

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

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

RE: Examination Report of Jasper County Mutual Insurance Company for the period ended
December 31, 2016

ORDER

After full consideration and review of the report of the financial examination of Jasper County Mutual Insurance Company for the period ended December 31, 2016, 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 Jasper 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 20th day of September, 2018.



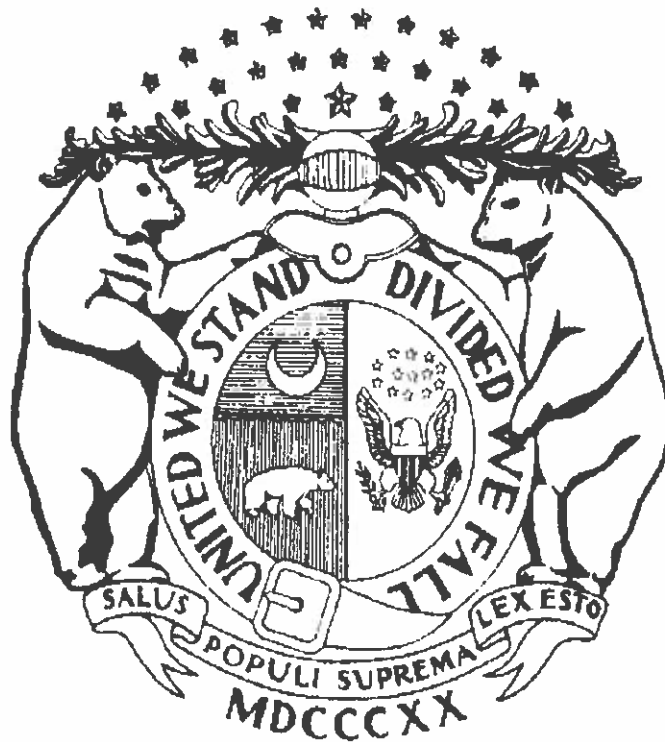
Chlora Lindley-Myers

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

REPORT OF THE
FINANCIAL EXAMINATION OF

JASPER COUNTY MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2016



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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December 13, 2017
Carthage, Missouri

Honorable Clora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

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

JASPER COUNTY MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 505 South Main, Carthage, Missouri 64836, telephone number (417) 358-2557. This examination began on December 12, 2017, concluded on December 13, 2017 and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2011, and was conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP). The current full-scope examination covers the period from January 1, 2012 through December 31, 2016, and was also conducted by examiners from the 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 11, 1895, and incorporated on December 27, 1902, as Jasper County Farmers Mutual Fire and Lightning Insurance Company. On June 28, 1978, the Company changed its name to Jasper County Mutual Insurance Company.

The Company has a Certificate of Authority dated January 1, 1985 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 first Friday 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 are not addressed in the Articles or Bylaws. Ten 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 eight members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets eight times per year. Directors receive \$125 for each meeting attended.

Members serving on the Board of Directors as of December 31, 2016, were as follows:

| <u>Name and Address</u> | <u>Occupation</u> | <u>Term</u> |
|-------------------------------------|---|-------------|
| Greg Easson Carthage, Missouri | Paramedic, Insurance Agent & Company Manager | 2014-2017 |
| Todd Johnson Reeds, Missouri | City of Joplin Employee | 2016-2019 |
| James Honey Carthage, Missouri | Retired | 2014-2017 |
| Jeff Ummel Reeds, Missouri | Farmer & Insurance Agent | 2015-2018 |
| Bruce Kilpatrick Reeds, Missouri | Farmer | 2014-2017 |

| | | |
|--------------------------------------|---------|-----------|
| Walt Wicklund Carthage, Missouri | Retired | 2015-2018 |
| George Case Carthage, Missouri | Farmer | 2015-2018 |
| Raymond Peters Carthage, Missouri | Farmer | 2016-2019 |

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, 2016, were as follows:

| | |
|--------------|----------------|
| Greg Easson | President |
| Todd Johnson | Vice-President |
| James Honey | Secretary |
| Jeff Ummel | 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 executed conflict of interest statements noted that all Board members completed the conflict of interest forms.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. The Articles of Incorporation and Bylaws were not 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 their directors and officers. The Company requires its agents to purchase errors and omissions coverage.

The Company also carries other insurance, which includes business property and liability coverage and workers compensation coverage.

EMPLOYEE BENEFITS

The Company has two full-time employees, a manager and an assistant. The benefits provided to the manager include health insurance and annual leave. The benefits provided to the assistant include health insurance, a retirement plan 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.

The Company is authorized to write fire, wind and liability insurance in all counties in the State of Missouri. The Company writes fire and wind coverages and markets liability coverages through an organizational agreement with its reinsurer. The Company's policies are marketed by five licensed agents, who receive a twelve percent commission on premiums written.

Policy Forms and Underwriting Practices

The Company utilizes Grinnell Mutual Reinsurance Company policy forms. The policies are written on a continuous period. Renewal billings are mailed directly to the insured. Property inspections and claims adjusting are performed by the Company manager and a contracted inspector/adjuster. Rates are determined by the Board of Directors.

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> |
|-------------|------------------------|--------------------|-----------------------|---------------------|--------------------------|----------------------------|-------------------|
| 2016 | \$1,010,042 | \$358,991 | \$1,060,096 | \$161,258 | \$17,100 | \$248,805 | \$268,100 |
| 2015 | 799,427 | 414,531 | 1,071,962 | 512,571 | 14,183 | (155,672) | (136,716) |
| 2014 | 913,947 | 392,354 | 1,041,283 | 270,515 | 13,885 | 46,289 | 63,773 |
| 2013 | 876,660 | 418,840 | 1,017,333 | 445,990 | (2,849) | 67,054 | 67,771 |
| 2012 | 748,473 | 358,424 | 965,255 | 546,129 | 18,639 | 18,777 | 37,459 |

At year-end 2016, there were 1,296 policies 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>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Direct | \$965,255 | \$1,017,333 | \$1,041,283 | \$1,071,962 | \$1,060,096 |
| Assumed | -0- | -0- | -0- | -0- | -0- |
| Ceded | <u>428,844</u> | <u>485,019</u> | <u>46,702</u> | <u>548,969</u> | <u>526,682</u> |
| Net | <u>\$ 536,411</u> | <u>\$ 532,314</u> | <u>\$ 494,581</u> | <u>\$ 522,993</u> | <u>\$ 533,414</u> |

Assumed

The Company does not reinsure other companies.

Ceded

The Company reinsurance during the exam period was through Grinnell Mutual Reinsurance Company (Grinnell) under individual occurrence of loss with aggregate excess plan reinsurance agreements for property risks.

For the agreement in effect during 2016, under the individual occurrence of loss excess portion the Company retained \$125,000 for each loss occurrence and Grinnell's limits were \$1,000,000 per exposure.

Under the aggregate excess portion of the agreement, the Company's annual aggregate net retention, or attachment point, was based on the Company's ten-year average fire loss ratio plus a load. Grinnell was liable for 100% of losses in excess of this retention. The attachment point for 2016 was \$460,000.

Under the facultative reinsurance portion of the agreement the Company could cede to Grinnell risks that exceeded the individual risk limits outlined in the agreement. Rates were determined by Grinnell on an individual basis.

The Company also had an organizational agreement with Grinnell, under which it marketed liability coverages on behalf of the reinsurer. The Company received a 20% commission on premiums written under the arrangement.

Effective January 1, 2017, the Company changed reinsurers to Wisconsin Reinsurance Company (WRC) through a single contract with multiple sections covering property and liability risks.

Under the three-layer property per risk section of the agreement with WRC, the Company retains \$60,000 per risk and WRC is responsible for the excess, limited to \$500,000 per risk. Under the aggregate excess of loss agreement, WRC is liable for 100% of losses which exceed 67.5% of the Company's gross net earned premium income during the year.

Under the casualty quota share section of the agreement, the Company cedes 100% of premiums written and receives a 25% 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 a modified cash basis. The Company utilizes IMT Computer Services MIPS software for its system policy maintenance and accounting. The firm of Hardy, Wrestler & Associates, CPA's, P.C., compiles the Annual Statement and prepares tax filings.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2016, 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, 2016

| | |
|---------------------------------|---------------------|
| Bonds | \$ 461,436 |
| Real Estate | 54,275 |
| Cash and Short-Term Investments | 443,826 |
| Other Investments | 50,187 |
| Prepaid Federal Income Taxes | 298 |
| Total Assets | <u>\$ 1,010,042</u> |

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2016

| | |
|-------------------------------|---------------------|
| Unearned Premiums | \$ 357,341 |
| Payroll Taxes Payable | 1,650 |
| Total Liabilities | <u>\$ 358,991</u> |
| Guaranty Fund | \$ 150,000 |
| Other Surplus | 501,051 |
| Total Surplus | <u>651,051</u> |
| Total Liabilities and Surplus | <u>\$ 1,010,042</u> |

STATEMENT OF INCOME
For the Year Ending December 31, 2016

| | |
|---|------------|
| Net Premiums Earned | \$ 588,677 |
| Other Insurance Income | 99,461 |
| Net Losses & Loss Adjusting Expenses Incurred | (173,258) |
| Other Underwriting Expenses Incurred | (266,075) |
| Net Underwriting Income (Loss) | \$ 248,805 |
| Net Investment Income | 17,100 |
| Other Income | 3,731 |
| Gross Profit (Loss) | \$ 269,636 |
| Federal Income Tax | (1,536) |
| Net Income (Loss) | \$ 268,100 |

CAPITAL AND SURPLUS ACCOUNT
December 31, 2016

| | |
|---|------------|
| Policyholders' Surplus, December 31, 2015 | \$ 384,878 |
| Net Income (Loss) | 268,100 |
| Unrealized Gain(Loss) | (1,927) |
| Policyholders' Surplus, December 31, 2016 | \$ 651,051 |

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

As noted in the Reinsurance section of this report, effective January 1, 2017 the Company changed reinsurance carriers. The terms of the subsequent reinsurance agreement are detailed in the Reinsurance section.

ACKNOWLEDGMENT

The assistance and cooperation extended by the employees of Jasper County Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Brad Burton, CPA examiner for the DIFP also participated in the examination.

VERIFICATION

State of Missouri)

County of Cole)

I, Mark Nance 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.

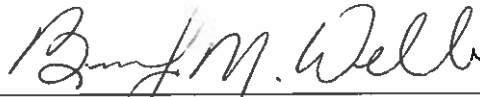


Mark Nance, CFE, CPA
Senior Examiner-In-Charge
Missouri Department of Insurance Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 22nd day of August, 2018.

My commission expires:

04/14/2020

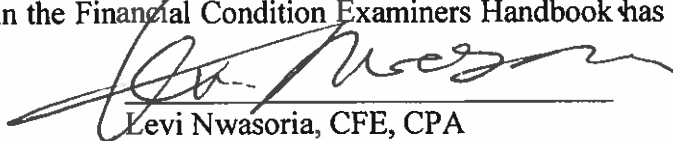


Notary Public

BEVERLY M. WEBB
My Commission Expires
April 14, 2020
Clay County
Commission #12484070

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.



Levi Nwasoria, CFE, CPA
Audit Manager
Missouri Department of Insurance, Financial
Institutions and Professional Registration