

FILED
AUG 12 2020
Department of Insurance
State of Idaho

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE

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. 18-3805-20

**ORDER ADOPTING REPORT
OF EXAMINATION AS OF
DECEMBER 31, 2018**

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"), pursuant to 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, 2018 ("Report"), as filed.

FINDINGS OF FACT

1. Nez Perce is an Idaho-domiciled county mutual fire insurance company organized in accordance with chapter 31, title 41, Idaho Code, and is authorized to transact insurance in Idaho under Certificate of Authority No. 1922.

2. The Department completed an examination of Nez Perce pursuant to Idaho Code § 41-219(1) on or about July 29, 2020. 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 July 29, 2020, 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 August 5, 2020, the Department received a Waiver signed by Christina H. Kochsmeier, the 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 Director of the Department ("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.

CONCLUSIONS OF LAW

5. Idaho Code § 41-227(5) 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, rejecting the report and reopening the examination, or calling for an investigatory hearing.

6. Having fully considered the Report, the Director concludes that Nez Perce appears to be operating in accordance with the requirements of chapter 31, title 41, Idaho Code.

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, 2018, 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 not be subject to the exemptions from disclosure provided in chapter 1, title 74, 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. In accordance with Department Bulletin No. 20-06, the Department will accept affidavits with electronic signatures, provided notarized affidavits with original signatures are filed within sixty (60) days after the state has allowed a return to work.

IT IS SO ORDERED.

DATED and EFFECTIVE this 11 day of August, 2020.

STATE OF IDAHO
DEPARTMENT OF INSURANCE


DEAN L. CAMERON
Director

NOTIFICATION OF RIGHTS

This is a final order of the agency. Any party may file a motion for reconsideration of this final order within fourteen (14) days of the service date of this order. The agency will dispose of the motion for reconsideration within twenty-one (21) days of its receipt, or the motion will be considered denied by operation of law. See Idaho Code § 67-5246(4).

Any such motion for reconsideration shall be served on the Director of the Idaho Department of Insurance, addressed as follows:

Dean L. Cameron, Director
Idaho Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
Boise, ID 83720-0043

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order or orders previously issued in this case may file a petition for judicial review in the district court of the county in which:

- i. A hearing was held;
- ii. The final agency action was taken;
- iii. The party seeking review of the order resides, or operates its principal place of business in Idaho; or
- iv. The real property or personal property that was the subject of the agency action is located.

A petition for judicial review must be filed within twenty-eight (28) days of: (a) the service date of this final order, (b) the service of an order denying motion for reconsideration, or (c) the failure within twenty-one (21) days to grant or deny a motion for reconsideration, whichever is later. *See* Idaho Code § 67-5273. The filing of a petition for judicial review does not itself stay the effectiveness or enforcement of the order under appeal. Idaho Code § 67-5274.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 12th day of August, 2020, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2018 to be served upon the following by the designated means:

Nez Perce Farmers' County Mutual Fire Insurance Company
P.O. Box 140
Kendrick, ID 83537-0140

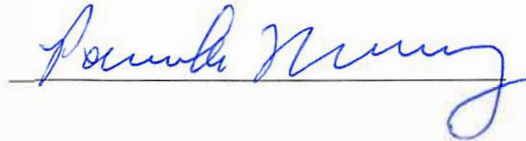
☐ first class mail
☒ certified mail
☐ hand delivery
☐ email

Nathan Faragher
Chief Examiner, Company Activities Bureau Chief
Idaho Department of Insurance
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Edith L. Pacillo
Lead Deputy Attorney General
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☐ certified mail
☐ hand delivery
☒ email



DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

NEZ PERCE FARMERS' COUNTY MUTUAL FIRE INSURANCE COMPANY
A County Mutual Fire Insurer

NAIC Company Code: 14429

As of

December 31, 2018



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Kendrick, Idaho
July 31, 2019

The Honorable Dean L. Cameron
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 Idaho Code § 41-219(1), 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, 2018, of the financial condition and corporate affairs 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, ID. The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed our single-state examination of Nez Perce Farmers' County Mutual Fire Insurance Company. The last exam was completed as of December 31, 2011. This examination covers the period of January 1, 2012, through December 31, 2018.

Examination Procedures Employed

Our examination was conducted in accordance with the *NAIC Financial Condition Examiners Handbook* to determine compliance with accounting practices and procedures in conformity with the applicable laws of the State of Idaho, and insurance rules promulgated by the Idaho Department of Insurance (“Department”). The handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including assessing corporate governance, identifying inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management’s compliance with Statutory Accounting Principles and Annual Statement Instructions when applicable to domestic state regulations.

The Company does not retain the services of a certified public accounting firm and is exempted for submitting an audited financial statement. As a result, no reliance could be made upon external audit work.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The initial phase of the examination focused on evaluating the Company’s corporate governance and control environment, as well as business approach, in order to develop an examination plan tailored to the Company’s individual operating profile. A risk-focused approach was determined appropriate.

The examination determined the risks associated with identified key functional areas of the Company’s operations and considered mitigating factors. Interviews were held with the senior management of the Company to gain an understanding of the entity’s operating profile and control environment.

A letter of representation was obtained from management and included in the examination workpapers certifying that management disclosed all significant matters and records.

Status of Prior Examination Findings

The prior financial examination was conducted by the Idaho Department of Insurance covering the period of January 1, 2007, through December 31, 2011. The prior examination report did not contain any comments and/or recommendations.

SUMMARY OF SIGNIFICANT FINDINGS

Our examination did not disclose any material adverse findings or any adjustments that impacted the Company’s reported capital and surplus.

SUBSEQUENT EVENTS

We noted no significant subsequent events as of the date of this report.

COMPANY HISTORY

General

The Company was organized and incorporated in 1904 as a domestic county mutual fire insurance company under Chapter 31, Title 41, Idaho Code. 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

There were no mergers, acquisitions, or surplus debentures during the examination period.

CORPORATE RECORDS

The Company is governed by a ten member Board of Directors pursuant to Idaho Code §§ 41-3109 and 41-3110. The Directors are also members and policyholders of the Company. The officers of the Company are president, vice-president, secretary and treasurer. Chris Kochsmeier, Secretary-Treasurer manages the Company's operations from her agency office located in Kendrick, Idaho. 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 Saturday of May and November.

The Company does not have any committees.

MANAGEMENT AND CORPORATE GOVERNANCE

The bylaws of the Company indicated the number of directors may be between nine and twenty-five directors.

The following persons served as directors of the Company as of December 31, 2018:

Douglas H. Ashburn
Dennis D. Burgess
Dale A. Barger
Cornelia M. Burgess
Susan K. Larson
Helen M. Riggers
Randy J. Tiede
Lawrence H. Wemhoff
Norma D. Wemhoff
Judy M. White
Yvonne J. White

There are no known changes to directors subsequent to the examination period.

The Company's bylaws provide for principal officers to consist of President, Vice-President, and Secretary-Treasurer. The following person served as officers of the Company as of December 31, 2018:

Dennis D. Burgess	President
Lawrence H. Wemhoff	Vice-President
Christina H. Kochsmeier	Secretary-Treasurer

FIDELITY BONDS 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, 2018, 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 one employee. A health savings account is provided to the Secretary-Treasurer. Vacation and holidays are also provided by the Company.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2018, the Company was licensed in Idaho. The Company provides fire and lightning 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 were last filed with the Department with an effective date of January 1, 2017, and were not disapproved.

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 the periodic assessments.

GROWTH OF THE COMPANY

The following represents the Company's premium activity and its relationship to surplus over the period of our examination:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Gross Written Premium	143,335	107,779	111,324	122,220	126,362	124,015	124,799
Policyholder Surplus	397,891	410,298	402,653	422,333	503,241	523,568	585,379
Gross Written premiums to Policyholder Surplus Ratio	36%	26%	28%	29%	25%	24%	21%

MORTALITY AND LOSS EXPERIENCE

The following represents the Company's loss experience and its relationship to net premium income over the period of our examination:

	2018	2017	2016	2015	2014	2013	2012
Net Premium Earned	\$90,803	68,278	70,523	77,427	80,050	78,563	79,060
Net Loss Incurred	\$37,826	0	29,474	77,269	100,000	50,000	22,010
Loss Incurred to Net Premium Earned	42%	0%	42%	100%	125%	64%	28%

REINSURANCE

Assumed

The Company has no assumed business.

Ceded

The Company ceded property business through an excess of loss reinsurance agreement to General Reinsurance Corporation, from Stamford, Connecticut. Agreement No. 8955-12 was effective on January 1, 2012, 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% of the next \$250,000 of the ultimate net loss up to a maximum of 90% 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.

ACCOUNTS AND RECORDS

The Company has a manual general ledger. The Company is exempted from obtaining an audit by a CPA by IDAPA 18.07.04.024.01.

There were no findings related to accounts and records.

STATUTORY DEPOSITS

The Company is not required to maintain a deposit.

The Company has no minimum capital requirement.

FINANCIAL STATEMENTS

Statement of Assets and Liabilities as of December 31, 2018

	<u>Per Company</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>
	Net Admitted		Net Admitted
Cash on hand; deposited in banks	\$397,891	\$0	\$397,891
Total Assets	\$397,891	\$0	\$397,891
Unearned premium reserve for premiums or premium assessments			\$42,170
Commissions due and payable to agents			2,712
Total Liabilities			\$44,882
Surplus to Policyholders			\$353,009
Total Liabilities and Surplus to Policyholders			\$397,891

Statement of Operations as of December 31, 2018

	<u>Per Company</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>
Income Received During the Year			
Assessments or premiums collected	143,335	0	143,335

Deduct premiums for reinsurance ceded	52,532	0	52,532
Net assessments or premium income	90,803	0	90,803
Other income (fees, expense constant, service charges)	6,7800	0	6,7800
Interest earned on surplus	3,885	0	3,885
Total Income Receipts	\$101,467	0	\$101,467
Disbursements During the Year			
Gross amount of losses paid	132,827	0	132,827
Deduct salvage and reinsurance recovered	95,000	0	95,000
Claims adjustment expense	22	0	22
Commissions paid to agents	6,176	0	6,176
Salaries to officers	22,518	0	22,518
Other compensation to offers (president fee and expense)	1,062	0	1,062
Salaries to employees	11,924	0	11,924
Rents	4,200	0	4,200
Taxes liability ins, work comp, bond	3,683	0	3,683
Payroll taxes	2,821	0	2,821
Licenses and insurance dept. fees	903	0	903
Directors fees and expense	888	0	888
Agent expense	5,264	0	5,264
Employee medical savings account	2,500	0	2,500
Catastrophe treaty	7,500	0	7,500
Office expenses, dues, subscriptions	6,128	0	6,128
Training, meetings, and public relations	460	0	460
Total Funds Disbursed	\$113,875	0	\$113,875
Net Income During Year	\$(12,408)	0	\$(12,408)

Reconciliation of Surplus

	<u>Per Company</u>	<u>Examination Changes</u>	<u>Per Examination</u>
Surplus to Policyholders, December 31, 2017	366,973	0	366,973
Gains and (Losses) in Surplus	(12,408)	0	(12,408)
Change in Non-Ledger Liabilities	0	0	0
Change in Surplus to Policyholders for the Year	0	0	0
Surplus to Policyholders, December 31, 2018	353,009	0	353,009

Analysis of Changes in Financial Statements Resulting From Examination

There were no changes in the financial statements resulting from the examination.

NOTES TO FINANCIAL STATEMENTS

There are no changes to the notes to the financial statements as a result of this examination.

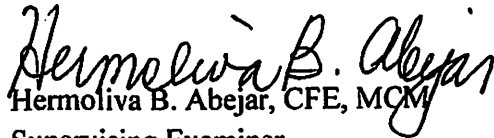
SUMMARY OF RECOMMENDATIONS

There are no findings or recommendations as a result of this examination.

ACKNOWLEDGEMENT

Kelsey Barlow, CFE, participating examiner, joins the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Company.

Respectfully submitted,


Hermoliva B. Abejar, CFE, MCM

Supervising Examiner

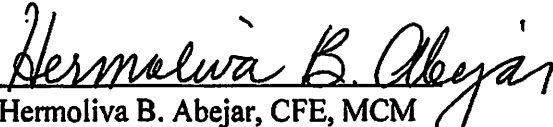
On behalf of Idaho Department of Insurance



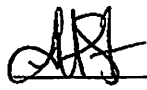
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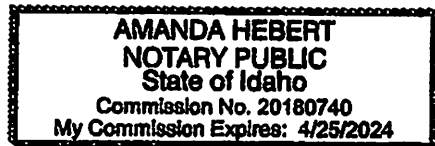
State: Idaho
County: Ada

Hermoliva B. Abejar, CFE, MCM, 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 January 1, 2012, through December 31, 2018, 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 this report are based on the facts disclosed in the information.


Hermoliva B. Abejar, CFE, MCM
Examiner-In-Charge
On behalf of Idaho Department of Insurance

Subscribe and sworn to before me the 29 day of July, 2018, at Boise, Idaho.


Notary Public



My Commission Expires: 4-25-2024

State of Idaho
DEPARTMENT OF INSURANCE

BRAD LITTLE
Governor

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

DEAN L. CAMERON
Director

RECEIVED
ID. DEPT. OF INSURANCE

AUG 05 2020

WAIVER

In the matter of the Report of Examination as of December 31, 2018 of the:

Nez Perce Farmers' County Mutual Fire Insurance Company

By executing this Waiver, the Company hereby acknowledges receipt of the above-described examination report, verified as of the 29th day of July 2020, 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 1st day of August, 2020

**Nez Perce Farmers' County Mutual
Fire Insurance Company**

Christina H. Kochsmeier
Name (print)

Christine H. Kochsmeier
Name (signature)

Secretary/Treasurer
Title

