

DEPARTMENT OF COMMERCE & INSURANCE

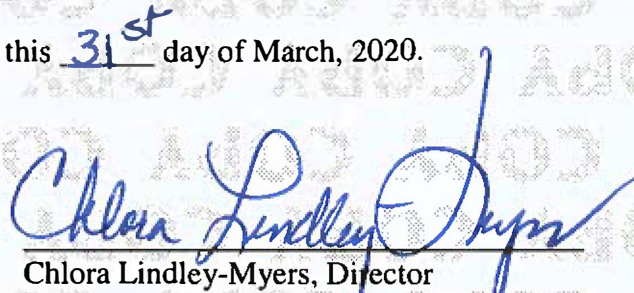
P.O. Box 690, Jefferson City, Mo. 65102-0690

ORDER

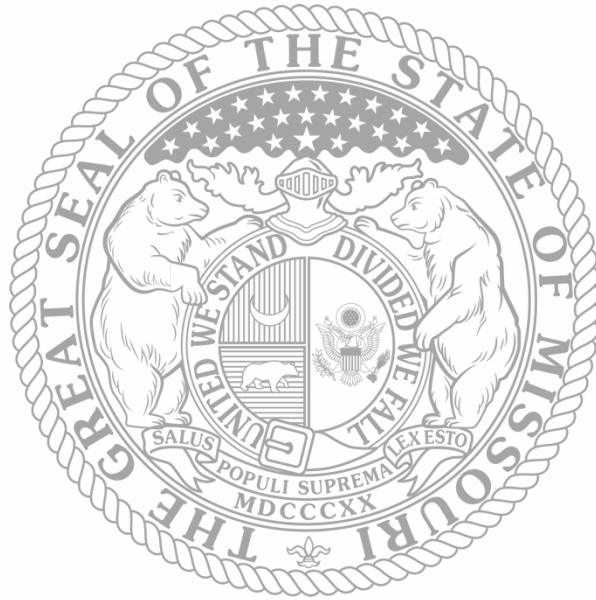
After full consideration and review of the report of the financial examination of German Mutual Insurance Company for the period ended December 31, 2018, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, Missouri 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 German 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 31st day of March, 2020.


Chlora Lindley-Myers, Director
Department of Commerce and Insurance





REPORT OF THE
FINANCIAL EXAMINATION OF

GERMAN MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2018

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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January 8, 2019
Russellville, MO

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce & Insurance
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

GERMAN MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company." The Company's administrative office is located at 5809 Mount Olive Road, Russellville, MO 65074, telephone number (573) 634-0175. This examination began on November 7, 2019, was concluded on the above date, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed a single-state examination of German Mutual Insurance Company. The last examination covered the period of January 1, 2009 through December 31, 2013. This examination covers the period of January 1, 2014 through December 31, 2018.

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

HISTORY

General

The Company was originally organized on November 8, 1891, as the German Mutual Fire Insurance Association and was incorporated on March 13, 1939. In 1974, the Company changed its name to German Mutual Insurance Company.

The Company has a Certificate of Authority dated September 22, 2005, 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 second Saturday of March at the home office of the Company or at such other place as may be designated by the Board of Directors. Proxy voting is 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 four times each year, and each director is compensated \$100 per meeting attended.

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

<u>Name and Address</u>	<u>Occupation</u>	<u>Term End Year</u>
Elmer Heinrich Russellville, Missouri	Farmer	2020
Candace Stockton Jefferson City, MO	Retired	2020
Ethel Heidbreder Lohman, Missouri	Homemaker	2019
Glen Steenbergen Russellville, Missouri	Agent/Farmer	2019
David Ott Russellville, Missouri	Farmer	2021
William Smith Henley, Missouri	Maintenance Employee	2019
Bobby Duncan Centertown, Missouri	Farmer	2021

Larry Loesch Jefferson City, MO	Farmer	2020
Edgar Kautsch Lohman, MO	Agent/Farmer	2021

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, 2018, were as follows:

<u>Name</u>	<u>Office</u>
Elmer Heinrich	President
Bobby Duncan	Vice President
Glen Steenbergen	Secretary
Ethel Heidbreder	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 does not have its officers and directors sign a conflict of interest agreement.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. The Articles of Incorporation and Bylaws were not amended during the examination period. The minutes of the membership and the Board of Directors' meetings were reviewed for the period under examination. The minutes appeared to properly support the approval of significant company transactions and events for the period under examination.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$25,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$25,000 and \$50,000.

The Company carries liability coverage for its directors and officers and requires its agents to carry errors and omissions coverage that is paid for by the Company.

EMPLOYEE BENEFITS

The Company has one part-time employee. The Company does not offer any benefits to its employee outside of regular wages.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the DCI 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 counties in the State of Missouri. The Company's policies are sold by two agents.

Policy Forms and Underwriting Practices

The Company utilizes AAIS policy forms. The policies are continuously renewed on a five year basis. Property inspections are completed by the Company's agents. The adjusting functions are performed by agents and a third party. Rates are approved by the Board of Directors.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income	Underwriting Income	Net Income
2018	\$1,791,899	\$0	\$281,803	\$ 50,201	\$15,676	\$ 57,679	\$ 73,355
2017	1,718,544	0	276,721	303,130	10,476	(28,920)	(18,444)
2016	1,736,988	0	264,584	213,232	9,520	(18,342)	(8,822)
2015	1,745,810	0	264,334	134,745	8,558	(37,902)	(29,344)
2014	1,775,154	0	253,886	136,513	9,042	(34,506)	(25,464)

At year-end 2018, 452 policies were in force.

REINSURANCE

General

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

	2014	2015	2016	2017	2018
Direct	\$253,886	\$264,334	\$264,584	\$276,721	\$281,803
Assumed	0	0	0	0	0
Ceded	(98,694)	(111,855)	(113,942)	(123,598)	(116,862)
Net	\$155,192	\$152,479	\$150,642	\$153,123	\$164,940

Assumed

The Company does not reinsure other companies.

Ceded

The Company cedes business to Grinnell Mutual Reinsurance Company (the reinsurer) through a reinsurance agreement that provides per risk excess of loss and aggregate excess coverage for property, as well as coverage for liability risks.

Under the per risk excess of loss section of the agreement, the Company retains \$100,000 of property losses per risk, and the reinsurer's maximum limit is \$20,000,000 per risk. Under the aggregate excess section of the agreement, the reinsurer is liable for 100% of the property losses in excess of the Company's annual retention, which was \$200,000 for 2018.

The agreement also provides liability coverage. The Company cedes 100% of its premium and losses to the reinsurer, and receives a 22% ceding commission. The reinsurer's maximum limit for the liability coverage is \$1,000,000 per occurrence.

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. Veralyn Long, CPA assists in the preparation of the annual statement, W-2 documents, and tax filings.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2018, 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, 2018

Cash	\$ 1,791,899
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Total Assets	\$ 1,791,899
	<hr/> <hr/>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2018

Total Liabilities	\$ 0
Guaranty Fund	\$ 150,000
Other Surplus	1,641,899
	<hr/>
Total Surplus	\$ 1,791,899
	<hr/>
Total Liabilities and Surplus	\$ 1,791,899
	<hr/> <hr/>

STATEMENT OF INCOME
For the Year Ending December 31, 2018

Net Premiums Earned	\$ 164,940
Net Losses & Loss Adjusting Expenses Incurred	(50,201)
Other Underwriting Expenses Incurred	(57,060)

Net Underwriting Income (Loss)	\$ 57,679
Net Investment Income	15,676

Gross Profit (Loss)	\$ 73,355

Net Income (Loss)	\$ 73,355
	=====

RECONCILIATION OF SURPLUS
Changes from January 1, 2014 to December 31, 2018

	2014	2015	2016	2017	2018
Capital and Surplus, Beginning of Year	\$1,800,618	\$1,775,154	\$1,745,810	\$1,736,988	\$1,718,544
Net Income	(25,464)	(29,344)	(8,822)	(18,444)	73,355
Capital and Surplus, End of Year	\$1,775,154	\$1,745,810	\$1,736,988	\$1,718,544	\$1,791,899

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUBSEQUENT EVENTS

None.

SUMMARY OF RECOMMENDATIONS

None.


ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
)
County of Cole)

I, Joshua R. Nash, 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.



Joshua R. Nash, CPA, AFE
Financial Examiner
Missouri Department of Commerce & Insurance

Sworn to and subscribed before me this 6th day of February, 2020.

My commission expires:

March 30, 2023




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.

A handwritten signature in cursive script, appearing to read "Michael Shadowens", is written over a horizontal line.

Michael Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce & Insurance