

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 Barton Mutual Insurance Company for the period ended December 31, 2018, 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.

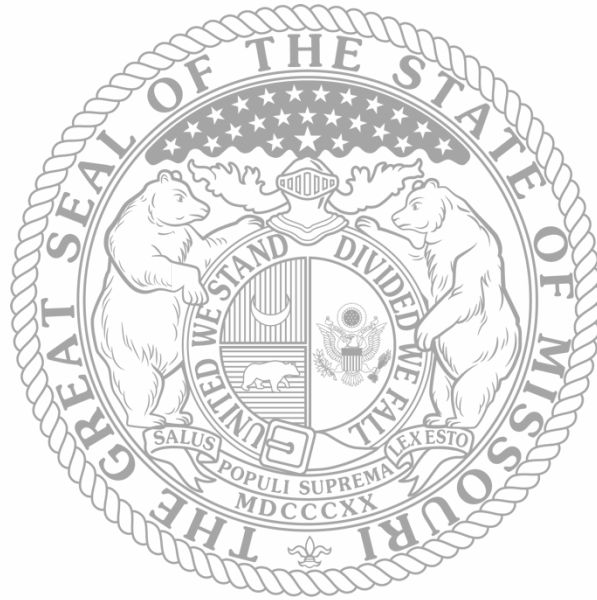
Based on such findings and conclusions, I hereby ORDER Barton Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition and affairs 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 22nd day of May, 2020.



A handwritten signature in blue ink, reading "Chlora Lindley-Myers".

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF THE
FINANCIAL EXAMINATION OF

BARTON MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2018

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

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
PERIOD COVERED.....	1
PROCEDURES.....	1
SUMMARY OF SIGNIFICANT FINDINGS	1
COMPANY HISTORY	2
GENERAL.....	2
SURPLUS NOTES.....	2
MANAGEMENT AND CONTROL	2
BOARD OF DIRECTORS	2
SENIOR OFFICERS	3
CONFLICT OF INTEREST.....	3
CORPORATE RECORDS.....	3
EMPLOYEE BENEFITS	3
FIDELITY BOND AND OTHER INSURANCE	3
INSURANCE PRODUCTS AND RELATED PRACTICES	4
TERRITORY AND PLAN OF OPERATIONS.....	4
POLICY FORMS AND UNDERWRITING PRACTICES.....	4
GROWTH OF COMPANY AND LOSS EXPERIENCE	4
REINSURANCE	4
GENERAL.....	4
ASSUMED REINSURANCE	4
CEDED REINSURANCE.....	5
ACCOUNTS AND RECORDS	5
FINANCIAL STATEMENTS	5
ASSETS.....	6

LIABILITIES, SURPLUS AND OTHER FUNDS.....	6
UNDERWRITING AND INVESTMENT EXHIBIT	7
GAIN OR LOSS IN SURPLUS	7
COMMENTS ON FINANCIAL STATEMENT ITEMS	8
FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION	8
SUMMARY OF RECOMMENDATIONS.....	8
SUBSEQUENT EVENTS.....	8
ACKNOWLEDGMENT	9
VERIFICATION.....	9
SUPERVISION	10

Liberal, MO
April 8, 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

BARTON MUTUAL INSURANCE COMPANY

hereinafter referred to as such, as Barton Mutual, or as the Company. Its administrative office is located at 120 South Main Street, Liberal, Missouri 64762, telephone number (417) 843-6265. The fieldwork for this examination began on March 16, 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 Barton Mutual. The last examination of the Company by the Department covered the period of January 1, 2008 through December 31, 2013. The current examination covers the period of January 1, 2014 through December 31, 2018, 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 incorporated on March 19, 1894, as Farmers Mutual Fire Insurance Company of Barton County, Missouri. On March 1, 1969, the Company changed its name to Barton County Mutual Insurance Company. Effective October 1, 1971, the Company merged with Home Mutual Insurance Company, with Barton County Mutual Insurance Company being the surviving entity. On February 17, 2001, the Company changed its name to Barton Mutual Insurance Company. Effective January 1, 2012, the Company merged with two Missouri mutual companies, Cape Mutual Insurance Company (Cape) and Gateway Mutual Insurance Company (Gateway), with Barton Mutual being the surviving entity.

The Company has a Certificate of Authority dated September 17, 2009, 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.

Surplus Notes

On December 6, 2018, the Company paid in full the surplus note issued to Farm Bureau Town & Country Insurance Company of Missouri. On December 30, 2018, the Company issued a surplus note to BMI Inc. with a principal balance of \$2 million and a maturity date of December 31, 2022. The stated interest rate is 6.25%, and interest payments are due on January 1st and July 1st of each year. All principal and interest payments must be approved by the Director of the Department prior to payment.

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 place and time as may be designated. 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. Eight members shall constitute a quorum at any membership meeting. Proxy voting is permitted.

The management of the Company is vested in a Board of Directors, who are elected by the general membership. The Board of Directors consists of seven members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets at least quarterly and additionally on an as-needed basis. Directors receive an annual retainer of \$1,000 and are compensated between \$100 and \$350 for each meeting attended, depending upon the type of meeting held.

Members serving on the Board of Directors as of December 31, 2018, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Dennis W. Wilson Liberal, Missouri	Farmer/Former County Commissioner	2020
P. Kevin Devoy Brookfield, Missouri	Insurance Agent	2020
Jason A. Powers Desoto, Kansas	Chief Business Development Officer/ Insurance Agent	2021

David C. Bub Wildwood, Missouri	Attorney	2020
Ray Tubaugh Carthage, Missouri	Loan Manager/Bank Vice-President	2021
Thomas C. Flanigan Carthage, Missouri	County Commissioner	2019
Randy Baker Kennett, Missouri	Insurance Agent	2019

Senior Officers

The Board of Directors appoints for a term of one year, the officers of the Company. The officers serving, as of December 31, 2018, were as follows:

<u>Name</u>	<u>Office</u>
Brian K. King	President
Dorothy L. Spivey	Vice-President
Jeremy R. Goodell	Vice-President
Linda S. McKay	Secretary
Jacqui D. Nichols	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. A review of the executed conflict of interest statements noted several significant potential conflicts were disclosed. Two directors disclosed being agents of the Company. One director disclosed being employed by a firm that performs legal services for the Company. One director disclosed being an agent for insurance broker that provides health insurance and benefit plans for the Company’s employees. One director disclosed being employee of the bank that issued purchase cards to the Company.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. There were no revisions to either document during the examination period. The minutes of the membership and the Board were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has 32 full-time employees. Employee benefits offered by the Company include life insurance, health insurance, long-term disability insurance, health savings accounts, flexible spending accounts, matching contributions to retirement accounts, paid holidays, and paid time off.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$400,000 and a \$50,000 deductible. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$300,000 and \$350,000 in coverage.

The Company carries liability coverage for its directors and officers. The Company requires its agents to carry errors and omissions insurance. Other insurance coverages carried by the Company include property, general liability, commercial umbrella, cyber liability, workers compensation and employer's liability.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the Department of Commerce and 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, liability, and other insurance in all counties in the State of Missouri. The Company's policies are sold through 1,346 licensed agents who receive a 12% commission on new and renewal business. Agents receive bonus commission by meeting minimum premium and loss ratio requirements on business produced by the agent.

Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Services (AAIS) and custom policy forms. The policies are written on a continuous basis and renewed annually. Property inspections are performed by Company employees, and adjusting functions are performed by Company adjusters and independent adjusters. Rates are determined by the Board of Directors.

GROWTH OF COMPANY AND LOSS EXPERIENCE

(\$000s omitted)

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2018	\$ 19,671	\$ 11,280	\$ 23,541	\$ 6,323	\$ (135)	\$ 3,918	\$ 3,786
2017	20,151	11,289	24,151	12,841	(204)	3,619	3,359
2016	19,272	12,268	24,680	9,731	(279)	1,482	1,214
2015	22,378	12,588	25,804	7,483	(440)	4,880	4,354
2014	21,821	13,385	24,965	8,242	(572)	3,691	3,066

At year-end 2018, there were 19,508 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	2014	2015	2016	2017	2018
Direct Premiums Written	\$ 24,965	\$ 25,804	\$ 24,680	\$ 24,151	\$ 23,541
Reinsurance Assumed	0	0	0	0	0
Reinsurance Ceded	(25,145)	(25,200)	(23,782)	(22,140)	(21,485)
Net Premiums Written	\$ (180)	\$ 604	\$ 898	\$ 2,011	\$ 2,056

Assumed Reinsurance

The Company does not reinsure other companies.

Ceded Reinsurance

The Company's business is reinsured with New Horizons Insurance Company of Missouri (the reinsurer). The Company cedes a 90% quota share of the premium and liability on its property and casualty business to the reinsurer. The reinsurer's liability is limited to 90% of \$3 million for any one casualty claim and 90% of \$3.5 million on any one property loss. The reinsurer's liability is limited to \$90 million in combined aggregate losses during the annual contract period. The Company receives an 18.5% provisional ceding commission and is eligible for higher adjusted ceding commission rates if certain loss ratio levels are achieved.

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 CPA firm of Van de Ven, LLC, of Cape Girardeau, Missouri, performs an annual audit of the Company's financial statements and prepares the Company's annual statement and 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 Barton Mutual Insurance Company for the period ending December 31, 2018. 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, 2018

Bonds	\$ 6,131,247
Stocks	3,756
Real Estate – Book Value	126,590
Cash on Deposit	2,339,048
Premium/Assessments/Agent’s Balances Uncollected	51,865
Reinsurance Recoverable on Paid Losses	61,565
Computer Equipment (Hardware Only)	19,001
Federal Income Tax Recoverable	64,600
Interest Due and Accrued	23,080
Prepaid Expenses	69,263
Funds Held by Reinsurer	10,638,190
Field Autos	130,835
Premium Tax Receivable	12,063
TOTAL ASSETS	<u>\$ 19,671,103</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2018

Gross Losses Unpaid Less Reinsurance Recoverable	\$ 812,881
Gross Loss Adjustment Expenses Unpaid Less Reinsurance Recoverable	250,647
Ceded Reinsurance Premium Payable	973,189
Unearned Premium	7,069,969
Payroll Tax	3,270
Accounts Payable to Agents	216,099
Accounts Payable (Other)	58,599
Prepaid Premiums	492,012
Accrued Expenses	226,099
Ceded Reinsurance Commission Payable	1,177,150
TOTAL LIABILITIES	<u>\$ 11,279,915</u>
Guaranty Fund	629,347
Surplus Notes	2,000,000
Other Surplus	5,761,841
TOTAL POLICYHOLDER SURPLUS	<u>\$ 8,391,188</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$ 19,671,103</u>

UNDERWRITING AND INVESTMENT EXHIBIT

For the Year Ended December 31, 2018

Net Earned Assessment/Premium Income	\$ 2,333,038
Other Insurance Income	10,109,419
Net Losses & Loss Adjustment Expense	(1,693,301)
Underwriting Expenses	(6,831,002)
Underwriting Income (Loss)	\$ 3,918,154
Investment Income	186,434
Investment Expenses	(64,539)
Interest Expense	(256,883)
Net Investment Income	\$ (134,988)
Other Income	2,592
Gross Profit or Loss	\$ 3,785,758
Federal Income Tax	0
NET PROFIT OR (LOSS)	\$ 3,785,758

GAIN OR LOSS IN SURPLUS

Changes from January 1, 2014 to December 31, 2018

(\$000s omitted)

	2014	2015	2016	2017	2018
Beginning Policyholder's Surplus	\$ 8,391	\$ 8,436	\$ 9,790	\$ 7,004	\$ 8,863
Net Profit or (Loss)	3,066	4,354	1,214	3,359	3,786
Change in Nonadmitted Assets	203	0	0	0	(258)
Change in Surplus Notes	(3,224)	(3,000)	(4,000)	(1,500)	(4,000)
Ending Policyholder's Surplus	\$ 8,436	\$ 9,790	\$ 7,004	\$ 8,863	\$ 8,391

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

Effective January 1, 2019, the Company's reinsurance program was placed through intermediary Guy Carpenter & Company, LLC with a panel of highly-rated reinsurers. In general, the Company retained a maximum of \$100,000 per property risk or liability occurrence under the program. In addition, the program included unlimited aggregate excess of loss coverage that limited the Company's annual losses to an amount equal to 85% of the Company's annual earned premium income. The Company entered into a reinsurance program with similar retentions and limits for calendar year 2020.

The Department is monitoring the impact of the COVID-19 global pandemic. This pandemic could have a significant financial and operational impact on all insurers, including the Company. As such, the Department will continue to monitor and communicate with the Company to understand the impact of the COVID-19 global pandemic on the Company's operations and financial condition.

ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Brian D. Hammann, CPA, AFE, 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 Barton 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.

Brian Hammann

Brian D. Hammann, CPA, AFE
Financial Examiner
Missouri Department of Commerce and
Insurance

On this 29th day of April, 2020, before me, the undersigned notary, appeared remotely pursuant to Executive Order 20-08 Brian D. Hammann proved to me through identification documents, and acknowledged to me that he signed the forgoing instrument voluntarily for its stated purpose and acknowledged that he executed the same for the purposes therein contained.

In witness thereof, I hereunto set my signature and official seal.

My commission expires:

3-4-2024

Notary Public

Kathryn Latimer



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.



Levi N. Nwasoria, CPA, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance