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FILED 

DEC 20 2013

Department of Insurance  
State of Idaho

*Attorneys for the Department of Insurance*

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE  
OF THE STATE OF IDAHO**

In the Matter of:

NEZ PERCE FARMERS COUNTY  
MUTUAL FIRE INSURANCE COMPANY

Certificate of Authority No. 1922  
NAIC No. 14429

Docket No. 18-2909-13

**ORDER ADOPTING REPORT  
OF EXAMINATION AS OF  
DECEMBER 31, 2011**

The State of Idaho, Department of Insurance (Department), having conducted an examination of the affairs, transactions, accounts, records, and assets of Nez Perce Farmers County Mutual Fire Insurance Company (Nez Perce), in accordance with Idaho Code § 41-219(1), hereby alleges the following facts that constitute a basis for issuance of an order, pursuant to Idaho Code § 41-227(5)(a), adopting the Report of Examination of Nez Perce Farmers County Mutual Fire Insurance Company as of December 31, 2011 (Report), as filed.

## FINDINGS OF FACT

1. Nez Perce is an Idaho-domiciled county mutual fire insurer, organized pursuant to Idaho Code § 41-3102, and is licensed to transact property insurance in Idaho under Certificate of Authority No. 1922.

2. The Department completed an examination of Nez Perce in accordance with Idaho Code § 41-219(1) on or about November 14, 2013. The Department's findings are set forth in the Report.

3. Pursuant to Idaho Code § 41-227(4), a copy of the Report, verified under oath by the Department's examiner-in-charge, was filed with the Department on November 14, 2013, and a copy of such verified Report was transmitted to Nez Perce on the same date. A copy of the verified Report is attached hereto as Exhibit "A."

4. On or about December 9, 2013, the Department received a Waiver signed by Rita L. Blewett, as Secretary/Treasurer of Nez Perce. By execution of such Waiver, a copy of which is attached hereto as Exhibit "B," Nez Perce consented to the immediate entry of a final order by the Department's Director (Director) adopting the Report without any modifications; waived its right to make a written submission or rebuttal to the Report; and waived its right to request a hearing and to seek reconsideration or appeal from the Director's final order adopting the Report.

5. No written submissions or rebuttals, pursuant to Idaho Code § 41-227(4), with respect to any matters contained in the Report were received by the Department from Nez Perce.

## CONCLUSIONS OF LAW

6. Idaho Code § 41-227(5)(a) provides that "[w]ithin thirty (30) days of the end of the period allowed for the receipt of written submissions or rebuttals, the director shall fully consider and review the report, together with any written submissions or rebuttals and relevant

portions of the examiner's work papers" and shall enter an order adopting the report of examination as filed or with modifications or corrections.

7. Having fully considered the Report, the Director concludes that Nez Perce meets the minimum requirements set forth in Idaho Code § 41-3112A.

**ORDER**

NOW, THEREFORE, based on the foregoing, IT IS HEREBY ORDERED that the Report of Examination of Nez Perce Farmers County Mutual Fire Insurance Company as of December 31, 2011, is hereby ADOPTED as filed, pursuant to Idaho Code § 41-227(5)(a).

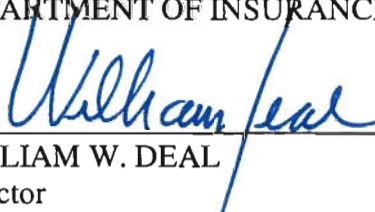
IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(8), that the adopted Report is a public record and shall be exempt from the exemptions from disclosure provided in chapter 3, title 9, Idaho Code.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(6)(a), that, within thirty (30) days of the issuance of the adopted Report, Nez Perce shall file with the Department's Chief Examiner affidavits executed by each of its directors stating under oath that they have received a copy of the adopted Report and related orders.

**IT IS SO ORDERED.**

DATED this 20<sup>th</sup> day of December, 2013.

STATE OF IDAHO  
DEPARTMENT OF INSURANCE

  
\_\_\_\_\_  
WILLIAM W. DEAL  
Director

**CERTIFICATE OF SERVICE**

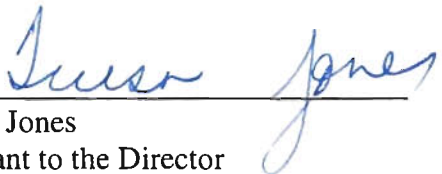
I HEREBY CERTIFY that, on this 20th day of December, 2013, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2011 to be served upon the following by the designated means:

Nez Perce Farmers County Mutual Fire Insurance Company  
Rita L. Blewett, Secretary/Treasurer  
P.O. Box 140  
Kendrick, ID 83537-0140  
[blewettinsuranceagency@tds.net](mailto:blewettinsuranceagency@tds.net)

- first class mail
- certified mail
- hand delivery
- email

Georgia Siehl, CPA, CFE  
Bureau Chief / Chief Examiner  
Idaho Department of Insurance  
700 W. State Street, 3<sup>rd</sup> Floor  
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- first class mail
- certified mail
- hand delivery
- email

  
\_\_\_\_\_  
Teresa Jones  
Assistant to the Director

DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

of the

NEZ PERCE FARMERS COUNTY MUTUAL  
FIRE INSURANCE COMPANY

(NAIC Company Code: 14429)

as of

December 31, 2011



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*State of Idaho*  
**DEPARTMENT OF INSURANCE**

C.L. "BUTCH" OTTER  
Governor

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Phone (208)334-4250  
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WILLIAM W. DEAL  
Director

Boise, Idaho  
November 14 , 2013

The Honorable William W. Deal  
Director of Insurance  
State of Idaho  
700 West State Street  
P. O. Box 83720  
Boise, Idaho 83720-0043

Dear Director:

Pursuant to your instructions, in compliance with Section 41-219(1), Idaho Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2011 of:

Nez Perce Farmers County Mutual Fire Insurance Company  
408 East Main Street  
Kendrick, Idaho 83537

hereinafter referred to as "the Company" at its offices in Kendrick, Idaho. The following Report of Examination is respectfully submitted.

## SCOPE OF EXAMINATION

This examination covered the period January 1, 2007, through December 31, 2011, and included such prior transactions and any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination. The examination was conducted in accordance with Section 41-219(1), Idaho Code, the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*, the NAIC *Market Regulation Handbook*, and the NAIC *Accounting Practices and Procedures Manual*. We performed our testing in order to achieve a confidence level commensurate with the risk assessed through utilization of the NAIC *Financial Condition Examiners Handbook*. Verification and valuation of assets, liabilities, and surplus to policyholders, and an analysis and review of such other accounts and records as appropriate to the examination were also performed.

A Letter of Representation was signed by the Company attesting to its ownership of all assets and to the nonexistence of unrecorded liabilities or contingent liabilities.

In addition to the Report of Examination, a Management Letter was issued to the Company by the Department which covered items that were not included in the Report, due to the materiality threshold, items that were related to proprietary/operational issues, as well as minor accounting and/or annual statement reporting corrections.

## PRIOR EXAMINATION

The prior financial examination was conducted by the Idaho Department of Insurance covering the period January 1, 2002 through December 31, 2006. The prior examination report did not contain any comments and/or recommendations.

## HISTORY AND DESCRIPTION

The Company was organized and incorporated as a domestic county mutual fire insurance company under Chapter 31, Idaho Code during 1904. The Company received its first certificate of authority during 1905 and commenced operations in the same year. The Company currently operates under a certificate of authority which allows it to insure property in the following seven Idaho counties:

Benewah Clearwater Idaho Latah Lewis Nez Perce Shoshone

In 2003, the Company merged with Idaho Farmers County Mutual Fire Insurance Company. The Company was the surviving entity. The members of Idaho Farmers County Mutual Fire Insurance Company adopted the plan for merger on May 23, 2003. Members of the Company adopted the plan for merger on June 13, 2003. The merger was approved by the Idaho Department of Insurance in August 2003. In this connection, the Company filed amended Articles of Incorporation and Bylaws. The Idaho Department of Insurance approved the amended Articles of Incorporation on August 8, 2003 and the amended Bylaws on August 12, 2003.



## MANAGEMENT AND CONTROL

### General

The Company is governed by a ten member Board of Directors pursuant to Sections 41-3109 and 41-3110, Idaho Code. The Directors are also members and policyholders of the Company. The officers of the Company are president, vice-president, secretary and treasurer. Rita Blewett, Secretary-Treasurer manages the Company's operations from her agency office located in Kendrick, Idaho. The Company does not have any committees. The annual meetings of the members and the Board of Directors are held on the first Saturday of May. The Board of Directors meet twice annually on the first Saturdays of May and November.

### Board of Directors

The following members were elected as Directors of the Company as of December 31, 2011:

<u>Name</u>	<u>Profession</u>
Douglas H. Ashburn	Self-employed Farmer
Rita Louise Blewett	Secretary-Treasurer, Nez Perce Farmers County Mutual Fire Insurance Company
Dennis Duane Burgess	Self-employed Farmer
Susan Kay Larson	Realtor, Empire Realty Services
Doris V. Pettichord	Retired
Helen Marie Riggers	Retired
Randy John Tiede	Self-employed Farmer
Lawrence Henry Wemhoff	Self-employed Farmer
Norma Diane Wemhoff	Accountant, Forsman & Associates
Yvonne Jean White	Retired

Directors are paid fees of \$20 for each Board meeting attended. The President of the Board of Directors is paid an annual fee of \$1,000, plus a fee of \$0.10 for each policy signed. Mileage to and from Board meetings is paid at rates approved by the Board of Directors. At year-end 2011, the rate was \$0.50 per mile. Effective May 2012, the approved rate increased to \$0.55 per mile.

### Officers

The following persons were serving as officers of the Company at December 31, 2011:

Dennis Duane Burgess	President
Lawrence Henry Wemhoff	Vice President
Rita Louise Blewett	Secretary-Treasurer

### Committees

Pursuant to IDAPA 18.01.62.010.03, the Board of Directors also serves as the Audit Committee. The Company does not have any other committees.

### Conflict of Interest

The Company adopted a conflict of interest policy that provides for any officer, director or responsible employee to disclose to the Board of Directors any material interest or affiliation which conflicts with the duties of such person on behalf of the Company. The statements completed during all years under examination and subsequent thereto appeared to appropriately disclose any possible conflicts of interest.

## CORPORATE RECORDS

### Articles of Incorporation and Bylaws

The Company's records indicated that the Articles of Incorporation and Bylaws were not amended during the period under examination.

### Minutes of Meetings

A review of the minutes of the meetings of the Board of Directors for the period January 1, 2007 through December 31, 2011 and subsequent thereto indicated that a quorum was present at all meetings held during the examination period. The minutes appear to adequately reflect and approve the significant activities of the Company.

## FIDELITY BOND AND OTHER INSURANCE

Insurance coverages for the protection of the Company were maintained during the period under examination. Coverages in effect as of December 31, 2011 included fidelity bond coverage; employers' liability, professional liability and directors and officers liability.

The protection of the financial institution bond met the suggested minimum limits recommended by the NAIC *Financial Condition Examiners Handbook*.

The insurance companies providing coverage to the Company were licensed or otherwise authorized in the State of Idaho.

## PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has two employees. Major medical insurance is provided to the Secretary-Treasurer. Vacation and holidays are also provided by the Company.

## TERRITORY AND PLAN OF OPERATION

The Company provides fire and lightening and extended coverages up to \$250,000 per policy and retains a maximum of \$25,000. Policies are insured for the full cash value of the property. Policy rates levied against members range from \$2.50 to \$10 per \$1,000 insurance coverage depending on the type of dwelling and occupancy. Business is procured by the Directors acting in the capacity of agents under Director-Agent agreements. The Directors are compensated a commission of \$20 per policy written, plus \$8 per \$12,000 coverage or fractions thereof and \$1 per photo for underwriting purposes. A \$25 incentive bonus is also paid on each new member. Directors also serve as claims adjusters for the Company and are compensated at the rate of \$20 per hour, \$1 per photograph, and \$0.50 per mile. Subsequent to the examination date, the mileage rate was increased to \$0.55 per mile. In addition, the Directors are also paid an agent fee of \$200 twice a year.

Insured persons must agree to become members of the Company and abide by the Bylaws and pay pro rata shares of losses incurred by the members as they are levied by periodic assessments.

## GROWTH OF THE COMPANY

The Company's growth for the years indicated, as taken from the prior examination report and its Annual Statements, is shown in the following schedule:

<u>Year</u>	<u>Number of Members</u>	<u>Insurance In-Force</u>	<u>Surplus to Policyholders</u>
2006*	483	\$38,273,565	\$659,573
2007	461	38,463,109	687,454
2008	410	38,031,048	619,850
2009	387	36,857,405	608,311
2010	357	34,644,483	574,920
2011*	350	34,050,983	578,751

\*As determined by Examination.

Insurance in-force has decreased due to declining membership. Surplus to policyholders has decreased due to liquidation of assets to pay claims and other expenses of the Company.

## LOSS EXPERIENCE

The ratios of net losses paid to net assessments/premium income collected shown in the following schedule were derived from amounts reported in the Company's Annual Statements:

<u>Year</u>	<u>Net Assessments/ Premium Income</u>	<u>Net Losses Paid</u>	<u>Ratio Net Losses Paid to Net Assessments/ Premium Income Collected</u>
2006*	\$94,063	\$29,958	31.85%
2007	92,878	11,772	12.68%
2008	84,140	90,000	106.97%
2009	86,224	17,358	20.14%
2010	97,377	11,024	11.32%
2011*	71,520	26,125	36.53%

\* As determined by Examination.

Net assessments and premium income has decreased due to declining membership. Net losses paid fluctuate based on the number and severity of claims paid. Several claims paid in 2008 exceeded the Company's retention of \$25,000 and were offset by reinsurance. See Note 1 to the Financial Statements for additional information relative to years 2010 and 2011.

### REINSURANCE

#### Assumed

The Company did not assume any reinsurance business during the examination period.

#### Ceded

The Company ceded property business through an excess of loss reinsurance agreement to General Reinsurance Corporation, Stamford, Connecticut. Agreement No. 8955 was effective on January 1, 2002 and applied to business written by the Company defined as insurance against fire and lightning, theft and upset of farm machinery, other perils covered in the Standard Form Endorsement for Extended Coverage, Farm Dwelling Building(s) and Contents Broad Form, Farm Dwelling Building(s) Special Form and vandalism, Malicious Mischief and personal property theft endorsement.

The Company's retention under the reinsurance agreement is \$25,000 and the reinsurer's limit of liability is \$225,000. Regarding catastrophe coverage, the Company's retention is the greater of 100 percent of annual assessment income, excluding member fees and quota share treaty premium paid, or \$50,000. The reinsurer's catastrophe cover limits are 90 percent of the next \$250,000 of the ultimate net loss up to a maximum of 90 percent of \$500,000 for all losses.

The agreement contained the standard insolvency clause and termination and arbitration provisions. The termination clause provided that the agreement may be terminated by either party upon ninety days written notice. The agreement was renewed throughout the examination

period by endorsement numbers 7 through 10. The reinsurance agreement appeared to appropriately transfer risk pursuant to SSAP No. 62R.

Agreement No. 8955 was terminated effective January 1, 2012 and replaced concurrently by Agreement No. 8955-12. This agreement is substantially similar to the previous agreement, with the same Company retention and reinsurer limits of liability. The agreement was subsequently renewed for the period January 1, 2013 through December 31, 2013 by Endorsement No. 1.

### INSURANCE PRODUCTS AND RELATED PRACTICES

#### Policy Forms and Underwriting

The Company's underwriting guidelines are set forth in its Bylaws and policy form. The Articles of Incorporation contain a provision that the liability of each member is not limited.

Premium and/or assessment rates in effect as of December 31, 2011 are as follows:

<u>Risk</u>	<u>Rate</u>
Fire and Lightning	A policy fee of \$4 each five years, plus \$2.50 to \$10.00 per year for each \$1,000 of insurance coverage (frame/brick or manufactured homes).
Extended Coverage	\$0.90 for each \$1,000 of insurance.
Glass	\$8 per \$100; \$10.50 per \$250, and \$14 per \$500 of coverage.
Personal Property and Theft	\$2 per \$1,000 of theft as long as theft coverage equals personal property coverage.
Vandalism and Malicious Mischief	\$0.10 per \$1,000.
Broad Form Perils	\$0.43 per \$1,000.
Special Form Perils	\$0.51 per \$1,000.
Theft and Upset – Farm Machinery	\$1.50 per \$1,000.

In addition, each policy was assessed \$20.00 fixed charge each year for the purpose of encouraging members to consolidate many small policies so that rates were competitive and would equalize the cost of administering small policies versus combined policies.

Subsequent to the examination date, the rate for extended coverage was increased to \$1.15 for each \$1,000 of insurance effective January 1, 2013. In addition, the Board of Directors approved increasing the deductible from \$100 to \$250 effective January 1, 2014.

An underwriting review of all new business written in 2011 was performed. It was determined the Company is properly underwriting new insurance policies. Premiums for new policies are appropriate and are being collected in a timely manner.

#### Treatment of Policyholders

A review of all claims paid during the examination period was performed to ascertain if the Company handled claims promptly and properly. This review indicated that claims were settled in a prompt manner.

The Company maintains complaint handling records in compliance with Section 41-1330, Idaho Code. A review of these records indicated there weren't any complaints filed with the Company or the Idaho Department of Insurance during the period under examination.

#### Advertising and Sales Materials

As previously reported, the Company's business is produced by its Directors acting in the capacity of agents. Pursuant to Section 41-3109(3), Idaho Code, the Directors may also act as agents and are not required to be licensed by the Idaho Department of Insurance.

The Company does not utilize formal means of advertising.

### ACCOUNTS AND RECORDS

The Company uses an HP Pavillion 513n computer with the Windows XP operating system. For security reasons, the Company's computer system is not connected to the Internet.

Software utilized is the APPS program from IMT Computer Service. Only parts of the program are in use for policy face sheet processing, billings, and customer payments. The Company does not use the APPS program for accounting or claims processing. Instead, the Company maintains a manual accounting system, including accounts receivable and accounts payable ledgers.

The Company writes less than \$1,000,000 direct premium and has less than 1,000 members. Therefore, the Company is exempt under IDAPA 18.01.62.001.02 and is not required to have an audit performed by an independent certified public accountant.

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## FINANCIAL STATEMENTS

The financial section of this report contains the following statements:

Assets as of December 31, 2011.

Liabilities and Surplus as of December 31, 2011.

Statement of Income, for the Year Ending December 31, 2011.

Capital and Surplus Account, for the Year Ending December 31, 2011.

Reconciliation of Capital and Surplus, December 31, 2006 through December 31, 2011.

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ASSETS

As of December 31, 2011

	<u>Per Company</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>
	<u>Net Admitted</u>		<u>Net Admitted</u>
Cash on hand; Deposited in Banks	<u>\$617,959</u>	<u>\$ 0</u>	<u>\$617,959</u>
Total Assets	<u>\$617,959</u>	<u>\$ 0</u>	<u>\$617,959</u>

LIABILITIES AND SURPLUS

As of December 31, 2011

Unearned premium reserve for premiums or premium assessments	\$ 37,764
Commissions due and payable to agents	<u>1,444</u>
Total Liabilities	<u>\$ 39,208</u>
Surplus to policyholders	<u>\$578,751</u>
Total Liabilities and Surplus to policyholders	<u>\$617,959</u>

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STATEMENT OF INCOME

For The Year Ending December 31, 2011

	<u>Per Company</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>
Income Received During Year			
Assessments or Premiums collected during current year 2011, net of \$964 refunds	\$130,997	\$ 0	\$130,997
Deduct Premiums for reinsurance ceded to other Companies (Note 1)	(48,010)	(11,466)	(59,476)
Rounding	<u>(1)</u>	<u>0</u>	<u>0</u>
Net income "on writings" (Note 1)	\$ 82,986	\$(11,466)	\$ 71,521
Other income:			
Membership Fees, Expense Constant, Service Charges	8,744	0	8,744
Interest Earned on Surplus	<u>9,840</u>	<u>0</u>	<u>9,840</u>
Total Income Receipts (Note 1)	<u>\$101,570</u>	<u>\$(11,466)</u>	<u>\$ 90,105</u>
Disbursements During Year			
Gross amount of Losses paid and incurred during current year 2011	<u>\$ 26,125</u>	<u>\$ 0</u>	<u>\$ 26,125</u>
Net amount of Losses paid	\$ 26,125	\$ 0	\$ 26,125
Claims adjustment expense	322		322
Commissions paid to agents	5,150		5,150
Salaries to officers	39,701		39,701
Other compensation to officers	1,046		1,046
Salaries to employees	3,429		3,429
Liability Insurance, Workers Comp, Bond	4,910		4,910
Payroll taxes	3,729		3,729
Licenses and Insurance Department fees	500		500
Directors' Fees and Expense	1,021		1,021
Agents' Expense	5,290		5,290
Employee Medical	19,774		19,774
Catastrophe Treaty (Note 1)	7,500	7,500	15,000
Office Expenses, Dues, Subscriptions	8,802		8,802
Conference, Meetings, PR	1,091		1,091
Rounding	<u>(1)</u>	<u>(1)</u>	<u>0</u>
Total Funds Disbursed	<u>\$128,389</u>	<u>\$ 7,500</u>	<u>\$135,890</u>
Net income/(loss) during year (Note 1)	<u>(\$26,819)</u>	<u>(\$18,966)</u>	<u>(\$45,785)</u>

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CAPITAL AND SURPLUS ACCOUNT

For the Year Ending December 31, 2011

	<u>Per Company</u>	<u>Examination Changes</u>	<u>Per Examination</u>
Surplus to Policyholders, December 31, 2010	\$574,920	\$ 0	\$574,920
<b>GAINS AND (LOSSES) IN SURPLUS</b>			
Change in Non-Ledger Liabilities	\$ 49,616	\$ 0	\$ 49,616
Net income(loss) (Note 1)	<u>(26,819)</u>	<u>(18,966)</u>	<u>(45,785)</u>
Change in Surplus to Policyholders for the year (Note 1)	<u>\$ 22,797</u>	<u>\$(18,966)</u>	<u>\$ 3,831</u>
Amount 2010 Annual Statement out of balance (Note 1)	<u>\$(18,966)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Surplus to Policyholders, December 31, 2011 (Note 2)	<u>\$578,751</u>	<u>\$ 0</u>	<u>\$578,751</u>

RECONCILIATION OF CAPITAL AND SURPLUS ACCOUNT

December 31, 2006 through December 31, 2011

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Surplus to Policyholders December 31, previous year	<u>\$659,573</u>	<u>\$687,454</u>	<u>\$619,850</u>	<u>\$608,311</u>	<u>\$574,920</u>
Change in Non-Ledger Liabilities	\$ 5,419	\$ 1,644	\$(3,040)	\$ (43,446)	\$ 49,616
Net income(loss) (Note 1)	<u>22,462</u>	<u>(69,248)</u>	<u>(8,499)</u>	<u>10,055</u>	<u>(45,785)</u>
Change in Surplus to Policyholders for the year	<u>\$ 27,881</u>	<u>\$(67,604)</u>	<u>\$(11,539)</u>	<u>\$ (33,391)</u>	<u>\$ 3,831</u>
Surplus to Policyholders, December 31 (Notes 1 and 2)	<u>\$687,454</u>	<u>\$619,850</u>	<u>\$608,311</u>	<u>\$574,920</u>	<u>\$578,751</u>

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NOTES TO THE FINANCIAL STATEMENTS

Note (1) Premiums for reinsurance ceded to other Companies	\$(59,476)
Catastrophe Treaty	15,000
2010 Net Income(Loss)	10,055
<u>    2011 Net Income(Loss)</u>	<u>(45,785)</u>

The balance reported in Line 36, Page 2 did not match the balance reported in Line 50, Page 3 of the 2010 Annual Statement. The difference is shown below:

	<u>Line 36, Page 2</u>	<u>Line 50, Page 3</u>	<u>Difference</u>
Balance	\$644,778	\$663,744	(\$18,966)

The difference was due to the Company erroneously reporting fourth quarter reinsurance premiums and catastrophe payments as paid in 2010. It was determined, however, that the payments were actually made in 2011. This caused ceded reinsurance, catastrophe treaty premiums, and net loss to be overstated by \$18,966 in 2010 and understated by the same amount in 2011. Consequently, the per Company amounts in the *CAPITAL AND SURPLUS ACCOUNT for the Year Ending December 31, 2011* of this examination report were out of balance by \$18,966.

The proposed journal entries to correct the 2010 and 2011 Annual Statements are as follows:

2010

<u>Proposed Adjusting Journal Entries per Examination</u>		<u>Debits</u>	<u>Credits</u>
Net Income(loss)		\$18,966	
Gen Re Payments – fire, made in 2011 but reported in 2010.			\$11,466
Catastrophe Treaty payment made in 2011 but reported in 2010.			7,500
Total:		<u>\$18,966</u>	<u>\$18,966</u>

The results of proposed adjusting journal entries are as follows:

	<u>Per Company</u>	<u>Per Examination</u>	<u>Difference</u>
Premiums for reinsurance ceded to other Companies	\$49,702	\$38,236	\$11,466
Catastrophe Treaty	7,500	0	7,500
Net income (loss)	(8,911)	10,055	18,966

2011

<u>Proposed Adjusting Journal Entries per Examination</u>		<u>Debits</u>	<u>Credits</u>
Gen Re Payments – fire, made in 2011 but reported in 2010.		\$11,466	
Catastrophe Treaty payment made in 2011 but reported in 2010.		7,500	
Net Income(loss)			\$18,966
Total:		<u>\$18,966</u>	<u>\$18,966</u>

The results of proposed adjusting journal entries are as follows:

	<u>Per Company</u>	<u>Per Examination</u>	<u>Difference</u>
Premiums for reinsurance ceded to other Companies	\$(48,010)	\$(59,476)	\$(11,466)
Catastrophe Treaty	7,500	15,000	(7,500)
Net income (loss)	(26,819)	(45,785)	(18,966)

It is recommended that the Company double check its financial statements for computation and cross check errors prior to filing with the Idaho Department of Insurance. Specifically, the Company should ensure that the balance reported in Line 36, Page 2 match the balance reported in Line 50, Page 3 of the Annual Statement. Any differences should be investigated and corrected prior to filing. Automated spreadsheets or accounting programs would greatly facilitate this process and prevent future calculation and reporting errors.

Note (2) 2007 Surplus to Policyholders \$687,454

Total net admitted assets reported in Line 34, Page 3 of the 2007 Annual Statement were overstated by \$100. The difference was due to miscalculation of Cash in transit; Deposited in banks as shown below:

		<u>Per Company</u>	<u>Per Examination</u>	<u>Difference</u>
Line 5, Page 3	Cash in transit;	\$ 354	\$ 354	\$ 0
	Deposited in banks	<u>731,082</u>	<u>731,082</u>	<u>0</u>
Line 34, Page 3	Total net admitted assets	<u>\$731,536</u>	<u>\$731,436</u>	<u>\$ 100</u>

This resulted in overstated surplus to policyholders of \$100. The adjustment to 2007 surplus to policyholders in the financial statements of the examination report is shown below:

		<u>Per Company</u>	<u>Per Examination</u>	<u>Difference</u>
Line 39, Page 3	Surplus to policyholders	<u>\$687,554</u>	<u>\$687,454</u>	<u>\$(100)</u>

It is recommended that the Company double check its financial statements for computation and cross check errors prior to filing with the Idaho Department of Insurance. Specifically, the Company should ensure that the balance reported in Line 36, Page 2 match the balance reported in Line 50, Page 3 of the Annual Statement. Any differences should be investigated and corrected prior to filing. Automated spreadsheets or accounting programs would greatly facilitate this process and prevent future calculation and reporting errors.

### SUMMARY, COMMENTS AND RECOMMENDATIONS

#### Summary

The results of this examination disclosed that as of December 31, 2011, the Company had admitted assets of \$617,959, liabilities of \$39,208, and surplus to policyholders of \$578,751. Therefore, the Company's total surplus exceeded the \$50,000 minimum prescribed by Section 41-3112A, Idaho Code.

Comments and Recommendations

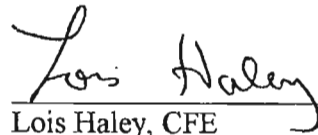
Page

- 14 It is recommended that the Company double check its financial statements for computation and cross check errors prior to filing with the Idaho Department of Insurance. Specifically, the Company should ensure that the balance reported in Line 36, Page 2 of the Annual Statement match the balance reported in Line 50, Page 3. Any differences should be investigated and corrected prior to filing. Automated spreadsheets or accounting programs would greatly facilitate this process and prevent future calculation and reporting errors.

CONCLUSION

The undersigned acknowledges the courteous assistance and cooperation of the Company's employees in conducting the examination.

Respectfully submitted,

  
Lois Haley, CFE  
Senior Insurance Examiner  
Department of Insurance  
State of Idaho

State of Idaho  
**DEPARTMENT OF INSURANCE**

C. L. "BUTCH" OTTER  
Governor

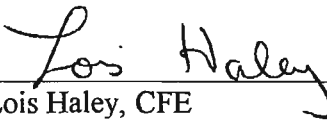
700 West State Street, 3rd Floor  
P.O. Box 83720  
Boise, Idaho 83720-0043  
Phone (208)334-4250  
FAX # (208)334-4398

WILLIAM W. DEAL  
Director

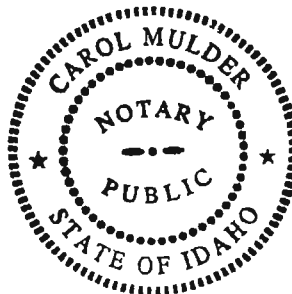
**AFFIDAVIT OF EXAMINER**

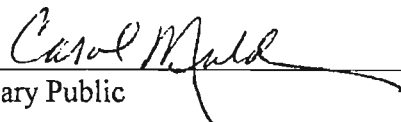
State of Idaho  
County of Ada

Lois Haley, being duly sworn, deposes and says that she is a duly appointed Examiner for the Department of Insurance of the State of Idaho, that she has made an examination of the affairs and financial condition of Nez Perce Farmers County Mutual Fire Insurance Company for the period from January 1, 2007 through December 31, 2011, including subsequent events, that the information contained in the report consisting of the foregoing pages is true and correct to the best of her knowledge and belief, and that any conclusions and recommendations contained in the report are based on the facts disclosed in the examination.

  
\_\_\_\_\_  
Lois Haley, CFE  
Senior Insurance Examiner  
Department of Insurance  
State of Idaho

Subscribed and sworn to before me the 14<sup>th</sup> day of November, 2013 at Boise, Idaho



  
\_\_\_\_\_  
Notary Public

My commission expires: 10-7-2016

State of Idaho  
**DEPARTMENT OF INSURANCE**

C. L. "BUTCH" OTTER  
Governor

700 West State Street, 3rd Floor  
P.O. Box 83720  
Boise, Idaho 83720-0043  
Phone (208)334-4250  
FAX # (208)334-4398

WILLIAM W. DEAL  
Director

DEC -9 11 2:11

**WAIVER**

In the matter of the Report of Examination as of December 31, 2011, of the:

**NEZ PERCE FARMERS COUNTY MUTUAL  
FIRE INSURANCE COMPANY  
408 East Main Street  
Kendrick, Idaho 83537**

By executing this Waiver, the Company hereby acknowledges receipt of the above-described examination report, verified as of the 14th day of November 2013, and by this Waiver hereby consents to the immediate entry of a final order by the Director of the Department of Insurance adopting said report without any modifications.

By executing this Waiver, the Company also hereby waives:

1. its right to examine the report for up to thirty (30) days as provided in Idaho Code section 41-227(4),
2. its right to make a written submission or rebuttal to the report prior to entry of a final order as provided in Idaho Code section 41-227(4) and (5),
3. any right to request a hearing under Idaho Code sections 41-227(5) and (6), 41-232(2)(b), or elsewhere in the Idaho Code, and
4. any right to seek reconsideration and appeal from the Director's order adopting the report as provided by section 41-227(6), Idaho Code, or elsewhere in the Idaho Code.

Dated this 3rd day of December, 2013

**NEZ PERCE FARMERS COUNTY MUTUAL  
FIRE INSURANCE COMPANY**

Rita L. Blewett

Name (print)

Rita L. Blewett

Name (signature)

Secretary/Treasurer

Title

