



DEPARTMENT OF COMMERCE & INSURANCE

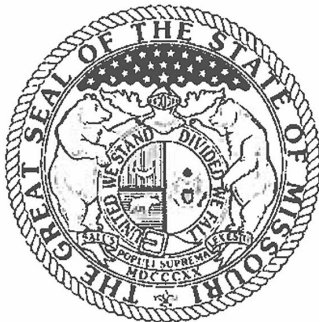
P.O. Box 690, Jefferson City, Mo. 65102-0690


ORDER

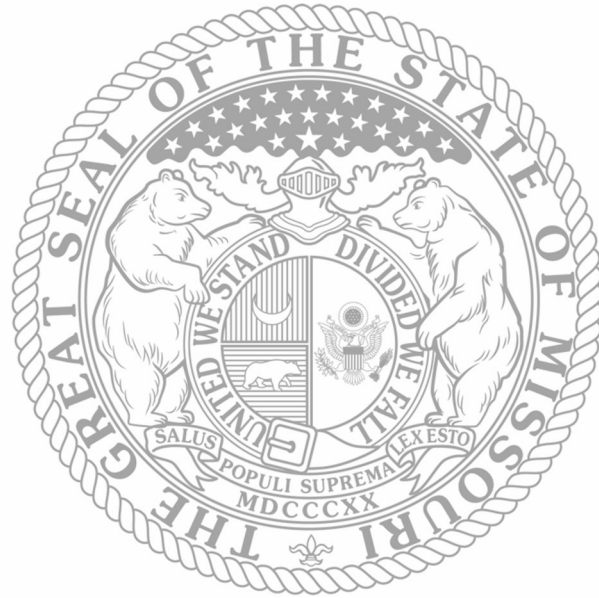
After full consideration and review of the report of the financial examination of Brinktown Farmers Mutual Insurance Company for the period ended December 31, 2019, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, 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 Brinktown Farmers 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 2nd day of December, 2020.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

BRINKTOWN FARMERS MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2019

**STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

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Vienna, MO
September 17, 2020

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

Director Lindley-Myers:

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

BRINKTOWN FARMERS MUTUAL INSURANCE COMPANY

hereinafter referred to as such or as the Company. Its administrative office is located at 1001 Vienna Rolla Road, Vienna, Missouri, telephone number (573)422-6332. The fieldwork for this examination began on September 8, 2020, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a single-state financial examination of Brinktown Farmers Mutual Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2010 through December 31, 2014. The current examination covers the period of January 1, 2015 through December 31, 2019, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department or statutes of the state of Missouri prevailed. 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 Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination report includes significant findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no adverse findings, significant non-compliance issues, or material changes to the financial statements during the examination.

COMPANY HISTORY

General

The Company was established in 1915 as Brinktown Farmers Mutual Insurance Company of Maries County, and was incorporated in 1934. The Company changed its name to Brinktown Farmers Mutual Insurance Company in 1983. As of December 31, 2019, the Company operated under sections 380.011 through 380.151 RSMo (Missouri Mutual Insurance Companies).

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors that are elected by the policyholders. The Company’s Articles of Incorporation specify that there shall be six members. The Board of Directors elected and serving as of December 31, 2019, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Daniel Wansing Dixon, Missouri	Farmer	2022
Rita Henderson Vienna, Missouri	Retired	2021
Alice Ready Vienna, Missouri	Farmer	2020
Rob Pendleton Dixon, Missouri	Farmer	2020
Clay Vogt Vienna, Missouri	Banker	2021
Nathanial Boggs Tuscumbia, Missouri	Water Department Employee	2022

Officers

The officers elected and serving, as of December 31, 2019, were as follows:

<u>Name</u>	<u>Office</u>
Daniel Wansing	President
Rob Pendleton	Vice-President
Clay Vogt	Treasurer/Secretary

Conflicts of Interest

The Company’s directors and officers sign conflict of interest statements on an annual basis. A review of the executed conflict of interest statements noted no material potential conflicts disclosed.

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.

EMPLOYEE BENEFITS

The Company has one part-time employee. The Company does not offer any benefits to its employee outside of regular wages.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$50,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$50,000 and \$75,000 in coverage.

The Company carries liability coverage for its directors and officers. The Company also has a business insurance policy that provides personal property, liability, and premises medical payment coverage.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

As of December 31, 2019, the Company was licensed as a Missouri Mutual Insurance Company operating under Sections 380.011 through 380.151 RSMo. (Missouri Mutual Insurance Companies). The Company was authorized to write property insurance in Maries County and all of its adjoining counties in the State of Missouri. The Company's policies are sold by four agents.

Policy Forms and Underwriting Practices

The Company utilizes AAIS policy forms. The policies are written on a five-year basis. Property inspections are performed by the Company's agents. Adjusting functions are performed by both the Company and third parties.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's premium writings and writing ratios for the period under examination:

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2019	\$2,118,278	\$0	\$284,189	\$108,463	\$23,814	\$ 9,271	\$33,085
2018	2,085,192	0	286,081	71,184	14,022	59,093	73,115
2017	2,012,079	0	263,061	97,121	10,959	17,212	28,171
2016	1,983,908	0	250,441	88,607	9,667	13,064	22,731
2015	1,961,179	0	241,547	41,927	8,930	55,563	64,493

At year-end 2019, there were 716 policies in force.

REINSURANCE**General**

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

Premium Type	2015	2016	2017	2018	2019
Direct Premiums Written	\$ 241,547	\$ 250,441	\$ 263,061	\$ 286,081	\$ 284,189
Reinsurance Assumed	0	0	0	0	0
Reinsurance Ceded	(67,431)	(74,115)	(69,361)	(64,175)	(71,305)
Net Premiums Written	\$ 174,116	\$ 176,326	\$ 193,700	\$ 221,906	\$ 212,884

Assumed Reinsurance

The Company does not reinsure other companies.

Ceded Reinsurance

As of December 31, 2019, the Company had all of its reinsurance through agreements brokered by Guy Carpenter and assumed by one or more reinsurers at varying participation percentages. The Company cedes its risks through property per risk excess of loss, first catastrophe excess of loss, and unlimited aggregate excess of loss reinsurance agreements.

Under the property per risk excess of loss agreement, the Company retains the first \$30,000 of the ultimate net loss for each risk and the reinsurers are responsible for up to \$500,000 of the ultimate net loss for each risk and \$1,000,000 for each loss occurrence. Under the first catastrophe excess of loss agreement, the Company retains the first \$64,000 of each loss occurrence and the reinsurers are responsible for a maximum of \$2,000,000 for each loss occurrence. Under the unlimited aggregate excess of loss agreement, the Company is responsible for net losses equal to 80% of its gross net earned premium for the year, and the reinsurers are responsible for 100% of the losses that exceed this amount. All reinsurers participating in the 2019 reinsurance program maintained A.M. Best financial strength ratings of "A-" or better.

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

ACCOUNTS AND RECORDS

The accounting records are maintained on a cash basis. Vienna Tax Service completes its annual tax filings.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of Brinktown Farmers Mutual Insurance Company for the period ending December 31, 2019. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of 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 additional differences found in the course of this examination, which are not shown in the “Comments on Financial Statement Items.” These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual key activity.

ASSETS

As of December 31, 2019

	Assets
Cash	\$ 2,058,278
Other Investments	60,000
TOTAL ASSETS	\$ 2,118,278

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2019

TOTAL LIABILITIES	\$ 0
Other Surplus	2,118,278
TOTAL POLICYHOLDER SURPLUS	\$ 2,118,278
TOTAL LIABILITIES AND SURPLUS	\$ 2,118,278

STATEMENT OF INCOME

For the Year Ended December 31, 2019

Net Earned Assessment/Premium Income	\$ 212,884
Other Insurance Income	1,131
Net Losses & Loss Adjustment Expense	(118,631)
Underwriting Expenses	(86,113)
Underwriting Income (Loss)	\$ 9,271
Investment Income	23,814
Investment Expenses	0
Net Investment Gain (Loss)	\$ 23,814
Other Income	0
Gross Profit or Loss	\$ 33,085
Federal Income Tax	0
NET INCOME (LOSS)	\$ 33,085

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 1, 2015 to December 31, 2019

	2015	2016	2017	2018	2019
Beginning Policyholder's Surplus	\$ 1,896,685	\$ 1,961,178	\$ 1,983,909	\$ 2,012,079	\$ 2,085,193
Net Income (Loss)	64,493	22,731	28,171	73,115	33,085
Ending Policyholder's Surplus	\$ 1,961,178	\$ 1,983,909	\$ 2,012,079	\$ 2,085,193	\$ 2,118,278

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

After December 31, 2019, the Company's reinsurance program was no longer brokered through Guy Carpenter. Beginning January 1, 2020, the Company was reinsured directly with Grinnell Mutual Reinsurance Company on a property per risk excess of loss, property aggregate excess of loss, and liability excess of loss basis.

At a special membership meeting on January 13, 2020, the Company approved an amendment to its Articles of Incorporation. The amendment changed the Company from a Missouri Mutual Insurer operating under Sections 380.011 through 380.151 RSMo. (Missouri Mutual Insurance Companies), to an Extended Missouri Mutual Insurer operating under Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Insurance Companies). This change allows the Company to add the liability line of business and expand its territory to statewide.

On March 11, 2020, The World Health Organization declared the spreading coronavirus (COVID19) outbreak a pandemic. On March 13, 2020, United States President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the United States and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators with the assistance of the NAIC are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Brinktown Farmers 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, CFE, CPA, 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 facts appearing upon the books, records, or other documents of Brinktown Farmers Mutual Insurance 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, CFE, CPA
Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 20th day of October, 2020.

My commission expires: March 4, 2024 Kathryn Latimer
Notary Public



KATHRYN LATIMER
My 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, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.

Michael R. Shadowens

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