

DEPARTMENT OF COMMERCE & INSURANCE

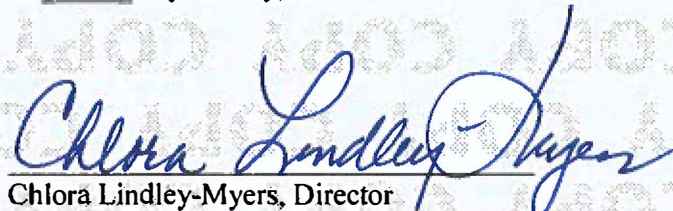
P.O. Box 690, Jefferson City, Mo. 65102-0690

ORDER

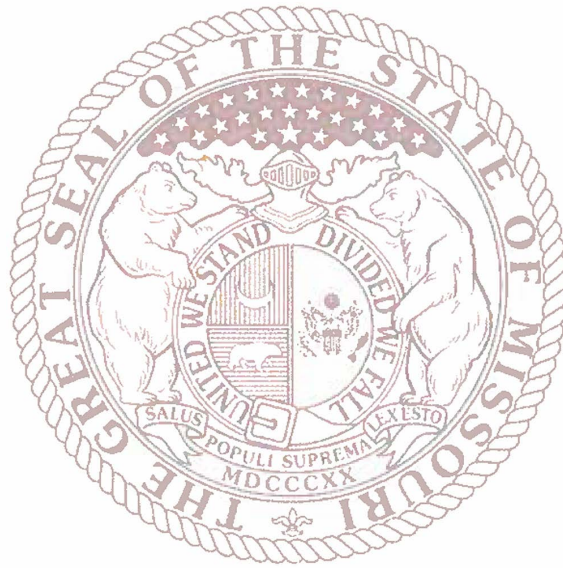
After full consideration and review of the report of the financial examination of Buchanan County Mutual Insurance Company for the period ended December 31, 2018, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, Missouri Department of Commerce and Insurance pursuant to section 380.491, RSMo, adopt such report. The findings and conclusions of the report are incorporated by reference herein and are deemed to be my findings and conclusions.

Based on such findings and conclusions, I hereby ORDER Buchanan County Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions; and (2) submit a signed copy of the minutes of the meeting which reflect a corporate resolution to the effect the Examination Report has been reviewed and accepted.

So ordered, signed and official seal affixed this 13th day of May, 2020.


Chlora Lindley-Myers, Director
Department of Commerce and Insurance





REPORT OF THE
FINANCIAL EXAMINATION OF

BUCHANAN COUNTY MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2018

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE
JEFFERSON CITY, MISSOURI

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December 23, 2019
Saint Joseph, MO

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce & Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your examination warrant, a full-scope examination has been made of the records, affairs and financial condition of

BUCHANAN COUNTY MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company." The Company's administrative office is located at 1004 South Belt Highway, Saint Joseph, MO, telephone number (816) 232-0933. This examination began on November 18, 2019, was concluded on the above date, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed a single-state examination of Buchanan County Mutual Insurance Company. The last examination covered the period of January 1, 2009 through December 31, 2013. This examination covers the period of January 1, 2014 through December 31, 2018.

This examination also included material transactions and/or events occurring subsequent to the examination date, which are noted in this report.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Department of Commerce & Insurance (DCI) and statutes of the State of Missouri prevailed.

HISTORY

General

The Company was originally organized and incorporated on November 18, 1902, as the Farmers Mutual Fire and Lightning Insurance Company of Buchanan County, Missouri. In 1985, the Company changed its name to Buchanan County Mutual Insurance Company.

The Company has a Certificate of Authority dated July 1, 1991, and is covered by Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Insurance Companies). The Company's Certificate of Authority is renewed annually.

Management

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the second Tuesday of February at the home office of the Company or at such other place as may be designated by the Board of Directors. Proxy voting is not permitted.

The management of the Company is vested in the Board of Directors, who are elected from the general membership. The Board of Directors consists of nine members, serving staggered three-year terms. All directors must be policyholders of the Company. The Board of Directors meets four times each year, and each director is compensated \$50 per meeting attended.

Members serving on the Board of Directors, as of December 31, 2018, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term End</u>
Deanne Lofts Saint Joseph, Missouri	Agent	2020
Gina Tingler Saint Joseph, Missouri	Agent	2020
Bill Cassity Rushville, Missouri	Banker	2019
Mark Jordan Saint Joseph, Missouri	Lawn Care	2021
Charles Spencer Faucett, Missouri	Farmer	2019
Jim Whitson Saint Joseph, Missouri	Farmer	2019
Rodney Fry DeKalb, Missouri	Salesman	2021

LeRoy Clark Easton, Missouri	Farmer	2021
Dean Kerns Saint Joseph, Missouri	Retired	2020

The Board of Directors appoints the officers of the Company for a term of one year. The officers of the Company serving at December 31, 2018, were as follows:

<u>Name</u>	<u>Office</u>
Deanne Lofts	President
LeRoy Clark	Vice-President
Charles Spencer	Vice-President
Gaye Black	Secretary / Treasurer

Conflict of Interest

The Company has written conflict of interest procedures for the disclosure of material conflicts of interest or affiliations by its directors and officers. The Company has its directors and officers sign conflict of interest statements on an annual basis.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. The Articles of Incorporation and Bylaws were not amended during the examination period. The minutes of the membership and the Board of Directors' meetings were reviewed for the period under examination. The minutes and records of the Company appear to properly reflect corporate transactions and events.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$75,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$75,000 and \$100,000.

The Company carries liability coverage for its directors and officers and requires its agents to obtain errors and omissions coverage.

The Company has a business owner's policy with an outside carrier.

EMPLOYEE BENEFITS

The Company has one full-time employee and two part-time employees. The benefits package offered by the Company to its full-time employee includes participation in a retirement plan, with the Company matching employee contributions, a health insurance stipend, and paid time off.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the DCI as an Extended Missouri Mutual Insurance Company operating under Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Insurance Companies). The Company is authorized to write fire, wind, and liability insurance in all counties in the State of Missouri. The Company's policies are sold by eleven agents.

Policy Forms and Underwriting Practices

The Company utilizes its reinsurer's policy forms. The policies are written on a continuous basis. Property inspections are performed by the Company's agents and a third party. Adjusting functions are performed by a third party. Rates are determined by the Company's Board of Directors.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income	Underwriting Income	Net Income
2018	\$3,866,227	\$1,148,294	\$2,438,913	\$1,223,032	\$ 52,727	\$ 16,033	\$ 74,843
2017	3,825,988	1,184,748	2,425,878	1,127,110	50,282	202,576	258,453
2016	3,756,909	1,381,380	2,467,450	1,555,489	51,919	(335,403)	(277,422)
2015	3,799,906	1,160,420	2,516,475	1,773,203	48,610	(148,377)	(93,722)
2014	4,089,338	1,284,185	2,587,560	895,983	49,356	527,049	406,247

At year-end 2018, 2,544 policies were in force.

REINSURANCE

General

The Company's written premium activity on a direct, assumed and ceded basis for the period under examination is shown below:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Direct	\$2,587,560	\$2,516,475	\$2,467,450	\$2,425,878	\$2,438,913
Assumed	0	0	0	0	0
Ceded	<u>(910,776)</u>	<u>(864,811)</u>	<u>(911,935)</u>	<u>(926,471)</u>	<u>(900,230)</u>
Net	<u>\$1,676,784</u>	<u>\$1,651,664</u>	<u>\$1,555,515</u>	<u>\$1,499,407</u>	<u>\$1,538,683</u>

Assumed

The Company does not reinsure other companies.

Ceded

The Company cedes business to Grinnell Mutual Reinsurance Company (the reinsurer) through a reinsurance agreement that provides per risk excess of loss, catastrophe, and aggregate excess coverage for property risks, as well as coverage for equipment breakdown.

Under the per risk excess of loss section of the property agreement, the Company retains \$200,000 of losses per risk, and the reinsurer's maximum limit is \$20,000,000 per risk. Under the property catastrophe excess of loss agreements, the reinsurer is liable for 100% of losses in excess of the Company's retention for each occurrence, which was \$600,000 in ultimate net losses in 2018. Under the aggregate excess section of the property agreement, the reinsurer is liable for 100% of losses in excess of the Company's annual retention, which was \$1,300,000 of its ultimate net losses in 2018. The agreement also contains an addendum that provides for the cession of 100% of earthquake coverage premium and losses to the reinsurer.

For the equipment breakdown coverage, the Company cedes 100% of its premium and losses to the reinsurer and receives a 20% ceding commission. The reinsurer does not have a maximum limit for its equipment breakdown coverage.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that any assuming reinsurer should fail to perform its obligations under its reinsurance agreement with the Company.

ACCOUNTS AND RECORDS

The accounting records are maintained by the Company on an accrual basis. The CPA firm of Martin & Hanway CPA's, P.C., LLC performs an annual audit of the Company's financial statements and prepares the annual statement and federal tax filings.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2018, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the Financial Statements. (The failure of any column of numbers to add to its respective total is due to rounding or truncation.)

There may have been differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial, concerning their effect on the financial statements. Therefore, they were communicated to the Company and noted in the workpapers for each individual Annual Statement item.

ASSETS
December 31, 2018

Bonds	\$ 2,978,614
Mutual Funds	282,572
Real Estate	48,798
Cash on Deposit	451,409
Reinsurance Recoverable on Paid Losses	26,450
Computer Equipment	3,617
Federal Income Tax Recoverable	44,100
Interest Due and Accrued	27,629
Prepaid Insurance	<u>3,038</u>
Total Assets	<u>\$ 3,866,227</u>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2018

Unpaid Losses	\$ 15,000
Ceded Reinsurance Premium Payable	85,055
Unearned Premium	1,041,371
Payroll Tax	4,549
Accounts Payable	<u>2,319</u>
Total Liabilities	\$ 1,148,294
Guaranty Fund	\$ 150,000
Other Surplus	<u>2,567,933</u>
Total Surplus	<u>\$ 2,717,933</u>
Total Liabilities and Surplus	<u>\$ 3,866,227</u>

STATEMENT OF INCOME
For the Year Ending December 31, 2018

Net Premiums Earned	\$ 1,531,534
Other Insurance Income	323,299
Net Losses & Loss Adjusting Expenses Incurred	(1,224,464)
Other Underwriting Expenses Incurred	<u>(614,336)</u>
Net Underwriting Income (Loss)	\$ 16,033
Net Investment Income	52,727
Other Income	<u>6,083</u>
Gross Profit (Loss)	\$ 74,843
Federal Income Tax	<u>0</u>
Net Income (Loss)	<u>\$ 74,843</u>

RECONCILIATION OF SURPLUS
Changes from January 1, 2014 to December 31, 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Capital and Surplus, Beginning of Year	\$2,405,042	\$2,805,153	\$2,639,486	\$2,375,529	\$2,641,240
Net Income	406,247	(93,722)	(277,422)	258,453	74,843
Change in Net Unrealized Gains (Losses)	(4,901)	11,760	(9,118)	8,089	1,029
Change in Prepaid Expenses	5,624	(1,660)	6,182	(831)	821
Prior Period Adjustment	0	(82,045)	16,401	0	0
Nonadmitted Assets	<u>(6,859)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital and Surplus, End of Year	<u>\$2,805,153</u>	<u>\$2,639,486</u>	<u>\$2,375,529</u>	<u>\$2,641,240</u>	<u>\$2,717,933</u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUBSEQUENT EVENTS

There were no significant subsequent events noted between December 31, 2018 and the date of this report.

SUMMARY OF RECOMMENDATIONS

None.

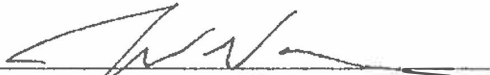
ACKNOWLEDGMENT

The assistance and cooperation extended by the employees of Buchanan County Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Joshua R. Nash, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only the facts appearing upon the books, records or other documents of the company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.



Joshua R. Nash, CPA, AFE
Financial Examiner
Missouri Department of Commerce & Insurance

On this 21st day of April, 2020, before me, the undersigned notary, appeared remotely pursuant to Executive Order 20-08 Joshua Nash proved to me through identification documents, and acknowledged to me that he signed the forgoing instrument voluntarily for its stated purpose and acknowledged that he executed the same for the purposes therein contained.

In witness thereof, I hereunto set my signature and official seal.

My commission expires: March 4, 2024



KATHRYN LATIMER
Commission Expires
March 4, 2024
Cole County
Commission #12418395

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Michael R. Shadowens

Michael Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce & Insurance