

CERTIFICATION

JAN 11 2017

FILED

January 11, 2017

I, Bruce R. Ramage, 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

REPUBLICAN VALLEY MUTUAL PROTECTIVE ASSOCIATION

as of

December 31, 2015

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. Ramage

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Take notice that the proposed report of the financial examination of

REPUBLICAN VALLEY MUTUAL PROTECTIVE ASSOCIATION

dated as of December 31, 2015 verified under oath by the examiner-in-charge on

December 20, 2016 and received by the company on December 21, 2016, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3)(a).

Dated this 11th day of January, 2017.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE


Justin Schrader
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

REPUBLICAN VALLEY MUTUAL PROTECTIVE ASSOCIATION

as of

December 31, 2015



Riverton, Nebraska
November 17, 2016

Honorable Bruce Range
Director of Insurance
State of Nebraska
941 "O" Street, Suite 400
Lincoln, NE 68508

Dear Sir:

Pursuant to your instructions and in accordance with statutory requirements, an examination has been conducted on the financial condition and business affairs of:

REPUBLICAN VALLEY MUTUAL PROTECTIVE ASSOCIATION
(an unincorporated mutual life insurance association)
262 O'Sullivan St.
Riverton, Nebraska 68972

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

SCOPE OF EXAMINATION

The Association was previously examined as of December 31, 2010. This examination covered the intervening period to December 31, 2015 and included such 2016 proceedings or transactions as were deemed pertinent. This examination has been conducted under the provision of Neb. Rev. Stat. §44-386.04, which states that, "the books and records of every such Association and every Officer, Director, or employee thereof shall be subject to the inspection and examination of the Department of Insurance", and §44-386.08 of said Statutes which allows that, "the Director of Insurance may adopt rules and regulations for the administration and enforcement of the provisions of §44-386.01 to §44-386.07, and for the procedures for examination of books and records, for the requirement of reports, and for procedures for approval of changes or additions of evidence of insurance coverage *to be used by the Associations*".

A general review was made of the Association's operations and the manner in 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. The Articles of Association were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Members and the Board of Directors for the five-year period under review were read and noted. The Certificate of Authority to conduct the business of insurance in the State of Nebraska was inspected. Income and disbursement items were checked in sufficient detail to assure proper handling. The assets were evaluated and verified and the liabilities determined so as to present herein a statement of the Company's financial condition as of December 31, 2015.

HISTORY

The Association was originally formed on May 10, 1951 as an unincorporated mutual life insurance association. The following Associations have since merged into the Association: Franklin County Mutual Life effective October 1, 1993, Hall County Mutual effective November 1, 1996, Valley Mutual Protective Association effective July 1, 2006, Furnas County Mutual Protective Association effective February 1, 2010 and Cornhusker Mutual Life Association effective October 9, 2013.

MANAGEMENT AND CONTROL

Board of Directors

The Articles of Association provide that, "the powers of this Association shall be vested in a Board of Directors consisting of not less than five members who shall serve until the next annual meeting, or until their successors are elected and qualified. If vacancies happen by resignation, or otherwise, while the Association is not in meeting, the remaining members of the Board of Directors may make a temporary appointment until the next annual meeting of the membership, which shall then fill such vacancy for the remainder of said Directors' term".

The Articles of Association provide that, “the Board of Directors shall have the power to make, adopt and/or change rules and regulations for the lawful conduct of the business of this Association, to elect Officers and appoint agents and prescribe the powers and duties thereof, to fill any vacancy on the Board of Directors until the membership at the Association’s annual meeting elects a Director for said vacancy, and generally have power to manage and conduct the business of this Association”.

Those persons serving the Association as Board members at December 31, 2015, were as follows:

<u>Name</u>	<u>Address</u>
Joan Fries	Upland, Nebraska
Delpha Stover	Franklin, Nebraska
Audrey Peil	Ayr, Nebraska
Cecile Goebel	Franklin, Nebraska
Eldon Worman	Hastings, Nebraska

Officers

The Articles of Association provides that, “the Officers of this Association shall be a President, Vice-President, Secretary and Treasurer. The President and Vice-President shall be elected from their own number by the Board of Directors. The Secretary-Treasurer shall be appointed by a majority vote of the Board of Directors... The Officers shall hold office until their successors are duly elected and qualified.” Officers serving the Association at December 31, 2015 were as follows:

<u>Name</u>	<u>Office</u>	<u>2015 Remuneration</u>
Joan Fries	President	\$ 0.00
Audrey Peil	Vice President	0.00
Sharron K. Worman	Secretary-Treasurer	3,324.60

CORPORATE RECORDS

The Secretary-Treasurer made available minutes of all annual and special meetings since 1992. The Secretary-Treasurer also made available for review the current Articles of Association and application form.

PLAN OF ASSOCIATION

The objective of the Association, as set out in its Articles of Association, is to insure the lives of its membership against, “the hazard of death by the execution of valid mutual obligations whereby each member agrees to pay into this Association the sum of \$1.25 within thirty days after receiving notice of the death of any member of this Association, out of which call or assessment there shall be paid the lawful and necessary expenses of this Association (which shall in no case exceed 20% of such call or assessment), the balance remaining to be paid to such beneficiary or beneficiaries as were named by the member or to his or her estate if no beneficiary or beneficiaries were named”.

As provided in the Articles of Association, the expenses of the Association, “shall be limited to the actual costs of conducting the business of this Association, such as postage, printing, purchasing of books and records, and other similar articles necessary, and the sum of \$5.00 to each Officer and/or employee of this Association except the Secretary and Treasurer thereof, same to be computed upon the basis of the time which each such Officer and/or employee of this Association is actually engaged in the business thereof. The Secretary and Treasurer of this Association shall be paid a salary not to exceed the sum of \$10.00 per day as provided by Section 44-386”.

The Association is paying the Secretary’s assistant \$10 per day, which is inconsistent with the Association’s Articles of Association. Neb. Rev. Stat. 44-386 allows for employees to be paid up to \$10 per day. It is recommended that the Association amend their Articles of Association to allow for employees to be paid up to \$10 per day if it plans to continue paying an assistant for the Secretary.

MEMBERSHIP

The Articles of Association state that, “the Association shall be limited to 2,500 members, all of whom shall, upon their initial application, be residents of Nebraska, and between the ages of 8 and 65 years, both inclusive (counting nearest birthday), and in good health, with no known terminal diseases”. A provision in the current application form states that a member may leave the territory embraced by the

Association and shall retain membership. The current application form also states the Association shall be limited to 2,400 members, which is inconsistent with the Articles of Association. It is recommended the Association amend their application form to be consistent with their Articles of Association.

RECONCILIATION OF MEMBERSHIP

A reconciliation of the Association membership for the current five-year period ending December 31, 2015 is reflected in the following schedule:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Membership, beginning	<u>1,319</u>	<u>1,163</u>	<u>1,033</u>	<u>1,422</u>	<u>1,232</u>
Add:					
New members	2		523*		2
Reinstated members	<u>3</u>		_____		_____
Total additions	<u>5</u>		<u>523</u>		<u>2</u>
Deduct:					
Terminations as paid death claims	130	106	112	135	130
Terminations due to non-payment	9	14	11	36	7
Terminations at request of member	<u>22</u>	<u>10</u>	<u>11</u>	<u>19</u>	<u>19</u>
Total deductions	<u>161</u>	<u>130</u>	<u>134</u>	<u>190</u>	<u>156</u>
Membership, ending	<u>1,163</u>	<u>1,033</u>	<u>1,422</u>	<u>1,232</u>	<u>1,078</u>

* Reflects merger with Cornhusker Mutual Life Association

ACCOUNTS AND RECORDS

The Secretary-Treasurer made available records of the Association from 2011 through the start date of the on-site examination in August 2016.

The Association maintains an alphabetical file of all active membership applications. The Association maintains a membership listing alphabetically on which assessments are checked off as they are received. Individual claim files are established which include death certificate, original application and any change in beneficiary. Accounting records include a checkbook and a separate membership

listing for each month's assessments mailed. Also maintained are deposit slips, a checkbook register and all canceled checks.

The Association's current billing cycle is on a monthly basis. Notification cards are sent to members each month. When the Association receives payments, the Secretary-Treasurer records each member's payment on a membership listing and reflects when payment was received.

The ratio of expenses paid, excluding losses, to total assessments and fees collected for the current five-year period, as contained in the Association's filed Annual Statements, are reflected in the following schedule:

<u>Year</u>	<u>Ratio</u>
2011	10.27 %
2012	16.38
2013	16.12
2014	9.94
2015	11.55

The above ratios are within the maximums permitted by the Association's application form and Nebraska Insurance Statutes.

FINANCIAL STATEMENTS

The following financial statements reflect the cash flow and transactions of the Association for the four-year period ending December 31, 2015, as reported in its filed Annual Statements:

<u>Income</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015*</u>
Gross assessments	\$192,386	\$138,496	\$133,390	\$209,934	\$175,588
Prior year assessments received	1,282	1,075	681	2,291	875
Prepaid assessments	5,130	3,634	4,005	5,381	5,009
Transfer – Cornhusker Mutual Assess. collected – not yet paid	_____	1,250	_____	3,342	_____
Total income	<u>\$198,797</u>	<u>\$138,076</u>	<u>\$138,076</u>	<u>\$220,949</u>	<u>\$181,472</u>

Disbursements

Claims paid	<u>\$153,125</u>	<u>\$132,500</u>	<u>\$129,355</u>	<u>\$168,750</u>	<u>\$162,480</u>
Salaries: Sec-Tres.	\$ 3,325	\$ 3,325	\$ 3,325	\$ 3,325	\$ 3,325
Asst. Sec-Tres.	3,600	3,600	3,600	3,600	3,600
Rent	1,320	1,320	1,320	1,320	1,320
Insurance Dept. fees/exam	10	3,085	5	10	5
Printing, stationary and postage	10,138	10,253	11,778	11,140	10,795
NE UC Fund	22	43	33	24	5
Mileage	155	95	367	140	110
Tax prep/legal fees	125	130	135	280	250
Return checks and reimbursement on paid aheads		53	188		231
US Treasury	1,290	479	479	580	551
Refund for a check paid in error	120	30		75	
Supplies	<u>30</u>	<u> </u>	<u>102</u>	<u> </u>	<u> </u>
Expenses paid	<u>\$ 20,410</u>	<u>\$ 22,688</u>	<u>\$ 21,504</u>	<u>\$ 20,871</u>	<u>\$ 20,192</u>
Total disbursements	<u>\$173,535</u>	<u>\$155,188</u>	<u>\$163,454</u>	<u>\$189,621</u>	<u>\$182,672</u>
Net change in cash for the year	<u>\$ 25,262</u>	<u>\$ (17,112)</u>	<u>\$ (25,378)</u>	<u>\$ 31,328</u>	<u>\$ (1,200)</u>

*Reflects adjustments made as part of this examination.

BALANCE SHEET

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Assets</u>					
Cash deposited in bank	<u>\$68,176</u>	<u>\$56,530</u>	<u>\$27,138</u>	<u>\$66,111</u>	<u>\$64,911</u>
Total Assets	<u>\$68,176</u>	<u>\$56,530</u>	<u>\$27,138</u>	<u>\$66,111</u>	<u>\$64,911</u>
<u>Liabilities</u>					
Expenses incurred and not paid	\$ 275	\$ 275	\$ 275	\$ 275	\$ 275
Prepaid assessments	<u>1,067</u>	<u>3,634</u>	<u>4,005</u>	<u>5,381</u>	<u>5,009</u>
Total liabilities	<u>\$ 1,343</u>	<u>\$ 3,909</u>	<u>\$22,857</u>	<u>\$ 5,657</u>	<u>\$ 5,284</u>

WORKING FUNDS

Cash in bank, as of December 31, 2015	\$83,228
Less outstanding checks	18,317
Less deposits for assessments of final claims not fully paid	5,009
Checks covering expenses for final benefits, which have not been made	<u>275</u>
Total working fund balance, as of December 31, 2015	<u>\$59,627</u>

LEDGER ASSETS

Cash Deposited In Bank

\$64,911

Cash deposited in the Association’s checking account was confirmed and reconciled to the bank statement after consideration of any outstanding checks.

LIABILITIES

Expenses Incurred But Not Paid	\$ 275
Prepaid Assessments	<u>5,009</u>
Total Liabilities	<u>\$5,284</u>

Claims assessed were verified to the detail listings of collected assessments and assessments paid in advance at December 31, 2015.

ANNUAL STATEMENT ADJUSTMENTS

<u>Annual Statement --</u>	<u>Page</u>	<u>Line</u>	<u>Amount Reported</u>	<u>Adjusted by Examination</u>
Claims Paid	4	2	\$162,500	\$162,480 (a)
Other Disbursements	4	10	1,231	1,147 (b)
Expenses	4	11	20,275	20,192 (c)
Total Disbursements	4	12	182,775	182,672 (c)
Balance	4	13	(1,303)	(1,200) (c)

- (a) The amount of claims paid on Page 4, Line 2, was reduced by \$20. It appears this was due to a stop payment charge that was incurred in September of 2015. In October of 2015 a check was reissued a claim payment in the amount of \$1,230 instead of \$1,250.
- (b) There were two adjustments to this line item. First, the federal withholdings of the Secretary in the amount of \$275 should not have been included as it appears it was paid with a \$551 check to the US Treasury in January of 2015.
- (c) These line items were adjusted due to the changes in (a) & (b). Line 11 is the subtotal of other disbursements. Line 12 is the total of all disbursements and Line 13 is the overall difference in income and expenses for the year.

COMPLIANCE WITH PREVIOUS EXAMINATIONS

Recommendations appearing in the previous report of examination are reflected below together with the remedial actions taken by the Association:

1. **Election of Directors and Officers:** In the 2010 annual meeting minutes reviewed by the examiner, there is no indication that a Board of Directors was elected. It appears that the Association is in violation of Nebraska §44-386.03 which states in part, “at such annual

meeting there shall be transacted such business of the Association as may come before it, which business shall include but not be limited to the election of Officers or Directors from among the members". It is recommended that the Association comply with Nebraska §44-386.03 by electing Directors at annual meetings and keeping detailed documentation as to who is being elected and for what position.

Action: The Association has complied with this recommendation.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

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

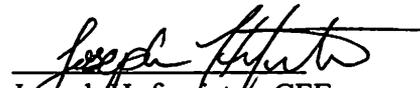
Salary - The Association's Articles of Incorporation limit the amount paid to Officers and/or employees to the sum of \$5.00 except for the Secretary and Treasurer, which is limited to \$10 per day. The Association is paying the Secretary's assistant \$10 per day. Neb. Rev. Stat 44-386 allows for employees to be paid \$10 per day. It is recommended the Association amend their Articles of Association to allow for the employees to be paid up to \$10 per day if it plans to continue paying an assistant for the Secretary.

Membership - The Association's Application Form indicates that the Association shall be limited to 2,400 members. This is not consistent with the Articles of Association, which limits the number of members to 2,500. It is recommended the Association amend the Application form to be consistent with the Articles of Association.

CONCLUSION

The courtesy and cooperation extended by the Secretary-Treasurer, Sharron K. Worman, of the Association during the course of this examination is hereby acknowledged.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joseph Hofmeister", written over a horizontal line.

Joseph Hofmeister, CFE
Financial Examiner III
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

Joseph Hofmeister, 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 Republican Valley Mutual Protective Association.
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 Republican Valley Mutual Protective Association 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.

Joseph Hofmeister
Examiner-in-Charge's Signature

Subscribed and sworn before me by Joseph Hofmeister on this 20 day of December, 20 16.

(SEAL) 

Brandis Courser
Notary Public

My commission expires July 25, 2018 [date].

REPUBLICAN VALLEY MUTUAL PROTECTIVE ASSOCIATION
SHARRON K. WORMAN, SEC-TREAS.
262 O'SULLIVAN ST. - RIVERTON, NE 68972
402-746-3520

STATE OF NEBRASKA
FRANKLIN COUNTY

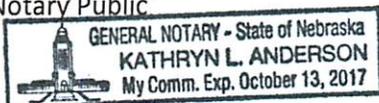
RE: Republican Valley Mutual Protective Association
Report of Examination as of December 31, 2015

Audrey Peil, being first duly sworn, states that (he) (she) is one
of the directors of Republican Valley Mutual Protective Association of Riverton, Nebraska,
and that (he) (she) has received a copy of the Report of Examination of Republican Valley Mutual
Protective Association which was adopted on January 11, 2017.

Audrey Peil
Signature

Subscribed and sworn before me on May 2nd, 2017

Kathryn L. Anderson
Notary Public



RECEIVED

MAY 08 2017

NEBRASKA DEPARTMENT
OF INSURANCE

GENERAL NOTICE - State of Missouri
KATHRYN L. ANDERSON
My Term Exp. October 13, 2017

REPUBLICAN VALLEY MUTUAL PROTECTIVE ASSOCIATION
SHARRON K. WORMAN, SEC-TREAS.
262 O'SULLIVAN ST. – RIVERTON, NE 68972
402-746-3520

STATE OF NEBRASKA
FRANKLIN COUNTY

RE: Republican Valley Mutual Protective Association
Report of Examination as of December 31, 2015

Delpha Stover, being first duly sworn, states that (he) (she) is one
of the directors of Republican Valley Mutual Protective Association of Riverton, Nebraska,
and that (he) (she) has received a copy of the Report of Examination of Republican Valley Mutual
Protective Association which was adopted on January 11, 2017.

Delpha Stover
Signature

Subscribed and sworn before me on May 2, 2017

Evonne Naden
Notary Public



GENERAL NOTARY - State of Nebraska
EVONNE MADSEN
My Comm. Exp. July 24, 2020



REPUBLICAN VALLEY MUTUAL PROTECTIVE ASSOCIATION
SHARRON K. WORMAN, SEC-TREAS.
262 O'SULLIVAN ST. – RIVERTON, NE 68972
402-746-3520

STATE OF NEBRASKA
FRANKLIN COUNTY

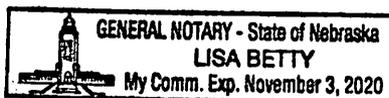
RE: Republican Valley Mutual Protective Association
Report of Examination as of December 31, 2015

Joan Fries, being first duly sworn, states that (he) (she) is one
of the directors of Republican Valley Mutual Protective Association of Riverton, Nebraska,
and that (he) (she) has received a copy of the Report of Examination of Republican Valley Mutual
Protective Association which was adopted on January 11, 2017.

Joan Fries
Signature

Subscribed and sworn before me on May 2, 2017

Lisa Betty
Notary Public



GENERAL INVESTIGATIVE DIVISION
UNITED STATES DEPARTMENT OF JUSTICE
WASHINGTON, D. C. 20535

REPUBLICAN VALLEY MUTUAL PROTECTIVE ASSOCIATION
SHARRON K. WORMAN, SEC-TREAS.
262 O'SULLIVAN ST. – RIVERTON, NE 68972
402-746-3520

STATE OF NEBRASKA
FRANKLIN COUNTY

RE: Republican Valley Mutual Protective Association
Report of Examination as of December 31, 2015

Cecile Goebel, being first duly sworn, states that (he) (she) is one
of the directors of Republican Valley Mutual Protective Association of Riverton, Nebraska,
and that (he) (she) has received a copy of the Report of Examination of Republican Valley Mutual
Protective Association which was adopted on January 11, 2017.

Cecile M Goebel

Signature

Subscribed and sworn before me on May 1, 2017

Deb Pedersen

Notary Public

State of Nebraska – General Notary
DEB PEDERSEN
My Commission Expires
May 3, 2020

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1954
 THE GOVERNMENT OF
 WEST BENGAL
 DEPARTMENT OF
 GENERAL ADMINISTRATION