

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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


ORDER

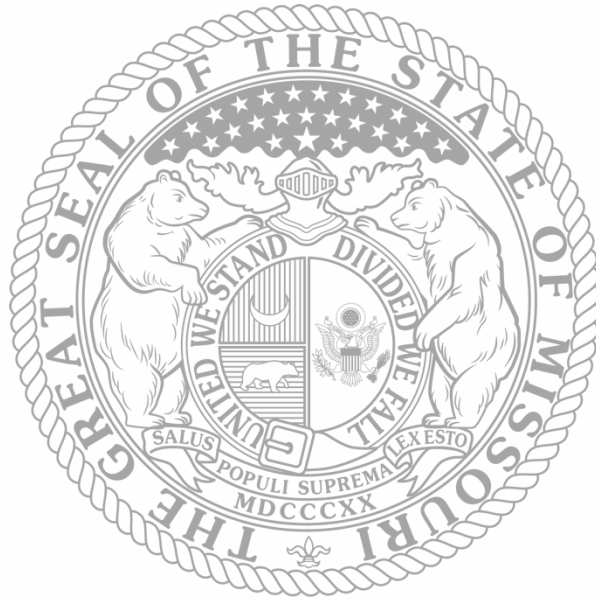
After full consideration and review of the report of the financial examination of Drake-Beemont Mutual Insurance Company for the period ended December 31, 2019, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, 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 Drake-Beemont 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 07th day of June, 2021.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF THE
FINANCIAL EXAMINATION OF

DRAKE-BEEMONT MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2019

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

JEFFERSON CITY, MISSOURI

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Rosebud, MO
April 7, 2021

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

DRAKE-BEEMONT MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the Company. Its administrative office is located at 261 Highway 50, Rosebud, Missouri 63091, telephone number (573) 764-4625. The fieldwork for this examination began on March 30, 2021, 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 Drake-Beemont 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 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 on July 29, 1911, as Drake-Beemont Mutual Aid Society. On November 1, 1984, the Company was incorporated in the state of Missouri as Drake-Beemont Mutual Insurance Company.

The Company has a Certificate of Authority dated September 12, 1988, 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 (Articles), the annual meeting of the Company’s members is held on the second Tuesday in March, at the home office of the Company or at such place as may be 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 a Board of Directors, who are elected by 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 each month.

Members serving on the Board of Directors as of December 31, 2019, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Kaye Schneider Mount Sterling, Missouri	Store Manager	2020
Wm. Steve Helterbrand Saint James, Missouri	Cartographer	2022
Leland Wehmeyer Owensville, Missouri	Manufacturing Engineer	2021
Jeffrey Nolting Chamois, Missouri	Truck Driver	2020
Debbie Winters Gerald, Missouri	Banking	2020
Charles Gross Owensville, Missouri	Retired	2021
Nolan Hesemann Owensville, Missouri	Farmer	2021
Craig Dozier Bland, Missouri	Construction	2022
Lawrence Kopp Gerald, Missouri	Retired	2022

Officers

The Board of Directors appoints the Officers of the Company, who serve a term of one year. The Officers serving, as of December 31, 2019, were as follows:

<u>Name</u>	<u>Office</u>
Kaye Schneider	President
Wm. Steve Helterbrand	Vice-President
Leland Wehmeyer	Secretary
Jeffrey Nolting	Treasurer
Debbie Winters	Investment Officer

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 no material potential conflicts disclosed.

Corporate Records

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

EMPLOYEE BENEFITS

The Company has four full-time employees and one part-time employee. Benefits provided to full-time employees include health insurance along with Company contributions to an employee controlled health savings account, life insurance, and paid leave.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$100,000 and no deductible. 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 its agents to carry errors and omissions insurance and provide evidence of such coverage to the Company.

Other insurance coverages carried by the Company include property insurance on its home office and contents, business liability insurance, and workers' compensation and employers' liability insurance.

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 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, but only writes fire and wind coverages directly. The Company writes liability insurance for Grinnell Mutual Reinsurance Company.

The Company’s policies are sold by five independent agents, who receive a 15% commission on all business written.

Policy Forms and Underwriting Practices

The Company utilizes Grinnell Mutual Reinsurance Company policy forms. The policies are written for one year and are continuous. Property inspections and claims adjusting are performed by the Company’s two full-time inspector-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)
2019	\$ 1,970	\$ 288	\$ 2,612	\$ 709	\$ 49	\$ 77	\$ 126
2018	1,690	134	2,658	1,173	41	329	370
2017	1,462	273	2,617	714	46	144	190
2016	1,283	283	2,667	1,019	43	(37)	6
2015	1,359	369	2,634	1,204	50	(356)	(306)

At year-end 2019, there were 2,919 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	2015	2016	2017	2018	2019
Direct Premiums Written	\$ 2,634	\$ 2,667	\$ 2,617	\$ 2,658	\$ 2,612
Reinsurance Assumed	-	-	-	-	-
Reinsurance Ceded	(1,170)	(1,280)	(1,031)	(1,028)	(1,016)
Net Premiums Written	\$ \$ 1,463	\$ \$ 1,387	\$ \$ 1,586	\$ \$ 1,630	\$ \$ 1,596

Assumed Reinsurance

The Company does not reinsure other companies.

Ceded Reinsurance

The Company reinsures its business under a property reinsurance contract with Grinnell Mutual Reinsurance Company (reinsurer). This single contract provides property excess of loss coverage on a per risk, catastrophe, and aggregate basis.

Under the per risk excess of loss coverage, the Company retains \$100,000 of the ultimate net losses incurred per property risk, while the reinsurer covers 100% of the ultimate net losses incurred in excess of the Company's retention, limited to \$20,000,000 per risk. Under the catastrophe excess of loss coverage, which only covers wind and hail perils, the Company retains \$500,000 of the ultimate net losses incurred per loss occurrence and the reinsurer covers 100% of the of the ultimate net losses incurred in excess of the Company's retention, with no limit. The Company's retention for the aggregate excess of loss coverage is \$900,000 of the ultimate net losses incurred, net of all other reinsurance recoveries. The reinsurer covers, without limit, 100% of the ultimate net losses incurred in excess of the Company's retention.

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 a modified-cash basis. The Certified Public Accountant (CPA) firm of Van de Ven, LLC of Cape Girardeau, Missouri, performs a compilation of the Company's financial statements and prepares the Company's annual statement and federal 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 Drake-Beemont 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 examination workpapers.

ASSETS

As of December 31, 2019

Bonds – Book Value	\$ 653,419
Mutual Funds	65,071
Real Estate – Book Value	121,306
Cash on Deposit	1,056,688
Other Investments	55,000
Computer Equipment (Hardware Only)	6,236
Interest Due and Accrued	12,614
TOTAL ASSETS	<u>\$ 1,970,334</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2019

Gross Losses Unpaid, Less Reinsurance Recoverable	\$ 212,547
Ceded Reinsurance Premium Payable	64,363
Payroll Tax	6,002
Accounts Payable (Other)	485
Prepaid Policy Premiums	4,504
TOTAL LIABILITIES	<u>\$ 287,901</u>
Guaranty Fund	100,000
Other Surplus	1,582,433
TOTAL POLICYHOLDER SURPLUS	<u>\$ 1,682,433</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$ 1,970,334</u>

UNDERWRITING AND INVESTMENT EXHIBIT

For the Year Ended December 31, 2019

Net Earned Assessment/Premium Income	\$ 1,595,637
Other Insurance Income	160,717
Net Losses & Loss Adjustment Expense	(879,911)
Underwriting Expenses	(799,420)
Underwriting Income (Loss)	\$ 77,023
Investment Income	49,450
Investment Expenses	(5)
Net Investment Income	\$ 49,445
Other Income	-
Gross Profit or Loss	\$ 126,468
Federal Income Tax	-
NET PROFIT OR (LOSS)	\$ 126,468

GAIN OR LOSS IN SURPLUS

Changes from January 1, 2015 to December 31, 2019

(\$000s omitted)

	2015	2016	2017	2018	2019
Beginning Policyholder's Surplus	\$ 1,291	\$ 990	\$ 1,000	\$ 1,189	\$ 1,557
Net Profit or (Loss)	(306)	6	190	370	126
Change in Unrealized Gains (Losses)	(2)	2	(1)	(3)	(1)
Change in Nonadmitted Assets	7	-	-	-	-
Prior Period Adjustment		1	-	-	-
Ending Policyholder's Surplus	\$ 990	\$ 1,000	\$ 1,189	\$ 1,557	\$ 1,682

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

On March 11, the World Health Organization declared the coronavirus (COVID-19) outbreak as a pandemic. As of the date of this report, significant uncertainty remains regarding the effect that the pandemic will have on the economy and insurance industry at large, and on the Company specifically. The examination team considered the potential impact of COVID-19 on the Company throughout examination testing and procedures. At this point, it does not appear that COVID-19 has significantly affected the Company. The Department is monitoring the impact of the pandemic on the Company and will take necessary actions if a solvency concern arises.

ACKNOWLEDGMENT

The assistance and cooperation extended by the employees of Drake-Beemont 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, 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 Drake-Beemont 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 D. Hammann
Brian D. Hammann, CPA, CFE
Financial Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 17th day of May, 2021.

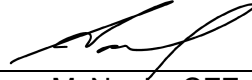
My commission expires: March 30, 2023
Hailey Luebert
Notary Public



HAILEY LUEBERT
My Commission Expires
March 30, 2023
Osage County
Commission #16034366

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.



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