 2013:

Name	Office
Randy Quick	President
William Brown	Vice-President
Stanley Rhodes	Secretary
Ronald Clark	Treasurer

Committees

The Company's By-Laws state in Section 6 that, "the books of the Company and the accounts of the Secretary and the Treasurer shall be audited each year by a committee composed of the President and at least two members of the Board of Directors, who shall report at each annual meeting."

The following persons were serving on the Audit Committee at December 31, 2013:

Randy Quick
David Doremus
Mark Sackschewsky

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in Nebraska only. 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. The Secretary and Directors act as soliciting agents in procurement of new members and new business. They receive a 20% commission on the initial premium charged on new business written and on increases in coverage and a 15% rate on renewal business.

The Company utilizes a perpetual policy, which is reviewed and updated at no more than a five-year interval. Premiums are charged annually.

The Company, as 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.

FIDELITY BOND

The Company currently has in-force a Financial Institution Bond Standard Form 25 providing $25,000 coverage. The Company also has in-force an Insurance Agents Errors & Omissions policy, which provides $1,000,000 coverage with a $2,500 deductible. The Company is also protected by an Insurance Company Combined Professional Liability & Directors and Officers Liability policy in the amount of $1,000,000 with a $10,000 deductible.

REINSURANCE

During each year covered by this examination, the Company had in effect a reinsurance agreement with the NFMRA of Wahoo, Nebraska. The term of each reinsurance agreement was for a period of one year.

At the time of the execution of the reinsurance agreement in effect on December 31, 2013, the Company, as a member company, represented that it had the sum of $30,439,271 of fire insurance in-force and $30,439,271 of wind insurance in-force covered by this agreement.

The coverage under this agreement is as follows:

Aggregate - NFMRA is liable for 100% of the amount, if any, by which the Company's aggregate ultimate net losses incurred during the year exceed $2,970 per million of the fire and wind insurance in force as of January 1, 2013.

Excess Per Risk - Prior to the Company incurring ultimate net losses exceeding their aggregate retention on a single risk up to and including $460,000.00, NFMRA will be liable for 100% of the excess greater than $40,000.00. If the Company's ultimate net losses do not exceed the aggregate retention for the year, the amount in excess of $40,000 up to the single risk retention of 1/8 of 1% of the in force is to be refunded to NFMRA prior to March 1 of the following.

Mobile Home Risk - The Company shall retain the first $1,000 of each risk, each loss, with respect to mobile home risks located in trailer courts. Two or more trailers in one location constitute a trailer court. NFMRA shall have a maximum liability of $48,000 for losses in one trailer court.

Limit Per Risk - Single risks in excess of $500,000 ($1,200,000 as respects a single farm outbuilding and its contents) shall be pro rata reinsured by each member company, or such on reinsurance shall be deemed to be in effect in determining the ultimate net loss and NFMRA's liability.

The contract reviewed contained a standard insolvency clause, but did not contain an arbitration clause, an offset clause, or an errors and omissions clause. The contract also did not contain the entire agreement clause as required per SSAP No. 62R, paragraph 8c of the NAIC Accounting Practices and Procedures manual.

ACCOUNTING RECORDS

The Company's primary accounting record consists of an EDP general ledger and transaction journal. Receipts and disbursements are summarized and totaled monthly. The Company is physically located in the offices of an accounting firm. Such firm provides the accounting system utilized by the Company and an employee of such firm maintains the records.

BODY OF REPORT

FINANCIAL STATEMENTS

The following financial statements reflect the Company's operations during the examination period and the financial condition of the Company at December 31, 2013 and its transactions during the year 2013 as determined through this examination.

STATEMENT OF INCOME AND DISBURSEMENTS

	2010	2011	2012	2013
Balance, beginning of year	$513,359	$570,046	$564,438	$647,870
INCOME				
Gross receipts from assessments	$332,800	$370,662	$420,706	$512,204
Less return on cancellations	6,654	6,594	5,473	9,179
Net received from members	$326,146	$364,068	$415,233	$503,025
Interest on investment	10,195	9,286	6,157	5,008
Borrowed money		50,000		
Miscellaneous income				178
Liability premiums	22,210	22,445	21,933	22,543
Total income	$358,551	$445,798	$443,322	$530,754
DISBURSEMENTS				
Gross losses paid	$103,420	$233,795	$136,688	$388,114
Less discount and salvage	4,500	4,000		
Less reinsurance recovered	16,787	69,098	42,234	170,732
Net losses paid	$ 82,133	$160,697	$ 94,454	$ 217,382
Adjusting expense – outside services			$ 5,080	$ 6,000
Adjusting expense	$ 1,025	$ 2,325	800	625
Legal expenses on losses				420
Commissions paid to agents	52,632	58,586	65,921	78,148
Travel and meeting expenses	219	207	238	182
Taxes – payroll	2,406	2,668	2,369	2,285
Sec. services and accounting	55,976	58,219	59,794	62,537
Salaries and exp. of Directors, Officers	7,803	7,584	8,144	8,565

STATEMENT OF INCOME AND DISBURSEMENTS (continued)

	2010	2011	2012	2013
Misc. expense	473	240	349	362
Donations	34	34	34	34
Continuing education	265	150	55	64
Taxes – other	3,834	3,928	4,379	8,100
Insurance department licenses and fees	336	451	260	485
Dues	1,866	2,145	1,798	2,312
Advertising, printing and stationary	545	392	255	463
Telephone and postage	2,274	2,352	2,606	1,978
Reinsurance premiums paid	64,672	75,014	88,397	107,179
Promotions	757	1,162	1,523	1,321
Examiner fees	1,017			
Liability premium	18,901	20,185	18,958	19,573
Insurance premiums	4,723	4,849	4,270	4,225
Annual adjust to payroll tax liability	(25)	(156)	208	(316)
Interest on borrowed money		344		
Bank charges		32	(2)	
Total expenses	$219,730	$240,710	$265,436	$304,543
Borrowed money repaid		$ 50,000		
Total disbursements	$301,863	$451,407	$359,890	$521,925
Balance, end of year	$570,046	$564,438	$647,870	$656,698

FINANCIAL STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2013

ASSETS

Surplus note	$ 4,396	
Common stock	1,500	
Cash in office	20	
Certificates of deposit	446,615	
Cash deposited in banks	204,166	
Total ledger assets		$656,698
Non- Ledger Assets		
Deferred gain on common stock	$ 5,751	
Total non-ledger assets		$ 5,751
Assets Not Admitted		
Surplus note	$ 4,396	
Total assets not admitted		$ 4,396
Total admitted assets		$658,053

LIABILITIES AND SURPLUS

Claims reported but not yet adjusted - 2012	$ 1,300	
Claims reported but not yet adjusted - 2013	3,500	
Less reinsurance	(3,500)	
Net unpaid losses		$ 1,300
Unearned premiums		358,599
Premium taxes payable		3,079
Payroll taxes payable		1,087
Total liabilities		$364,065
Surplus as regards policyholders		$293,988
Total liabilities and surplus		$658,053

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:

Unearned Premium – An Unearned Premium liability line was added to the 2009 Annual Statement. It is recommended that the Company calculate unearned premiums and state that calculation on line 31 of future annual statements.

Action: The Company has complied with this recommendation.

Retention – The Company is incorrectly stating the retention amount at page 6 line 6 of the General Interrogatories of the Annual Statement. It is recommended that in the future the company use the correct amount for line 6 of page 6 of the Annual Statement.

Action: The Company has complied with this recommendation.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Cash in Office **$ 20**

This asset represents petty cash, which is used to pay incidental expenses.

Certificates of Deposit **$446,615**

The Company owned six certificates of deposit in two separate banks in York, Nebraska at year end 2013. These certificates were verified by certifications signed by bank officials in the respective banks.

Cash Deposited in Bank **$204,166**

The Company's cash consists of one checking account and one corporate account held at a national bank in York. The balances were verified by obtaining certifications signed by bank and brokerage officials and reconciling such amounts to the ledger balances by considering outstanding checks.

Surplus Note **$ 4,396**

The surplus note issued by NFMRA had a value of $4,396 as of December 31, 2013. This item is deducted, as an asset not admitted in both the Company's 2013 Annual Statement and the financial statements of this report in accordance with SSAP No. 41 of the NAIC Accounting Practices and Procedures Manual.

SSAP No. 41, paragraph 10(b) states that, "holders of surplus notes shall value their investment in surplus notes as follows: by applying a 'statement factor' to the outstanding face amount of the capital or surplus notes. The 'statement factor' is equal to the total capital and surplus, including surplus notes, less the greater of 5% of admitted assets or $6,000,000, divided by capital or surplus notes. If 'statement factor' is negative, the surplus note(s) shall be carried at zero."

Calculation of the Company's surplus note is as follows:

$ 658,053	Admitted asset (including surplus note)
364,065	Less liabilities
$ 293,988	Total capital, surplus and surplus note

$ 658,053	
5%	of admitted assets
$ 32,903	

Greater of $32,903 or $6,000,000

$ 293,988
- 6,000,000
$(5,706,012)/293,988 = -19.4 statement factor

Common Stock **$ 7,251**

The Company owns 30 share of NAMIC common stock valued at $1,500 on the Company's general ledger. The market value of the stock is $7,251. The difference between cost and market value is $5,751 and has been included in the balance sheet as a non-ledger asset.

The certificate was inspected and its value was checked to the NAIC Securities Valuation Office website.

Net Unpaid Losses **$ 1,300**

This amount consists of one 2012 unpaid loss of $1,300 and one 2013 unpaid loss of $3,500 less reinsurance recoverable of $3,500. A loss development was not deemed necessary due to the overall review indicated that the reserve established at December 31, 2013 was sufficient.

Unearned Premiums **$358,599**

The unearned premium reserve was calculated by the Company by dividing the renewal premiums into 12 months, and account for 9 months of unearned premium. The Company's policies renew yearly with an effective date of October 1 making the unearned premium reserve established at December 31, 2013 amount to $358,599.

Premium Taxes Payable **$ 3,079**

This amount consists of the 2013 premium taxes due at year-end and paid in 2014.

Payroll Taxes Payable **$ 1,087**

The payroll taxes were reviewed. These items were paid in January of 2014.

Surplus as Regards Policyholders **$293,988**

Policyholder's surplus as determined by this examination amounted to $293,988 at December 31, 2013.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following comment and recommendation has been made as a result of this examination:

Reinsurance Clauses – It is recommended that the Company amend its reinsurance contract to include an arbitration clause, an offset clause, and an errors and omissions clause. It is also recommended that the Company include an entire agreement clause to comply with SSAP No. 62R, paragraph 8c of the NAIC Accounting Practices and Procedures Manual.

ACKNOWLEDGEMENT

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

Respectfully submitted,

Elizabeth Hofker

Elizabeth Hofker, CFE
Examiner-in-Charge
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

Elizabeth Hofker, 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.

Elizabeth Hofker
Examiner-in-Charge's Signature

Subscribed and sworn before me by Elizabeth Hofker on this 1 day of July, 2014.

GENERAL NOTARY - State of Nebraska
TERRI A. KELLER
My Comm. Exp. Dec. 24, 2017

(SEAL)

Terri A. Keller
Notary Public

My commission expires Dec 24, 2017 [date].

GENERAL NOTARY - State of Nebraska
TERRI A. KELLER
My Comm. Exp. Dec. 24, 2017

We the directors of York County Farmers Mutual Insurance Company
Do declare, under oath, that we have received a copy of the Report of
Examination dated December 31, 2013 from the Nebraska Dept. of Insurance

_____

_____

Stanley H Rhoades

Dave Dorenkamp

Mark Sackschewsky

William R Brown

Bill Hoffman

Gerald C. Ball

Barry Ball

July 8, 2014