



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

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

RE: Examination Report of MAMIC Mutual Insurance Company for the period ended  
December 31, 2014

**ORDER**

After full consideration and review of the report of the financial examination of MAMIC Mutual Insurance Company for the period ended December 31, 2014, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration 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 MAMIC 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) implement, and verify compliance with, each item mentioned in the General Comments and Recommendations, section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions; and (3) 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 16<sup>th</sup> day of May, 2016.



  
John M. Huff, Director  
Department of Insurance, Financial Institutions  
and Professional Registration



**REPORT OF THE  
FINANCIAL EXAMINATION OF**

**MAMIC Mutual Insurance Company**

**AS OF  
DECEMBER 31, 2014**



**STATE OF MISSOURI**

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

**JEFFERSON CITY, MISSOURI**

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March 14, 2016  
Sikeston, Missouri

Honorable John M. Huff, Director  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration  
301 West High Street, Room 530  
Jefferson City, Missouri 65101

Sir:

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

**MAMIC Mutual Insurance Company**

hereinafter referred to as such, or as the "Company". The Company's home office and principal place of business is located at 912 S. Kingshighway, Sikeston, Missouri 63801, telephone number (573) 471-1534. This examination began on January 25, 2016, and was concluded on the above date, and is respectfully submitted.

**SCOPE OF EXAMINATION**

**Period Covered**

The prior full-scope examination was made as of December 31, 2009, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2010 through December 31, 2014, and was conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration (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 by 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.

**Comments-Previous Examination Report**

This prior examination, as of December 31, 2009, did not result in any report comments.

**HISTORY**

**General**

MAMIC was originally established in 1946 as the Shield Fire Insurance Company. On December 28, 1989, the Company changed its name to FMH Mutual Insurance Company. On June 12, 2003, the Company changed its name to MAMIC Mutual Insurance Company.

**Management**

The Company is managed by a board of seven directors, each serving a staggered, three year term. Directors are elected at Annual Membership Meetings held the third Tuesday of March. Eight members constitute a quorum at Annual Membership Meetings. The board of directors meet once a year and is not compensated for attending meetings. Seven Directors are elected from the membership of the Company.

Members serving on the Board of Directors as of December 31, 2014, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term Expires</u>
Ron Borders Sikeston, Missouri	President of Missouri Association of Mutual Insurance Companies	2018
Philip Bibb, Jr. Bowling Green, Missouri	Director of Pike Mutual Insurance Company	2017
Mike Kiefer Perryville, Missouri	President of Perry County Mutual Insurance Company	2018
Olan Stemme Hennann, Missouri	Manager of Gasconade Farmers Mutual Insurance Company	2016
Don Hemmann Uniontown, Missouri	Manager of Arnsberg Farmers Mutual Insurance Company	2017
Steve Underwood Washington, MO	Manager of United Mutual Insurance Company	2016
Charles Smith Billings, MO	Manager of Billings Mutual Insurance Company	2016

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, 2014, were as follows:

Ron Borders	President
Philip Bibb Jr.	Vice-President
Mike Kiefer	Secretary/Treasurer

### **Conflict of Interest**

The Company has its directors and officers sign conflict of interest statements on an annual basis. No potential material conflicts were disclosed during the examination.

### **Corporate Records**

A review was made of the Articles of Incorporation and the Bylaws of the Company. No amendments were made to the Articles of Incorporation or Bylaws during the examination period.

The minutes of the board of directors meetings and the annual membership meetings were also 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 maintains employee dishonesty coverage providing a liability limit of \$25,000. The bond is underwritten by Western Surety Company. This coverage fails to meet the minimum amount of \$50,000 suggested in the guidelines promulgated by the NAIC.

The Company is self-insured with regards to directors and officers liability exposure. No errors and omissions coverage is necessary since the Company has no agents. Also, since the Company does not own any real estate, no property or liability insurance coverage is carried.

With the exception of the fidelity coverage, the Company's insurance coverage appears adequate.

## **EMPLOYEE BENEFITS**

The Company has three employees, including a full-time Office Assistant, a part-time Officer/Manager, and a part-time Office Assistant. The part-time office assistant retired at the end of 2015 and was not replaced. Salaries of employees are determined by the Board of Directors. No benefits are offered to employees with the exception of one week of paid vacation to the full-time Office Assistant.

The Company had a Service Agreement with Mutual Insurance Service Corporation, a corporation wholly owned by the Missouri Association of Mutual Insurance Companies, in which the service company received 15% of MAMIC's net written premium for the daily operational needs of the Company, that was terminated in October 2010 and now the employees of the Mutual provide this service.

## **INSURANCE PRODUCTS AND RELATED PRACTICES**

### **Territory and Plan of Operations**

The Company is licensed by the DIFP 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, windstorm and liability coverage in all Missouri counties. Although the Company is licensed to write all three lines of business, it chooses only to write Directors and Officers liability and Errors and Omissions liability coverage. The Company has no agents. The President and Secretary of the Company process the policies.

### **Policy Forms and Underwriting Practices**

The Company supplies its own policy forms. The Company's liability policies are continuous policies and are renewable annually. Rates are determined by the Board of Directors. Renewal billings are mailed directly to the insured.

## GROWTH AND LOSS EXPERIENCE OF THE COMPANY

	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Gross Premiums</u>	<u>Gross Losses</u>	<u>Investment Income</u>	<u>Underwriting Income</u>	<u>Net Income</u>
2014	\$1,372,840	\$122,587	\$573,646	\$136,277	\$13,904	\$145,495	\$159,428
2013	1,211,102	120,277	536,512	20,250	10,800	128,214	139,054
2012	1,069,001	117,115	552,716	230,474	11,362	109,253	115,325
2011	950,102	112,421	527,832	34,453	10,306	122,650	133,018
2010	813,867	109,204	648,212	0	15,156	112,698	125,844

At year-end 2014, 435 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:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Direct	\$648,212	\$527,832	\$552,716	\$536,512	\$573,646
Assumed	0	0	0	0	0
Ceded	(324,431)	(313,239)	(323,671)	(355,047)	(480,647)
Net	<u>\$320,781</u>	<u>\$214,593</u>	<u>\$229,045</u>	<u>\$181,465</u>	<u>\$ 92,999</u>

### Assumed

None.

### Ceded

The Company has quota share reinsurance agreements with 25 Missouri Mutual Insurance Companies. Below is a list of the assuming companies, along with each company's share of the reinsurance pool.



Company Percentage of Pool

Billings Mutual Insurance Company	6%
Freistatt Mutual Insurance Company	5%
Clarks Fork Mutual Insurance Company	5%
Farmers Mutual Ins. Co. of Dade County	5%
Farmers & Laborers Mutual Ins. Co.	5%
Arnsberg Farmers Mutual Ins. Co.	5%
Pike County Mutual Insurance Company	5%
Laclede Mutual Insurance	4%
Ralls County Mutual Insurance Co.	4%
Farmers Mutual Ins. Co. of Nodaway County	4%
Perry County Mutual Ins. Co.	4%
St. Thomas-Babbtown Mutual Ins. Co.	3%
Henry County Mutual Insurance Co.	3%
Boeuf & Berger Mutual Ins. Co.	3%
Midwest Preferred Mutual Ins. Co.	3%
United Mutual Insurance Company	3%
Gasconade Farmers Mutual Ins. Co.	3%
Lewis County Mutual Insurance Co.	3%
Farmers Mutual Ins. Co. of Warren County	2%
Lincoln County Farmers Mutual Insurance	2%
North Missouri Mutual Insurance Co.	2%
Meramec Valley Mutual Insurance Co.	2%
Farmers Mutual Ins. Co. of Linn County	1%
Farmers Mutual Inc. Co. of Callaway County	1%
Farmers Mutual Ins. Co. of Clinton County	1%
MAMIC Mutual Insurance Company Retention	16%

This agreement covers all policies written by the Company classified as liability policies. The Company cedes 84% of the risk to the reinsurers. The maximum risk accepted by the Reinsurers under this agreement is \$2,000,000 for errors and omissions policies and \$3,000,000 for directors and officers liability policies. The Company pays the reinsurer 84% of the premium under the agreement and the Company is allowed a 35% ceding commission.

The Company only writes directors and officers liability and errors and omission liability policies for members of the Missouri Association of Mutual Insurance Companies.

## **ACCOUNTS AND RECORDS**

The accounting records are maintained by the Company on an accrual basis. The Company's accountant, Van De Ven, LLC, performs the monthly accounting, compiles the Company's Statutory Annual Statement and prepares the Company's Federal Income Tax return.

## **FINANCIAL STATEMENTS**

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2014, 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.

**ANALYSIS OF ASSETS**  
**December 31, 2014**

Bonds	\$ 201,180
Cash on Deposit	1,163,563
FIT Recoverable	600
Interest due and Accrued	5,276
Pre-Funded Payroll	<u>2,221</u>
Total Assets	<u>\$ 11,372,840</u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**  
**December 31, 2014**

Unearned Premium	\$ 118,892
Payroll Tax	2,016
Other Liabilities	<u>1,679</u>
Total Liabilities	<u>\$ 122,587</u>
Guaranty Fund	\$ 150,000
Other Surplus	<u>1,100,253</u>
Total Surplus	1,250,253
Total Liabilities and Surplus	<u>\$ 1,372,840</u>

**STATEMENT OF INCOME**  
**For the Year Ending December 31, 2014**

Net Premiums Earned	\$	90,460
Other Insurance Income		169,626
Net Losses & Loss Adjustment Expenses Incurred		24,833
Other Underwriting Expenses Incurred		<u>(89,758)</u>
 Net Underwriting Income (Loss)	 \$	 <u>145,495</u>
 Investment Income	 \$	 3,892
Other Income		<u>41</u>
 Gross Profit (Loss)	 \$	 159,428
Federal Income Tax		<u>0</u>
 Net Income (Loss)	 \$	 <u><u>159,428</u></u>

**CAPITAL AND SURPLUS ACCOUNT**  
**December 31, 2014**

Policyholders' Surplus, December 31, 2013	\$	1,090,825
Net Income (Loss)		<u>159,428</u>
 Policyholders' Surplus, December 31, 2014	 \$	 <u><u>1,250,250</u></u>



## **NOTES TO THE FINANCIAL STATEMENTS**

There were no notes to the financial statements.

## **EXAMINATION CHANGES**

There were no examination changes.

## **GENERAL COMMENTS AND RECOMMENDATIONS**

### **Fidelity Bond and Other Insurance (Page 3)**

The Company needs to increase their employee dishonesty coverage to meet the minimum amount of \$50,000 suggested in the guidelines promulgated by the NAIC.

## **SUBSEQUENT EVENTS**

None.

