STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Bunceton Mutual Insurance Company for the period ended December 31, 2011

ORDER

After full consideration and review of the report of the financial examination of Bunceton Mutual Insurance Company for the period ended December 31, 2011, 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 Bunceton 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 General Comments 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 March 2013.

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

REPORT OF THE
FINANCIAL EXAMINATION OF

BUNCETON MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2011

FILED
MAR 26 2013
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

Subject	Page
SALUTATION	1
SCOPE OF EXAMINATION:	
Period Covered	1
Procedures	1
Comments - Previous Examination Report	2
HISTORY:	
General	2
Management	2
Conflict of Interest	3
Corporate Records	3
FIDELITY BOND AND OTHER INSURANCE	3
EMPLOYEE BENEFITS	4
INSURANCE PRODUCTS AND RELATED PRACTICES:	
Territory and Plan of Operation	4
Policy Forms & Underwriting	4
GROWTH AND LOSS EXPERIENCE OF THE COMPANY	5
REINSURANCE:	
General	5
Assumed	5
Ceded	5
ACCOUNTS AND RECORDS	6
FINANCIAL STATEMENTS:	
Analysis of Assets	7
Liabilities, Surplus and Other Funds	8
Statement of Income	9
Capital and Surplus Account	9
NOTES TO THE FINANCIAL STATEMENTS	10
EXAMINATION CHANGES	10
SUMMARY OF RECOMMENDATIONS	10
SUBSEQUENT EVENTS	10
ACKNOWLEDGMENT, VERIFICATION AND SUPERVISION	11

February 4, 2013
Bunceton, 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

BUNCETON MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 100 East Main, Bunceton, Missouri 65237, telephone number (660) 427-5521. This examination began and was concluded on February 4, 2013, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2006, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2007, through December 31, 2011, 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 prior examination report comments or recommendations.

HISTORY

General

The Company was originally organized and incorporated on February 4, 1896, as Cooper County Farmers Mutual Fire Insurance Company. In January 1971, the Company changed its name to Bunceton Mutual Insurance Company.

The Company has a Certificate of Authority dated July 1, 1991, 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 fourth Thursday 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. Eight 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 each director is compensated $100 per meeting attended.

Members serving on the Board of Directors as of December 31, 2011, were as follows:

Name and Address	Occupation	Term
E. Kirtley Lewis Otterville, Missouri	Farmer	2011-2014
Donald Warnke Mora, Missouri	Supervisor – Cargill, Inc.	2009-2012

Barbara Dicus Bunceton, Missouri	Insurance Agent	2010-2013
Kathryn Wahlers Stover, Missouri	Insurance Agent	2011-2014
John Schibi Pilot Grove, Missouri	Farmer	2010-2013
Ronald Felten Pilot Grove, Missouri	Farmer	2009-2012

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, 2011, were as follows:

E. Kirtley Lewis	President
Donald Warnke	Vice-President
Barbara Dicus	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. Two of the directors disclosed that they are also agents of the Company, and that they write business for other insurers as well. No other significant disclosures were noted.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company, neither of which 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 $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 carry errors and omissions insurance, and reimburses them for a portion of the cost of the coverage. The Company also carries business owner's coverage on its home office and contents, as well as general liability and workers compensation coverages.

The insurance coverage appears adequate.

EMPLOYEE BENEFITS

The Company has two full-time employees. The benefits package offered to the employees includes health, life, dental and long-term disability insurance, Simple IRA plan with employer matching, and paid time off.

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 three agents, who receive a 15% commission.

Policy Forms and Underwriting Practices

The Company utilizes AAIS and Cameron Mutual Insurance Company policy forms. Policies are renewed annually. Renewal billings are mailed directly to the insured. Initial property inspections are performed by the agents and follow-up inspections are periodically performed by an independent inspector. Claims adjusting is performed by independent adjusters. Rates 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
2011	$1,394,880	$ 260,623	$608,835	$358,056	$31,375	$(102,154)	$(70,779)
2010	1,490,093	279,515	581,214	201,572	35,602	(17,421)	18,181
2009	1,459,789	271,142	581,038	304,793	52,340	(67,336)	(14,996)
2008	1,480,847	282,238	558,563	295,654	61,921	(86,612)	(24,691)
2007	1,447,639	213,411	552,870	637,428	65,684	(42,139)	25,545

At year-end 2011, 931 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:

	2007	2008	2009	2010	2011
Direct	$ 552,870	$ 558,563	$ 581,038	$ 581,214	$ 608,835
Assumed	0	0	0	0	0
Ceded	(201,089)	(187,015)	(182,504)	(188,302)	(199,367)
Net	$ 351,781	$ 371,548	$ 398,534	$ 392,912	$ 409,468

Assumed

The Company does not reinsure other companies.

Ceded

The Company has its property reinsurance through Wisconsin Reinsurance Corporation (Wisconsin Re) and its casualty reinsurance through Cameron Mutual Insurance Company (Cameron Mutual).

The property reinsurance contract consists of per risk excess of loss and aggregate excess of loss provisions. Under the terms of the per risk excess of loss coverage, the Company's retention is $30,000 per loss and Wisconsin Re is liable for the excess, limited to $570,000 per risk. Under the terms of the aggregate excess of loss coverage, Wisconsin Re is liable for 100% net losses incurred during the year in excess of the attachment point of 75% of the Company's net premium.

The estimated attachment point for 2011 was $327,075.

The Company cedes 100% of its casualty risks under a quota share agreement with Cameron Mutual. The Company receives a 22% ceding commission.

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 Company utilizes Rural Computer Consultants, Inc. accounting and policy maintenance software. The CPA firm of Van de Ven, LLC, performs an annual compilation of the Company's financial statements and prepares the 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, 2011, 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.

ANALYSIS OF ASSETS
December 31, 2011

Bonds	$ 218,118
Mutual Funds	113,994
Real Estate	1,135
Cash on Deposit	978,417
Other Investments	71,400
Reinsurance Recoverable on Paid Losses	1,807
Computer Equipment	6,458
Interest Due & Accrued	3,551
Total Assets	$ 1,394,880

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2011

Net Losses Unpaid	$	14,322
Ceded Reinsurance Premium Payable		19,261
Unearned Premium		220,418
Payroll Tax Payable		736
Accounts Payable		5,886
Total Liabilities	$	260,623
Guaranty Fund	$	150,000
Other Surplus		984,257
Total Surplus		1,134,257
Total Liabilities and Surplus	$	1,394,880

STATEMENT OF INCOME
For the Year Ending December 31, 2011

Net Premiums Earned	$ 392,352
Other Insurance Income	29,918
Net Losses & Loss Adjusting Expenses Incurred	(279,011)
Other Underwriting Expenses Incurred	(245,413)
Net Underwriting Income (Loss)	$ (102,154)
Net Investment Income	31,375
Gross Profit (Loss)	$ (70,779)
Federal Income Tax	(0)
Net Income (Loss)	$ (70,779)

CAPITAL AND SURPLUS ACCOUNT
December 31, 2011

Policyholders' Surplus, December 31, 2010	$ 1,210,578
Net Income (Loss)	(70,779)
Non-Admitted Mutual Fund Adjustment	(5,542)
Policyholders' Surplus, December 31, 2011	$ 1,134,257

NOTES TO THE FINANCIAL STATEMENTS

There were no notes to the financial statements.

EXAMINATION CHANGES

There were no examination changes.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
)
County of Cole)

I, Shannon W. Schmoeger 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.

Shannon W. Schmoeger, CFE
Financial Examiner
Missouri DIFP

Sworn to and subscribed before me this 13th day of February, 2013.

My commission expires:

May 18, 2016

Kimberly Landers
Notary Public

KIMBERLY LANDERS
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: May 18, 2016
Commission Number: 12558402

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