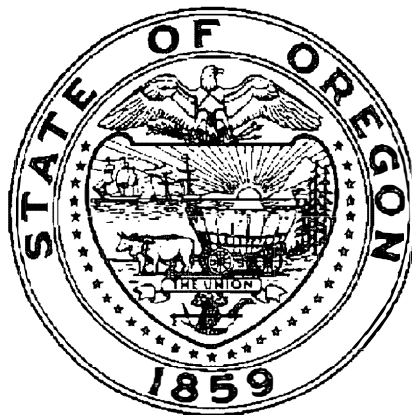


**STATE OF OREGON**  
**DEPARTMENT OF**  
**CONSUMER & BUSINESS**  
**SERVICES**  
**DIVISION OF FINANCIAL**  
**REGULATION**



REPORT OF FINANCIAL EXAMINATION  
OF  
**VERBOORT BENEVOLENT SOCIETY OF OREGON**  
**GASTON, OREGON**

AS OF

DECEMBER 31, 2018

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

**VERBOORT BENEVOLENT SOCIETY OF OREGON  
GASTON, OREGON**

AS OF

DECEMBER 31, 2018

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**SALUTATION**

April 13, 2020

Honorable Andrew Stolfi, Director  
Department of Consumer and Business Services  
Division of Financial Regulation  
State of Oregon  
350 Winter Street NE  
Salem, Oregon 97301-3883

Dear Director:

In accordance with your instructions and guidelines in the National Association of Insurance Commissioners (NAIC) 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  
8080 SW SPEAKS DRIVE  
GASTON, OREGON 97119**

Hereinafter referred to as the "Society." The following report is respectfully submitted.

## **SCOPE OF EXAMINATION**

The examination of the Society was conducted as of December 31, 2018, 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 last examination of the Society was completed as of December 31, 2013. This examination covers the period of January 1, 2014, through December 31, 2018.

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 Division of Financial Regulation granted the Society a Certificate of Exemption pursuant to ORS 731.032(4). The Society currently operates under ORS 731.042.

### **Capitalization**

The Society is unincorporated and operates as a nonprofit mutual fire insurer. It reported no paid-in or contributed surplus since its inception.

## **CORPORATE RECORDS**

### **Constitution and Bylaws**

The Society's Constitution and Bylaws were amended during the period under examination. On February 3, 2014, the Constitution and Bylaws were amended to state that the Society shall not insure any one building and contents, including granary, to exceed \$300,000. Previously, the maximum amount was not to exceed \$125,000.

### **Board Minutes**

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

## **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**

As of December 31, 2018, the Society was governed by a four member Board of Directors as follows:

<b><u>Name and Address</u></b>	<b><u>Principal Affiliation</u></b>	<b><u>Member Since</u></b>
David Jeffrey Delplanche Cornelius, Oregon	Farmer, Self Employed	2017
Joseph A. Evers Forrest Grove, Oregon	Retired Farmer	2016
Roger D. Van Dyke Gaston, Oregon	Forrester Stimson Lumber Company	2016
Ronald G. Vandehey * Portland, Oregon	Structural Engineer, Miller Consulting Engineers, Inc.	2017

\*Chairman

**Officers**

Principal officers serving at December 31, 2018, were as follows:

<b><u>Name</u></b>	<b><u>Title</u></b>
Ronald G. Vandehey	President & Chairman
David Jeffrey Delplanche	Vice-President
Roger Van Dyke	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 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, 2018, listed two trustees (directors), with David “Jeff” Delplanche identified as the vice president, as required by the Society’s Constitution and Bylaws.

The Examiner found an inconsistency in the Constitution and Bylaws, in Section III, which 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 consisted of four members, three of whom are the president, secretary and treasurer.

**I recommend the Society follows its Constitution and Bylaws or amend the Constitution and Bylaws to reflect the actual practice of appointing officers and directors.**

### **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 2017 and 2018, the three-year policy premium was \$1.20 per thousand dollars of coverage up to a policy limit of \$300,000. The new enrollment fee for new coverage was \$3.70 per thousand dollars of coverage up to a policy limit of \$300,000, plus \$5.00 writing fee. 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 this 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

Growth of the Society over the past five years is reflected in the following schedule. Amounts were derived from Society's annual statements, except in those years where a report of examination was published by the Oregon Division of Financial Regulation.

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Surplus and Other Funds</u>	<u>Net Income (Loss)</u>
2014	\$ 592,941	\$ -	\$ 592,941	\$ 1,520
2015	594,302	-	594,302	1,360
2016	596,940	-	596,940	2,638
2017	599,214	-	599,214	2,274
2018 *	601,628	-	601,628	2,414

\*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 recommendation made in this report is a repeat of the prior recommendation and the Society remains out of compliance.

### **SUBSEQUENT EVENTS**

There were no events subsequent to the examination date that would have a material impact on the Society's solvency.

### **FINANCIAL STATEMENTS**

The following financial statements are based on the financial statements filed by the Society with the Division of Financial Regulation and present the financial condition of the Society for the period ending December 31, 2018. These statements include:

Statement of Assets  
Statement of Liabilities, Surplus and Other Funds  
Statement of Income

**VERBOORT BENEVOLENT SOCIETY OF OREGON**

**ASSETS**

**As of December 31, 2018**

Assets	Balance per Society	Examination Adjustments	Balance per Examination	Notes
Bonds	\$ -	\$ -	\$ -	
Cash, cash equivalents and short-term investments	601,628	275	601,903	1
Aggregate write-ins for invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Subtotal, cash and invested assets	<u>601,628</u>	<u>\$ 275</u>	<u>601,903</u>	
Investment income due and accrued	-	-		
Aggregate write-ins for other than invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Total Assets	<u>\$ 601,628</u>	<u>\$ 275</u>	<u>\$ 601,903</u>	

**VERBOORT BENEVOLENT SOCIETY OF OREGON**  
**LIABILITIES, SURPLUS AND OTHER FUNDS**  
**As of December 31, 2018**

	Balance per Society	Examination Adjustments	Balance per Examination	Notes
Losses	\$ -	\$ -	\$ -	3
Loss adjustment expenses	-	-	-	3
General expenses due or accrued	-	-	-	
Taxes, licenses and fees (excl. FIT)	-	-	-	
Unearned premiums	-	-	-	
Aggregate write-ins for liabilities	<u>-</u>	<u>-</u>	<u>-</u>	
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Common capital stock	\$ -	\$ -	\$ -	
Gross paid-in and contributed capital	-	-	-	
Unassigned funds (surplus)	<u>601,628</u>	<u>275</u>	<u>601,903</u>	
Surplus as regards policyholders	<u>601,628</u>	<u>275</u>	<u>601,903</u>	
Total Liabilities, Surplus and other Funds	<u>\$ 601,628</u>	<u>\$ 275</u>	<u>\$ 601,903</u>	

**VERBOORT BENEVOLENT SOCIETY OF OREGON**

**STATEMENT OF INCOME**

**For the Year Ended December 31, 2018**

	Balance per Society	Examination Adjustments	Balance per Examination	Notes
<b>Underwriting income</b>				
Premium earned	\$ 296	\$ -	\$ 296	
<b>Deductions</b>				
Losses incurred	-	-	-	
Loss adjustment expenses incurred	-	-	-	
Other underwriting expenses	789	-	789	
Aggregate write-ins for underwriting deductions	<u>-</u>	<u>-</u>	<u>-</u>	
Total underwriting deductions	<u>789</u>	<u>-</u>	<u>789</u>	
Net underwriting gain or (loss)	(493)	-	(493)	
<b>Investment income</b>				
Net investment income earned	2,907	-	2,907	
Net realized gains or (losses)	<u>-</u>	<u>-</u>	<u>-</u>	
Net investment gain or (loss)	2,907	-	2,907	
<b>Other income</b>				
Net gain or (loss) from agents' or premium balances charges off	-	-	-	
Finance and service charges not included in premiums	-	-	-	
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	2,414	-	2,414	
Dividends to policyholders	-	-	-	
Federal income taxes incurred	<u>-</u>	<u>-</u>	<u>-</u>	
Net income	<u><u>\$ 2,414</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,414</u></u>	

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Invested Assets

At December 31, 2018, the Society’s assets consisted of cash deposits and certificates of deposit with various banks. All accounts were confirmed directly with the banks.

## SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examiner made no changes to surplus as a result of this examination. The examiner make one recommendation in this report of examination:

### Page

- 7 I recommend the Society follow its Constitution and Bylaws or amend the Constitution and Bylaws to reflect the actual practice of appointing officers and directors.

## CONCLUSION

During the five-year period covered by this examination, the fund balance of the Society has increased from \$591,799 as presented in the December 31, 2013, report of examination, to \$601,903 as shown in this report of examination. The comparative assets and liabilities are shown below:

	<b>December 31,</b>		
	<b><u>2018</u></b>	<b><u>2013</u></b>	<b><u>Change</u></b>
Assets	\$ 601,903	\$ 591,799	\$ 10,104
Liabilities	-	-	-
Surplus	<u>\$ 601,903</u>	<u>\$ 591,799</u>	<u>\$ 10,104</u>

**ACKNOWLEDGMENT**

The cooperation and assistance extended by the officers and employees of the Society during the examination process are gratefully acknowledged.

Respectfully submitted,

/s/ Tho Le

Tho Le, CFE  
Insurance Examiner  
Division of Financial Regulation  
Department of Consumer and Business Services  
State of Oregon

