

**STATE OF OREGON
DEPARTMENT OF
CONSUMER & BUSINESS SERVICES
INSURANCE DIVISION**



REPORT OF FINANCIAL EXAMINATION

OF

**VERBOORT BENEVOLENT SOCIETY
HILLSBORO, OREGON**

AS OF

DECEMBER 31, 2013

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

INSURANCE DIVISION

REPORT OF FINANCIAL EXAMINATION

**VERBOORT BENEVOLENT SOCIETY OF OREGON
HILLSBORO, OREGON**

AS OF

DECEMBER 31, 2013

TABLE OF CONTENTS

SALUTATION	3
SCOPE OF EXAMINATION	4
COMPANY HISTORY	4
MANAGEMENT AND CONTROL	4
<i>Board of Directors</i>	5
<i>Officers</i>	5
CORPORATE RECORDS	6
<i>Constitution and Bylaws</i>	6
<i>Board Minutes</i>	6
TERRITORY AND PLAN OF OPERATION	6
GROWTH OF THE COMPANY	7
ACCOUNTS AND RECORDS	7
COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS	8
BALANCE SHEET	9
INCOME STATEMENT	10
NOTES TO FINANCIAL STATEMENTS	11
<i>Note 1 – Cash and Certificates of Deposit</i>	11
CONCLUSION	11
SUMMARY OF RECOMMENDATIONS	11
SUBSEQUENT EVENT	11
ACKNOWLEDGMENT	12
AFFIDAVIT	13

SALUTATION

October 7, 2014

Honorable Laura N. Cali, Commissioner
Department of Consumer and Business Services
State of Oregon
350 Winter Street NE
Salem, Oregon 97301-3883

Dear Commissioner:

In accordance with your instructions and guidelines in the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook, pursuant to ORS 731.300 and 731.302, respectively, we have examined the business affairs and financial condition of

**VERBOORT BENEVOLENT SOCIETY OF OREGON
5750 NW GLENCOE ROAD
HILLSBORO, OREGON 97124**

hereinafter referred to as the "Society." The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

The examination of the Society was conducted as of December 31, 2013, covering the five-year period then ended, and included a review of material transactions or events which occurred subsequent to the examination cut-off and were noted during the examination.

The examination was conducted pursuant to ORS 731.300 and in accordance with procedures and guidelines prescribed by the NAIC for the purpose of determining the Society's financial condition and ability to fulfill its obligations, the nature of its operations, and compliance with the Insurance Code. Accounting methods, internal control procedures, records, and other supporting evidence were examined or tested by appropriate methods to the extent deemed necessary and appropriate for the type, volume, and complexity of the accounting system and operations utilized by the Society.

COMPANY HISTORY

The Society was originally organized near Verboort, Oregon, in 1902, by local farmers to insure each other against fire losses. On August 4, 1966, the Oregon Insurance Division granted the Society a Certificate of Exemption pursuant to ORS 731.032(4). The Society currently operates under ORS 731.042.

MANAGEMENT AND CONTROL

The Society's Constitution and Bylaws call for an annual meeting on the first Monday of February. The members elect a Board of Directors made up of the executive board consisting of the president, secretary, treasurer, and two additional directors, one of whom is the vice president. The executive board is empowered to govern and manage the Society. The Society also has a five member advisory board that meets with regular board members at their discretion to assist in changing Bylaws and discussing Society business. They also participate in annual board meetings. No one receives a salary or commission. Per the

Bylaws, officers shall receive an hourly compensation rate and mileage for transacting Society business.

Board of Directors

Board of Directors elected and serving at December 31, 2013, are:

<u>Name</u>	<u>Occupation</u>
David Delplanche Cornelius, Oregon	Vice President Verboort Benevolent Society
Jeff Delplanche Cornelius, Oregon	Farmer
Albert Vandecoevering Forest Grove, Oregon	Farmer

Officers

Officers elected and serving at December 31, 2013, were:

<u>Name</u>	<u>Title</u>
Gary Vandehey	President & Chairman
David Delplanche	Vice-President
Melvin Finegan	Treasurer
Joseph Evers	Secretary

Article IV of the Constitution and Bylaws of the Society states, "The Board of Directors shall consist of the executive board consisting of a president, secretary and treasurer with two additional directors one of whom shall be vice president, and shall be empowered to make Bylaws to govern and manage this society." The Society's annual report as of December 31, 2013, lists three trustees (directors), with David Delplanche identified as the vice president, as required by the Society's Constitution and Bylaws.

There is an inconsistency in the Constitution and Bylaws. Section III requires the executive board to consist of a president, secretary and treasurer. Section IV requires the executive

board with two additional directors to be members of the Board of Directors. Section IV, therefore, requires the full board to consist of five members. In practice, the Board consists of three members, none of whom are the president, secretary or treasurer.

I recommend the Society follow its Constitution and Bylaws or amend the Constitution and Bylaws to reflect actual practice.

CORPORATE RECORDS

Constitution and Bylaws

The Constitution and Bylaws were not amended during the period under examination.

Board Minutes

Minutes from the Board of Director meetings were reviewed. Meetings were held periodically. A quorum met at all meetings. The annual meetings of the Society were held on the first Monday of February of each year covered by this examination.

TERRITORY AND PLAN OF OPERATION

Originally the Society assessed its members whenever one of them suffered a fire loss to home, personal contents, or farm outbuildings. Later the Society began charging a small premium and issuing a three year fire insurance policy. During years 2009 and 2010, the three year policy premium was \$1.20 per thousand dollars of coverage up to a policy limit of \$200,000. Starting in 2011, the Society stopped charging a policy premium for existing members. However, existing members may be assessed to enable the Society to maintain sufficient funds to pay fire losses as they occur. In the event of an assessment, each member shall pay an amount in proportion to his policy's coverage amount in relation to the Society's total aggregate coverage in force. The Society issues only one type of policy, a fire policy which itemizes the covered property and provides policy conditions, the premium

compositions, term of loss indemnification, and the Society's constitution. As losses are incurred they are adjusted by the officers who inspect the loss scene and pay the claims in accordance with policy conditions and terms.

GROWTH OF THE COMPANY

The following exhibit reflects the annual growth of the Society. The amounts were compiled from copies of the Society's filed annual statements and, where indicated, from a published examination report.

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Fund Balance</u>	<u>Net Income</u>
2009	\$575,758	\$0	\$575,758	\$14,781
2010	581,763	0	581,763	6,006
2011	585,919	0	585,919	4,156
2012	587,889	0	587,889	1,970
2013*	591,421	0	591,421	3,532

*Per examination

During the period of this examination, the Society did not report any losses. The Society's growth during the examination period is the result of premiums and interest income in excess of losses and other expenditures.

ACCOUNTS AND RECORDS

All financial records are maintained manually by the treasurer and consist of a premium journal, cash receipts journal, cash disbursements journal, investment records and bank statements.

The Society does not maintain fidelity insurance or directors' and officers' liability coverage.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The society complied with two of the three recommendations made in the prior report of examination. The recommendation made in this report is a repeat of the prior recommendation and the Society remains out of compliance.

VERBOORT BENEVOLENT SOCIETY OF OREGON
BALANCE SHEET
As of December 31, 2013

<u>ASSETS</u>	<u>Balance per Society</u>	<u>Examination Adjustments</u>	<u>Balance per Examination</u>	<u>Note</u>
Cash and short-term investments	\$ 591,421	\$ 378	\$ 591,799	1
Aggregate write-ins for invested assets	<u>-</u>	<u>-</u>	<u>-</u>	1
Subtotal, cash and invested assets	591,421	378	591,799	
Investment income due and accrued	-	-	-	
Aggregate write-ins for other than invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Total Assets	<u>\$ 591,421</u>	<u>\$ 378</u>	<u>\$ 591,799</u>	
 LIABILITIES, CAPITAL AND SURPLUS				
Unpaid losses	\$ -	\$ 0	\$ -	2
Unpaid loss adjustment expense	-	-	-	2
General expenses due or accrued	-	-	-	
Aggregate write-ins for liabilities	<u>-</u>	<u>-</u>	<u>-</u>	
Total Liabilities	-	0	-	
Gross paid in and contributed surplus	-	-	-	
Unassigned funds (surplus)	<u>591,421</u>	<u>378</u>	<u>591,799</u>	
Total capital and surplus	<u>591,421</u>	<u>378</u>	<u>591,799</u>	
Total liabilities, capital and surplus	<u>\$ 591,421</u>	<u>\$ 378</u>	<u>\$ 591,799</u>	

VERBOORT BENEVOLENT SOCIETY OF OREGON
INCOME STATEMENT
For the Year Ended December 31, 2013

	<u>Balance per Society</u>	<u>Examination Adjustments</u>	<u>Balance per Examination</u>	<u>Notes</u>
Underwriting Income				
Premiums earned	\$ 2,006	\$ -	\$ 2,006	
Deductions				
Losses incurred	-	-	-	
Loss expenses incurred	-	-	-	
Other underwriting expenses incurred	722	-	722	
Aggregate write-ins for underwriting deductions	<u>-</u>	<u>-</u>	<u>-</u>	
Total underwriting deductions	<u>-</u>	<u>-</u>	<u>-</u>	
Net underwriting gain or (loss)	1,284	-	1,284	
Investment Income				
Net investment income earned	2,626	-	2,626	
Net realized capital gains or (losses)	<u>-</u>	<u>-</u>	<u>-</u>	
Net investment gain or (loss)	2,626	-	2,626	
Other Income				
Aggregate write-ins for miscellaneous income	<u>-</u>	<u>-</u>	<u>-</u>	
Total other income	<u>-</u>	<u>-</u>	<u>-</u>	
Net income before dividends to policyholders and income taxes	3,910		3,910	
Dividends to policyholders	-	-	-	
Federal and foreign income taxes incurred	<u>-</u>	<u>-</u>	<u>-</u>	
Net income	<u>\$ 3,910</u>	<u>\$ -</u>	<u>\$ 3,910</u>	

NOTES TO FINANCIAL STATEMENTS

Note 1 – Cash and Certificates of Deposit

The Society's assets consisted of cash deposits and certificates of deposit. All accounts were confirmed directly with the bank.

The banks confirmed cash and certificates of deposit balances \$378 greater than the Society's books. Cash balances and surplus to policyholders were adjusted accordingly.

CONCLUSION

During the five year period covered by this examination, the fund balance of the Society has increased from \$561,323 as presented in the December 31, 2008, report of examination, to \$591,799 as shown in this report of examination.

The comparative assets and liabilities are shown below:

	December 31,		
	<u>2013</u>	<u>2008</u>	<u>Change</u>
Assets	\$591,799	\$561,323	\$30,476
Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance	<u>\$591,799</u>	<u>\$561,323</u>	<u>\$30,476</u>

SUMMARY OF RECOMMENDATIONS

Page

- 6 I recommend the Society follow its Constitution and Bylaws or amend the Constitution and Bylaws to reflect actual practice.

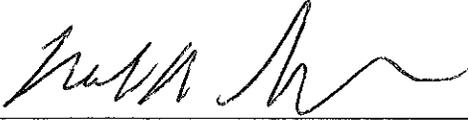
SUBSEQUENT EVENT

At the February 3, 2014, Board meeting, the Society raised its policy limit from \$200,000 to \$300,000.

ACKNOWLEDGMENT

The cooperation and assistance extended by Mr. Melvin Finegan, treasurer, and Mrs. Marie Finegan, during the course of this examination, is gratefully acknowledged.

Respectfully submitted,



Mark A. Giffin, CFE
Insurance Examiner
Insurance Division
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

STATE OF OREGON)
) ss
County of Marion)

Mark A. Giffin, CFE, being duly sworn, states as follows:

1. I have authority to represent the state of Oregon in the examination of Verboort Benevolent Society of Oregon, Hillsboro, Oregon.
2. The Insurance Division of the Department of Consumer and Business Services of the State of Oregon 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. The examination of Verboort Benevolent Society of Oregon was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.



Mark A. Giffin, CFE
Insurance Examiner
Oregon Insurance Division
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn before me this 23 day of October, 2014.



NOTARY PUBLIC for the State of Oregon

