

# STATE OF MISSOURI



## DEPARTMENT OF COMMERCE & INSURANCE

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

### 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, 2020, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, Missouri Department of Commerce and Insurance 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.

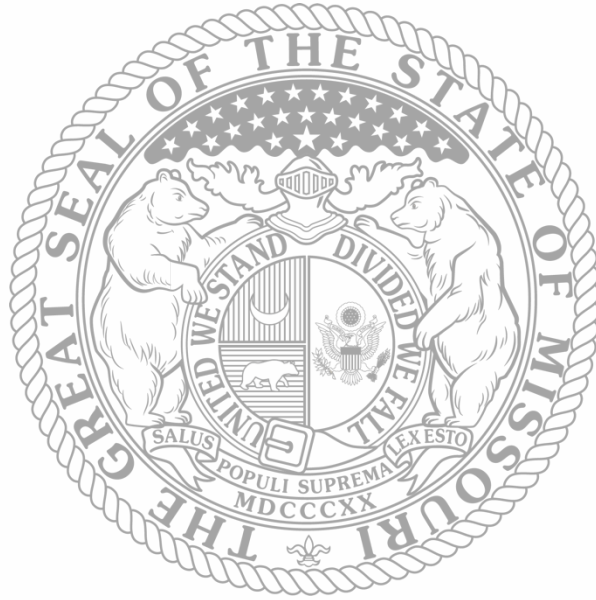
Based on such findings and conclusions, I hereby ORDER Pike County Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition and 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 15<sup>th</sup> day of November, 2021.



*Chlora Lindley-Myers*

Chlora Lindley-Myers, Director  
Department of Commerce and Insurance



REPORT OF  
FINANCIAL EXAMINATION OF

# PIKE COUNTY MUTUAL INSURANCE COMPANY

AS OF  
DECEMBER 31, 2020

STATE OF MISSOURI  
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

## TABLE OF CONTENTS

<b>SCOPE OF EXAMINATION</b> .....	<b>1</b>
PERIOD COVERED.....	1
PROCEDURES.....	1
<b>SUMMARY OF SIGNIFICANT FINDINGS</b> .....	<b>1</b>
<b>COMPANY HISTORY</b> .....	<b>2</b>
GENERAL.....	2
<b>MANAGEMENT AND CONTROL</b> .....	<b>2</b>
BOARD OF DIRECTORS .....	2
OFFICERS.....	2
CONFLICTS OF INTEREST .....	2
CORPORATE RECORDS.....	3
<b>EMPLOYEE BENEFITS</b> .....	<b>3</b>
<b>FIDELITY BOND AND OTHER INSURANCE</b> .....	<b>3</b>
<b>INSURANCE PRODUCTS AND RELATED PRACTICES</b> .....	<b>3</b>
TERRITORY AND PLAN OF OPERATIONS.....	3
POLICY FORMS AND UNDERWRITING PRACTICES.....	3
<b>GROWTH OF COMPANY AND LOSS EXPERIENCE</b> .....	<b>3</b>
<b>REINSURANCE</b> .....	<b>4</b>
GENERAL.....	4
ASSUMED REINSURANCE .....	4
CEDED REINSURANCE.....	4
<b>ACCOUNTS AND RECORDS</b> .....	<b>5</b>
<b>FINANCIAL STATEMENTS</b> .....	<b>5</b>
ASSETS.....	6
LIABILITIES, SURPLUS AND OTHER FUNDS.....	6

STATEMENT OF INCOME .....	6
RECONCILIATION OF CAPITAL AND SURPLUS .....	7
<b>COMMENTS ON FINANCIAL STATEMENT ITEMS .....</b>	<b>7</b>
<b>FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION .....</b>	<b>7</b>
<b>SUMMARY OF RECOMMENDATIONS.....</b>	<b>7</b>
<b>SUBSEQUENT EVENTS .....</b>	<b>7</b>
<b>ACKNOWLEDGMENT .....</b>	<b>8</b>
<b>VERIFICATION.....</b>	<b>8</b>
<b>SUPERVISION .....</b>	<b>9</b>

Bowling Green, MO  
October 7, 2021

Honorable Chlora Lindley-Myers, Director  
Missouri Department of Commerce and Insurance  
301 West High Street, Room 530  
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your financial examination warrant, a full-scope financial 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. Its administrative office is located at 22 West Main Street, Bowling Green, MO 63334, telephone number (573)324-5301. The fieldwork for this examination began on August 22, 2021, and concluded on the above date.

### **SCOPE OF EXAMINATION**

#### **Period Covered**

The Missouri Department of Commerce and Insurance (Department) has performed a single-state financial examination of Pike County Mutual Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2011, through December 31, 2015. The current examination covers the period of January 1, 2016 through December 31, 2020, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

#### **Procedures**

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department or statutes of the state of Missouri prevailed. The *Handbook* requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination report includes significant findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to other regulators and/or the Company.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no adverse findings, significant non-compliance issues, or material changes to the financial statements during the examination.

**COMPANY 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 380.611 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 AND CONTROL**

**Board of Directors**

The management of the Company is vested in a Board of Directors that are elected by the policyholders. The Company's Articles of Incorporation specify that there shall be seven members. The Board of Directors elected and serving as of December 31, 2020, were as follows:

<b><u>Name and Address</u></b>	<b><u>Principal Occupation</u></b>	<b><u>Term Expires</u></b>
Lyndell Ankrom Middletown, Missouri	Farmer	2021
Brad Hufty Bowling Green, Missouri	Building Supervisor	2021
Wayne Gamm Bowling Green, Missouri	Farmer	2022
Robert Thomas Meyer Eoila, Missouri	Farmer/Retired Postman	2022
Mark Fisher Bowling Green, Missouri	Special Prosecutor	2023
Wayne Morris Bowling Green, Missouri	Business Owner	2023
Mike Bankhead Clarksville, Missouri	Commercial Farmer	2023

**Officers**

The officers elected and serving, as of December 31, 2020, were as follows:

<b><u>Name</u></b>	<b><u>Office</u></b>
Wayne Gamm	President
Tom Meyer	Vice-President
Marie Niemeyer	Treasurer/Secretary

**Conflicts of Interest**

The Company's directors and officers sign conflict of interest statements on an annual basis. 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. 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.

**EMPLOYEE BENEFITS**

The Company has five full-time employees and one part-time employee. Full-time employees receive health insurance benefits and Company-sponsored IRA contributions. The Company also provides paid time off to its employees.

**FIDELITY BOND AND OTHER INSURANCE**

The Company has fidelity bond coverage providing a liability limit of \$50,000. This coverage meets the minimum amount recommended in the NAIC Financial Condition Examiners Handbook for the Company's level of exposure.

The Company carries liability coverage for its directors and officers.

The Company purchases errors and omissions coverage for its captive agents, while independent agents are required to purchase their own coverage.

**INSURANCE PRODUCTS AND RELATED PRACTICES**

**Territory and Plan of Operations**

The Company is licensed by the Missouri Department of Commerce and Insurance as an Extended Missouri Mutual Insurance Company operating under Sections 380.201 through 380.611 RSMo (Extended Missouri Mutual Insurance Companies). The Company is authorized to write fire, windstorm, liability, and crop coverage in all Missouri counties. The Company currently does not write crop business. The majority of the Company's business is concentrated in Pike and surrounding counties. Insurance is provided on a non-assessable basis.

**Policy Forms and Underwriting Practices**

The Company primarily uses American Association of Insurance Services (AAIS) policy forms. The Company writes policies for a one-year period. Policy rates are approved by the Board of Directors based on internal recommendations. Insurance products are sold by three captive agents and five independent agents. The captive agents receive 12% commissions and the independent agents receive 15% commissions on all new and renewal business.

**GROWTH OF COMPANY AND LOSS EXPERIENCE**

The table below summarizes the Company's premium writings and writing ratios for the period under examination:

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2020	\$3,438,739	\$657,448	\$1,265,135	\$525,673	\$116,132	\$ 41,274	\$177,146
2019	3,168,488	564,343	1,254,229	642,542	91,968	(85,700)	9,235
2018	3,145,349	548,309	1,226,781	707,922	69,487	(68,070)	7,105
2017	3,216,861	570,826	1,275,616	327,950	81,138	112,567	201,024
2016	2,968,773	523,762	1,218,769	342,704	66,766	193,493	254,930

At year-end 2020, there were 1,322 policies in force.

## REINSURANCE

### General

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

Premium Type	2016	2017	2018	2019	2020
Direct Premiums Written	\$ 1,258,050	\$ 1,308,951	\$ 1,261,260	\$ 1,294,508	\$ 1,296,365
Reinsurance Assumed	28,529	27,080	27,844	28,332	28,497
Reinsurance Ceded	(152,688)	(155,973)	(209,319)	(200,961)	(229,838)
<b>Net Premiums Written</b>	<b>\$ 1,133,891</b>	<b>\$ 1,180,058</b>	<b>\$ 1,079,785</b>	<b>\$ 1,121,879</b>	<b>\$ 1,095,024</b>

### Assumed Reinsurance

MAMIC Mutual Insurance Company (MAMIC) issues direct policies to insure agents' errors and omissions liability and directors' and officers' liability risks for various mutual insurance companies, including the Company. All of the policy risks insured by MAMIC for these two products are pooled and ceded to participating mutual insurance companies. The Company has a 5% share in the interests and liabilities of the pool.

### Ceded Reinsurance

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (the reinsurer) through a reinsurance agreement that provides per risk excess of loss and aggregate excess of loss coverage for property risks, as well as quote share coverage for liability and earthquake risks.

Under the per risk excess of loss section of the agreement, the Company retains \$125,000 of property losses per risk, and the reinsurer's maximum limit is \$20 million per property risk. Under the aggregate excess of loss section of the agreement, the reinsurer is liable for 100% of the property losses in excess of the Company's annual aggregate net retention, or attachment point. The attachment point for 2020 was \$680,000.

For liability coverage, the Company cedes 100% of liability premiums and receives a 35% ceding commission. The Company retains the first \$5,000 of ultimate net loss for each loss occurrence and cedes 100% of the excess losses to the reinsurer, limited to \$1 million per loss occurrence. For earthquake coverage, the Company cedes 100% of the premiums and losses to the reinsurer.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that assuming reinsurer fails to perform its obligations under the reinsurance contract.



### **ACCOUNTS AND RECORDS**

The accounting records are maintained on a modified cash basis by the Company. The Certified Public Accounting firm of Van de Ven, LLC, of Cape Girardeau, Missouri, prepares the Company's annual statement and tax filings.

### **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of Pike County Mutual Insurance Company for the period ending December 31, 2020. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of 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 additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items." These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the examination workpapers.

**ASSETS**

As of December 31, 2020

Bonds	\$ 1,735,356
Stocks	1,000
Real estate	70,982
Cash	1,221,849
Other investments	381,382
Computer equipment (hardware only)	494
Federal income tax recoverable	27,676
<b>TOTAL ASSETS</b>	<b>\$ 3,438,739</b>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

As of December 31, 2020

Gross losses unpaid	\$ 118,094
Ceded reinsurance premium payable	33,109
Unearned premium	445,155
Federal income tax payable	29,179
Payroll tax	4,734
Accounts payable (other)	5,490
Accrued paid time off	21,687
<b>TOTAL LIABILITIES</b>	<b>\$ 657,448</b>
Guaranty fund	150,000
Other surplus	2,631,291
<b>TOTAL POLICY HOLDER SURPLUS</b>	<b>\$ 2,781,291</b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>\$ 3,438,739</b>

**STATEMENT OF INCOME**

For the Year Ended December 31, 2020

Net Earned Assessment/Premium Income	\$ 883,336
Other Insurance Income	85,468
Net Losses & Loss Adjustment Expense	(453,594)
Underwriting Expenses	(473,936)
<b>Underwriting Income (Loss)</b>	<b>\$ 41,274</b>
Investment Income	125,681
Investment Expenses	(9,549)
<b>Net Investment Gain (Loss)</b>	<b>\$ 116,132</b>
Other Income	48,907
<b>Gross Profit or Loss</b>	<b>\$ 206,313</b>
Federal Income Tax	(29,167)
<b>NET INCOME (LOSS)</b>	<b>\$ 177,146</b>

**RECONCILIATION OF CAPITAL AND SURPLUS**  
 Changes from January 1, 2016 to December 31, 2020

*(\$000s omitted)*

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Beginning Policyholder's Surplus	\$ 2,188	\$ 2,445	\$ 2,646	\$ 2,597	\$ 2,604
Net Income (Loss)	255	201	7	9	177
Prior year tax refund (payment)	2	0	(56)	(2)	0
<b>Ending Policyholder's Surplus</b>	<b>\$ 2,445</b>	<b>\$ 2,646</b>	<b>\$ 2,597</b>	<b>\$ 2,604</b>	<b>\$ 2,781</b>

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None.

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION**

None.

**SUMMARY OF RECOMMENDATIONS**

None.

**SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. As of the date of this report, significant uncertainty remains regarding the effect that the pandemic will have on the economy and insurance industry at large, and on the Pike County Mutual Insurance Company, specifically. The examination team considered the potential impact of COVID-19 on the Company throughout examination testing and procedures. At this point, it does not appear that COVID-19 has had a significant impact on the Company. The Department is monitoring the impact of the pandemic on the Company and will take necessary actions if a solvency concern arises.


**ACKNOWLEDGMENT**

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


**VERIFICATION**

State of Missouri                    )  
  )    ss  
City of St. Louis                    )

I, Ken Tang, CFE, 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 facts appearing upon the books, records, or other documents of Pike County Mutual Insurance 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.

  
\_\_\_\_\_  
Ken Tang, CFE  
Certified Examiner  
Missouri Department of Commerce and  
Insurance

Sworn to and subscribed before me this 26~~th~~ day of October, 2021.

My commission expires: 08/15/25   
Notary Public

ANDREA V. MOFFATT  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for St. Louis County  
My Commission Expires: August 15, 2025  
Commission Number: 12552590

**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, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.



---

Michael Shadowens, CFE  
Assistant Chief Financial Examiner  
Missouri Department of Commerce and  
Insurance