



DEPARTMENT OF COMMERCE & INSURANCE

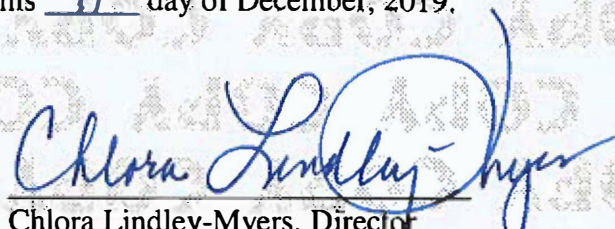
P.O. Box 690, Jefferson City, Mo. 65102-0690

ORDER

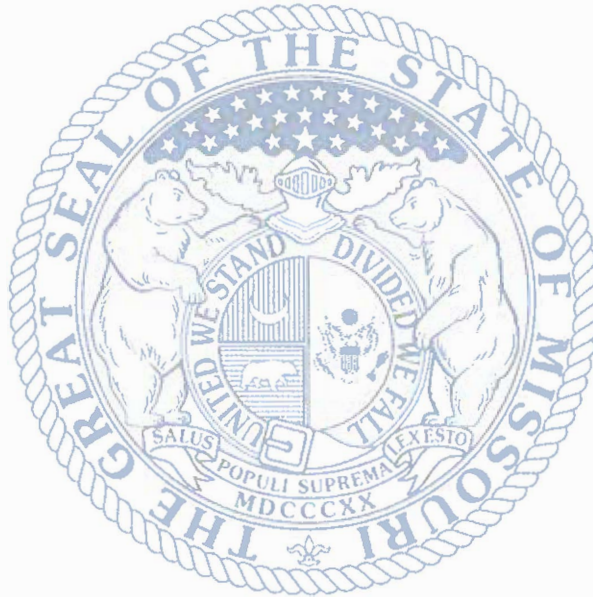
After full consideration and review of the report of the financial examination of Texas County Mutual Insurance Company for the period ended December 31, 2018, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, 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 Texas 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 11th day of December, 2019.


Chlora Lindley-Myers, Director
Department of Commerce and Insurance





FILED
DEC 11 2019
DIRECTOR OF
MISSOURI DEPARTMENT OF
COMMERCE AND INSURANCE

REPORT OF THE
FINANCIAL EXAMINATION OF

TEXAS COUNTY MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2018

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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September 12, 2019
Licking, MO

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce & Insurance
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

TEXAS COUNTY MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company." The Company's administrative office is located at 117 S. Main Street, Licking, MO 65542, telephone number (573) 674-3125. This examination began on September 3, 2019, was concluded on the above date, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2013, and was conducted by examiners from the Missouri Department of Commerce and Insurance (DCI). The current full-scope examination covers the period from January 1, 2014, through December 31, 2018, and was conducted by examiners from the DCI.

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 Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the DCI and statutes of the State of Missouri prevailed.

HISTORY

General

The Company was originally organized on May 30, 1904 as Texas County Farmers Mutual Fire and Lightning Insurance Company and was incorporated on June 4, 1904. On January 12, 1985, the Company changed its name to Texas County Mutual Insurance Company.

The Company has a Certificate of Authority dated May 25, 2004, 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 second Tuesday of March at the home office of the Company or at such other place as may be designated by the Board of Directors. Eight members 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 five members, serving staggered three-year terms. All directors must be policyholders of the Company. The Board of Directors meets four times each year, and each director is compensated \$250 per meeting attended plus mileage.

Members serving on the Board of Directors, as of December 31, 2018, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term End Year</u>
David Branson Houston, Missouri	General Manager/Agent	2020
Julie Moore Houston, Missouri	Agent	2022
Judith Goins Licking, Missouri	Office Manager	2021
Gail Van Zyverden Plato, Missouri	Retired	2022
Joey Moore Houston, Missouri	Bus Driver	2021

The Board of Directors appoints the officers of the Company for a term of one year. The officers of the Company serving at December 31, 2018, were as follows:

<u>Name</u>	<u>Office</u>
David Branson	President
Julie Moore	Vice-President
Judith Goins	Secretary/Treasurer

Conflict of Interest

The Company has its directors and officers sign conflict of interest statements on an annual basis. A review of the disclosures noted that two of the directors are agents for the Company, and two directors are employees of the Company.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. No amendments were made 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 reflect significant 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 \$100,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$75,000 and \$100,000.

The Company carries liability coverage for its directors and officers and requires its agents to obtain errors and omissions coverage.

The Company maintains a business owner's policy, which covers its property and liability, along with a workman's compensation policy.

EMPLOYEE BENEFITS

The Company has five full-time employees. The benefits package offered by the Company to its employees includes health insurance, life insurance, IRA contributions, and paid time off.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the DCI 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, wind, and liability insurance in all counties in the State of Missouri.

Policy Forms and Underwriting Practices

The Company utilizes AAIS policy forms. The policies are continuously renewed every year. Property inspections are completed by the Company's employees, and adjusting functions are performed by a third party. 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>
2018	\$3,317,016	\$1,053,861	\$2,651,460	\$ 817,503	\$ 91,037	\$ 346,992	\$ 441,596
2017	2,947,340	1,071,167	2,582,725	1,517,182	102,068	(227,159)	(122,586)
2016	3,131,146	1,093,553	2,651,545	795,548	85,168	442,459	381,635
2015	2,861,747	1,131,933	2,863,154	1,327,724	83,540	(72,121)	31,831
2014	2,913,660	1,204,081	2,825,570	792,809	74,838	370,538	313,870

At year-end 2018, 2,520 policies were in force.

REINSURANCE

General

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Direct	\$2,825,570	\$2,863,154	\$2,651,545	\$2,582,725	\$2,651,460
Assumed	0	0	0	0	0
Ceded	<u>(902,299)</u>	<u>(902,405)</u>	<u>(905,358)</u>	<u>(856,687)</u>	<u>(824,592)</u>
Net	<u>\$1,923,271</u>	<u>\$1,960,749</u>	<u>\$1,746,187</u>	<u>\$1,726,038</u>	<u>\$1,826,868</u>

Assumed

The Company does not reinsure other companies.

Ceded

The Company cedes business to Grinnell Mutual Reinsurance Company (the reinsurer) through a reinsurance agreement that provides per risk excess of loss, catastrophe excess of loss, and aggregate excess coverage for property risks, as well as quota share coverage for liability exposures.

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 \$15,000,000 per risk. Under the property catastrophe excess of loss section, the Company retains the first \$500,000 of ultimate net losses per loss occurrence and the reinsurer is responsible for 100% of the losses in excess of the Company's retention. Under the aggregate excess section of the agreement, the reinsurer is liable for 100% of the property losses in excess of the Company's annual retention, which was \$1,350,000 in 2018.

The agreement also provides liability reinsurance coverage. Company cedes 100% of its liability premium and losses to the reinsurer and receives a 20% ceding commission. The reinsurer's maximum liability limit is \$1,000,000 per occurrence.

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 CPA firm of Hauk Kruse & Associates, LLC performed the most recent compilation of the Company's financial statements and prepared the Company's 2018 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, 2018, 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, 2018

Bonds	\$ 2,296,376
Mutual Funds	372,347
Real Estate	92,070
Cash on Deposit	539,909
Computer Equipment	16,314
Total Assets	<u>\$ 3,317,016</u>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2018

Unpaid Losses	\$ 44,423
Ceded Reinsurance Premium Payable	73,998
Unearned Premium	815,755
Federal Income Tax Payable	77,363
Payroll Tax	2,720
Accounts Payable (Other)	7,473
Unclaimed Property	<u>32,129</u>
Total Liabilities	<u>\$ 1,053,861</u>
Guaranty Fund	\$ 150,000
Other Surplus	<u>2,113,155</u>
Total Surplus	<u>\$ 2,263,155</u>
Total Liabilities and Surplus	<u>\$ 3,317,016</u>

STATEMENT OF INCOME
For the Year Ending December 31, 2018

Net Premiums Earned	\$ 1,763,876
Other Insurance Income	248,192
Net Losses & Loss Adjusting Expenses Incurred	(847,916)
Other Underwriting Expenses Incurred	<u>(817,160)</u>
 Net Underwriting Income (Loss)	 \$ 346,992
Net Investment Income	91,037
Other Income	<u>5,413</u>
 Gross Profit (Loss)	 \$ 443,442
Federal Income Tax	<u>(1,846)</u>
 Net Income (Loss)	 <u>\$ 441,596</u>

RECONCILIATION OF SURPLUS
Changes from January 1, 2014 to December 31, 2018

	2014	2015	2016	2017	2018
Capital and Surplus, Beginning of Year	\$1,285,493	\$1,709,579	\$1,729,814	\$2,037,593	\$1,876,173
Net Income	313,870	31,831	381,635	(122,586)	441,596
Change in Net Unrealized Gains (Losses)	<u>110,216</u>	<u>(11,596)</u>	<u>(73,856)</u>	<u>(38,834)</u>	<u>(54,614)</u>
Change in Capital and Surplus for the Year	<u>424,086</u>	<u>20,235</u>	<u>307,779</u>	<u>(161,420)</u>	<u>386,982</u>
Capital and Surplus, End of Year	<u>\$1,709,579</u>	<u>\$1,729,814</u>	<u>\$2,037,593</u>	<u>\$1,876,173</u>	<u>\$2,263,155</u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUBSEQUENT EVENTS

None.

SUMMARY OF RECOMMENDATIONS

None.

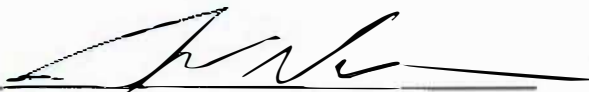
ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
)
County of Cole)

I, Joshua R. Nash, 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.

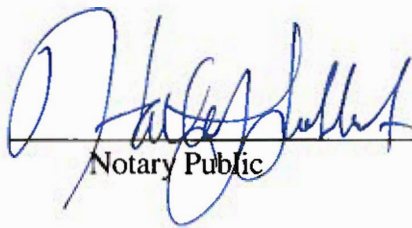


Joshua R. Nash, CPA, AFE
Financial Examiner
Missouri Department of Commerce & Insurance

Sworn to and subscribed before me this 26th day of November, 2019.

My commission expires:

March 30, 2023



Notary Public



HAILEY WIEBERT
My Commission Expires
March 30, 2023
Osage County
Commission #15634366

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.



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