



**DEPARTMENT OF INSURANCE, FINANCIAL  
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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

RE: Examination Report of Andrew County Mutual Insurance Company for the period ended December 31, 2013

**ORDER**

After full consideration and review of the report of the financial examination of Andrew County Mutual Insurance Company for the period ended December 31, 2013, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 380.061, RSMo [if Part I], or 380.491, RSMo [if Part II], adopt such report. After my consideration and review of such report are incorporated by reference and deemed to be my findings and conclusions to accompany this order.

Based on such findings and conclusions, I hereby ORDER Andrew County 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) implement, and verify compliance with, each item mentioned in the Summary and/or Recommendations, if any, section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions; and (3) 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.

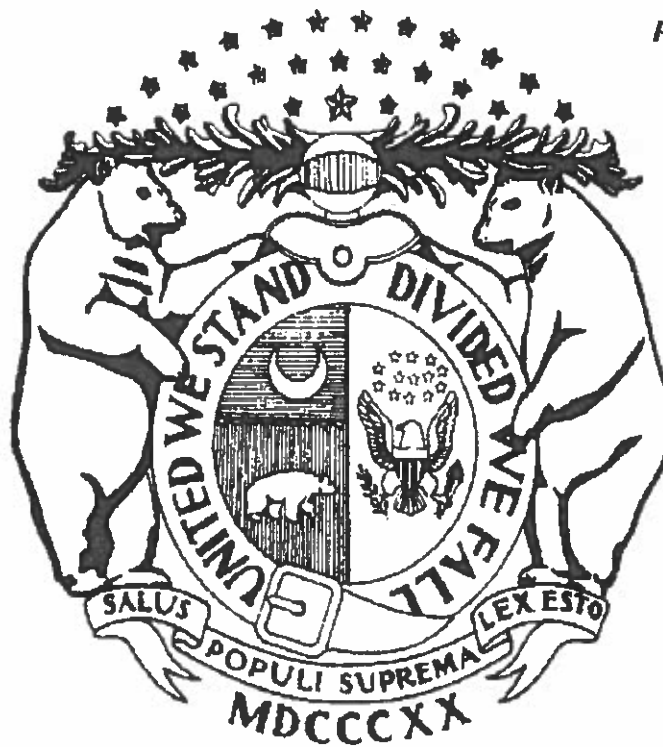
So ordered, signed and official seal affixed this 26th day of June, 2015.



  
John M. Huff, Director  
Department of Insurance, Financial Institutions  
and Professional Registration

REPORT OF THE  
FINANCIAL EXAMINATION OF  
**ANDREW COUNTY MUTUAL  
INSURANCE COMPANY**

AS OF  
DECEMBER 31, 2013



**FILED**  
JUN 26 2015  
DIRECTOR OF INSURANCE,  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS  
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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February 11, 2015  
Savannah, Missouri

Honorable John M. Huff, Director  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration  
301 West High Street, Room 530  
Jefferson City, Missouri 65101

Sir:

In accordance with your examination warrant, a full-scope examination has been made of the records, affairs and financial condition of

**ANDREW COUNTY MUTUAL INSURANCE COMPANY**

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 422 Court, PO Box 263, Savannah, Missouri 64485, telephone number (816) 324-3151. This examination began on February 9, 2015, and concluded on the above date.

**SCOPE OF EXAMINATION**

**Period Covered**

The prior full-scope examination of the Company was made as of December 31, 2008, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2009, through December 31, 2013, and was conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP).

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

## **HISTORY**

### **General**

The Company was originally organized on December 21, 1889, and was incorporated on July 25, 1890, as Farmers Mutual Fire, Lightning and Windstorm Insurance Company of Andrew County, Missouri. The Company was subsequently known as Farmers Mutual Insurance Company of Andrew County, Missouri, and in 1985 changed its name to Andrew County Mutual Insurance Company. The Company operates under Sections 380.201 through 380.611 RSMo (Extended Missouri Mutual Companies).

### **Management**

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the second Tuesday in April, 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 by the Board of Directors at any time or can be called upon petition of one-fourth of the members. Eight members 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 approximately every month, and each director receives \$100 per each meeting attended. The President receives an additional \$275 per month for his duties.

Members serving on the Board of Directors as of December 31, 2013, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term</u>
Billy Beattie Savannah, Missouri	Retired Farmer	2011-2014
Homer Davidson Lawson, Missouri	Pastor	2013-2016
Connie Wall Savannah, Missouri	Company Secretary/Treasurer	2012-2015
Terry Evans Cosby, Missouri	Farmer/Auctioneer/Insurance Agent	2011-2014
Randy Roberts Rea, Missouri	Insurance Agent/Lawn Service & Produce Sales	2013-2016
Donald Ussary Savannah, Missouri	Insurance Agent/Retired	2012-2015
Ray Furst Cosby, Missouri	Retired Farmer/Insurance Agent	2013-2016
Roger Bowlin Savannah, Missouri	Farmer/Retired Army National Guard	2012-2015
Robert Cole Bolckow, Missouri	Farmer	2011-2014

The Board of Directors elects for a term of one year the officers of the Company. The officers of the Company serving at December 31, 2013, were as follows:

Billy Beattie	President
Homer Davidson	Vice-President
Connie Wall	Secretary/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 has its directors and officers sign conflict of interest statements on an annual basis. A review of the conflict of interest statements noted no material conflicts disclosed.

## **Corporate Records**

A review was made of the Articles of Incorporation and the Bylaws of the Company. Neither the Articles of Incorporation nor the Bylaws were amended during the examination period. The minutes of the membership and the Board of Directors' meetings were reviewed for the period under examination. In addition, the Company's policies for investments and underwriting were reviewed. The minutes and records of the Company appear to properly reflect corporate transactions and events.

## **FIDELITY BOND AND OTHER INSURANCE**

The Company is a named insured on a fidelity bond providing a limit of liability of \$50,000. The fidelity bond coverage of the Company 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 its agents to purchase errors and omissions insurance coverage at their own expense through a Company-approved provider which determines the necessary level of coverage based on premium volume.

The Company carries property coverage on its home office and contents, as well as general liability and workers compensation insurance.

## **EMPLOYEE BENEFITS**

The Company has one full-time and one part-time employee. The employee benefits package offered by the Company includes contributions to individual retirement accounts and paid time off. Employees also have opportunity for bonuses based upon Company loss experience.

## **INSURANCE PRODUCTS AND RELATED PRACTICES**

### **Territory and Plan of Operations**

The Company is licensed by the DIFP as an Extended Missouri Mutual Insurance Company operating under Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Insurance Companies). The Company writes fire, wind, and liability coverages. The Company's policies are marketed by four licensed agents, who receive 15% commission on all new and renewal policies written with the possibility of bonus commissions if certain loss ratios are met.

## **Policy Forms and Underwriting Practices**

The Company utilizes AAIS, MAMIC and some Grinnell Mutual Reinsurance Company policy forms. Policies are written on a continuous basis, and renewal billings are mailed directly to the insured. Property inspections and underwriting is performed by the director/agents, and all properties are re-inspected every three years, prior to that year's renewal. Claims are adjusted by the agents or by an outside adjuster. Claims from agents, directors or employees must be adjusted by an outside adjuster. Rates, forms, endorsement and deductibles available are determined 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
2013	\$2,402,379	\$486,459	\$1,013,749	\$162,732	\$89,711	\$186,824	\$273,401
2012	2,084,234	441,715	974,562	404,206	81,939	145,317	225,485
2011	1,808,080	391,046	942,540	936,188	76,538	(128,460)	(48,049)
2010	1,857,736	392,654	937,386	538,830	79,282	(54,587)	21,244
2009	1,824,286	380,447	910,186	433,008	83,482	(88,457)	(3,270)

At year-end 2013, 1,116 policies were in force.

## **REINSURANCE**

### **General**

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

	2013	2012	2011	2010	2009
Direct	\$1,013,749	\$ 974,562	\$ 942,540	\$ 937,386	\$ 910,186
Assumed	0	0	0	0	0
Ceded	(332,918)	(334,958)	(306,630)	(299,904)	(339,838)
Net	\$ 680,831	\$ 639,604	\$ 635,910	\$ 637,482	\$ 570,348



### **Assumed**

The Company does not reinsure other companies.

### **Ceded**

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (the reinsurer) under an individual occurrence with aggregate excess of loss plan of reinsurance for property risks.

Under the individual occurrence of loss excess section of the agreement, the Company retains \$100,000 for each loss occurrence. The reinsurer's limits are \$2 million per exposure for farm machinery and equipment storage buildings, and \$1 million per exposure for all other risks

Under the aggregate excess portion of the agreement, the Company's annual aggregate net retention, or attachment point, is based upon the Company's ten-year average loss ratio, plus a negotiated load, less a credit for the individual occurrence of loss premium rate. The reinsurer is liable for 100% of losses in excess of this retention. The attachment point for 2013 was \$435,251.

The contract has a liability quota share section for liability risks. The Company cedes 100% of the liability risks and premium to the reinsurer and receives a 20% ceding commission.

Under the facultative reinsurance portion of the agreement, the Company may cede risks to the reinsurer that exceed the individual risk limits outlined in the agreement. Rates are determined by the reinsurer on an individual basis.

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. The CPA firm of Harden, Cummins, Moss, and Miller, LLC, 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, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2013, 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, 2013**

Bonds	\$ 2,263,883
Real Estate	11,824
Cash on Deposit	97,992
Federal Income Tax Recoverable	87
Interest Due & Accrued	24,195
Prepaid Insurance	<u>4,398</u>
 Total Assets	 <u>\$ 2,402,379</u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**  
**December 31, 2013**

Net Losses Unpaid	\$ 42,032
Ceded Reinsurance Premium Payable	25,031
Unearned Premium & Prepaid Premium	417,704
Other Liabilities	<u>1,692</u>
 Total Liabilities	 <u>\$ 486,459</u>
 Guaranty Fund	 \$ 150,000
Other Surplus	<u>1,765,920</u>
 Total Surplus	 <u>1,915,920</u>
 Total Liabilities and Surplus	 <u>\$ 2,402,379</u>

**STATEMENT OF INCOME**  
**For the Year Ending December 31, 2013**

Net Premiums Earned	\$ 665,823
Other Insurance Income	55,414
Net Losses & Loss Adjusting Expenses Incurred	(199,484)
Other Underwriting Expenses Incurred	<u>(334,929)</u>
Net Underwriting Income (Loss)	\$ 186,824
Net Investment Income	89,711
Other Income	<u>2,579</u>
Gross Profit (Loss)	\$ 279,114
Federal Income Tax	<u>(5,713)</u>
Net Income (Loss)	<u>\$ 273,401</u>

**CAPITAL AND SURPLUS ACCOUNT**  
**December 31, 2013**

Policyholders' Surplus, December 31, 2012	\$ 1,642,519
Net Income (Loss)	<u>273,401</u>
Policyholders' Surplus, December 31, 2013	<u>\$ 1,915,920</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

None.

### **EXAMINATION CHANGES**

None.

### **SUMMARY OF RECOMMENDATIONS**

None.

### **SUBSEQUENT EVENTS**

Directors Billy Beattie and Robert Cole subsequently resigned from the Board of Directors in 2014 due to health reasons. Vice President Homer Davidson replaced Mr. Beattie as President in 2014. Steve Humphrey was appointed to the Board of Directors in 2014 to fill one of the director vacancies.

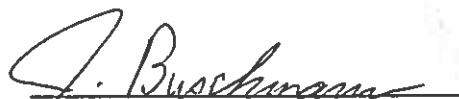
**ACKNOWLEDGMENT**

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

**VERIFICATION**

State of Missouri )  
  )  
County of Cole        )

I, Jay Buschmann 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.

  
Jay Buschmann, AFE  
Financial Examiner/Analyst  
Missouri DIFP

Sworn to and subscribed before me this 19<sup>th</sup> day of May, 2015.

My commission expires:

04-14-2016

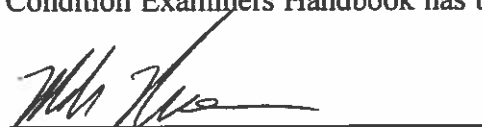
  
Notary Public

BEVERLY M. WEBB  
My Commission Expires  
April 14, 2016  
Clay County  
Commission # 12464070



**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.

  
Mark Nance, CFE, CPA  
Audit Manager – Kansas City  
Missouri DIFP