

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

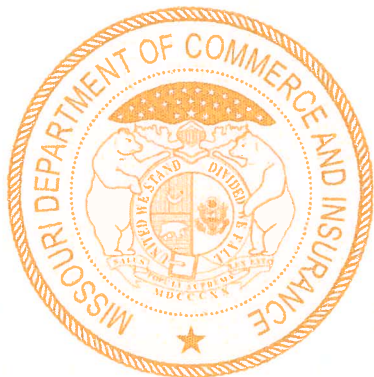
P.O. Box 690, Jefferson City, Mo. 65102-0690

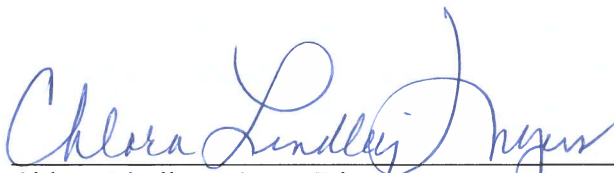
ORDER

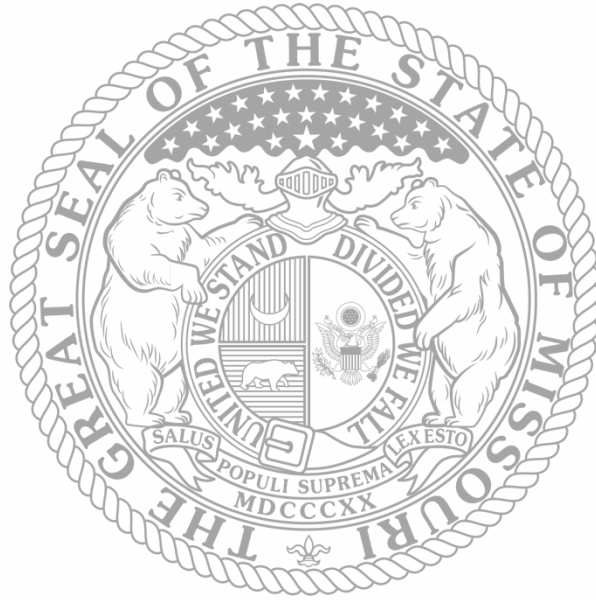
After full consideration and review of the report of the financial examination of Bunceton Mutual Insurance Company for the period ended December 31, 2021, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, Missouri 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 Bunceton 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 15th day of December, 2022.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

BUNCETON MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2021

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

JEFFERSON CITY, MISSOURI

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Bunceton, Missouri
September 8, 2022

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

Bunceton Mutual Insurance Company

hereinafter referred to as such, or as the Company. Its administrative office is located at 100 East Main Street, Bunceton, Missouri 65237, telephone number (660) 427-5521. The fieldwork for this examination began on September 5, 2022, 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 Bunceton Mutual Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2012, through December 31, 2016. The current examination covers the period of January 1, 2017, through December 31, 2021, 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 separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

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

COMPANY HISTORY

General

The Company was originally organized and incorporated on February 4, 1896, as Cooper County Farmers Mutual Fire Insurance Company. In 1971, the Company changed its name to Bunceton 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 AND CONTROL

Board of Directors

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the fourth Thursday in March at the home office of the Company or at such other place as may be designated by the Board of Directors. Eight members shall constitute a quorum at any membership meeting. 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 six members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets quarterly.

The Board of Directors elected and serving as of December 31, 2021, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>
Kimberly Beach Prairie Home, Missouri	Company Manager
Barbara Dicus Bunceton, Missouri	Insurance Agent
Ronald Felten Pilot Grove, Missouri	Farmer
E. Kirtley Lewis Otterville, Missouri	Farmer
John Schibi Pilot Grove, Missouri	Farmer
Larry Witte Stover, Missouri	Farmer

Officers

The officers elected and serving, as of December 31, 2021, were as follows:

<u>Name</u>	<u>Office</u>
E. Kirtley Lewis	President
Ronald Felten	Vice President
Barbara Dicus	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's directors and officers sign conflict of interest statements on an annual basis.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. Neither the Articles of Incorporation nor the Bylaws were amended during the examination period. The minutes of the annual membership meetings and Board of Directors meetings were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has two full-time employees. The benefits provided to the employees include health insurance, life insurance, dental insurance, long-term disability insurance, retirement, annual leave, and sick leave.

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 meets the minimum amount suggested in the guidelines promulgated by the NAIC.

The Company carries liability coverage for its directors and officers. The Company reimburses its agents for errors and omissions coverage. Other insurance coverages carried by the Company include business property and liability coverage and workers compensation coverage.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the Missouri Department of Commerce and Insurance as an Extended Missouri Mutual Insurance Company operating under Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Companies). The Company is authorized to write fire, wind, and liability insurance in all counties in the state of Missouri. The Company writes fire, wind, and liability coverages. The Company's policies are sold by seven licensed agents, who receive a 15% commission on new and renewal business.

Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Services (AAIS) and Wisconsin Reinsurance Corporation (the Reinsurer) policy forms. Policies are written on a continuous period. Underwriting is performed by the company manager. Inspections and claim adjusting services are performed by a third party.

GROWTH OF COMPANY AND LOSS EXPERIENCE

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

(\$000s omitted)

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2021	\$1,704	\$762	\$1,473	\$904	\$13	\$(256)	\$(231)
2020	1,748	597	1,346	1,019	37	(271)	(234)
2019	2,106	699	1,212	434	31	(124)	(94)
2018	1,964	478	1,089	342	44	(46)	40
2017	1,765	418	1,053	317	20	61	81

At year-end 2021, there were 1,416 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:

(\$000s omitted)

Premium Type	2017	2018	2019	2020	2021
Direct	\$ 1,053	\$ 1,089	\$ 1,212	\$ 1,346	\$ 1,473
Assumed	-	-	-	-	-
Ceded	(372)	(363)	(438)	(440)	(427)
Net Written	\$ 681	\$ 726	\$ 774	\$ 906	\$ 1,046

Assumed Reinsurance

The Company does not reinsure other companies.

Ceded Reinsurance

The Company has all of its reinsurance through Wisconsin Reinsurance Corporation (the Reinsurer) under a single contract with multiple sections covering property and liability risks.

Under the per risk excess of loss section of the agreement, the Company retains \$50,000 per property risk, and the Reinsurer is responsible for the excess, limited to \$950,000.

Under the aggregate excess of loss section of the agreement, the Reinsurer is liable for 100% of the Company's net losses which exceed 75% of the Company's gross net earned premium income during the year.

Under the casualty quota share agreement, the Company cedes 100% to the Reinsurer and receives a 25% ceding commission

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 by the Company on an accrual basis. The firm of Wade Stables P.C. compiles the Annual Statement and prepares 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 Bunceton Mutual Insurance Company for the period ending December 31, 2021. 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, 2021

Bonds	\$ 505,666
Mutual Funds	260,268
Real Estate	1,885
Cash	793,274
Other Investments	95,955
Reinsurance Recoverable on Paid Losses	33,356
Computer Equipment	835
Federal Income Tax Recoverable	8,560
Interest Due and Accrued	3,089
Prepaid Insurance	774
TOTAL ASSETS	<u>\$ 1,703,662</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2021

Unpaid Losses	\$ 157,916
Ceded Reinsurance Premium Payable	44,638
Unearned Premium	542,983
Payroll Tax	707
Accounts Payable to Agents	15,698
TOTAL LIABILITIES	<u>\$ 761,942</u>
Guaranty Fund	150,000
Other Surplus	791,720
TOTAL POLICYHOLDER SURPLUS	<u>\$ 941,720</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$ 1,703,662</u>

STATEMENT OF INCOME

For the Year Ended December 31, 2021

Net Earned Assessment/Premium Income	\$ 994,053
Other Insurance Income	61,651
Net Losses & Loss Adjustment Expense	(869,595)
Underwriting Expenses	(441,932)
Underwriting Income (Loss)	\$ (255,823)
Investment Income	13,023
Investment Expenses	(125)
Net Investment Gain (Loss)	\$ 12,898
Other Income	11,921
Gross Profit or Loss	\$ (231,004)
Federal Income Tax	-
NET INCOME (LOSS)	\$ (231,004)

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 1, 2017 to December 31, 2021

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Beginning Policyholder's Surplus	\$ 1,247,228	\$ 1,347,441	\$ 1,486,711	\$ 1,406,640	\$ 1,150,986
Net Income (Loss)	81,042	39,994	(93,947)	(234,158)	(231,004)
Unrealized Gain (Loss)	1,025	(8,682)	13,876	(21,496)	-
Tax Expense	-	(14,750)	-	-	-
Account Receivable-Former Employee	(31,854)	-	-	-	-
Receivable Collected-Former Employee	-	122,708	-	-	-
Deferred Revenue-Former Employee	50,000	-	-	-	-
Change in Non-Admitted Assets	-	-	-	-	21,738
Ending Policyholder's Surplus	\$1,347,441	\$ 1,486,711	\$ 1,406,640	\$ 1,150,986	\$ 941,720

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

The COVID-19 pandemic is ongoing, with uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Conner Nilges, CFE, 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 Bunceton 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.

Conner Nilges

Conner Nilges, CFE
Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 28 day of November, 2022.

My commission expires: March 30, 2023 *Hailey Luebbert*

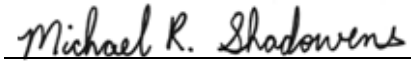
Notary Public



HAILEY LUEBBERT
My Commission Expires
March 30, 2023
Osage County
Commission #15634366

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