

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

CERTIFIED COPY

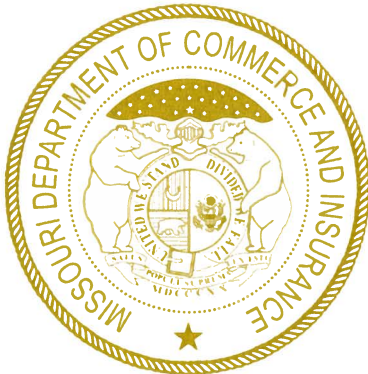
I, **Chlora Lindley-Myers, Director of the Department of Commerce and Insurance,** do hereby certify that the annexed pages are a true and correct copy of the original:

ORDER

and

**REPORT OF FINANCIAL EXAMINATION
of
BMI COMPANY, INC.
As of December 31, 2022**

Signed and official seal affixed at my office in the City of Jefferson, this 23rd day of February, 2024.



Chlora Lindley-Myers
Chlora Lindley-Myers, Director

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

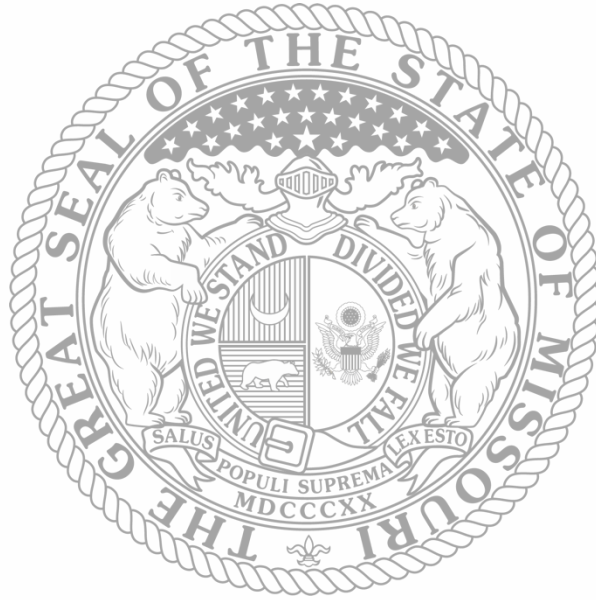
After full consideration and review of the report of the financial examination of BMI Company, Inc. for the period ended December 31, 2022, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, Missouri Department 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 BMI Company, Inc. 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 23rd day of February, 2024.



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



REPORT OF
FINANCIAL EXAMINATION OF

BMI COMPANY, INC.

AS OF
DECEMBER 31, 2022

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

JEFFERSON CITY, MISSOURI

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Billings, Missouri
December 14, 2023

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

BMI Company, Inc.

hereinafter referred to as such, or as the Company. Its administrative office is located at 118 S.W. Highway 60 (P.O. Box 40), Billings, Missouri 65610, telephone number (417) 744-2717. The fieldwork for this examination began on December 6, 2023, 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 BMI Company, Inc. The last examination of the Company by the Department covered the period of January 1, 2013, through December 31, 2017. The current examination covers the period of January 1, 2018, through December 31, 2022, 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 May 9, 1891, as Farmers Mutual Insurance Company of Billings, and was incorporated on August 5, 1970. In 1992, the Company changed its name to Billings Mutual Insurance Company, Inc. In 2017, the Company changed its name to BMI Company, Inc.

The Company has a Certificate of Authority dated May 11, 2017, 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, the annual meeting of the Company's members is held on the second Thursday in February at the home office of the Company or at such other place as may be designated by the Board of Directors. Ten members shall constitute a quorum at any membership meeting. 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 five times per year.

The Board of Directors elected and serving as of December 31, 2022, were as follows:

<u>Name and Address</u>	<u>Occupation</u>
Andrew Bowles Miller, Missouri	Insurance Agent
Robert Edwards Galena, Missouri	Insurance Agent
Harold Hodges Sparta, Missouri	Insurance Agent
Gary Fowler Sheldon, Missouri	Retired Farmer
Beverly Moore Memphis, Missouri	Retired Chief Financial Officer
Andy Reavis Cassville, Missouri	Chief Development Officer
Brenda Sims Springfield, Missouri	Credit Union Manager
Charles Smith Galena, Missouri	Chief Executive Officer
Ron Welch Republic, Missouri	Retired Realtor

Officers

The officers elected and serving, as of December 31, 2022, were as follows:

<u>Name</u>	<u>Office</u>
Harold Hodges	President
Andrew Bowles	Vice President
Charles Smith	Secretary
Denise Reavis	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.

Corporate Records

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

EMPLOYEE BENEFITS

The Company has thirty-nine full-time employees and five part-time employees. The benefits provided to the employees include health insurance, life insurance, dental insurance, vision insurance, annual leave, and retirement.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$500,000. The fidelity bond coverage meets the minimum amount suggested in the guidelines promulgated by the NAIC.

The Company carries liability coverage for its directors and officers. The Company requires agents to purchase their own errors and omissions coverage and provide evidence of such coverage to the Company. Other insurance coverages carried by the Company include business property and liability coverage, business automobile coverage, cyber coverage, and workers compensation 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 Companies). The Company is authorized to write fire, wind, liability, and automobile insurance in all counties in the state of Missouri. The Company writes fire, wind, liability, and automobile coverages. The Company’s policies are sold by three-hundred and six licensed agents/agencies, who receive an 8% to 17% commission on new and renewal business depending on the product sold.

Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Services (AAIS) and Insurance Services Office (ISO) policy forms. Policies are written on a continuous period. Inspections and claim adjusting services are performed internally.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's growth and loss experience for the period under examination:

(\$000s omitted)

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2022	\$59,998	\$14,116	\$34,582	\$15,121	\$668	\$2,840	\$ 2,854
2021	55,765	12,597	30,664	14,665	728	3,515	3,515
2020	49,534	9,565	29,070	25,266	835	(68)	1,246
2019	48,794	10,071	27,422	12,245	1,025	1,711	2,495
2018	46,887	10,671	26,008	8,141	724	3,616	3,571

At year-end 2022, there were 25,592 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	2018	2019	2020	2021	2022
Direct	\$ 25,975	\$ 27,388	\$ 29,036	\$ 30,630	\$ 34,545
Assumed	33	34	34	35	37
Ceded	(6,139)	(7,082)	(7,252)	(7,545)	(9,229)
Net Written	\$ 19,869	\$ 20,340	\$ 21,818	\$ 23,120	\$ 25,353

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 6% share in the interests and liabilities of the pool.

Ceded Reinsurance

The Company has reinsurance through Guy Carpenter & Company, LLC (the Reinsurer) under a single contract with multiple sections covering property, liability, and automobile risks. The lead reinsurer under the program is Renaissance Reinsurance U.S. Inc., with a 22.58% share in the interest and liabilities of the contract.

Under the per risk excess of loss section of the agreement, the Company retains \$175,000 per property risk, and the Reinsurer is responsible for the excess, limited to \$2,150,000 per occurrence.

Under the aggregate excess of loss section of the agreement, the Reinsurer is liable for 100% of the Company's net losses which exceed the Company's annual aggregate net retention, or attachment point, of 60% of gross earned premium.

For liability risks, the Company cedes 100% to the Reinsurer and receives a 32.5% ceding commission.

Under the personal automobile quota share section of the agreement, the Company cedes 75% to the Reinsurer, subject to a limit of \$75,000 each loss, each policy.

Under the umbrella facultative section of the agreement, the Company cedes a 95% share to the Reinsurer subject to a limit of \$1,000,000 of ultimate net loss, each occurrence, for personal and farm liability policies. The Reinsurer is also liable in respect of each loss occurrence for the ultimate net loss over and above an initial ultimate net loss of \$1,000,000 each loss occurrence, subject to an additional limit of liability to the Reinsurer of \$1,000,000 each loss occurrence.

Under the property facultative section of the agreement, the Company's surplus liability on risks may be ceded to the Reinsurer subject to a minimum net retention of \$1,000,000.

The Company reinsures mechanical breakdown coverage through The Hartford Steam Boiler Inspection and Insurance Company (The Hartford). Under the agreement, the Company cedes 100% of liability to The Hartford.

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 firm of Cain Ellsworth and Company, LLC compiles the Annual Statement, performs an annual audit, and prepares 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 BMI Company, Inc. for the period ending December 31, 2022. 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, 2022

Bonds	\$ 9,942,668
Stocks	1,500
Mutual Funds	2,856,161
Real Estate	633,136
Cash on Deposit	44,838,653
Other Investments	533,935
Premiums Uncollected	82
Reinsurance Recoverable	1,173,680
Prepaid Insurance	18,667
TOTAL ASSETS	<u><u>\$ 59,998,482</u></u>

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2022

Unpaid Losses	\$ 1,366,343
Ceded Reinsurance Premium Payable	418,865
Unearned Premium	11,671,527
Federal Income Tax Payable	27,000
Accounts Payable to Agents	350,000
State Premium Tax Payable	77,195
Retirement Funds Payable	172,629
Outstanding Check Liability	32,393
TOTAL LIABILITIES	<u><u>\$ 14,115,952</u></u>
Guaranty Fund	1,750,000
Other Surplus	44,132,530
TOTAL POLICYHOLDER SURPLUS	<u><u>\$ 45,882,530</u></u>
TOTAL LIABILITIES AND SURPLUS	<u><u>\$ 59,998,482</u></u>

STATEMENT OF INCOME

For the Year Ended December 31, 2022

Net Earned Assessment/Premium Income	\$ 23,816,173
Other Insurance Income	186,002
Net Losses & Loss Adjustment Expense	(10,364,330)
Underwriting Expenses	(10,798,136)
Underwriting Income (Loss)	\$ 2,839,709
Investment Income	668,120
Investment Expenses	-
Net Investment Gain (Loss)	\$ 668,120
Other Income	128,362
Gross Profit or Loss	\$ 3,636,191
Federal Income Tax	(782,279)
NET INCOME (LOSS)	\$ 2,853,912

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 1, 2018 to December 31, 2022

(\$000s omitted)

	2018	2019	2020	2021	2022
Beginning Policyholder's Surplus	\$32,622	\$36,216	\$38,723	\$39,969	\$43,168
Net Income (Loss)	3,571	2,495	1,246	3,515	2,854
Unrealized Gain (Loss)	23	12	-	-	(97)
Non-Admitted Assets	-	-	-	(316)	(42)
Ending Policyholder's Surplus	\$36,216	\$38,723	\$39,969	\$43,168	\$45,883

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

In 2023, the Company was granted approval by the Department to invest \$3.75M in the common capital stock of Mutual Alliance Holdings, Inc., a Delaware based corporation formed by the Company and Old Missouri Mutual Insurance Company for the purpose of the ownership and holding of 100% of the common capital stock of Bedrock Insurance Company (Bedrock). Bedrock is a Missouri-domiciled property and casualty insurance company organized under Chapter 379 RSMo., which was issued a certificate of authority on April 6, 2023.

The Company entered into a management agreement with Colfax Farmers Mutual Insurance Company (Colfax). Under the agreement, the Company is to provide various administrative services to facilitate the day-to-day operations of Colfax in exchange for fees as outlined in the agreement. The agreement was approved by the Department on December 22, 2023.

The Company entered into a management agreement with Central Farmers Mutual Fire Insurance Company (Central). Under the agreement, the Company is to provide various administrative services to facilitate the day-to-day operations of Central in exchange for fees as outlined in the agreement. The agreement was approved by the Department on December 22, 2023.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of BMI Company, Inc. during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

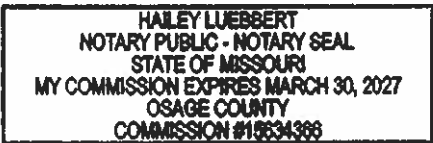
State of Missouri)
) ss
County of Cole)

I, Conner Nilges, 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 BMI Company, Inc., 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.

Conner Nilges
Conner Nilges, CFE
Certified Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 5th day of February, 2024.

My commission expires: March 30, 2027 Hailey Luebbert
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