

# 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 Old Missouri Mutual Insurance Company for the period ended December 31, 2022, 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.

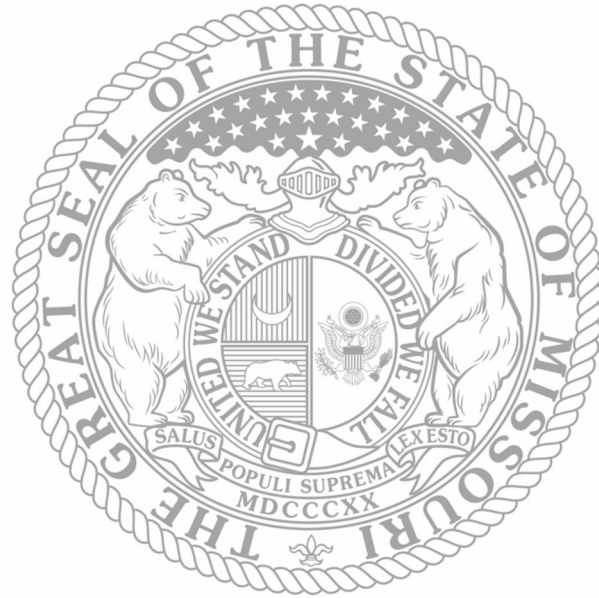
Based on such findings and conclusions, I hereby ORDER Old Missouri Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition and 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 08<sup>th</sup> day of March, 2024.



*Chlora Lindley-Myers*

Chlora Lindley-Myers, Director  
Department of Commerce and Insurance



REPORT OF  
FINANCIAL EXAMINATION OF

# OLD MISSOURI MUTUAL INSURANCE COMPANY

AS OF  
DECEMBER 31, 2022

STATE OF MISSOURI  
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Billings, Missouri  
February 5, 2024

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

### **Old Missouri Mutual Insurance Company**

hereinafter referred to as such, or as the Company. Its administrative office is located at 118 S.W. Highway 60 (P.O. Box 48), Billings, Missouri 65610, telephone number (417) 725-3811. The fieldwork for this examination began on January 11, 2024, 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 Old Missouri Mutual Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2013, through December 31, 2017. The current examination covers the period of January 1, 2018, through December 31, 2022, 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 and incorporated on August 12, 1922, as Farmers Mutual Insurance Company of Dallas County. In 1990, the Company changed its name to Old Missouri Mutual Insurance Company. In 2003, the Company merged with Farmers Mutual Fire Insurance Company of Worth County, with the Company being the surviving entity. In 2010, the Company merged with Nixa Farmers Mutual Insurance Company, with the Company being the surviving entity.

The Company has a Certificate of Authority dated March 7, 2013, 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 fourth Tuesday in January 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 five members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately six times per year.

The Board of Directors elected and serving as of December 31, 2022, were as follows:

| <u>Name and Address</u>               | <u>Occupation</u>                                 |
|---------------------------------------|---|
| Judy Hadsall<br>Springfield, Missouri | Credit Union Chairman                             |
| Harold Hodges<br>Sparta, Missouri     | Insurance Agent                                   |
| Beverly Moore<br>Memphis, Missouri    | Retired Insurance Company Chief Financial Officer |
| Brenda Sims<br>Springfield, Missouri  | Retired Insurance Agent                           |
| Charles Smith<br>Galena, Missouri     | Insurance Company Chief Executive Officer         |

**Officers**

The officers elected and serving, as of December 31, 2022, were as follows:

| <b><u>Name</u></b> | <b><u>Office</u></b> |
|--------------------|----------------------|
| Judy Hadsall       | President            |
| Brenda Sims        | Vice President       |
| Rusty Dunning      | Secretary            |
| Beverly Moore      | 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.

**Corporate Records**

The Company's Articles of Incorporation and Bylaws were reviewed. The Articles of Incorporation were amended in 2018 to remove the maximum age limit to serve on the Board of Directors. The Articles of Incorporation were amended in 2020 to update the Company's address to 118 S.W. Highway 60 (P.O. Box 48), Billings, Missouri. The Bylaws were not 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 six full-time employees. The benefits provided to the employees include health insurance, retirement, and annual leave.

**FIDELITY BOND AND OTHER INSURANCE**

The Company is a named insured on a fidelity bond providing a limit of liability of \$500,000. 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 requires agents to purchase their own errors and omissions coverage and provide evidence of such coverage to the Company. Other insurance coverages carried by the Company include workers compensation coverage, cyber liability coverage, and business 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 forty-four licensed agents/agencies, who receive a 12%-17% commission on new and renewal business depending on product sold.

**Policy Forms and Underwriting Practices**

The Company utilizes American Association of Insurance Services (AAIS) policy forms. Policies are written on a continuous period. Inspections and claim adjusting are performed internally and/or through BMI Company, Inc., with whom the Company has an affiliated agreement.

## GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company’s growth and loss experience for the period under examination:

*(\$000s omitted)*

| Year | Admitted Assets | Liabilities | Gross Premiums | Gross Losses | Investment Income (Loss) | Underwriting Income (Loss) | Net Income (Loss) |
|------|-----------------|-------------|----------------|--------------|--------------------------|----------------------------|-------------------|
| 2022 | \$8,740         | \$2,209     | \$4,429        | \$1,401      | \$121                    | \$894                      | \$ 1,168          |
| 2021 | 7,264           | 1,774       | 4,228          | 895          | 87                       | 1,053                      | 894               |
| 2020 | 5,845           | 1,112       | 2,884          | 972          | 96                       | 258                        | 428               |
| 2019 | 5,223           | 209         | 2,507          | 931          | 94                       | 592                        | 549               |
| 2018 | 4,666           | 200         | 2,357          | 996          | 75                       | 188                        | 213               |

The significant premium growth in 2021 was largely the result of mobile home business, previously written by BMI Insurance, Inc., being re-written by the Company upon renewal during the year. At year-end 2022, there were 4,961 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       | 2018            | 2019            | 2020            | 2021            | 2022            |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Direct             | \$ 2,357        | \$ 2,507        | \$ 2,884        | \$ 4,228        | \$ 4,429        |
| Assumed            | -               | -               | -               | -               | -               |
| Ceded              | (581)           | (518)           | (544)           | (897)           | (949)           |
| <b>Net Written</b> | <b>\$ 1,776</b> | <b>\$ 1,989</b> | <b>\$ 2,340</b> | <b>\$ 3,331</b> | <b>\$ 3,480</b> |

### Assumed Reinsurance

The Company does not reinsure other companies.

### Ceded Reinsurance

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (the Reinsurer) under a single contract with multiple sections covering property and liability risks.

Under the per risk excess of loss section of the agreement, the Company retains \$60,000 per property risk, and the Reinsurer is responsible for the excess, limited to \$15,000,000.

Under the aggregate excess of loss section of the agreement, the Reinsurer is liable for 100% of the Company’s net losses which exceed the Company’s annual aggregate net retention, or attachment point, of \$1,425,000.

For liability risks, the Company cedes 100% to the Reinsurer and receives a 25% ceding commission.

Under the mechanical breakdown section of the agreement, the Company cedes 100% of liability 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 an accrual basis. The firm of Van de Ven, LLC CPA's compiles the Annual Statement and prepares 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 Old Missouri Mutual Insurance Company for the period ending December 31, 2022. 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, 2022

|                          |           |                  |
|--------------------------|-----------|------------------|
| Bonds                    | \$        | 1,853,106        |
| Stocks                   |           | 2,700            |
| Mutual Funds             |           | 807,381          |
| Cash on Deposit          |           | 6,039,772        |
| Computer Equipment       |           | 1,116            |
| Interest Due and Accrued |           | 35,921           |
| <b>TOTAL ASSETS</b>      | <b>\$</b> | <b>8,739,996</b> |

**LIABILITIES, SURPLUS AND OTHER FUNDS**

As of December 31, 2022

|                                      |           |                  |
|--------------------------------------|-----------|------------------|
| Unpaid Losses                        | \$        | 609,626          |
| Ceded Reinsurance Premium Payable    |           | 68,597           |
| Unearned Premium                     |           | 1,417,172        |
| Federal Income Tax Payable           |           | 38,588           |
| Accounts Payable to Agents           |           | 37,480           |
| Accrued Pension Expense              |           | 37,037           |
| <b>TOTAL LIABILITIES</b>             | <b>\$</b> | <b>2,208,500</b> |
| Guaranty Fund                        |           | 150,000          |
| Other Surplus                        |           | 6,381,496        |
| <b>TOTAL POLICYHOLDER SURPLUS</b>    | <b>\$</b> | <b>6,531,496</b> |
| <b>TOTAL LIABILITIES AND SURPLUS</b> | <b>\$</b> | <b>8,739,996</b> |

**STATEMENT OF INCOME**

For the Year Ended December 31, 2022

|                                      |                     |
|--------------------------------------|---------------------|
| Net Earned Assessment/Premium Income | \$ 3,412,659        |
| Other Insurance Income               | 476,666             |
| Net Losses & Loss Adjustment Expense | (1,416,105)         |
| Underwriting Expenses                | (1,578,980)         |
| <b>Underwriting Income (Loss)</b>    | <b>\$ 894,240</b>   |
| Investment Income                    | 121,391             |
| Investment Expenses                  | 160                 |
| <b>Net Investment Gain (Loss)</b>    | <b>\$ 121,231</b>   |
| Other Income                         | 441,400             |
| <b>Gross Profit or Loss</b>          | <b>\$ 1,456,871</b> |
| Federal Income Tax                   | (288,508)           |
| <b>NET INCOME (LOSS)</b>             | <b>\$ 1,168,363</b> |

**RECONCILIATION OF CAPITAL AND SURPLUS**

Changes from January 1, 2018 to December 31, 2022

*(\$000s omitted)*

|                                      | <b>2018</b>     | <b>2019</b>  | <b>2020</b>  | <b>2021</b>  | <b>2022</b>  |
|--------------------------------------|-----------------|--------------|--------------|--------------|--------------|
| Beginning Policyholder's Surplus     | \$ 4,252        | \$ 4,465     | \$ 5,014     | \$ 4,732     | \$ 5,489     |
| Net Income (Loss)                    | 213             | 549          | 428          | 894          | 1,168        |
| Prior-year adjustment                | -               | -            | -            | (122)        | -            |
| Unearned Premium Adjustment          | -               | -            | (701)        | -            | -            |
| Mutual Fund Adjustment               | -               | -            | (9)          | (15)         | (126)        |
| <b>Ending Policyholder's Surplus</b> | <b>\$ 4,465</b> | <b>5,014</b> | <b>4,732</b> | <b>5,489</b> | <b>6,531</b> |

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None.

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION**

None.

**SUMMARY OF RECOMMENDATIONS**

None.

**SUBSEQUENT EVENTS**

In 2023, the Company was granted approval by the Department to invest \$1.25M in the common capital stock of Mutual Alliance Holdings, Inc., a Delaware based corporation being formed by the Company and BMI Company, Inc. for the purpose of the ownership and holding of 100% of the common capital stock of Bedrock Insurance Company (Bedrock). Bedrock is a Missouri-domiciled property and casualty insurance company organized under Chapter 379 RSMo., which was issued a certificate of authority on April 6, 2023.

On March 3, 2023, the Company amended its Articles of Incorporation to increase the size of its Board of Directors from five members to seven members.

On October 1, 2023, the Company merged with Polk County Mutual Insurance Company, with the Company being the surviving entity.



**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*

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