



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 Caldwell County Mutual Insurance Company for the period ended December 31, 2017, 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 Insurance¹ 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 Caldwell 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 06th day of September, 2019,



Chlora Lindley-Myers
Chlora Lindley-Myers, Director
Department of Commerce and Insurance

¹ Pursuant to Executive Order #19-02, effective August 28, 2019, the department name was changed from the Department of Insurance, Financial Institutions and Professional Registration to the Department of Commerce and Insurance.

**REPORT OF THE
FINANCIAL EXAMINATION OF
CALDWELL COUNTY MUTUAL
INSURANCE COMPANY**

**AS OF
DECEMBER 31, 2017**

FILED
SEP 6 2019
DIRECTOR OF
MISSOURI DEPARTMENT OF
COMMERCE AND INSURANCE



STATE OF MISSOURI

**DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION**

JEFFERSON CITY, MISSOURI

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May 28, 2019
Kingston, Missouri

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
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

CALDWELL COUNTY MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the Company. The Company's administrative office is located at 96 North Franklin Street (P.O. Box 55), Kingston, Missouri 64650, telephone number (816) 586-3531. This examination began on April 29, 2019, was concluded on the above date, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2011, and was conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP). The current full-scope examination covers the period from January 1, 2012, through December 31, 2017, and was conducted by examiners from the DIFP.

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 Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the DIFP and statutes of the State of Missouri prevailed.

HISTORY

General

The Company was originally established and incorporated on February 5, 1895. The Company has a Certificate of Authority dated December 12, 2016, 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 third Wednesday in April at the home office of the Company or at such place designated by the Board of Directors. Special meetings of the members may be called by the Board of Directors at any time and shall be called upon petition of one-fourth of the members. Ten 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 nine members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately six to eight times per year, and directors are compensated \$250 per each meeting attended.

Members serving on the Board of Directors as of December 31, 2017, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term Expires</u>
Kevin L. Stonum Lathrop, Missouri	Farmer/Agent	2020
James E. Howell Polo, Missouri	Farmer/Agent	2019
Richard J. Lee Hamilton, Missouri	Agent/Public Administrator	2020
Christina A. Biggerstaff Kidder, Missouri	Postmaster/Agent	2019
Kipper J. Kleeman Braymer, Missouri	Farmer/Agent	2018

Walter D. Snyder Hamilton, Missouri	Farmer	2018
Michael C. Strider Lathrop, Missouri	Bank Executive	2019
William W. Beckett, Jr. Cameron, Missouri	Retired Businessman	2018
James E. Houseworth Chillicothe, Missouri	Retired Banker	2020

The Board of Directors appoints for a term of one year, the officers of the Company. The officers of the Company serving at December 31, 2017, were as follows:

Michael C. Strider	President
Kipper J. Kleeman	Vice-President
Gina K. Peoples	Secretary
James E. Howell	Treasurer

Conflict of Interest

The Company completes annual conflict of interest statements 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. A review of the completed statements noted that five of the nine directors disclosed being agents of the Company and of Grinnell Mutual Insurance Company, the reinsurer.

Corporate Records

A review was made of the Articles of Incorporation (Articles) and the Bylaws of the Company. At the July 20, 2016, special meeting of the members, the Articles were amended to change the date of the membership meeting from the third Wednesday in February to the third Wednesday in April. 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 in coverage.

The Company carries liability coverage for its directors and officers. The Company requires agents to purchase their own errors and omissions coverage and provide evidence of such coverage to the Company. The Company carries property insurance coverage on its home office and contents, as well as business liability and workers compensation and employers liability insurance.

EMPLOYEE BENEFITS

The Company has two full-time employees. The Company's employee benefit program includes paid time off, term life insurance, health insurance, and the Company matches each employee's contributions to an individual retirement account up to 3% of annual salary.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company is licensed by the Missouri Department of Insurance as an Extended Missouri Mutual 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 obtained a new Certificate of Authority dated December 12, 2016, which added authorization for liability business. Prior to January 1, 2017, the Company marketed liability coverage through an organizational agreement with its reinsurer. The Company's policies are sold by six licensed agents, who receive a 15% commission.

Policy Forms and Underwriting Practices

The Company uses Grinnell Mutual Reinsurance Company policy forms. The policies are written on a continuous period and renewed annually, with rates determined by the Board of Directors. Renewal billings are mailed directly to the insured. Inspections are performed by agents. Loss adjusting is primarily done by the reinsurer's adjusters. Agents may adjust property claims of \$5,000 or less.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income	Underwriting Income	Net Income
2017	\$ 4,490,256	\$ 476,200	\$ 1,209,758	\$ 783,974	\$ 59,341	\$ (101,163)	\$ (4,405)
2016	4,631,076	613,043	1,084,136	290,330	53,633	22,608	81,992
2015	4,417,229	482,043	1,113,357	337,657	41,634	137,437	180,623
2014	4,215,994	460,809	1,054,306	480,756	35,705	17,045	54,600
2013	4,271,421	569,372	1,028,316	162,350	35,143	293,067	323,003
2012	3,918,880	540,659	1,156,487	681,610	39,976	135,752	169,483

At year-end 2017, 1,178 policies were in force.

REINSURANCE

General

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

	2012	2013	2014	2015	2016	2017
Direct	\$1,156,487	\$1,028,316	\$1,054,306	\$1,113,357	\$1,084,136	\$1,209,758
Assumed	0	0	0	0	0	0
Ceded	(317,292)	(217,782)	(282,763)	(274,788)	(280,299)	(362,127)
Net	\$839,195	810,534	\$771,543	\$838,569	\$803,837	\$847,631

Assumed

The Company does not reinsure other companies.

Ceded

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (Grinnell).

The Company has a property reinsurance agreement that includes per risk and aggregate excess of loss coverage. Under the per risk excess of loss section of the agreement, the Company retains \$125,000 per risk, and Grinnell covers 100% of the excess subject to a maximum reinsurance recovery of \$15 million for each risk. Under the aggregate excess of loss agreement, Grinnell is liable for all losses in excess of the Company's annual aggregate net retention, or attachment point. The attachment point for 2017 was \$660,000.

For liability risks, the Company cedes 100% of the premiums and losses related to these risks and receives a 20% 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 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 Company utilizes a CPA to perform an annual audit of the financial statements and prepare the Company's Annual Statement and federal tax filing.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2017, 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, 2017

Bonds	\$ 100,000
Real Estate	46,552
Cash on Deposit	4,273,150
Premium Receivable	2,820
Reinsurance Recoverable on Paid Losses	42,476
Computer Equipment	760
Federal Income Tax Recoverable	1,025
Interest Due and Accrued	8,724
Prepaid Insurance	3,499
Prepaid Expenses	11,250
	<hr/>
Total Assets	\$ 4,490,256

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2017

Losses Unpaid	\$ 9,625
Ceded Reinsurance Premium Payable	10,412
Unearned Premium	451,274
Payroll Tax Payable	4,889
	<hr/>
Total Liabilities	\$ 476,200
	<hr/>
Guaranty Fund	\$ 150,000
Other Surplus	3,864,056
	<hr/>
Total Surplus	\$ 4,014,056
	<hr/>
Total Liabilities and Surplus	\$ 4,490,256

STATEMENT OF INCOME
For the Year Ending December 31, 2017

Net Premiums Earned	\$ 799,779
Other Insurance Income	42,606
Net Losses & Loss Adjustment Expenses Incurred	(567,034)
Other Underwriting Expenses Incurred	<u>(376,514)</u>
 Net Underwriting Income (Loss)	 \$ (101,163)
Net Investment Income	59,341
Other Income	<u>45,188</u>
 Gross Profit (Loss)	 \$ 3,366
Federal Income Tax	<u>7,771</u>
 Net Income (Loss)	 <u>\$ (4,405)</u>

RECONCILIATION OF SURPLUS
Changes from January 1, 2012, to December 31, 2017
(000's omitted)

	2012	2013	2014	2015	2016	2017
Capital and Surplus, Beginning of Year	\$ 3,213	\$ 3,378	\$ 3,702	\$ 3,755	\$ 3,935	\$ 4,018
Net Income	169	323	55	181	82	(4)
Change in Non-Admitted Assets	<u>(4)</u>	<u>1</u>	<u>(2)</u>	<u>(1)</u>	<u>1</u>	<u>0</u>
Change in Capital and Surplus for the Year	<u>\$ 165</u>	<u>\$ 324</u>	<u>\$ 53</u>	<u>\$ 180</u>	<u>\$ 83</u>	<u>\$ (4)</u>
Capital and Surplus, End of Year	<u>\$ 3,378</u>	<u>\$ 3,702</u>	<u>\$ 3,755</u>	<u>\$ 3,935</u>	<u>\$ 4,018</u>	<u>\$ 4,014</u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
)
County of Cole)

I, Brian Hammann, 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.

Brian Hammann

Brian Hammann, CPA
Financial Examiner
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 19 day of August, 2019.

My commission expires:
March 30, 2023

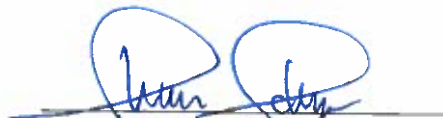
Hailey Luebbert
Notary Public



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.



Shannon Schmoeger, CFE, ARe
Chief Financial Examiner
Missouri Department of Insurance, Financial
Institutions and Professional Registration