



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

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

RE: Examination Report of Brinktown Farmers Mutual Insurance Company for the period ended December 31, 2014


ORDER

After full consideration and review of the report of the financial examination of Brinktown Farmers Mutual Insurance Company for the period ended December 31, 2014, 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 Brinktown Farmers 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 of 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 6th day of May, 2016.

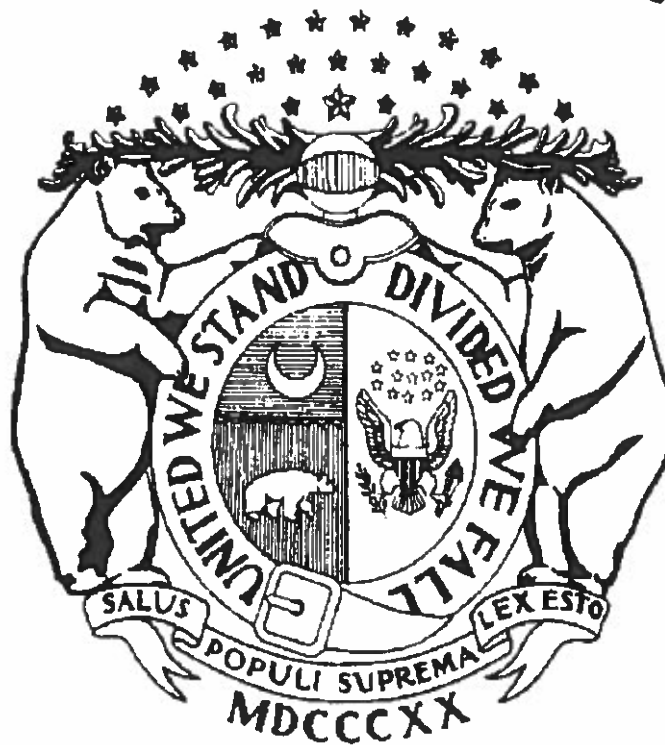



John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

**REPORT OF THE
FINANCIAL EXAMINATION OF
BRINKTOWN FARMERS MUTUAL INSURANCE
COMPANY**

**AS OF
DECEMBER 31, 2014**

FILED
MAY 6 2016
**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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November 18, 2015
Vienna, 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

BRINKTOWN FARMERS MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 1001 Vienna/Rolla Road (P.O. Box 308), Vienna, Missouri 65582, telephone number (573) 422-6332. This examination began on November 17, 2015, and was concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2009, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2010, through December 31, 2014, 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.

Comments-Previous Examination Report

There were no comments, recommendations, or notes to the financial statements on the previous examination report dated December 31, 2009.

HISTORY

General

The Company was originally established in 1915 as Brinktown Farmers Mutual Insurance Company of Maries County, and was incorporated in 1934. The Company changed its name to Brinktown Farmers Mutual Insurance Company in 1983. The Company operates under Sections 380.011 through 380.151 RSMo. (Missouri Mutual Insurance Companies).

Management

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the first Saturday in March 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, and shall be called upon petition of one-fourth of the members. Six members shall constitute a quorum at any membership meeting. Proxy voting is not 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 six members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every quarter, and the directors are compensated \$50 per meeting attended. The President and Treasurer receive an additional \$300 per year.

Members serving on the Board of Directors as of December 31, 2014, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term</u>
Daniel Wansing Dixon, Missouri	Farmer/President/Agent	2013-2016
Rita Henderson Vienna, Missouri	Retired/Treasurer/Agent	2012-2015
Alice Ready Vienna, Missouri	Farmer/Agent	2014-2017
Tyler Helton Meta, Missouri	Laborer/Agent	2013-2016
Vernon Zimmer Brinktown, Missouri	Retired/Farmer/Agent	2012-2015
Rob Pendleton Dixon, Missouri	Agent/Closing Manager	2014-2017

The Board of Directors appoints for a term of one year, the officers of the Company. The officers of the Company serving at December 31, 2014, were as follows:

Daniel Wansing	President
Rob Pendleton	Vice-President
Barbara Bazinet	Secretary/Manager (Deceased August of 2015)
Rita Henderson	Treasurer

Conflict of Interest

The Company officers and directors annually sign conflict of interest statements for the disclosure of material conflicts of interest or affiliations. 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. 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. 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 \$25,000. 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, as well as errors and omissions coverage for its agents. The Company carries general liability insurance and property insurance on its home office contents. Additionally, the Company carries additional deposit insurance to cover amounts exceeding FDIC insurance coverage at its local banking institution.

EMPLOYEE BENEFITS

The Company has one part-time employee. No employee benefits, outside of hourly compensation, are provided by the Company.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed as a Missouri Mutual Insurance Company operating under Sections 380.011 through 380.151 RSMo. (Missouri Mutual Insurance Companies). The Company is authorized to write fire and wind insurance in Maries County and all adjoining counties in the State of Missouri. The Company writes fire and wind coverages. The Company's policies are marketed by six agents, who are also the directors of the Company. Commissions paid to agents are equal to \$2 per \$1,000 of insurance coverage written on new business and 10% of premiums written on renewal business. Agents are compensated for the performance of claims adjusting and property reassessments. The Company also pays for the agents' errors and omissions insurance.

Policy Forms and Underwriting Practices

The Company uses AAIS and MAMIC forms. The policies are written for a five year term. Rates are determined by the Board of Directors, and renewal billings are mailed directly to the insured. Property inspections are performed by the agents. Claims adjustments are performed by the agent unless the agent determines an outside adjuster is necessary due to the amount or complexity of the claim.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Gross Premiums</u>	<u>Gross Losses</u>	<u>Investment Income</u>	<u>Underwriting Income</u>	<u>Net Income</u>
2014	\$1,896,685	\$0	\$248,405	\$160,369	\$ 10,297	\$ (25,030)	\$ (14,733)
2013	1,911,418	0	233,348	144,373	14,522	19,050	33,572
2012	1,877,846	0	235,350	136,312	21,412	(1,387)	20,025
2011	1,857,821	0	228,172	158,394	26,423	(39,093)	(12,670)
2010	1,870,491	0	224,819	108,329	36,333	6,069	42,402

At year-end 2014, 747 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:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Direct	\$248,405	\$233,348	\$235,350	\$228,172	\$224,819
Assumed	0	0	0	0	0
Ceded	88,036	88,975	99,038	69,778	116,490
Net	<u>\$160,369</u>	<u>\$144,373</u>	<u>\$136,312</u>	<u>\$158,394</u>	<u>\$108,329</u>

Assumed

The Company does not reinsure other companies.

Ceded

The Company's property reinsurance program is placed through an intermediary Guy Carpenter & Company, Inc. and consists of various contracts with multiple participating reinsurers (reinsurer).

Under the property per risk agreement, the Company retains \$30,000 per risk and the reinsurer covers 100% of the excess, limited to \$500,000 per loss and \$1 million per occurrence. The reinsurer also agrees to pay loss adjusting expenses (LAE) in the same proportion as the reinsurer's paid losses to total losses incurred by the Company.

Under the property catastrophe excess of loss contract, the reinsurer is liable for losses and LAE in excess of \$64,000, limited to 95% of \$1,000,000 for the first layer per occurrence. Under the second layer, the reinsurer is liable for losses and LAE limited to 100% of \$1,000,000 in excess of the first layer. Under the aggregate excess of loss agreement, the reinsurer is liable for 100% of property losses and LAE in excess of 80% of the Company's gross net earned premium income.

ACCOUNTS AND RECORDS

The accounting records are maintained by the Company on a cash basis. The Company utilizes IMT Computer Services software to maintain claims reports and policy maintenance. The Company also maintains paper copies of its accounting and policy records at the office and stores monthly data backups offsite. The Company prepares the Annual Statement. The firm of Lloyd Bowden, CPA, prepares the Company's tax filings.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2014, 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, 2014

Cash on Deposit	\$ 1,836,685
Other Investments-Annuities	<u>60,000</u>
Total Assets	<u>\$ 1,896,685</u>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2014

Total Liabilities	<u>\$ 0</u>
Other Surplus	<u>1,896,685</u>
Total Surplus	<u>\$ 1,896,685</u>
Total Liabilities and Surplus	<u>\$ 1,896,685</u>

STATEMENT OF INCOME
For the Year Ending December 31, 2014

Net Assessments Earned	\$ 160,369
Net Losses & Loss Adjusting Expenses Incurred	(117,250)
Other Underwriting Expenses Incurred	<u>(68,149)</u>
Net Underwriting Income (Loss)	(25,030)
Net Investment Income	<u>10,297</u>
Gross Profit (Loss)	\$ (14,733)
Federal Income Tax	<u>0</u>
Net Income (Loss)	<u>\$ (14,733)</u>

CAPITAL AND SURPLUS ACCOUNT
December 31, 2014

Policyholders' Surplus, December 31, 2013	\$ 1,911,418
Net Income (Loss)	<u>(14,733)</u>
Policyholders' Surplus, December 31, 2014	<u>\$ 1,896,685</u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGMENT

The assistance and cooperation extended by the employees of Brinktown Farmers Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Shannon Schmoeger, CPA, CFE, Examiner-In-Charge for the Missouri DIFP also participated in and reviewed this examination.

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.

J. Buschmann
Jay Buschmann, AFE
Financial Examiner/Analyst
Missouri DIFP

Sworn to and subscribed before me this 1st day of March, 2016.

My commission expires:

01/07/2018

Tammy Morales
Notary Public



TAMMY MORALES
My Commission Expires
January 7, 2018
Clay County
Commission #14451086

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