



DEPARTMENT OF COMMERCE & INSURANCE

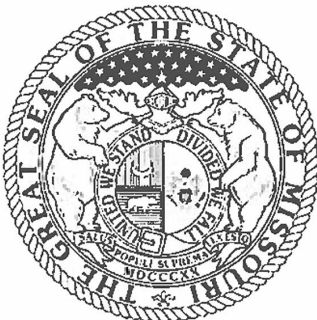
P.O. Box 690, Jefferson City, Mo. 65102-0690

ORDER

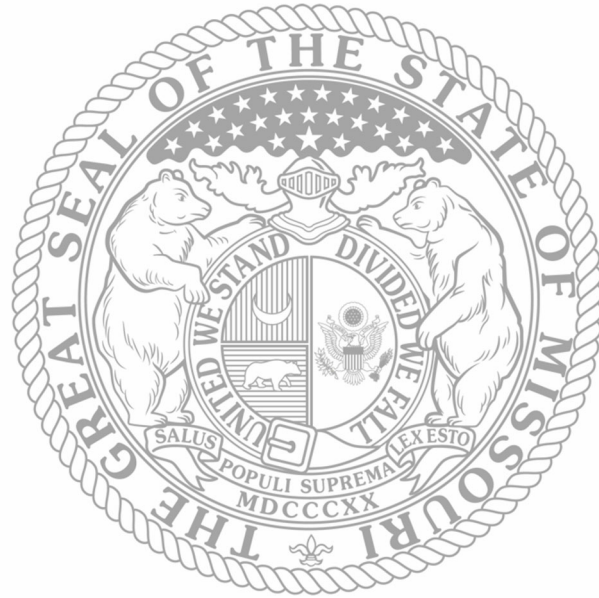
After full consideration and review of the report of the financial examination of Boeuf & Berger Mutual Insurance Company for the period ended December 31, 2019, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, 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 Boeuf & Berger 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 02ND day of December, 2020.



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



REPORT OF
FINANCIAL EXAMINATION OF

BOEUF & BERGER MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2019

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

JEFFERSON CITY, MISSOURI

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New Haven, MO
August 27, 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

BOEUF & BERGER MUTUAL INSURANCE COMPANY

hereinafter referred to as such or as the Company. Its administrative office is located at 545 Harold H. Meyer Drive, New Haven, Missouri 63068, telephone number (573)237-3476. The fieldwork for this examination began on August 24, 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 Boeuf & Berger 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

Boeuf & Berger Mutual Insurance Company was organized on April 20, 1908 as the Boeuf & Berger Mutual Aid Society. On February 4, 1935, the Company amended its Articles of Incorporation and changed its name to Boeuf & Berger Mutual Insurance Company.

The Company has a Certificate of Authority dated September 22, 1987, and is covered by Sections 380.201 to 380.601 RSMo (Extended Missouri Mutual Insurance Companies). The Company's Certificate of Authority is renewed annually.

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 seven 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>
Robert Bohl Hermann, Missouri	Farm Manager	2021
Ken Bolte New Haven, Missouri	Mizzou Farm Management	2020
Jackie Branson New Haven, Missouri	Accountant	2022
Richard Scheer New Haven, Missouri	Farmer	2020
John Steinbeck Gerald, Missouri	Farmer	2021
Roland Walkenhorst New Haven, Missouri	Retired	2020
Ryan Winters New Haven, Missouri	Banker	2022

Senior Officers

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

<u>Name</u>	<u>Office</u>
Ken Bolte	President
Jackie Branson	Vice-President
Angela Scheer	Secretary/Treasurer

Conflicts 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. A review of the executed conflict of interest statements noted no significant potential conflicts of interest disclosed.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. On February 20, 2018, the Company amended its Articles of Incorporation to change the composition of its Executive Committee and to remove language permitting the Secretary-Treasurer to call Board of Directors and Executive Committee meetings. The amendment also prohibits individuals from serving as a member of its Board of Directors if that individual is, or is related to, an agent of the Company, employee of the Company, or owner or officer of an insurance agency that issues policies for the Company. The minutes of the Board of Directors were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has five full-time employees and one part-time employee. All employees are eligible to receive health, vision, dental, and accidental death and dismemberment insurance. All employees are eligible for a retirement plan with matching contributions from the Company. Full-time employees receive paid vacation, sick, and personal time off.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$250,000 with a \$1,000 deductible per loss. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$125,000 and \$150,000 in coverage.

The Company carries liability coverage for its directors and officers. The Company has a commercial policy that it is written by the Company, which includes coverage of its property and liability for its premises. The Company also carries workers compensation and employer's liability insurance.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the Department 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 Missouri counties. The Company has traditionally sold homeowners, fire, and extended coverage, farm property, commercial property, inland marine, and liability insurance policies.

Policy Forms and Underwriting Practices

The Company utilizes AAIS and MAMIC policy forms. The policies are written on a four-year renewal and continuous basis. Property inspections and claim adjusting 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	\$7,368,799	\$1,351,197	\$3,676,815	\$1,625,937	\$151,345	\$481,074	\$ 553,221
2018	7,196,338	1,730,034	3,540,859	1,669,615	96,408	406,075	398,806
2017	6,826,095	1,759,913	3,599,149	4,501,922	93,493	692,078	525,690
2016	6,829,198	2,303,832	3,752,225	1,122,171	75,557	551,490	413,329
2015	5,710,623	1,582,144	3,823,870	1,584,910	43,324	417,745	295,436

At year-end 2019, there were 3,662 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:

<u>Premium Type</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Direct	\$ 3,823,870	\$ 3,752,225	\$ 3,599,149	\$ 3,540,859	\$ 3,676,815
Assumed	16,215	17,117	16,248	16,706	16,999
Ceded	(1,481,814)	(1,432,519)	(1,382,265)	(1,418,713)	(1,123,518)
Net Written	\$ 2,358,271	\$ 2,336,823	\$ 2,233,132	\$ 2,138,852	\$ 2,570,296

Assumed Reinsurance

MAMIC Mutual Insurance Company (MAMIC) issues direct policies to insure agents' errors and omissions liability and directors' and officers' liability risks for various mutual insurance companies. The policy risks insured by MAMIC for these products are pooled and ceded to participating mutual insurance companies. The Company has a 3% share in the interests and liabilities of the pool.

Ceded Reinsurance

The Company has all of its reinsurance through agreements that are brokered by Guy Carpenter and assumed by one or more reinsurers (reinsurer) at varying participation percentages. The Company cedes its risks through excess of loss, property first surplus, aggregate excess of loss, multiple line excess of loss, property facultative pro rata, and equipment breakdown reinsurance agreements.

Under the property excess of loss coverage, the Company retains \$85,000 per loss, and the reinsurer's limits are \$115,000 per risk and \$345,000 per occurrence. Under the property first surplus agreement, the Company's per risk retention ranges from \$5,000 to \$50,000, depending upon the type of risk, and the reinsurer's limit is 7.5 times the Company's retention. For casualty risks, the Company retains \$50,000 per occurrence, and the reinsurer's limit is \$965,000 per occurrence. The Company also has aggregate excess of loss coverage under which its retention is equal to 65% of its gross net earned premium for the year, and the reinsurer is responsible for 100% of the excess, with no limit. All reinsurers participating in the above-noted coverages in 2019 maintained A.M. Best financial strength ratings of "A-" or better.

Under the equipment breakdown coverage, the Company cedes 100% of premiums and losses to Factory Mutual Reinsurance Company, limited to \$50,000 on any one homeowner risk and \$5,000,000 on any one commercial or farm owner risk. The Company receives a 35% 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 on an accrual basis. The CPA firm of Van de Ven, LLC performs an annual compilation of the Company's financial statements, prepares the annual statement, and 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 Boeuf & Berger 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
Bonds	\$ 1,959,949
Stocks	2,561
Mutual Funds	986,368
Real Estate	93,631
Cash on Deposit	4,115,781
Other Investments	110,642
Reinsurance Recoverable on Paid Losses	44,387
Computer Equipment (Hardware Only)	261
Interest Due and Accrued	35,994
Prepaid Insurance	8,786
Prepaid Expenses	10,439
TOTAL ASSETS	\$ 7,368,799

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2019

Unpaid Losses	\$ 184,943
Ceded Reinsurance Premium Payable	2,836
Unearned Premium	1,025,379
Federal Income Tax Payable	33,781
Payroll Tax	2,732
Accounts Payable to Agents	3,389
Accounts Payable (Other)	1,887
Accrued Pension Expense	6,464
Bank Overdraft	89,786
TOTAL LIABILITIES	\$ 1,351,197
Guaranty Fund	150,000
Other Surplus	5,867,602
TOTAL POLICYHOLDER SURPLUS	\$ 6,017,602
TOTAL LIABILITIES AND SURPLUS	\$ 7,368,799

STATEMENT OF INCOME

For the Year Ended December 31, 2019

Net Earned Assessment/Premium Income	\$ 2,168,116
Other Insurance Income	444,054
Net Losses & Loss Adjustment Expense	(1,053,563)
Underwriting Expenses	(1,077,533)
Underwriting Income (Loss)	\$ 481,074
Investment Income	185,525
Investment Expenses	(34,180)
Net Investment Gain (Loss)	\$ 151,345
Other Income	61,070
Gross Profit or Loss	\$ 693,489
Federal Income Tax	(140,268)
NET INCOME (LOSS)	\$ 553,221

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 1, 2015 to December 31, 2019

	2015	2016	2017	2018	2019
Beginning Policyholder's Surplus	\$ 3,833,043	\$ 4,128,479	\$ 4,525,366	\$ 5,066,182	\$ 5,466,304
Net Income (Loss)	295,436	413,329	525,690	398,806	553,221
Mutual Fund Adjustment	0	(16,442)	15,126	1,316	(1,923)
Ending Policyholder's Surplus	\$ 4,128,479	\$ 4,525,366	\$ 5,066,182	\$ 5,466,304	\$ 6,017,602

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

The Company did not renew its property first surplus reinsurance agreement. The agreement was terminated effective January 1, 2020.

The Company entered into a casualty clash excess of loss reinsurance through intermediary Guy Carpenter beginning January 1, 2020. Under the terms of the agreement, the reinsurers assume 100% of up to \$1,000,000 for casualty losses in excess of the Company's initial ultimate net loss of \$1,000,000.

On March 11, 2020, The World Health Organization declared the spreading coronavirus (COVID-19) 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 Boeuf & Berger 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 Boeuf & Berger 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 
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 Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance