

NEBRASKA DEPARTMENT
OF INSURANCE

FEB 04 2020

FILED

CERTIFICATION

February 4, 2020

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

SCANDINAVIAN MUTUAL INSURANCE COMPANY OF AXTELL, KEARNEY COUNTY, NEBRASKA

AS OF

DECEMBER 31, 2018

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

Notice of the proposed report for the financial examination of

**SCANDINAVIAN MUTUAL INSURANCE COMPANY OF AXTELL, KEARNEY
COUNTY, NEBRASKA**

417 MAIN STREET

AXTELL, NEBRASKA 68924

dated as of December 31, 2018, verified under oath by the examiner-in-charge on
November 14, 2019, and received by the company on January 7, 2020, has been adopted
without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 21st day of January 2020.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read 'Justin C. Schrader', is written over a horizontal line.

Justin C. Schrader, CFE
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

**SCANDINAVIAN MUTUAL INSURANCE COMPANY OF AXTELL,
KEARNEY COUNTY, NEBRASKA**

as of

December 31, 2018



Axtell, Nebraska
November 19, 2019

Honorable Bruce R. Range
Director of Insurance
Nebraska Department of Insurance
1135 M Street, Suite 300
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:

**SCANDINAVIAN MUTUAL INSURANCE COMPANY OF AXTELL, KEARNEY
COUNTY, NEBRASKA
417 Main Street
Axtell, Nebraska 68924**

(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, 2013 by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on December 31, 2018, 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 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 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, 2018.

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 in 1885, and incorporated under the laws of the State of Nebraska, on February 8, 1890, as fire, lightning, and storm insurance company. Its original name was The Swedish Mutual Fire Insurance Company of Axtell, Kearney County, Nebraska. The original Articles of Incorporation provided for a corporate life of five years.

On January 18, 1894, the original Articles of Incorporation were amended to provide coverage against loss by fire, lightning, and tornado. This amendment also changed the name to Swedish Mutual Fire, Lightning, and Tornado Insurance Company of Axtell, Kearney County, Nebraska (Swedish Mutual FL&T) and provided for a corporate existence of twenty-five years. On this same date another company, Swedish Mutual Livestock Insurance Company of Axtell, Kearney County, Nebraska (Swedish Mutual Livestock), was formed by the Officers, Directors, and policyholders of the Swedish Mutual FL&T.

On January 11, 1915, the Articles of Incorporation were amended to merge Swedish Mutual FL&T and Swedish Mutual Livestock with the surviving company being the Scandinavian Mutual Company of Axtell, Kearney County, Nebraska. This amendment also extended coverage to include horses, mules, and cattle.

The Articles of Incorporation were amended on January 12, 1939 and again on January 8, 1947 to add the perils of fire, lightning, windstorm, inherent explosion, hail damage, and extended coverage on buildings, household goods, horses, cattle, grain, and implements.

In 1994 and 1995, the Board of Directors and the policyholders of the Company approved mergers with Farmers Mutual Insurance Company of Buffalo County in Kearney, Nebraska, and Nysted Farmers Assessment Insurance Company in Dannebrog, Nebraska,

respectively. The mergers were approved by the Department and effective December 31, 1994 and January 1, 1996, respectively.

On January 9, 1996, the Department approved Amended Articles of Incorporation and By-Laws whereby the name of the Company was established as the Scandinavian Mutual Insurance Company of Axtell, Kearney County, Nebraska.

MANAGEMENT AND CONTROL

Members

Article VII of the Company's Articles of Incorporation states that, "all persons holding insurance in this Company shall be members thereof as long as their policies run, providing they faithfully obey the rules and regulations thereof, and meet promptly the assessments made upon them and shall be entitled to cast one vote in the election of Officers."

Section 2 of the Company's By-Laws states that, "the annual meeting of the policy holders is to be in January of each year at such place and time as is decided by the Board of Directors."

Board of Directors

Article III of the Company's Articles of Incorporation states that, "the affairs of this corporation shall be managed by a Board of Directors consisting of not less than 12 nor more than 14 Directors to be elected by the policyholders at their annual meeting for terms not to exceed three years. The sixth duty of Section 4 of the Company's By-Laws states that, "an Executive Committee, composed of both Officers and Directors of the Company, shall conduct the business affairs of the Company in the absence of the Board of Directors." It was noted that the Board of Directors meets annually in January and at specially called meetings. In the interim, the Executive Committee meets monthly to manage the affairs of the Company.

The following persons were serving as Directors at December 31, 2018:

<u>Name</u>	<u>Residency</u>	<u>Term Expires</u>
Dennis Fries	Kearney, Nebraska	2019
Dan High	Bertrand, Nebraska	2019
Larry Landstrom	Axtell, Nebraska	2019
Pat Ryan, Jr.	Axtell, Nebraska	2019
Carroll Bernt	Loomis, Nebraska	2020
David Cyboron	Boelus, Nebraska	2020
Greg Linder	Loomis, Nebraska	2020
Norris Pearson	Holdrege, Nebraska	2020
Leland Schneider	Holdrege, Nebraska	2020
Brent Artz	Wilcox, Nebraska	2021
Ihling Carskadon	Edison, Nebraska	2021
Chris Erickson	Holdrege, Nebraska	2021

Directors receive \$100 per meeting attended and 54.5 cents per mile for travel in the interest of the Company.

Officers

Article III of the Company's Articles of Incorporation states that, "the Board shall elect each year from their membership a President and a Vice-President, who shall serve as Officers of the corporation. A Secretary, Treasurer, or Secretary-Treasurer (non Board member) shall also be elected by the Board for a term of one year."

The following is a listing of Officers elected and serving the Company at December 31, 2018:

<u>Name</u>	<u>Office</u>
Pat Ryan, Jr.	President
Larry Landstrom	Vice President
Loretta Morgan	Secretary-Treasurer

During the examination of the Board of Director's annual meeting minutes, it was noted that Conflict of Interest forms were distributed to the Directors and Officers for completion and signature. It was determined that not all Officers were required to complete Conflict of Interest

forms. While onsite, the Secretary-Treasurer, and Assistant Secretary-Treasurer provided completed Conflict of Interest forms to the exam team. It is suggested that, as a best practice, all Officers complete the Conflict of Interest form annually.

Executive Committee

The Executive Committee serves in place of the Board of Directors during the year and also serves as the Appraisal Committee as required by Section 3 of the Company's By-Laws. Loss payments and other disbursements are reviewed by the Executive Committee on at least a monthly basis.

The following is a listing of the Executive Committee that was appointed by the Board of Directors at its Annual Meeting in January:

Brent Artz	Dennis Fries	Larry Landstrom
Pat Ryan, Jr.	Leland Schnieder	

Article III of the Company's Articles of Incorporation states that, "the Board of Directors may appoint an Executive Committee composed of the President, Vice-President, three Board members and the Secretary-Treasurer (non voting member)." It is recommended that the Company comply with its Articles of Incorporation and appoint the Secretary-Treasurer to the Executive Committee, or amend its Articles of Incorporation to reflect current membership.

Auditing Committee

Section 3 of the Company's By-Laws state that, "the Auditing Committee shall be elected at the annual meeting for a term of one year and shall report at the next annual meeting after election." The Auditing Committee consists of two policyholders that have the duty of reviewing the books for the year and preparing a report for the next annual meeting.

The policyholders that served as the Auditing Committee for 2018 were Bruce Anderbery and Carroll Soderquist.

FIDELITY BOND AND OTHER INSURANCE

The Company carries employee dishonesty coverage, in the amount of \$100,000 per occurrence. This coverage is provided by Auto-Owners Insurance Company and covers Loretta Morgan, Erin Pittz, and Pat Ryan, Jr.

The Company also carries professional liability coverage through NAMIC Professional Liability Insurance Program for its agents and brokers, and Directors and Officers. Each policy is in the amount of \$1,000,000. The agents and brokers policy is subject to a \$2,500 deductible, and the Directors and Officers policy is subject to a \$10,000 deductible.

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. Article II of the Company's Articles of Incorporation state that, "the object of the Company shall be to insure its members against loss by fire, lightning, windstorm, or hail, inherent explosion, and extended coverage on buildings, household goods, horses, cattle, grain and implements."

REINSURANCE

The Company is a member of the Nebraska Farmers Mutual Reinsurance Association of Wahoo, Nebraska (NFMRA). Under the contract for 2018, the Company retained a liability equal to \$2,970 per million of its average insurance in-force. After the aggregate retention was incurred, NFMRA assumed 100% of any additional liability. The Company's preliminary retention for 2018 was noted to be \$639,278.

Prior to incurring the retention limit, NFMRA assumes 100% of any insured loss on a single risk greater than \$40,000 up to \$660,000. Recoveries made under this section, which are

greater than recoveries available under the aggregate retention, are deducted from subsequent aggregate recoveries.

NFMRA agreed to participate in losses to single risks insured up to a limit of \$1,200,000 for farm outbuildings and machinery, or \$700,000 for all other covered property in any one risk. The contract provides that the Company is the judge of what constitutes one risk except that in no event shall a building and its contents be considered more than one risk.

General

The contract reviewed contained a standard insolvency, arbitration, offset, and errors and omissions clause. The contract in place for 2018 did not contain an entire agreement clause, however, the examiner verified that the Company's 2019 NFMRA contract did include an appropriate 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, 2018. All amounts are based on the findings of the current examination:

STATEMENT OF INCOME AND DISBURSEMENTS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Balance, beginning of year	\$1,935,269	\$1,752,943	\$2,043,108	\$1,695,625	\$2,211,503
<u>Income</u>					
Assessments paid in advance	\$1,416,071	\$1,698,948	\$1,573,208	\$1,572,109	\$1,653,021
Return on cancellations	<u>(7,877)</u>	<u>(15,784)</u>	<u>(14,546)</u>	<u>(17,564)</u>	<u>(28,061)</u>
Total underwriting income	\$1,408,194	\$1,683,164	\$1,558,662	\$1,554,545	\$1,624,960
Interest on investment	14,391	13,739	31,255	19,806	33,160
Other interest	10,459	(4,819)	25,369	48,666	(21,492)
Liability premiums	70,865	73,011	66,479	69,940	73,550
Lost checks		57,205	719	265	13,576
Late fees	760	763	609	710	610
Reinsurance premium refund	56,794	67,879			89,446
Surplus note				68,717	
Income tax refund		31,011		72,542	
Balance adjustment			614		
Miscellaneous	<u>96</u>	<u>30</u>	<u>316</u>	<u>309</u>	<u>145</u>
Total income	<u>\$1,561,558</u>	<u>\$1,921,983</u>	<u>\$1,684,024</u>	<u>\$1,835,500</u>	<u>\$1,813,955</u>
<u>Disbursements</u>					
Gross losses paid	\$4,176,489	\$ 877,739	\$1,213,824	\$ 568,647	\$ 675,327
Recovered from reinsurance	<u>(3,429,507)</u>	<u>(647,628)</u>	<u>(392,722)</u>	<u>(223,528)</u>	<u>(22,036)</u>
Net losses paid	\$ 746,982	\$ 230,111	\$ 821,103	\$ 345,119	\$ 653,291
Adjusting expense	48,997	49,437	49,869	50,350	57,711
Auditing and tax expense	5,080	2,325	2,751	3,162	3,050
Commissions paid to agents	149,526	174,229	163,932	164,818	171,470
Insurance	13,784	11,319	11,405	11,016	12,734
Utilities	3,110	2,908	2,774	2,865	3,008
Retirement contribution	6,400	6,520	6,750	6,885	
Salaries and expenses of					
Directors and Officers	65,330	70,014	75,335	69,562	72,109
Salaries of employees	19,842	24,288	51,173	61,413	46,287
Office supplies	10,887	5,775	7,166	12,001	10,900
Repair on real estate	1,064	749	524	60	764
Taxes on real estate	986	848	729	904	1,200
Insurance department licenses and fees	19,889	20,996	22,467	17,963	7,252
All other taxes	71,542	9,425	222,928	12,543	199,631

Disbursements (cont.)

Advertising, printing and stationary	4,079	3,517	5,334	4,993	5,948
Telephone and postage	4,813	4,211	3,857	4,739	5,470
Reinsurance premiums paid	490,505	503,784	505,730	468,571	458,279
Association dues	5,189	5,446	5,830	6,312	6,105
Liability premiums	71,219	70,101	67,851	70,061	72,076
Lost checks		57,205	655	235	13,576
Miscellaneous	635	582	318	1,591	1,509
Balance adjustment					369
HighTower fee				2,143	2,568
Adjusting common stock to cost basis					(9,584)
NAMIC advocacy fund	1,000				
Surplus notes		375,000			
Morgan Stanley fee	150	150	150		
Real estate depreciation	<u>2,877</u>	<u>2,877</u>	<u>2,877</u>	<u>2,317</u>	<u>2,317</u>
Total disbursements	<u>\$1,743,884</u>	<u>\$1,631,818</u>	<u>\$2,031,507</u>	<u>\$1,319,623</u>	<u>\$1,798,038</u>
Balance, end of year	<u>\$1,752,943</u>	<u>\$2,043,108</u>	<u>\$1,695,625</u>	<u>\$2,211,503</u>	<u>\$2,227,419</u>

STATEMENT OF ASSETS AND LIABILITIES
December 31, 2018**ASSETS****Ledger Assets**

Real estate	\$ 22,033	
Bonds	175,000	
Common stocks	252,438	
Certificates of deposit	1,235,000	
Other cash deposited in banks	<u>542,948</u>	
Total ledger assets		<u>\$2,227,419</u>

Non-Ledger Assets

Interest due or accrued	\$ 143,996	
Furniture	33,004	
Supplies	2,000	
Surplus notes	<u>322,770</u>	
Total non-ledger assets		<u>\$ 501,770</u>
Gross assets		<u>\$2,729,189</u>

Assets Not Admitted

Furniture	\$ 33,004	
Supplies	2,000	
Surplus note	<u>322,770</u>	
Total assets not admitted		\$ <u>357,774</u>
Total admitted assets		<u>\$2,371,415</u>

LIABILITIES AND SURPLUS

Losses adjusted and unpaid	\$ 94,497	
Claims reported but not adjusted	157,810	
Reinsurance	(16,600)	
Unearned premiums	727,470	
Unpaid salaries and commissions	23,636	
Liability premium	5,379	
Federal withholding	2,520	
State withholding	1,127	
UC – federal	168	
Insurance department	<u>19,517</u>	
Total liabilities		\$1,015,525
Surplus as regards policyholders		<u>1,355,891</u>
Total liabilities and surplus		<u>\$2,371,415</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:

Conflict of Interest Statements – The Board of Directors signed conflict of interest statements in 2011 but not during the other examination years. It is recommended that the Company’s Board of Directors sign conflict of interest statements on an annual basis.

Action: The Company has complied with this recommendation.

Fidelity Bond Coverage – It is recommended that the Company re-evaluate the adequacy of its coverage based upon its exposure.

Action: The Company has complied with this recommendation.

Reinsurance Clauses – It is recommended that the Company amend its reinsurance contract to include an arbitration clause, an offset clause, and an error 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.

Action: The Company has complied with this recommendation.

Safekeeping Agreements – It is recommended that the Company amend its safekeeping agreements to ensure compliance with Title 210 (Nebraska Department of Insurance Rules and Regulations), Chapter 81.

Action: The agreements at issue during the prior examination are no longer in existence. This issue is no longer applicable.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Real Estate **\$ 22,033**

Real estate owned by the Company consists of land and a building in downtown Axtell, Nebraska. The building houses the Company's office. The property was acquired on August 28, 1946 for \$1,000, which with subsequent net capitalized improvements, less depreciation, accounts for the book value of \$22,033.

Bonds **\$ 175,000**

Bonds owned by the Company at December 31, 2018, consisted of United States Government Series "EE" Bonds. The accrued interest on these bonds was \$153,580 as of the examination date and was included on the financial statement as a non-ledger asset.

The Company maintains physical custody of these securities in a safe deposit box at Farmers & Merchants Bank, which was verified by the examiner.

Common Stocks **\$ 252,438**

The Company is reporting the market value as a ledger asset for \$242,854, but should be reporting the cost as a ledger asset of \$252,438, and the unrealized loss as a non-ledger asset of

\$(9,583.87). This will also require an adjustment to the disbursements to account for the change and follow the annual statement instructions. It is recommended that the Company report the cost of the common stock as a ledger asset and recognize the unrealized gains or losses as a non-ledger asset of interest due or accrued on investments.

The Company owns mutual funds, categorized as common stocks, that are managed by HighTower Advisors, LLC (Hightower). The mutual funds are subject to an appropriate Discretionary Advisory Agreement with Hightower, but the exam team was not able to obtain a custody agreement regarding these assets. The Discretionary Advisory Agreement with Hightower outlines that Hightower will utilize Independent Qualified Custodians, as defined in the Investment Advisers Act of 1940. It is recommended that the Company work with Hightower, to identify where the Company's assets, delineated between Core Account and Mutual Funds on the monthly investment report, are being held. From there, the Company should work with the custodian(s) and enter into a custodial agreement that contains the required provisions of Nebraska Department of Insurance Rules and Regulations, Title 210, Chapter 81.

Certificates of Deposit

\$1,235,000

As of December 31, 2018 the Company owned twenty-one certificates of deposit with a value of \$1,235,000. Each certificate of deposit was physically verified by the examiner as they were held in the Company's safe deposit box at Farmers & Merchants Bank.

Cash Deposited in Banks

\$ 542,948

This asset consisted of a checking account and a money market account. These deposits were verified by obtaining a direct confirmation from the bank. The amount indicated thereon for the checking account was reconciled to the Company's records as of December 31, 2018, by giving consideration to outstanding checks.

Interest Due or Accrued on Investments

\$ 143,996

Accrued interest on bonds as of December 31, 2018 amounted to \$153,580 and was reported by the company. As noted under Common Stocks above, the Company has been reporting common stocks at market value and not on a cost basis. The unrealized loss reported under common stocks amounted to \$9,583.87 and should be reported as interest accrued. It is recommended that the Company report its common stocks at cost and recognize the unrealized gains or losses as non-ledger assets.

NFMRA Surplus Note

\$ 322,770

The surplus note issued by NFMRA had a value of \$16,487 as of December 31, 2013. In 2015, NFMRA issued another surplus note in the amount of \$375,000 to offset losses sustained in 2014. In 2017, NFMRA paid down the note by \$68,717 to arrive at the reported value of \$322,770. This item is deducted as an asset not admitted in both the Company's 2018 Annual Statement and the financial statements of this report in accordance with Statement of Statutory Accounting Principles No. 41.

Statement of Statutory Accounting Principles No. 41, Paragraph 10(b)(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:

\$2,371,415	Admitted asset (including surplus note)
<u>1,015,525</u>	Less liabilities
\$1,355,890	Total capital, surplus and surplus note

\$2,371,415
5% of admitted assets
\$ 118,571

Greater of \$118,571 or \$6,000,000

\$1,355,890
- 6,000,000
\$(4,644,110)/1,355,890 = (3.43) statement factor

Furniture and Supplies **\$ 35,004**

The non-ledger amount of \$35,004 reflects the depreciated cost of the Company's office equipment, furniture, and supplies. This item is deducted, as an asset not admitted in both the Company's 2018 Annual Statement and the financial statements of this report in accordance with accepted insurance accounting practices.

Losses Adjusted and Unpaid **\$ 94,497**

The Company established a liability for unpaid losses amounting to \$94,497 in its December 31, 2018 Annual Statement. The sixteen losses adjusted and unpaid were traced to subsequent settlement and it appears the reserve was appropriate.

Losses Reported but Unadjusted **\$ 157,810**

The Company established a liability for thirty-three unadjusted losses amounting to \$157,810 in its December 31, 2018 Annual Statement. A loss development calculation was completed and indicated that the reserve established at December 31, 2018 was sufficient.

Reinsurance Recoverable **\$ 16,600**

The Company established a reinsurance recoverable in the amount of \$16,600 from 2016 outstanding losses. During 2016, the Company met its retention and after review of 2016 unadjusted claims by the examiner, the amount was verified. Once these claims are paid by the Company, NFMRA will reimburse the Company.

Unearned Premiums**\$ 727,470**

The Company reported unearned premiums of \$727,470 in its December 31, 2018 Annual Statement. Amounts reported are calculated by applying unearned factors, computed using the monthly pro rata method, to each month's premiums.

Unpaid Salaries and Commissions**\$ 23,636**

Unpaid salaries and commissions as of December 31, 2018 consisted of the following:

President salary	\$ 1,847
Secretary/Treasurer salary	3,831
Asst. Secretary/Treasurer salary	2,191
Adjuster salary	2,940
Adjuster expenses	380
Agent commissions	<u>12,446</u>
Total	<u>\$23,636</u>

The agents' commission liability was settled in January 2019.

Other Liabilities**\$ 28,712**

Unpaid other liabilities as of December 31, 2018 consisted of the following:

Liability premium	\$ 5,379
Federal withholding	2,520
State withholding	1,127
UC – federal	168
Insurance department	<u>19,517</u>
Total	<u>\$28,712</u>

The insurance department liability represented the premium tax due from the Company to the Nebraska Department of Insurance. This amount was settled in February 2019.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

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

Conflict of Interest – It is suggested that, as a best practice, all Officers complete the Conflict of Interest form annually.

Executive Committee – It is recommended that the Company comply with its Articles of Incorporation and appoint the Secretary-Treasurer to the Executive Committee, or amend its Articles of Incorporation to reflect current membership.

Common Stock Unrealized Gains/Losses – It is recommended that the Company report the cost of the common stock as a ledger asset and recognize the unrealized gains or losses as a non-ledger asset of interest due or accrued on investments.

Custodial Agreement – It is recommended that the Company work with Hightower to identify where the Company's assets, delineated between Core Account and Mutual Funds on the monthly investment report, are being held. From there, the Company should work with the custodian(s) and enter into a custodial agreement that contains the required provisions of Nebraska Department of Insurance Rules and Regulations, Title 210, Chapter 81.

ACKNOWLEDGMENT

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 "Isaak Russell", written over a horizontal line.

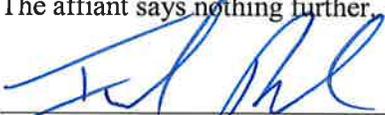
Isaak Russell, CFE
Supervisory Examiner
Department of Insurance
State of Nebraska

State of Nebraska,
County of Lancaster,

Isaak Russell, being duly sworn, states as follows:

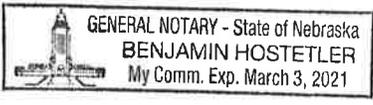
1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Scandinavian Mutual Insurance Company of Axtell, Kearney County, Nebraska.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Scandinavian Mutual Insurance Company of Axtell, Kearney County, Nebraska 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 ISAIAK RUSSELL on this 14th day of November, 2019.



(SEAL)



Notary Public

My commission expires 3-3-21 [date].