

**EXAMINATION REPORT**

**OF**

**DELAWARE VOLUNTEER FIREMEN'S AND LADIES AUXILIARY MUTUAL  
RELIEF ASSOCIATION, INC.**

**AS OF**

**DECEMBER 31, 2018**

Office of the  
Commissioner



Delaware  
Department of Insurance

REPORT ON EXAMINATION

OF

DELAWARE VOLUNTEER FIREMEN'S AND LADIES AUXILIARY MUTUAL RELIEF  
ASSOCIATION, INC.

AS OF

DECEMBER 31, 2018

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Handwritten signature of Trinidad Navarro in blue ink.

Trinidad Navarro  
Insurance Commissioner

Dated this 18<sup>th</sup> day of May, 2020

**TABLE OF CONTENTS**

SCOPE OF EXAMINATION..... 1

SUMMARY OF SIGNIFICANT FINDINGS ..... 3

ASSOCIATION HISTORY..... 3

MANAGEMENT AND CONTROL ..... 4

    Officers ..... 4

    Board of Trustees..... 4

    Corporate Records ..... 5

    Insurance Holding System..... 5

TERRITORY AND PLAN OF OPERATION ..... 5

    Territory..... 6

    Lines of Business/Operations ..... 6

REINSURANCE..... 7

FINANCIAL STATEMENTS ..... 7

    Statement of Assets..... 8

    Liabilities, Surplus and Other Funds ..... 8

    Summary of Operations ..... 9

    Reconciliation of Surplus from Prior Examination ..... 10

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE  
EXAMINATION ..... 10

COMMENTS ON FINANCIAL STATEMENT ITEMS..... 10

SUBSEQUENT EVENTS ..... 11

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS ..... 11

SUMMARY OF RECOMMENDATIONS ..... 12

April 16, 2020

Honorable Trinidad Navarro  
Commissioner of Insurance  
Delaware Department of Insurance  
1351 West North Street  
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 19.030, an examination has been made of the affairs, financial condition and management of

**DELAWARE VOLUNTEER FIREMEN'S AND LADIES AUXILIARY MUTUAL  
RELIEF ASSOCIATION, INC.**

herein after referred to as the Association or DVFLA, formed under the laws of the State of Delaware as an Association. The report for this examination thereon is respectfully submitted.

**SCOPE OF EXAMINATION**

The Delaware Department of Insurance (Department) performed a risk-focused financial examination of the Association. The previous regulatory examination of the Association covered the five-year period from January 1, 2009 through December 31, 2013. This examination covered the five-year period from January 1, 2014 through December 31, 2018, and encompasses a general review of transactions during the period, the Association's business policies and practices, as well as management and relevant corporate matters, with a determination of the

financial condition of the Association as of December 31, 2018. Transactions subsequent to the examination date were reviewed where deemed necessary.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. 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 Association, 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 Association were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with 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 other regulators and/or the Association.

During the course of this examination, consideration was given to work performed by the Association's external accounting firm Bumpers and Company, Inc. (BCI). Certain auditor work papers of the 2018 BCI audit of the Association have been incorporated into the work papers of

the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination, and in the area of risk mitigation and substantive testing.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings or material changes in financial statements as a result of this examination.

### **ASSOCIATION HISTORY**

The Delaware Volunteer Firemen's Association Inc. was incorporated on June 5, 1931. The insurance aspect evolved over the years and in January of 1974 there was a merger of two organizations, the Mutual Relief Association of The Delaware Volunteer Firemen's Association Inc. and the Ladies Mutual Relief Association of the Delaware Volunteer Firemen's Association Inc.. The surviving corporation is known as DVFLA.

From its inception, DVFLA assumed the risks to the fire fighters of its member volunteer fire companies. In 1992, injuries to volunteer firemen became covered under the Workers' Compensation Policy of the State of Delaware.

In 1997, the Association began acting as a risk-purchasing group and purchased an insurance policy for its members from Provident Life and Accident Insurance Company of Chattanooga, Tennessee (Provident). In February 2007, the Company commenced a Burial Aid Program to provide assistance for funeral costs to members of the DVFLA. Members can receive aid of \$1,000 per year of membership up to \$7,000 for funeral expenses. Beginning 2013, the Company began collecting \$350 per fire department for burial fund benefits.

## MANAGEMENT AND CONTROL

Pursuant to the General Corporation Law of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers and its business property and affairs are managed by, or under the direction of, its officers and Board of Trustees (Board). The DVFLA Board shall consist of nine members. Trustees serve three-year terms and are divided into the following three groups for representation purposes; each group shall have three Trustees:

- The State Trustees: one from each county in Delaware. The State Trustees are appointed by the President of the Delaware Volunteer Fireman's Association.
- The County Men Trustees.
- The County Women Trustees.

The latter two groups shall have one representative from New Castle, Kent and Sussex Counties. Each of the County Trustees shall be appointed by the President of the respective County volunteer firemen's association or by the County Ladies Auxiliary.

### Officers

The officers of DVFLA, elected by the Trustees and serving as of December 31, 2018 were as follows:

Steven White	President
Richard Weaver	Vice President
Ginni Tice	Secretary
William Tobin	Treasurer

### Board of Trustees

The members of the Board as of December 31, 2018 were as follows:

New Castle County  
Richard Weaver  
Edward Kalinowski  
Mary A. Maichle

Kent County  
Kathryn O'Neil  
Robert Yerkes  
Steven White

Sussex County  
William Tobin  
Patrick Miller  
Ginni Tice

Corporate Records

The minutes of the meetings of the Board, which were held during the period of the examination were reviewed and determined to be in accordance with the Association's bylaws. The attendance at such meetings, the elections of trustees and officers and the approval of general transactions and operations were reviewed and noted. In addition, review of DVFLA files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

Insurance Holding System

The Company is not a a member of an insurance holding company system as defined in 18 *Del. C.* §5001 (4) "Insurance Holding Company System".

**TERRITORY AND PLAN OF OPERATION**

The objective and purpose of DVFLA shall be to provide relief to individual members from accidents occurring during fire, rescue and ambulance duty and various other firemen related activities.



### Territory

The Company is licensed to write insurance only in the State of Delaware. In 1997, the DVFLA ceased acting as an insurance underwriting entity and began functioning as a risk-purchasing group.

### Lines of Business/Operations

DVFLA offers the following policies to its members from Provident:

#### *Sickness and Health*

This policy covers Death Benefits, Impairment Benefits, Income Protection, Medical Expenses and Family Assistance. The premium for the policy effective from January 1, 2018 to December 31, 2018 was \$212,219. The cost is allocated to member companies.

#### *Accidental Death and Dismemberment*

This policy is a Special Risk Insurance Program issued by Federal Insurance Company offered through Provident. The policy covers Accidental Death and Dismemberment. During 2018 DVFLA paid \$16,740 for the policy. The cost is allocated to member companies.

For both policies above, DVFLA pays the entire premium at the outset of the policy and then bills the member fire companies annually for one-third of the premium.

#### *Sports Policy*

The sports policy is paid for by participating fire Companies. No members participated in 2018.

#### *Benefit Program*

Burial Benefit Fund - The Burial Aid Program came into effect in February of 2007. This program functions to provide aid for burial costs to members of the DVFLA. Members will receive aid of \$1,000 per year of membership (following one probation year) up to \$7,000 to be

used for funeral expenses. In 2018, funeral expenses for this program totaled \$13,000. The Association collects \$350 annually per company, to help fund this benefit. In 2019, the dues will increase to \$500. This program is optional to each fire company and may be terminated at any time by the Board. DVFLA is in compliance with Code 18 *Del. C.* § 5510 Benefit Fund.

### **REINSURANCE**

The Association has no reinsurance.

### **FINANCIAL STATEMENTS**

The following financial statements, as reported and filed by the Association with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2018
- Statement of Liabilities, Surplus and Other Funds as of December 31, 2018
- Statement of Operations for the year ended December 31, 2018
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2013 to December 31, 2018

**Statement of Assets  
As of December 31, 2018**

	<u>Ledger Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets 2018</u>	<u>Note</u>
Cash	\$ 540,127	-	\$ 540,127	1
Aggregate write-ins for invested assets	71,251	-	71,251	2
Aggregate write-ins for other invested assets	226,289	\$ 226,289	-	
<b>Total Assets</b>	<u><u>\$ 837,667</u></u>	<u><u>\$ 226,289</u></u>	<u><u>\$ 611,378</u></u>	

**Liabilities, Surplus and Other Funds  
As of December 31, 2018**

	<u>2018</u>	<u>Note</u>
Premium and annuity considerations received in advance	\$ 169,414	3
<b>Total Liabilities</b>	\$ 169,414	
Aggregate write-ins for surplus funds	70,654	
Unassigned funds (surplus)	371,310	
<b>Total Surplus</b>	<u><u>\$ 441,964</u></u>	
<b>Totals of Liabilities &amp; Surplus</b>	<u><u>\$ 611,378</u></u>	

**Summary of Operations**  
**For the Year Ended December 31, 2018**

	<u>2018</u>
Net investment income	\$ 1,796
Aggregate write-ins for miscellaneous income	<u>258,116</u>
Total revenue	<u>\$ 259,912</u>
General insurance expenses	<u>255,005</u>
Total deductions	<u>\$ 255,005</u>
Net gain from operations before refunds to its members	\$ 4,907
Net income before taxes	<u>                    </u>
Net income after taxes	<u>\$ -</u>
Federal and foreign income taxes incurred	<u>                    </u>
Net Income	<u><u>\$ 4,907</u></u>

**Reconciliation of Surplus from Prior Examination  
For the Period from the Prior Financial Examination  
As of December 31, 2013 to December 31, 2018**

**Capital and Surplus Account**

	Notes	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Surplus prior reporting year</b>		636,173	572,727	519,953	469,645	433,521
Net income or (loss)	1	(71,712)	(39,300)	(49,583)	(36,238)	4,907
Change in unrealized capital gains (losses)	0	-	-	-	-	-
Change in net deferred income tax		-	-	-	-	-
Change in non admitted assets	2	8,266	(13,474)	(725)	114	3,536
Net change in Capital and Surplus for the year		(63,446)	(52,774)	(50,308)	(36,124)	8,443
<b>Surplus December 31, current year</b>		<b>572,727</b>	<b>519,953</b>	<b>469,645</b>	<b>433,521</b>	<b>441,964</b>

(1) Amount represents net income.

(2) Represents change in prepaid insurance

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION**

There were no changes made to the Financial Statements as a result of this Examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

**Note 1 - Cash** **\$540,127**

Cash represents 88.35% of the total assets as of December 31, 2018. Cash is amounts held in banks and certificates of deposit.

**Note 2 – Aggregate Write-ins for Invested Assets** **\$71,251**

In compliance with Code 18 *Del. C.* § 5509 Guaranty Fund (a) Each mutual benefit association before receiving a certificate of authority shall deposit with the Commissioner \$25,000 in cash and/or securities approved by the Commissioner and (b) the deposit shall constitute a guaranty fund and shall remain in trust with the Commissioner to answer any default of the association.

The Company is in compliance and maintains cash in an account in the amount of \$30,000 as of the exam date.

In compliance with Code 18 *Del. C.* § 5510 Benefit Fund (a); every association shall deposit in a bank or trust company approved by the Commissioner a sum not less than 50% of all dues collected. The Company has set up an escrow account with TD Bank in the amount of \$41,250. As such, the Company is in compliance with Code 18 *Del. C.* § 5510.

**Note 3 – Premium and annuity considerations received in advance** **\$169,414**

Premium and annuity considerations received in advance represented \$169,414 or 100% of total liabilities at December 31, 2018. The stated amount represents an accrual for deferred premium.

**SUBSEQUENT EVENTS**

During March of 2020, the World experienced a pandemic related to the COVID-19 virus. As of the date of this report, the Association has not been able to quantify the effects of this pandemic on its current or future financial statements. Also, as of the date of this report, the Association was fully operational and was providing services to its members.

**COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS**

*General Expenses Due and Accrued*

DVFLA reported no amount for the above liability on the 2013 Annual Statement. Subsequent to year end 2013, the Company incurred the costs associated with preparing and auditing the 2013 financial statements. The Company did not accrue for the preparing and audit expenses during the current examination period. Therefore, a repeat examination recommendation was made:

**It is recommended the Company accrue for audit expenses and for the expense of preparing the Annual Statement.**

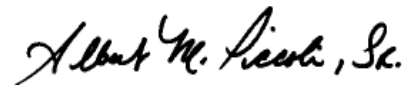
**SUMMARY OF RECOMMENDATIONS**

As of December 31, 2018, the Company did accrue for expenses for the preparation of the Annual Statement. Therefore, a repeat examination recommendation will be made:

**It is recommended the Company accrue for audit expenses and for the expense of preparing the Annual Statement.**

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the Association's outside audit firm, BCI, and the Association's management and staff was appreciated and is acknowledged.

Respectfully submitted,



---

Albert M. Piccoli, Sr., CFE, ACI  
Examiner In-Charge  
State of Delaware

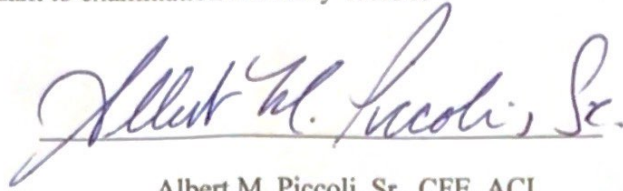


---

Anthony Cardone, CPA, CFE  
Supervising Examiner  
State of Delaware

Delaware Volunteer Fireman's and Ladies Auxiliary Mutual Relief Association Inc.

I, Albert M. Piccoli, Sr., hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 19.030.

A handwritten signature in blue ink that reads "Albert M. Piccoli, Sr." with a horizontal line underneath the text.

Albert M. Piccoli, Sr., CFE, ACI