



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

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

RE: Examination Report of Pike County Mutual Insurance Company for the period ended  
December 31, 2015


**ORDER**

After full consideration and review of the report of the financial examination of Pike County Mutual Insurance Company for the period ended December 31, 2015, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration 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 Pike 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) 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 17<sup>th</sup> day of April, 2017.

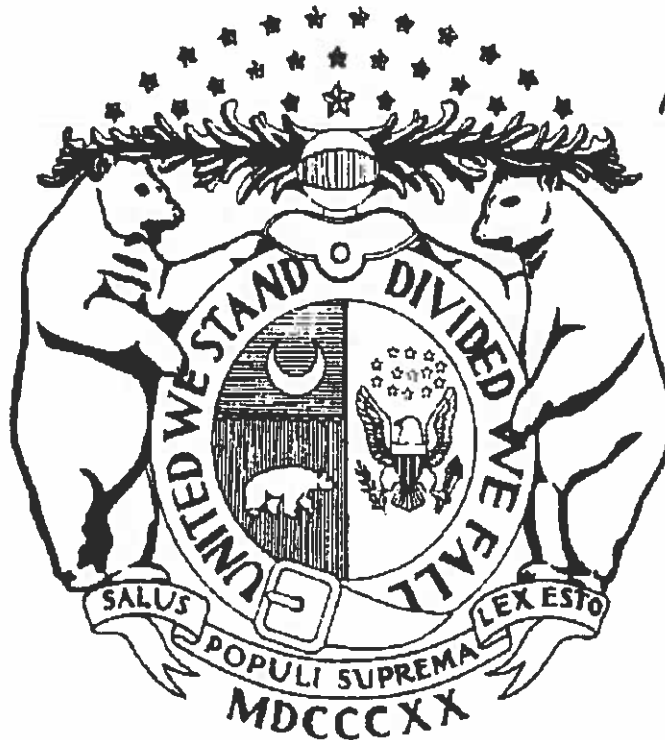


  
Chlora Lindley-Myers, Director  
Department of Insurance, Financial Institutions  
and Professional Registration

**REPORT OF THE  
FINANCIAL EXAMINATION OF**

**Pike County Mutual Insurance Company**

**AS OF  
DECEMBER 31, 2015**



**FILED**  
**APR 17 2017**  
**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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December 7, 2016  
Bowling Green, 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

**Pike County Mutual Insurance Company**

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 22 West Main, Bowling Green, Missouri 63334, telephone number (573) 324-5301. This examination began on November 1, 2016, and concluded on the date above.

**SCOPE OF EXAMINATION**

**Period Covered**

The prior full-scope examination of the Company was made as of December 31, 2010, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2011, through December 31, 2015, 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 by 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 in the previous examination report.

## HISTORY

### General

The Company was organized on September 18, 1895 as the Pike County Farmers Mutual Fire and Insurance Company. On April 2, 1984 the Company amended its Articles of Incorporation to comply with Sections 380.201 to 380.591 RSMo (Extended Missouri Mutual Companies). The Company was then issued a Certificate of Authority by the Missouri Division of Insurance. In 1984 the Company changed its name to Pike County Mutual Insurance Company.

### Management

The Company is managed by a board of seven directors, serving staggered, three-year terms. The board meets monthly. Special meetings of the members may be called by the Board of Directors or upon petition of one-fourth of the members. Directors are elected at annual member meetings held on the third Tuesday of every February. Eight members constitute a quorum at annual member meetings and proxy voting is not allowed. Directors receive \$75 for local meetings and \$150 per day plus mileage and hotel for out of town meetings. All directors are also policyholders.

Members serving on the Board of Directors as of December 31, 2015, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term</u>
Wayne Gamm 16146 Pike 280 Bowling Green, MO 63334	Farmer	2014-2016
Robert Thomas Meyer 22941 Pike 222 Eolia, MO 63334	Farmer/Retired Postman	2014-2016
Mark Fisher 16439 Pike 292 Bowling Green, MO 63334	Prosecuting Attorney	2016-2018
Wayne Morris P.O. Box 84 Bowling Green, MO 63334	Business Owner	2016-2018
Mike Bankhead 17018 Hwy. W Clarksville, MO 6336	Commercial Produce Farmer	2016-2018

Lyndell Ankrom 29864 Pike 422 Middletown, MO 63359	Farmer	2014-2017
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Brad Hufty 12988 Hwy. U Bowling Green, MO 63334	Inspector/Teacher	2014-2017
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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:

Wayne Gamm	President
Tom Meyer	Vice-President
Marie Niemeyer	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, and no potential material conflicts were disclosed.

### **Corporate Records**

A review was made of the Articles of Incorporation and the Bylaws of the Company. No amendments were made to the Articles of Incorporation or the Bylaws 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 has fidelity bond coverage providing a liability limit of \$50,000 from Cameron Mutual Insurance Company. This coverage meets the minimum amount recommended in the NAIC Financial Condition Examiners Handbook for the Company's level of exposure.

The Company carries directors' and officers' liability coverage through MAMIC Mutual Insurance Company (MAMIC) with a limit of liability of \$2,000,000 per claim and aggregate.

Each of the Company's agents carries Errors and Omissions Liability insurance with a minimum limit of liability of \$1,000,000. The Company purchases the coverage for its captive agents, while independent agents are required to purchase their own coverage.

The Company has property and liability insurance coverage for its office building through Cameron Mutual Insurance Company with limits of \$263,200 on the property and 35,000 on the personal property.

The Company has a commercial general liability policy with Cameron Mutual Insurance Company. The policy limit of liability is \$1,000,000 per occurrence and \$2,000,000 aggregate.

The Company has a workers compensation and employers liability policy with Missouri Employers Mutual Insurance Company with a limit of \$500,000 per occurrence.

The insurance coverage appears adequate.

## **EMPLOYEE BENEFITS**

The Company has four full-time employees and two part-time employees. Full-time employees receive health insurance benefits and IRA Contributions. The Company provides 15 paid vacation and 6 paid sick days annually. Sick days can accumulate up to 21 days and vacation days can accumulate with no limit.

## **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 380.601 RSMo (Extended Missouri Mutual Insurance Companies). The Company is authorized to write fire, windstorm, liability, and crop coverage in all Missouri counties. The majority of the Company's business is concentrated in Pike and surrounding counties. Insurance is provided on a non-assessable basis. Advertising is done through local newspaper and radio ads and with promotional items such as pens, caps and calendars. The Company sponsors a local scholarship in each of the 3 local high schools and participates in the MAMIC Scholarship Program. Employees and directors are encouraged to participate in local civic groups, churches and golf tournaments. The Company has a web site at [www.pikecountymutual.com](http://www.pikecountymutual.com).

### **Policy Forms and Underwriting Practices**

The Company writes policies for a one-year period. Policy rates are approved by the Board of Directors based on internal recommendations. The Company primarily uses AAIS policy forms which are purchased through MAMIC. Insurance products are sold by two captive agents and seven independent agents. The captive agents receive 12% commissions and the independent

agents receive 15% commissions on all new and renewal business.

An onsite inspection is made prior to the issuance of policies. Renewals are inspected every third year. Beginning in 2016, inspections will be performed every fifth year. Inspections and claim adjusting is performed by Central Consulting and Adjusting and reviewed by the office manager.

### GROWTH AND LOSS EXPERIENCE OF THE COMPANY

	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Gross Assessments</u>	<u>Gross Losses</u>	<u>Investment Income</u>	<u>Underwriting Income</u>	<u>Net Income</u>
2015	\$2,690,264	\$ 502,449	\$ 1,182,415	\$ 722,343	\$ 67,236	\$ (258,054)	\$(200,449)
2014	2,833,896	458,797	1,182,719	728,550	68,305	(126,911)	(67,972)
2013	2,945,462	503,538	1,109,526	295,776	53,652	(23,445)	88,576
2012	2,759,039	477,358	1,028,203	217,539	99,120	78,416	241,647
2011	2,380,606	340,572	918,840	1,287,832	90,489	(39,057)	42,632

At year-end 2015, 1,457 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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Direct	\$918,840	\$1,028,203	\$1,109,526	\$1,182,719	\$1,182,415
Assumed	23,106	27,975	26,811	28,848	27,024
Ceded	(189,050)	(198,266)	(253,502)	(197,655)	(167,284)
Net	<u>\$666,041</u>	<u>\$ 733,977</u>	<u>\$ 720,476</u>	<u>\$ 794,466</u>	<u>\$ 841,403</u>

#### Assumed

The Company participates in the MAMIC Mutual Insurance Company D/O and E/O reinsurance pool. An immaterial amount of assumed premiums and losses is reported due to the Company's participation in this pool.



## Ceded

The Company has a reinsurance agreement with Grinnell Mutual Reinsurance Company (the reinsurer). The following coverage is provided under this agreement.

### Individual Occurrence of Loss Excess

This section provides that the Company retain the first \$125,000 of fire or wind losses, each risk, each occurrence. The reinsurer is liable for 100% of losses above the retention. The premium for this coverage is charged at a monthly rate based on the adjusted gross fire and wind risk in force per \$1,000 at the end of each month during the contract year. The fire component of the premium is also subject to an experience rating adjustment based on the loss ratio for the most recent five-year period.

### Aggregate Excess

This provides unlimited aggregate excess coverage above an attachment point that is calculated yearly. The attachment point for the 2015 contract year was \$666,811. The premium for this coverage is charged at a monthly rate based on the adjusted gross fire and wind risk in force per \$1,000 at the end of each month during the contract year.

### Facultative Reinsurance

The Company has the option to cede all or part of each specific risk to the reinsurer by means of facultative reinsurance. Rates are determined by the reinsurer on a case-by-case basis, and the reinsurer determines which risks are acceptable for facultative coverage.

### Earthquake Reinsurance

Under this section the Company cedes all earthquake premiums to the reinsurer, who in turn is responsible for all earthquake losses. The ceding commission is built into the premium formula.

### Liability Reinsurance

Under this section the Company cedes all liability premiums to the reinsurer, who in turn pays all liability losses. The Company receives a ceding commission equal to 20% of the subject net written premiums.

The Company's reinsurance premium appears to be adequate.

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 Company maintains its accounting on an accrual basis. Accounting records for premiums, claims, and financial reporting are maintained in the IMT software system. IWS is used for their quoting system. The CPA firm of Van de Ven, LLC prepares financial statements and tax returns and compiles the Company's Annual Statement.

## **FINANCIAL STATEMENTS**

The following financial statements as filed by the Company with DIFP, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2015, and for 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 work papers for each individual annual statement item.

**ANALYSIS OF ASSETS**  
**December 31, 2015**

Bonds	\$ 1,257,128
Stocks	1,000
Real Estate	65,799
Cash on Deposit	1,079,462
Other Investments	257,987
Reinsurance Recoverable	12,628
Computer Equipment	3,950
Interest Due & Accrued	12,310
<b>Total Assets</b>	<b><u>\$ 2,690,264</u></b>

**LIABILITIES, SURPLUS AND OTHER FUNDS**  
**December 31, 2015**

Losses Unpaid	\$ 43,596
Ceded Reinsurance Payable	30,417
Unearned Premium	405,943
Payroll Tax	4,654
Accounts Payable (Other)	5,458
Other Liabilities	12,381
<b>Total Liabilities</b>	<b><u>\$ 502,449</u></b>
Guaranty Fund	\$ 150,000
Other Surplus	2,037,815
<b>Total Surplus</b>	<b><u>\$ 2,187,815</u></b>
<b>Total Liabilities and Surplus</b>	<b><u>\$ 2,690,264</u></b>

**STATEMENT OF INCOME**  
**For the Year Ending December 31, 2015**

Net Premiums Earned	\$ 843,309
Other Insurance Income	74,043
Net Losses & Loss Adjustment Expenses Incurred	(709,517)
Other Underwriting Expenses Incurred	(465,889)
Net Underwriting Income (Loss)	<u>\$ (258,054)</u>
Investment Income	57,486
Other Income	119
Gross Profit (Loss)	<u>\$ (200,449)</u>
Federal Income Tax	-
Net Income (Loss)	<u><u>\$ (200,449)</u></u>

**CAPITAL AND SURPLUS ACCOUNT**  
**December 31, 2015**

Policyholders' Surplus, December 31, 2014	\$ 2,375,099
Net Income (Loss)	(200,449)
Federal Tax Refund per 2014 NOL Carryback	13,802
Prior Period Adjustment for Payroll Tax Liability	(637)
Policyholders' Surplus, December 31, 2015	<u><u>\$ 2,187,815</u></u>

## **COMMENTS ON THE FINANCIAL STATEMENTS**

There were no notes to the financial statements.

## **EXAMINATION CHANGES**

There were no examination changes.

## **GENERAL COMMENTS AND RECOMMENDATIONS**

None.

## **SUBSEQUENT EVENTS**

None.

**ACKNOWLEDGMENT**

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

**VERIFICATION**

State of Missouri    )  
                              ) ss  
County of Cole     )

I, Scott A. Reeves 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.

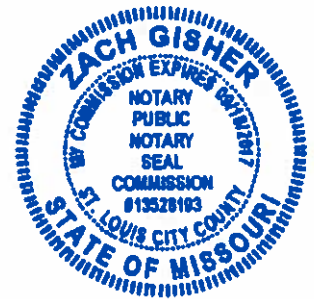


Scott A. Reeves, CPA  
Financial Examiner  
Missouri DIFP

Sworn to and subscribed before me this 19 day of January, 2017.

My commission expires:

09/18/17

  
\_\_\_\_\_  
Notary Public

**SUPERVISION**

The examination process has been monitored and supervised by the undersigned. The examination report and supporting work papers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.



Michael Shadowens, CFE  
Audit Manager – St. Louis  
Missouri DIFP