

FILED

JUN 03 2025

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

Idaho Certificate of Authority No. 1922

Docket No. 18-4715-25

**ORDER ADOPTING REPORT
OF EXAMINATION
AS OF DECEMBER 31, 2023**

The State of Idaho, Department of Insurance ("Department"), having conducted an examination of the affairs, transactions, records, and assets of NEZ PERCE FARMERS' COUNTY MUTUAL FIRE INSURANCE COMPANY (the "Company") to ascertain compliance with title 41, Idaho Code, and related rules, pursuant to Idaho Code § 41-219(1) and (5), 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 the Company for the period of January 1, 2019, to December 31, 2023 ("Report"), as filed.

FINDINGS OF FACT

1. The Company 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 the Company pursuant to Idaho Code § 41-219(1) and (5) on or about May 12, 2025. 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 Deputy Chief Examiner, was filed with the Department on May 19, 2025, and was transmitted to the Company on the same date. A copy of the verified Report is attached hereto as Exhibit A.

4. Pursuant to Idaho Code § 41-227(4), the Company had thirty (30) days from service of the Report within which to review, comment, or request a hearing on the Report. On May 27, 2025, the Department received a Waiver from the Company signed by Christina Kochsmeier, the Company's secretary, treasurer and authorized signatory. A copy of the Waiver is attached hereto as Exhibit B. By executing the Waiver, the Company has consented to the Director's immediate entry of a final order adopting the Report without modification. The Company has also waived its rights to: (1) examine the Report for no longer than thirty (30) days; (2) make written submission or rebuttal to the Report prior to the entry of a final order; (3) request a hearing; and (4) seek reconsideration and appeal from the Director's order adopting the Report.

CONCLUSIONS OF LAW

5. Idaho Code § 41-227(5)(a) provides that, after expiration 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.

6. Having fully considered the Report, the Director concludes that, with regard to the matters examined and information provided by the Company, the comments and recommendations contained in the Report are appropriate and are incorporated herein as if set forth in full.

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 for the period of January 1, 2019, to December 31, 2023, 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 FARMERS' COUNTY MUTUAL INSURANCE COMPANY shall file with the Department's Deputy Chief Examiner, affidavits executed by each of its trustees or, if none, its principal officers, stating under oath that they have received a copy of the adopted Report and related orders.

IT IS SO ORDERED.

DATED this 2nd day of June 2025.

STATE OF IDAHO
DEPARTMENT OF INSURANCE



DEAN L. CAMERON
Director

NOTIFICATION OF RIGHTS


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

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order may appeal it by filing a petition for judicial review in the district court of the county in which: (1) the hearing was held; or (2) the final agency action was taken; or (3) the aggrieved party resides or operates its principal place of business in Idaho; or (4) the real property or personal property that was the subject of the agency decision is located. An appeal must be filed within twenty-eight (28) days of: (a) the service date of this final order; or (b) an order denying a petition for reconsideration; or (c) the failure within twenty-one (21) days to grant or deny a petition 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.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 3rd day of June 2025, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2023, to be served upon the following by the designated means:

Nez Perce Farmers County Mutual Fire Ins. Co. Christina Kochsmeier PO Box 140 Kendrick, ID 83537-0140	<input type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input type="checkbox"/> Email:
James Anderson Deputy Chief Examiner Idaho Department of Insurance 700 W. State Street, 3 rd Floor P.O. Box 83720 Boise, ID 83720-0043	<input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: james.anderson@doi.idaho.gov



Jan Noriyuki
Paralegal

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, 2023

EXHIBIT

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exhibitster.com

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Kendrick, Idaho
May 12, 2025

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 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, 2023, of the financial condition and corporate affairs of:

Nez Perce Farmers' County Mutual Fire Insurance Company
603 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

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, 2018. This examination covers the period of January 1, 2019 through December 31, 2023.

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 and insurance rules promulgated by the Idaho Department of Insurance (the "Department"). The handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examination does not attest to the fair presentation of the financial statements herein. If, during the course of the examination an adjustment was identified, the impact of such an adjustment will be documented separately following the Company's financial statements.

This examination report includes findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to the Company.

The examination determined the risks associated with identified key functional areas of the Company's operation 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.

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

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

Status of Prior Examination Findings

The prior financial examination was conducted by the Idaho Department of Insurance covering the period of January 1, 2012, through December 31, 2018. The prior examination report did not contain any comments and/or recommendations.

SUMMARY OF SIGNIFICANT FINDINGS

The Company has experienced multiple years of operating losses, even in periods with minimal or no claims activity. See below for a summary of Net Income (Loss) compared to claims and related adjustment expenses:

	2024	2023	2022	2021	2020	2019
Claims	28,894	-	750	-	45,000	25,000
Claims Adjustment Expenses	-	-	-	-	242	369
Net Income (Loss)	(56,055)	(3,429)	5,081	2,079	(53,414)	(13,227)

These results demonstrate a pattern of expenses that are not aligned with the Company's volume of business or incurred losses, as required by Idaho Code § 41-3113(1). The Company should evaluate its expense structure and implement appropriate controls to ensure that expenses are reasonable in relation to the volume of business and insurance losses incurred while they non-renew existing policies by December 31, 2025. See Subsequent Events for further details related to non-renewing existing policies.

SUBSEQUENT EVENTS

Following the examination period, the Company formally announced plans to discontinue operations and liquidate, effective December 31, 2025. The decision was driven by the loss of its reinsurance coverage, which made continued operations unsustainable.

The Department reviewed the Company's financial position and, on December 16, 2024, issued an order determining that the Company's ongoing business posed a hazardous financial condition. To mitigate risks to policyholders, the Department authorized the Company to proceed with an orderly runoff of its existing policies. Nonrenewal will begin on January 1, 2025, with final policy cancellations effective December 31, 2025.

These developments represent a material change in the Company's financial condition and business operations, warranting continued regulatory oversight to ensure compliance with the liquidation plan and protection of policyholder interests.

Additionally, the Board voted on November 2, 2024, at their Board meeting to no longer require Directors maintain a policy to remain a Director while the Company is in the process of nonrenewing policies by December 31, 2025.

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 meetings of the Board of Directors (the “Board”) were conducted two times a year for all the years under examination. An annual meeting of members of the Board is held pursuant to the by-laws of the Company. Meetings are held in person except for part of 2020 where virtual meetings were held during the height of the COVID-19 pandemic. Directors are elected, nominated, and approved during Board meetings. Information discussed during Board meetings includes member policies, investments, agreements, and election of Directors.

The prior Examination Report as of December 31, 2019, was distributed to the Board on November 7, 2020, in accordance with Idaho Code § 41-227(6)(a)

MANAGEMENT AND CORPORATE GOVERNANCE

The Company is managed by the Board. The bylaws of the Company indicate the number of members on the Board to be a minimum of nine and a maximum of twenty-five. Directors are members of the corporation and policyholders. At each annual meeting, one-third of the members of the Board are to be elected for a term of three years each.

The following persons served as Directors of the Company as of December 31, 2023:

Douglas H. Ashburn
Dale A. Barger
Cristina Bales
Dennis D. Burgess
Cornelia M. Burgess
Pamela J. Stamper

Kathleen Uptmor
Lawrence H. Wemhoff
Norma D. Wemhoff
Judy M. White
Yvonne J. White

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

The Company did not have any committees during the examination period.

The bylaws of the Company provide for principal officers to consist of a President, Vice-President, Secretary and Treasurer. The following persons served as officers of the Exchange as of December 31, 2023:

<u>Name</u>	<u>Position</u>
Dennis D. Burgess	President
Lawrence H. Wemhoff	Vice-President
Christina H. Kochsmeier	Secretary and Treasurer

FIDELITY BONDS AND OTHER INSURANCE

As of December 31, 2023, the Company had sufficient fidelity bond coverage subject to a loss limit of \$50,000.

The Company also had additional insurance protection covering Insurance Company Professional Liability and Directors and Officers Liability. The insurance companies providing coverage to the Company were authorized insurers of the State of Idaho as of the examination date.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company employs one individual who is responsible for all office operations and serves as both Secretary and Treasurer. The Company provides a health savings account, vacation benefits, and paid holidays.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2018, the Company was licensed in Idaho as a county mutual insurer. The Company provides fire and lightning and extended coverages up to \$250,000 per policy and retains a maximum of \$25,000. 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. Business is written on behalf of the Company through their Board of Directors who act as agents.

Operations of the Company were conducted from its administrative office in Kendrick, Idaho.

GROWTH OF THE COMPANY

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

	2023	2022	2021	2020	2019
Gross Written Premium	136,537	140,359	143,238	131,376	132,253
Policyholder Surplus	300,586	289,912	294,103	274,667	322,774
Gross Written Premium to Policyholder Surplus Ratio	45%	48%	49%	48%	41%

LOSS EXPERIENCE

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

	2023	2022	2021	2020	2019
Net Premium Earned	72,888	78,001	79,632	77,533	86,199
Net Loss Incurred	-	750	-	45,242	25,369
Loss Incurred to Net Premium Earned	0%	1%	0%	58%	29%

REINSURANCE

Assumed

The Company did not assume any reinsurance business during or subsequent to the examination date.

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, 2023, 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 accounts and records of the Company are maintained at the home office in Kendrick, Idaho. The Company utilizes a manual general ledger to prepare their financial statements. The Company is exempt from obtaining an audit by independent certified public accountants under IDAPA 18.07.04.001.02 as they write less than one million dollars in direct premiums written and have less than one thousand policyholders.

STATUTORY DEPOSITS

As a county mutual insurer, the Company is not required to maintain statutory deposits or meet minimum capital and surplus requirements pursuant to Idaho Code § 41-316A. Accordingly, no statutory deposits were held as of the examination date.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2023.

The financial section of this report contains the following statements:

Statement of Revenues and Expenses

Statement of Assets and Liabilities

Reconciliation of Net Assets

Statement of Revenues and Expenses

Revenues

Membership Fees, etc.	\$ 4,484
Annual & Initial Assessments (Fire & Extended)	132,053
Total Assessments	<u>136,537</u>
Assessments Ceded	<u>(63,650)</u>
Net Assessments	72,888
Interest on Bank Deposits	3,524
Total Revenues	<u>\$ 76,412</u>

Expenses

Losses	\$ -
Loss Adjustment Expense	-
Commission Paid to Agents	3,987
Compensation to Secretary/Treasurer	35,899
Compensation Paid to President	1,004
Other Wages	-
Rent and Utilities	6,123
Postage and Shipping	-
Liability Insurance, Work. Comp & Bond	501
Payroll Taxes	2,863
Insurance Department Fees	4,100
Supplies, Bank Fees	337
Directors Fees and Expenses	859
Loss on Sale of CDs	-
Agents Expense	4,402
Employee Medical Savings Account	5,000
Dues and Subscriptions	6,437
Conferences, Meetings & Public Relations	532
Website Hosting & Maintenance	297
Other (Printing)	-
Catastrophe Insurance	<u>7,500</u>
Total Expenses	<u>\$ 79,841</u>
Net Income (Loss)	<u><u>\$ (3,429)</u></u>

Statement of Assets and Liabilities

Assets

Cash & Cash Equivalents	\$ 334,982
Interest in Transit	-
Reinsurance Recoverable (Gen-Re)	-
Total Assets	<u>\$ 334,982</u>

Liabilities

Loss and LAE Reserves	\$ -
Accrued Expenses	-
Unearned Premium Reserve	32,193
Gen-Re Due and Payable	2,203
Total Liabilities	<u>\$ 34,396</u>

Policyholder Surplus	<u>\$ 300,586</u>
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Reconciliation of Net Assets

	2019	2020	2021	2022	2023
Net Assets End of Previous Year	\$353,009	\$322,774	\$274,667	\$294,103	\$ 289,912
Change in Net Assets	(30,235)	(48,107)	19,436	(4,191)	10,674
Net Assets End of Current Year	<u>\$322,774</u>	<u>\$274,667</u>	<u>\$294,103</u>	<u>\$289,912</u>	<u>\$ 300,586</u>

Analysis of Changes in Financial Statements Resulting From Examination

No adjustments were made to surplus as a result of this examination.

Comments on Financial Statement Items

No comments on financial statements items are noted in addition to what is discussed in Summary of Significant Findings and Subsequent Events.

SUMMARY OF RECOMMENDATIONS

There were no additional findings rising to the level of inclusion in this report.

ACKNOWLEDGEMENT

Ricardo Hernandez, APIR, 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,

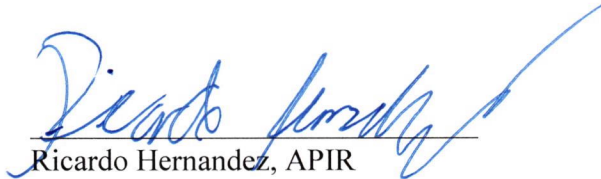
A handwritten signature in black ink, appearing to read 'JA', is positioned above the printed name.

James Anderson, CFE
Examiner-in-Charge
Deputy Chief Examiner
Idaho Department of Insurance

AFFIDAVIT OF EXAMINER

State of IDAHO County of ADA

Ricardo Hernandez, being duly sworn, deposes and says that they are a duly appointed Examiner for the Department of Insurance of the State of Idaho, that they have made an examination of the affairs and financial condition of Nez Perce Farmers' County Mutual Fire Insurance Company for the period January 1, 2019 through December 31, 2023, that the information contained in the report consisting of the foregoing pages is true and correct to the best of their knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.

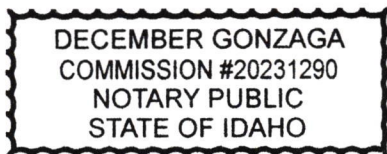


Ricardo Hernandez, APIR
Participating Examiner
Idaho Department of Insurance

Subscribe and sworn to before me the 14th day of MAY, 2025, at BOISE
(City), IDAHO (State).



Notary Public



My Commission Expires: 3/15/29

AFFIDAVIT OF EXAMINER

State of IDAHO County of ADA

James Anderson, being duly sworn, deposes and says that they are a duly appointed Examiner for the Department of Insurance of the State of Idaho, that they have made an examination of the affairs and financial condition of Nez Perce Farmers' County Mutual Fire Insurance Company for the period January 1, 2019 through December 31, 2023, that the information contained in the report consisting of the foregoing pages is true and correct to the best of their knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.

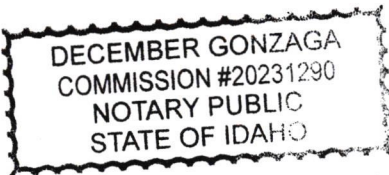


James Anderson, CFE
Examiner-in-Charge
Deputy Chief Examiner
Idaho Department of Insurance

Subscribe and sworn to before me the 14th day of MAY, 2025, at BOISE
(City), IDAHO (State).



Notary Public



My Commission Expires: 3/15/29

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

WAIVER

In the matter of the Report of Examination as of December 31,
2023 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 May 14, 2025, 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 not more than thirty (30) days as provided in Idaho Code section 41-227(4),
2. its right, after the date of this waiver, 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 27th day of May, 2025

Christina H. Kochsmeier
Name (print)

Chris H Kochsmeier
Name (signature)

Secretary/Treasurer
Title