

EXAMINATION REPORT

OF

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

AS OF

DECEMBER 31, 2023

TRINIDAD NAVARRO
COMMISSIONER



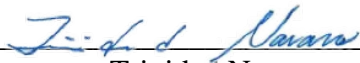
STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
DELAWARE VOLUNTEER FIREMEN'S AND LADIES' AUXILIARY MUTUAL
RELIEF ASSOCIATION, INC.
AS OF
DECEMBER 31, 2023

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.



Trinidad Navarro
Insurance Commissioner

Dated this 27th day of May, 2025

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May 22, 2025

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
1351 West North Street, Suite 101
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Authority No. 24.040, dated May 23, 2024, 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 is an unincorporated association organized under the laws of the State of Delaware. The main office of the Association is located at 22645 Harbeson Road, Harbeson, DE 19951. The Report for this examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Delaware Department of Insurance (Department) performed a single-state examination of the Association. The last examination covered the five-year period from January 1, 2014 through December 31, 2018. This examination will cover the five-year period from January 1, 2019 through December 31, 2023 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, 2023. Transaction subsequent to the examination date were reviewed where 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 NAIC 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 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. If during the course of the examination an adjustment is identified the impact of such adjustment will be documented separately following the Association's financial statements.

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 the Department and/or the Association.

During the course of this examination, consideration was given to work performed by the Association's external accounting firm, Herbein & Company Inc. (Herbein). Certain auditor work papers of the 2023 Herbein review 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 acted as an insurance entity, assuming 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 ceased acting as an insurance entity and began acting as a risk-purchasing group and purchased an insurance policy for its members from Provident Life and Accident Insurance Association of Chattanooga, Tennessee (Provident). In February 2007, the Association 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 2019, the Association began collecting \$500 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 Association'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 (Trustees). The DVFLA shall have Trustees which shall consist of nine members. Trustees serve three-year terms. Trustees 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 are 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, 2023 were as follows:

Daniel Burris	President
Mary Alice Maichle	Secretary
Patrick C. Miller	Treasurer

Board of Trustees

The members of the Board of Trustees as of December 31, 2023 were as follows:

New Castle County
Daniel Burris
Edward Kalinowski
Mary Alice Maichle

Kent County
Kathryn O'Neil
Jeff Dennsion
James Woznicki

Sussex County
Patrick C. Miller
Rob Murray
Ann Hill

Corporate Records

The minutes of the meetings of the Trustees, 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, a review of DVFLA files indicated that written correspondence was not 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. The Association did not notify the Department of the changes in Trustees and Officer. As a result, the Association is not in compliance with 18 *Del. C.* §4919. Therefore the following Examination Recommendation is made:

It is recommended that the Association, by written correspondence, notify the Delaware Department of Insurance of any change in Officers and Trustees.

Insurance Holding System

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

TERRITORY AND PLAN OF OPERATION

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

The Association 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, 2023 to December 31, 2023 was \$258,288. The cost is allocated to member companies.

Accidental Death and Dismemberment

This policy is a Special Risk Insurance Program issued by Federal Insurance Association offered through Provident. The policy covers Accidental Death and Dismemberment. During 2023 DVFLA paid \$43,116 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. These yearly installments include a 20% discount for prompt payment.

Programs

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 2023, funeral expenses for this program totaled \$17,926. In 2019, the dues increased to \$500. Burial Premium for year 2023 was \$28,500. This program is optional to each fire Association and may be terminated at any time by the Trustees.

Strategy

The mission of the DVFLA is to serve, promote, advocate, coordinate, represent and support the interests of the member Companies in the performance of providing community based Fire, Rescue, Emergency Medical and other emergency response related services to the citizens of the State of Delaware.

The purpose of the Association is to form a more perfect organization, establish harmony, ensure prosperity and success, obtain and compile statistics concerning the various apparatus, cultivate fraternal fellowship among the companies and departments and promote the best interest of the Volunteer Fire Fighters of Delaware.

DVFLA is licensed to write insurance only in the State of Delaware. As required by 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.
- (b) The deposit shall constitute a guaranty fund and shall remain in trust with the Commissioner to answer any default of the association.

The Association maintains cash in an account in the amount of \$28,500 as of the exam date.

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 and Liabilities as of December 31, 2023
- Statement of Operations for the year ended December 31, 2023
- Statement of Capital and Surplus for the year ended December 31, 2023
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of January 1, 2019 to December 31, 2023

Statement of Assets
As of December 31, 2023

	<u>Ledger Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted</u>	<u>Notes</u>
Cash, cash equivalents				
and short term Investments	\$ 562,389	\$ -	\$ 562,389	1
Aggregate write-ins for invested assests	<u>63,954</u>	<u>-</u>	<u>63,954</u>	
Subtotals, cash and invested assets	<u>\$ 626,343</u>	<u>\$ -</u>	<u>\$ 626,343</u>	
Investment income due and accrued	-	-	-	
Uncollected premiums and agents' balances	-	-	-	
Aggregate write-ins for other than invested assets	<u>286,341</u>	<u>286,341</u>	<u>-</u>	
Total Assets Excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	\$ 912,684	\$ 286,341	\$ 626,343	
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>-</u>	<u>-</u>	<u>-</u>	
Total Assets	<u><u>\$ 912,684</u></u>	<u><u>\$ 286,341</u></u>	<u><u>\$ 626,343</u></u>	

Statement of Liabilities, Capital and Surplus
As of December 31, 2023

	<u>2023</u>	<u>Notes</u>
Premiums and annuity considerations received in advance including and accident and health premiums	\$ 203,188	2
Certificate and Contract liabilities not included elsewhere	-	
Aggregate write-ins for liabilities	-	
Total liabilities excluding Separate Accounts business	\$ 203,188	
From Separate Accounts Statement	-	
Total Liabilities	<u>\$ 203,188</u>	
Aggregate write ins for surplus funds	\$ 122,798	
Unassigned funds	300,357	
Total Capital and Surplus	<u>\$ 423,155</u>	
Total Liabilities, Capital and Surplus	<u><u>\$ 626,343</u></u>	

Statement of Income
For the Year Ended December 31, 2023

	<u>2023</u>
Premiums and annuity considerations	\$ -
Net investment income	6,342
Aggregate write-ins for miscellaneous income	<u>337,077</u>
Total	<u>\$ 343,419</u>
Death Benefits	\$ -
Annuity benefits	-
Disability benefits and benefits under accident and health contracts	-
Surrender benefits and withdraws for life contracts	-
Interest and adjustments on contract or deposit-type contract funds	-
Increase in aggregate reserves	<u>-</u>
Total	<u>\$ -</u>
Commissions on premiums, annuity considerations, and deposit-type contract funds	-
General insurance expenses and fraternal expenses	332,387
Insurance taxes, licenses, and fees, excluding federal income taxes	-
Increase in loading on deferred and uncollected premiums	-
Net transfers to or (from) Separate Accounts net of reinsurance	-
Aggregate write-ins for deductions	<u>-</u>
Totals	<u>\$ 332,387</u>
Net gain from operations before refunds to members	\$ 11,032
Net gain from operations after dividends to policyholders and before federal income taxes	-
Federal and foreign income taxes incurred (excluding tax on capital	-
Net gain from operations after refunds to members and before realized capital gains or losses	-
Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax (excluding taxes transferred to the IMR)	<u>-</u>
Net Income	<u><u>\$ 11,032</u></u>

Capital and Surplus Account
As of December 31, 2023

	<u>2023</u>
Surplus as regards to policyholders; December 31, 2022	\$ 396,072
Net income	11,032
Change in net unrealized capital gains (losses) less capital gains tax of \$12,601,305	-
Change in net unrealized foreign exchange capital gain (loss)	-
Change in net deferred income tax	-
Change in nonadmitted assets and related items (1)	16,051
Change in reserve on account of change in valuation basis, (increase) or decrease	-
Change in asset valuation reserve	-
Other changes in surplus in Separate Accounts Statement	-
Surplus adjustment: Paid in	-
Aggregate write-ins for gains and losses in surplus	-
Net change in surplus for the year	<u>\$ 27,083</u>
Surplus; December 31, 2023	<u><u>\$ 423,155</u></u>

(1) Represents change in prepaid insurance

Reconciliation of Capital and Surplus
For the Period from the Prior Examination
December 31, 2019 to December 31, 2023

Capital and Surplus Account						
	<u>Notes</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Surplus prior reporting year		\$ 441,964	\$ 448,834	\$ 406,168	\$ 377,543	\$ 396,072
Net income or (loss)	1	21,119	(7,190)	(2,125)	18,338	11,032
Change in unrealized capital gains (losses)		-	-	-	-	-
Change in net deferred income tax		-	-	-	-	-
Change in non admitted assets	2	(14,249)	(35,476)	(26,500)	191	16,051
Net change in Capital and Surplus for the year		<u>\$ 6,870</u>	<u>\$ (42,666)</u>	<u>\$ (28,625)</u>	<u>\$ 18,529</u>	<u>\$ 27,083</u>
Surplus December 31, current year		<u>\$ 448,834</u>	<u>\$ 406,168</u>	<u>\$ 377,543</u>	<u>\$ 396,072</u>	<u>\$ 423,155</u>

Note 1 - Amount represents Net Income

Note 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 \$562,389

Cash represents 89.79% of the total assets as of December 31, 2023. Cash is amounts held in banks and certificates of deposit.

Note 2 – Premium and annuity considerations received in advance \$203,188

Premium and annuity considerations received in advance represented \$203,188 or 100% of total liabilities as of December 31, 2023. The stated amount represents an accrual for deferred premium.

SUBSEQUENT EVENTS

Aggregate Write-ins for Invested Assets

As of the exam date, the Association was not in compliance with Code 18 *Del. C.* § 5510 Benefit Fund Section (a and b); every association shall deposit in a bank or trust Association approved by the Commissioner a sum not less than 50% of all dues collected. The Fulton Bank Escrow account balance of \$63,954 as of December 31, 2023 was not sufficient to cover the reserve of \$97,797 required by the State of Delaware as of December 31, 2023. The Association deposited \$33,843 into the escrow account to become compliant with Delaware Code, subsequent to the examination date. As of January 2024, the Association was in compliance with 18 *Del. C.* § 5510 Benefit Fund, the association has escrowed \$97,798.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

As of December 31, 2018, the Association did not accrue for audit expenses and for the expense of preparing the Annual Statement. Therefore, a repeat examination recommendation will be made:

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

The Association is now in compliance with prior recommendation.

SUMMARY OF RECOMMENDATIONS

The following examination recommendation is made:

It is recommended that the Association, by written correspondence, notify the Delaware Department of Insurance of any change in Officers and Trustees.

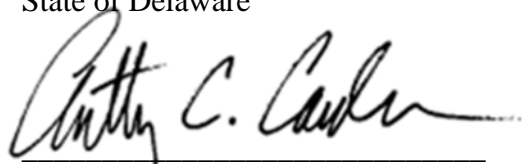
CONCLUSION

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the Association's external accounting firm, Herbein, 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 Firemen'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 Certification No. 24.040.

A handwritten signature in black ink, reading "Albert M. Piccoli, Sr.", written in a cursive style.

Albert M. Piccoli, Sr., CFE