

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 Missouri Alliance Mutual Insurance Company for the period ended December 31, 2020, 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.

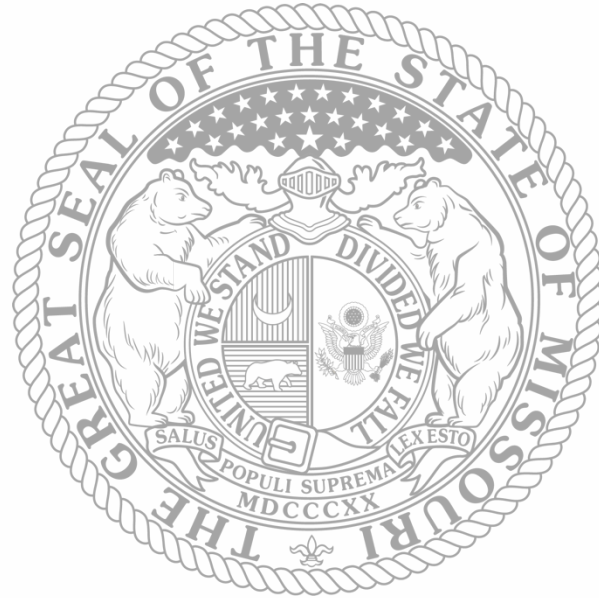
Based on such findings and conclusions, I hereby ORDER Missouri Alliance Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition 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 28th day of January, 2022.



Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

MISSOURI ALLIANCE MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2020

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Perryville, MO
December 10, 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

MISSOURI ALLIANCE MUTUAL INSURANCE COMPANY

hereinafter referred to as such or as the “Company.” The Company’s administrative office is located at 218 W. Ste. Maries Street, Perryville, MO 63775, telephone number (573) 547-6633. The fieldwork for this examination began on October 25, 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 Missouri Alliance Mutual Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2011, through December 31, 2015. The current examination covers the period of January 1, 2016 through December 31, 2020.

This examination also included 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

The Company was organized on May 31, 1890, as the Perry County Farmers Mutual Fire and Lighting Insurance Company and was subsequently incorporated on August 25, 1909. On August 19, 1972, the Company amended its Articles of Incorporation to change its name to Perry County Mutual Insurance Company. On March 16, 1985, the Company amended its Articles of Incorporation to change to an Extended Missouri Mutual Company (Sections 380.201 through 380.591 RSMo). At that time, the Company received a Certificate of Authority from the Missouri Division of Insurance.

On October 24, 2016, the Company amended their Articles of Incorporation to change its name to Missouri Alliance Mutual Insurance Company. On January 10, 2017, Farmers Mutual Insurance Company of Ste. Genevieve County was merged with and into Missouri Alliance Mutual Insurance Company.

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 second Friday in March each year, at the home office of the Company or at such other place as may be designated by the Board of Directors. Special meetings of the members may be called at any time by the Board of Directors 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 permitted.

The management of the Company is vested in a Board of Directors, who are elected by the general membership. The Company's Articles of Incorporation specify that there shall be seven directors, serving staggered three year terms that meet quarterly. The Board of Directors elected and serving as of December 31, 2020, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Michael Kiefer Perryville, Missouri	Retired	2022
Ralph Schamburg Perryville, Missouri	Secretary / Manager	2022
Dale Schamburg Perryville, Missouri	Retired	2021
Terry Leible Barnhart, Missouri	Purchasing / Supply Manager	2023
Joseph Hacker Perryville, Missouri	Landscaping Business	2023
Kim Fischer Ste. Genevieve, Missouri	Agent / Marketing	2022
Dena Branstetter Ste. Genevieve, Missouri	Banking / Teacher	2021

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, 2020, were as follows:

<u>Name</u>	<u>Office</u>
Michael Kiefer	President
Dale Schamburg	Vice-President
Ralph Schamburg	Treasurer/Secretary

Conflicts of Interest

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

A review was made of the Articles of Incorporation and the Bylaws of the Company. The Articles of Incorporation were amended to change the Company's name to Missouri Alliance Mutual Insurance Company at a special policyholders meeting on October 24, 2016. Other amendments during the examination period included changing the number of directors from five to seven, moving the annual meeting date, updating proxy voting requirements and adding advisory directors to be appointed by the Board.

Additionally, the minutes of the membership and the Board of Directors' meetings were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has six full-time employees and two part-time employees. The Company offers full-time employees health, life, dental and disability insurance benefits, along with retirement benefits. The Company also provides paid time off to its employees.

FIDELITY BOND AND OTHER INSURANCE

The Company has fidelity bond coverage providing a liability limit of \$75,000. This coverage meets the recommended amount in the NAIC Financial Condition Examiners Handbook for the Company's level of exposure.

The Company carries liability coverage for its directors and officers. Each of the Company's agents are required to carry errors and omissions liability coverage. The Company also maintains coverage for property, auto, commercial general liability, workers compensation and employee liability coverage.

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 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 coverages in all Missouri counties. The majority of the Company's business is concentrated in Perryville and surrounding counties. The Company has traditionally sold property and liability insurance to farmers and homeowners. The Company also sells

mechanical breakdown insurance, which is 100%, reinsured. Insurance is provided on a non-assessable basis.

Furthermore, the Company offers auto, renters, builders risk and other coverages through Grinnell Mutual and Progressive Casualty Insurance Company. The Company does not retain any risk on these coverages.

Policy Forms and Underwriting Practices

The Company primarily uses American Association of Insurance Services (AAIS) policy forms. The Company writes policies for a one-year period. Policy rates are approved by the Board of Directors based on internal recommendations. Insurance products are sold by four in-house agents, seven dual agents and eight independent agencies. Commission rates range between 16% and 18% of premiums written.

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)
2020	\$8,634,205	\$291,300	\$3,482,878	\$ 592,807	\$235,141	\$250,288	\$483,862
2019	8,230,826	371,783	3,544,208	379,941	221,424	515,756	568,848
2018	7,566,933	278,794	3,534,029	1,273,278	191,370	367,307	527,327
2017	7,172,656	411,844	3,546,629	4,481,554	177,664	(207,462)	(72,499)
2016	4,063,152	359,965	2,660,339	385,279	122,912	374,403	371,816

At year-end 2020, there were 3,468 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:

Premium Type	2016	2017	2018	2019	2020
Direct Premiums Written	\$ 2,637,516	\$ 3,524,965	\$ 3,511,754	\$ 3,521,543	\$ 3,460,080
Reinsurance Assumed	22,823	21,664	22,275	22,665	22,798
Reinsurance Ceded	(1,059,607)	(1,278,344)	(1,268,963)	(1,239,246)	(1,280,840)
Net Premiums Written	\$ 1,600,732	\$ 2,268,285	\$ 2,265,066	\$ 2,304,962	\$ 2,202,038

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, including the Company. All of the policy risks insured by MAMIC for these two products are pooled and ceded to participating mutual insurance companies. The Company has a 4% share in the interests and liabilities of the pool.

Ceded Reinsurance

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (the reinsurer) through a reinsurance agreement that provides per risk excess of loss and aggregate excess of loss coverage for property risks, as well as quota share coverage for liability and earthquake risks.

Under the per risk excess of loss section of the agreement, the Company retains \$200,000 of property losses per risk, and the reinsurer's maximum limit is \$2 million per property risk. Under the aggregate excess of loss section of the agreement, the reinsurer is liable for 100% of the property losses in excess of the Company's annual aggregate net retention, or attachment point. The attachment point for 2020 was \$2,000,000.

For liability coverage, the Company cedes 100% of liability premiums and receives a 50% ceding commission. The Company retains the first \$10,000 of ultimate net loss for each loss occurrence and cedes 100% of the excess losses to the reinsurer, limited to \$1 million per loss occurrence. For earthquake coverage, the Company cedes 100% of the premiums and losses to the reinsurer.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that assuming reinsurer fails to perform its obligations under the reinsurance contract.

ACCOUNTS AND RECORDS

The accounting records are maintained on a modified cash basis by the Company. The Certified Public Accounting firm of Van de Ven, LLC, of Cape Girardeau, Missouri, 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 Missouri Alliance Mutual Insurance Company for the period ending December 31, 2020. 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, 2020

Bonds	\$ 6,381,209
Stocks	7,840
Mutual Funds	201,066
Real Estate	144,715
Cash on Deposit	1,432,906
Other Investments	295,175
Reinsurance Recoverable	3,965
Federal Income Tax Recoverable	52,803
Interest Due & Accrued	57,289
Prepaid Expenses & Computer Equipment	50,286
Accounts Receivable	6,951
TOTAL ASSETS	\$ 8,634,205

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2020

Gross losses unpaid	\$ 47,368
Ceded reinsurance premium payable	102,915
Accrued paid time off	140,914
Section 125 Plan	103
TOTAL LIABILITIES	\$ 291,300
Guaranty fund	150,000
Other surplus	8,192,905
TOTAL POLICY HOLDER SURPLUS	\$ 8,342,905
TOTAL LIABILITIES AND SURPLUS	\$ 8,634,205

STATEMENT OF INCOME

For the Year Ended December 31, 2020

Net Earned Assessment/Premium Income	\$ 2,202,038
Other Insurance Income	66,570
Net Losses & Loss Adjustment Expense	(532,451)
Underwriting Expenses	(1,485,869)
Underwriting Income (Loss)	\$ 250,288
Investment Income	235,141
Investment Expenses & Interest Expense	(49,327)
Net Investment Gain (Loss)	\$ 185,814
Other Income	115,959
Gross Profit or Loss	\$ 552,061
Federal Income Tax	(68,199)
NET INCOME (LOSS)	\$ 483,862

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from January 1, 2016 to December 31, 2020

(\$000s omitted)

	2016	2017	2018	2019	2020
Beginning Policyholder's Surplus	\$ 3,331	\$ 3,703	\$ 6,761	\$ 7,288	\$ 7,859
Net Income (Loss)	372	(72)	527	569	484
Merger with FMIC of Ste. Gen	0	3,114	0	0	0
Market Value Change in Funds	0	16	0	0	0
Basis of Non Admitted GM Stock	0	0	0	2	0
Ending Policyholder's Surplus	\$ 3,703	\$ 6,761	\$ 7,288	\$ 7,859	\$ 8,343

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak 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 Missouri Alliance Mutual Insurance 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 had a significant impact on the Company. The Department is monitoring the impact of the pandemic on the Company and will take necessary actions if a solvency concern arises. Per Section 1106 of the Cares Act, the Company did receive a PPP loan, which has been forgiven as of December 12, 2020.

ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
) ss
County of Perry)

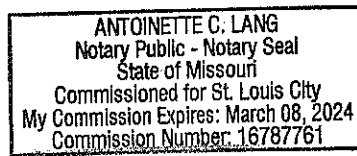
I, Michael Borawski, CFE (Fraud), on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records, or other documents of Missouri Alliance Mutual Insurance Company, its agents or other persons 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.

Michael Borawski

Michael Borawski, CFE (Fraud)
Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 5th day of January, 2022.

My commission expires: 3/8/2024 *Antoinette A. Lang*
Notary Public



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