

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 Henry 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.

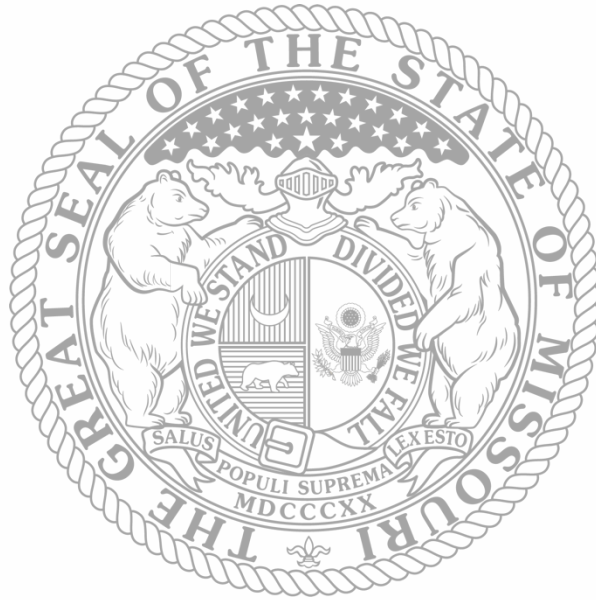
Based on such findings and conclusions, I hereby ORDER Henry County Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition and 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 05th day of July, 2022.



Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF THE
FINANCIAL EXAMINATION OF

HENRY COUNTY MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2020

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Clinton, MO
March 29, 2022

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

HENRY COUNTY MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the Company. Its administrative office is located at 325 N. Second Street, Clinton, Missouri 64735, telephone number (660) 885-4221. The fieldwork for this examination began on July 30, 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 Henry 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 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 established in 1891 as the Farmers Mutual Fire and Lightning Insurance Company of Henry County. In 1985, the Company changed its name to Henry County Mutual Insurance Company.

The Company has a Certificate of Authority dated July 1, 1991, 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 second Tuesday in February at the home office of the Company or at such other place and time as may be designated by the Board of Directors. Special meetings of the members may be called at any time and shall be called upon petition of one-fourth of the members. Eight members shall constitute a quorum at any membership meeting. Proxy voting is not permitted.

The corporate powers of the Company are 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 quarterly.

Members serving on the Board of Directors as of December 31, 2020, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Rhonda Ake Lowry City, Missouri	Retired	2021
Cynthia Glasscock Clinton, Missouri	Bank Vice President	2023
Dena Gray Clinton, Missouri	Property Manager	2022
Wesley Hilton Clinton, Missouri	Attorney	2023
Tracy Hilty Clinton, Missouri	Insurance Agent	2023
Sarah Wilson Calhoun, Missouri	Insurance Agent	2021
Richard Wirsig Clinton, Missouri	Business Owner	2022

Officers

The Board of Directors appoints the officers of the Company, who serve a term of one year. The officers serving, as of December 31, 2020, were as follows:

<u>Name</u>	<u>Office</u>
Sarah Wilson	President
Dena Gray	Vice President
Jessica Eaton	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 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. Neither the Articles of Incorporation nor the Bylaws were amended during the period under examination. The meeting minutes of the membership and the Board were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has six full-time employees. Employee benefits offered by the Company include health insurance, dental insurance, vision insurance, retirement contributions, and paid time off.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$250,000. 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's agents are responsible for purchasing errors and omissions coverage.

Other coverages maintained by the Company include workers compensation, building and business personal property insurance, and commercial liability insurance.

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 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 coverage. The Company's policies are sold by 38 licensed producers, who receive a 14% commission on all business written.

Policy Forms and Underwriting Practices

The Company utilizes Missouri Association of Mutual Insurance Companies (MAMIC) and American Association of Insurance Services (AAIS) policy forms. Policies are written on an annual renewable basis. Rates are determined by the Board of Directors, and renewal billings are mailed directly to the insured or mortgagee, as applicable.

Property inspections are performed on new business and every three years on renewal business by the Company's in-house inspector. Claims adjustments are performed by both in-house and independent adjusters.

GROWTH OF COMPANY AND LOSS EXPERIENCE

(\$000s omitted)

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2020	\$ 2,447	\$ 1,074	\$ 2,769	\$ 1,945	\$ 49	\$ (470)	\$ (398)
2019	2,571	908	2,337	2,134	51	(477)	(365)
2018	2,990	981	2,197	764	31	112	168
2017	2,757	815	2,194	1,697	45	(537)	(438)
2016	3,300	900	2,311	653	30	305	361

At year-end 2020, there were 2,914 policies in force.

REINSURANCE**General**

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

(\$000s omitted)

Premium Type	2016	2017	2018	2019	2020
Direct	\$ 2,294	\$ 2,178	\$ 2,180	\$ 2,320	\$ 2,752
Assumed	17	16	17	17	17
Ceded	(777)	(689)	(634)	(681)	(830)
Net Written	\$ 1,534	\$ 1,505	\$ 1,563	\$ 1,656	\$ 1,939

Assumed Reinsurance

MAMIC Mutual Insurance Company (MMIC) issues direct policies to insure agents' errors and omissions liability and directors' and officers' liability risks for various mutual insurance companies, including the Company. The policy risks insured by MMIC for these two products are pooled and ceded to participating mutual insurance companies. The Company has a 3% share in the interests and liabilities of the pool.

Ceded Reinsurance

The Company has all of its reinsurance through Wisconsin Reinsurance Company (the reinsurer) under a single contract with multiple sections covering property and casualty risks.

Under the property per risk section of the agreement, the Company retains \$85,000 per loss, and the reinsurer is responsible for the excess, limited to \$915,000 per risk. Under the aggregate excess of loss agreement, the reinsurer is liable for 100% of losses which exceed 75% of the Company's gross net earned premium income during the year.

Under the casualty quota share agreement, the Company cedes 100% of the casualty premiums and losses to the reinsurer, and receives a 25% 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 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 Certified Public Accounting (CPA) firm of Van de Ven, LLC, of Cape Girardeau, Missouri, performs the monthly accounting and prepares the Company's annual statement and federal 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 Henry 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	\$ 835,996
Mutual Funds	259,707
Real Estate	144,695
Cash on Deposit	843,938
Other Investments	249,450
Reinsurance Recoverable of Paid Losses	50,221
Computer Equipment (Hardware Only)	35,709
Interest Due and Accrued	5,658
Funds Held by Reinsurer	1,710
Vehicles	20,190
TOTAL ASSETS	<u>\$ 2,447,274</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2020

Gross Losses Unpaid Less Reinsurance Recoverable	\$ 15,990
Ceded Reinsurance Premium Payable	41,383
Unearned Premium	1,001,953
Accrued Vacation	14,906
TOTAL LIABILITIES	<u>\$ 1,074,232</u>
Guaranty Fund	150,000
Other Surplus	1,223,042
TOTAL POLICYHOLDER SURPLUS	<u>\$ 1,373,042</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$ 2,447,274</u>

UNDERWRITING AND INVESTMENT EXHIBIT

For the Year Ended December 31, 2020

Net Earned Assessment/Premium Income	\$ 1,798,772
Other Insurance Income	191,541
Net Losses & Loss Adjustment Expense	(1,425,602)
Underwriting Expenses	(1,034,663)
Underwriting Income (Loss)	\$ (469,952)
Investment Income	49,392
Investment Expenses	(1,031)
Net Investment Income	\$ 48,361
Other Income	97,784
Gross Profit or Loss	\$ (323,807)
Federal Income Tax	-
NET PROFIT OR (LOSS)	\$ (323,807)

GAIN OR LOSS IN SURPLUS

Changes from January 1, 2016 to December 31, 2020

(\$000s omitted)

	2016	2017	2018	2019	2020
Beginning Policyholder's Surplus	\$ 1,985	\$ 2,399	\$ 1,941	\$ 2,009	\$ 1,663
Net Profit or (Loss)	361	(438)	168	(365)	(324)
Mutual Fund Adjustments	5	(168)	(107)	12	6
Non-Admitted Investments	48	148	7	7	28
Ending Policyholder's Surplus	\$ 2,399	\$ 1,941	\$ 2,009	\$ 1,663	\$ 1,373

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

The COVID-19 pandemic has continued to develop, with significant 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 employee of Henry County 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, AFE, 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 Henry 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.

Conner Nilges
Conner Nilges, AFE
Financial Examiner
Missouri Department of Commerce and Insurance

Sworn to and subscribed before me this 23rd day of May, 2022.

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