

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 Martinsburg Mutual Insurance Company for the period ended December 31, 2021, 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.

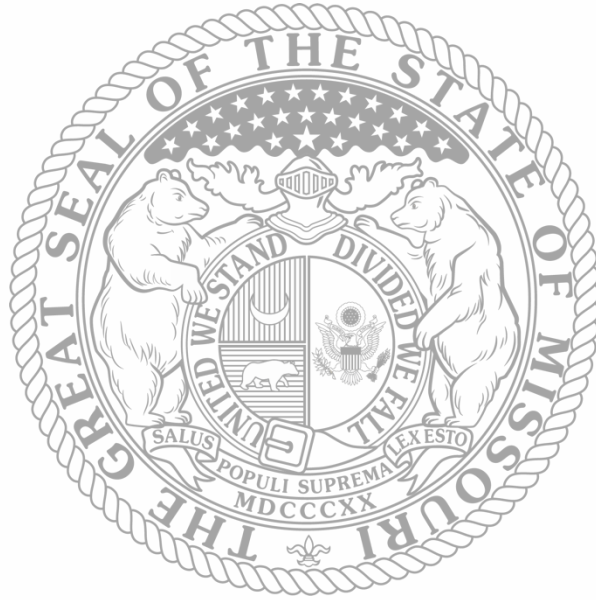
Based on such findings and conclusions, I hereby ORDER Martinsburg Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition and 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 09th day of April, 2023.



Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

MARTINSBURG MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2021

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Martinsburg, Missouri
February 2, 2023

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

Martinsburg Mutual Insurance Company

hereinafter referred to as such, or as the Company. Its administrative office is located at 104 Jefferson Street (P.O. Box 171), Martinsburg, Missouri 65264, telephone number (573) 721-6429. The fieldwork for this examination began on January 25, 2023, 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 Martinsburg Mutual Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2012, through December 31, 2016. The current examination covers the period of January 1, 2017, through December 31, 2021, 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 separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

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

COMPANY HISTORY

General

The Company was originally organized in 1905, and incorporated on December 31, 1984, as Martinsburg Mutual Insurance Company.

The Company has a Certificate of Authority dated March 9, 2001, 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 AND CONTROL

Board of Directors

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the third Thursday in March at the home office of the Company or at such other place as may be designated by the Board of Directors. Eight members shall constitute a quorum at any membership meeting. Proxy voting is 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 seven members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately twice per year.

The Board of Directors elected and serving as of December 31, 2021, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>
Martin Aulbur Martinsburg, Missouri	Farmer
Martin Bertels Laddonia, Missouri	Farmer
Robert Dubbert Laddonia, Missouri	Farmer
Mike Fennewald Martinsburg, Missouri	Farmer
James Gastler Martinsburg, Missouri	Insurance Agent
James Hale Martinsburg, Missouri	Farmer
Rodney Willingham Martinsburg, Missouri	Farmer

Officers

The officers elected and serving, as of December 31, 2021, were as follows:

<u>Name</u>	<u>Office</u>
Martin Bertels	President
James Hale	Vice President
Linda Gastler	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's directors and officers sign conflict of interest statements on an annual basis. A review of the statements noted no significant disclosures.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. Neither the Articles of Incorporation nor the Bylaws were amended during the examination period. The minutes of the annual membership meetings and Board of Directors meetings were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has one full-time employee. The employee receives no benefits.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$25,000. The fidelity bond coverage meets the minimum amount suggested in the guidelines promulgated by the NAIC.

The Company carries liability coverage for its directors and officers. The Company provides its agent with errors and omissions coverage. Other insurance coverages carried by the Company include business property and liability coverage and cyber liability 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 Companies). The Company is authorized to write fire, wind, and liability insurance in all counties in the state of Missouri. The Company writes fire, wind, and liability coverages. The Company's policies are sold by one licensed agent, who receives a 15% commission on new and renewal business.

Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Services and Grinnell Mutual Reinsurance Company (the Reinsurer) policy forms. Policies are written on a continuous period. Property inspections are performed by the agent. Claim adjusting services are performed by a third party and by the agent.

GROWTH OF COMPANY AND LOSS EXPERIENCE

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

(\$000s omitted)

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2021	\$1,476	\$10	\$419	\$298	\$19	\$(37)	\$(17)
2020	1,490	7	407	31	26	103	129
2019	1,346	5	393	187	29	(71)	(42)
2018	1,383	5	398	139	28	4	32
2017	1,363	9	338	59	25	40	65

At year-end 2021, there were 218 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:

(\$000s omitted)

Premium Type	2017	2018	2019	2020	2021
Direct	\$ 338	\$ 398	\$ 393	\$ 407	\$ 419
Assumed	-	-	-	-	-
Ceded	(132)	(134)	(148)	(149)	(135)
Net Written	\$ 206	\$ 264	\$ 245	\$ 258	\$ 284

Assumed Reinsurance

The Company does not reinsure other companies.

Ceded Reinsurance

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company in a contract with multiple sections covering property and liability risks.

Under the per risk excess of loss section of the agreement, the Company retains \$100,000 per property risk, and the reinsurer is responsible for the excess.

Under the aggregate excess of loss section of the agreement, the Reinsurer is liable for 100% of the Company's net losses in excess of the annual net retention of \$175,000.

Under the casualty quota share agreement, the Company cedes 100% of premiums and losses to the Reinsurer and receives a 20% 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 an assuming reinsurer fails to perform its obligations under the reinsurance contract.

ACCOUNTS AND RECORDS

The accounting records are maintained by the Company on a cash basis. The Company utilized The Bank of Missouri for accounting services that included preparing monthly financial reports and the annual statement. Tax filings were prepared by H&R Block. In 2022, the Company changed their accounting services provider to Tasha D. Love, CPA, LLC, who will oversee the preparation of all monthly financial reports, the 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 Martinsburg Mutual Insurance Company for the period ending December 31, 2021. 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 workpapers for each individual key activity.

ASSETS

As of December 31, 2021

Real Estate	\$ 11,384
Cash on Deposit	1,461,589
Computer Equipment (Hardware Only)	2,736
TOTAL ASSETS	\$ 1,475,709

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2021

Payroll Tax	\$ 9,509
TOTAL LIABILITIES	\$ 9,509
Guaranty Fund	\$ 150,000
Other Surplus	1,316,200
TOTAL POLICYHOLDER SURPLUS	\$ 1,466,200
TOTAL LIABILITIES AND SURPLUS	\$ 1,475,709

STATEMENT OF INCOME

For the Year Ended December 31, 2021

Net Earned Assessment/Premium Income	\$ 283,264
Other Insurance Income	20,895
Net Losses & Loss Adjustment Expense	(195,570)
Underwriting Expenses	(145,148)
Underwriting Income (Loss)	\$ (36,559)
Investment Income	\$ 18,925
Investment Expenses	-
Net Investment Gain (Loss)	\$ 18,925
Other Income	\$ 1,121
Gross Profit or Loss	\$ (16,513)
Federal Income Tax	-
NET INCOME (LOSS)	\$ (16,513)

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 1, 2017 to December 31, 2021

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Beginning Policyholder's Surplus	\$ 1,298,578	\$ 1,351,121	\$ 1,378,376	\$ 1,353,482	\$ 1,482,712
Net Income (Loss)	64,846	31,962	(42,035)	129,230	(16,513)
Ending Policyholder's Surplus	\$1,363,424	\$ 1,383,083	\$ 1,336,341	\$ 1,482,712	\$ 1,466,199

COMMENTS ON FINANCIAL STATEMENT ITEMSReconciliation of Capital & Surplus – Page 7

It was noted that in certain years of the Company's reconciliations of capital and surplus, beginning surplus of the current year did not match ending surplus for the previous year. These differences are detailed below:

	2017		2018		2019		2020		2021	
Difference	\$	0	\$	12,303	\$	4,707	\$	(17,141)	\$	0

The reporting issue appeared to be related to errors in the reporting of accruals. The errors were minor and did not materially affect reported policyholder surplus. The issue appears to have been resolved and similar errors were not noted in the 2021 and 2022 statements.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

The COVID-19 pandemic is ongoing, with uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Conner Nilges, 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 Martinsburg 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.

Conner Nilges
Conner Nilges, CFE
Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 15th day of March, 2023.

My commission expires: March 30, 2023 Hailey Luebbert
Notary Public



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

Michael R. Shadowens

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