



DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

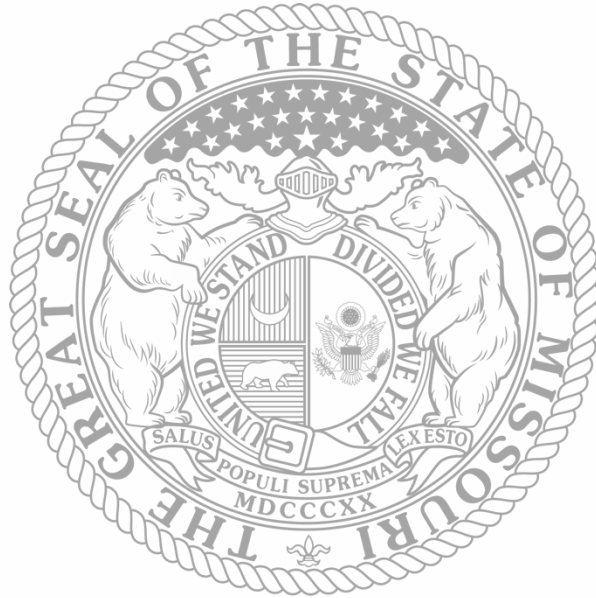
After full consideration and review of the report of the financial examination of Jasper County Mutual Insurance Company for the period ended December 31, 2021, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, 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 Jasper 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 16th day of November, 2022.



Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

JASPER COUNTY MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2021

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Carthage, Missouri
September 15, 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

Jasper County Mutual Insurance Company

hereinafter referred to as such, or as the Company. Its administrative office is located at 505 South Main Street, Carthage, Missouri 64836, telephone number (417) 358-2557. The fieldwork for this examination began on September 13, 2022, 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 Jasper County 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 on December 11, 1895, and incorporated on December 27, 1902, as Jasper County Farmers Mutual Fire and Lightning Insurance Company. On June 28, 1978, the Company changed its name to Jasper County Mutual Insurance Company.

The Company has a Certificate of Authority dated January 1, 1985, 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 first Friday in March at the home office of the Company or at such other place as may be designated by the Board of Directors. Ten members shall 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 eight members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately eight times 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>
George Case Carthage, Missouri	Farmer
Greg Easson Carthage, Missouri	Company Manager & Insurance Agent
James Honey Carthage, Missouri	Retired Jasper County Commissioner
Todd Johnson Reeds, Missouri	Joplin City Inspector
Bruce Kilpatrick Reeds, Missouri	Farmer
Raymond Peters Carthage, Missouri	Farmer
Jeff Ummel Reeds, Missouri	Insurance Agent
Walter Wicklund Carthage, Missouri	Farmer

Officers

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

<u>Name</u>	<u>Office</u>
Greg Easson	President
Todd Johnson	Vice President
James Honey	Secretary
Jeff Ummel	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. 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 two full-time employees. The benefits provided to employees include health insurance, and annual leave, as well as a retirement plan provided to one employee.

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 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 agents with errors and omissions coverage. Other insurance coverages carried by the Company include business property and liability coverage and workers compensation 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 five licensed agents, who receive a 12% commission on new and renewal business.

Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Services (AAIS), Missouri Association of Mutual Insurance Companies (MAMIC), and Wisconsin Reinsurance Corporation (the Reinsurer) policy forms. Policies are written on a continuous period. Property inspections and underwriting are performed by the agents. Claim adjusting services are performed by a third party and by the agents.

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	\$ 949	\$539	\$1,163	\$ 494	\$17	\$ 16	\$ 41
2020	800	428	1,086	1,477	16	(96)	(74)
2019	898	452	1,083	881	20	(214)	(190)
2018	1,009	375	1,023	568	18	147	169
2017	848	382	1,035	1,208	17	(204)	(183)

At year-end 2021, there were 1,240 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	\$ 1,035	\$ 1,023	\$ 1,083	\$ 1,086	\$ 1,163
Assumed	-	-	-	-	-
Ceded	(392)	(369)	(383)	(357)	(387)
Net Written	\$ 643	\$ 654	\$ 700	\$ 729	\$ 776

Assumed Reinsurance

The Company does not reinsure other companies.

Ceded Reinsurance

The Company has all of its reinsurance through Wisconsin Reinsurance Corporation (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 \$940,000.

Under the aggregate excess of loss section of the agreement, the Reinsurer is liable for 100% of the Company’s net losses which exceed 70% of the Company’s gross net earned premium income during the year. The Company also cedes 100% of the earthquake risks to the Reinsurer, and receives a 15% ceding commission.

Under the casualty quota share agreement, the Company cedes 100% 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 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 modified cash basis. The firm of Hardy, Wrestler & Associates, CPA's, P.C., 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 Jasper County 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

Bonds (Note 1)	\$ 509,713
Stocks	20,552
Mutual Funds (Note 1)	49,818
Real Estate	42,353
Cash	326,990
TOTAL ASSETS	\$ 949,426

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2021

Unpaid Losses	\$ 60,000
Ceded Reinsurance Premium Payable	16,512
Unearned Premium	459,924
Payroll Tax	1,524
Federal Income Tax Payable	106
Accounts Payable (Other)	691
TOTAL LIABILITIES	\$ 538,757
Guaranty Fund	150,000
Other Surplus	260,669
TOTAL POLICYHOLDER SURPLUS	\$ 410,669
TOTAL LIABILITIES AND SURPLUS	\$ 949,426

STATEMENT OF INCOME

For the Year Ended December 31, 2021

Net Earned Assessment/Premium Income	\$ 735,699
Other Insurance Income	101,198
Net Losses & Loss Adjustment Expense	(508,768)
Underwriting Expenses	(312,463)
Underwriting Income (Loss)	\$ 15,666
Investment Income	16,737
Investment Expenses	-
Net Investment Gain (Loss)	\$ 16,737
Other Income	11,464
Gross Profit or Loss	\$ 43,867
Federal Income Tax	3,106
NET INCOME (LOSS)	\$ 40,761

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 1, 2017 to December 31, 2021

	2017	2018	2019	2020	2021
Beginning Policyholder's Surplus	\$ 652,978	\$ 469,652	\$ 638,460	\$ 448,779	\$ 375,017
Net Income (Loss)	(183,332)	168,808	(189,683)	(73,763)	40,761
Unrealized Gain (Loss)	(3,083)	(4,505)	(3,299)	(2,954)	(5,109)
Ending Policyholder's Surplus	\$ 466,563	\$ 633,955	\$ 445,478	\$ 372,062	\$ 410,669

COMMENTS ON FINANCIAL STATEMENT ITEMS

Bonds & Mutual Funds

Note 1

The Company held a corporate bond, National Rural Utilities Cooperative Finance Corporation, which represented 12% of the Company's surplus and thus exceeded the 7% of surplus single corporate bond limitation of Missouri regulation 20 CSR 200-12.020. The Company held a mutual fund, Franklin U.S. Government Fund, which represented 12% of the Company's surplus, and thus exceeded the 10% of surplus single mutual fund limitation of Missouri regulation 20 CSR 200-12.020. The investments in excess of the regulation limitations appear largely due to a significant decrease in the Company's surplus subsequent to the purchase of the investments.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

Bonds & Mutual Funds

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The Company should either consider investments in excess of the regulation limitations as disapproved or make a request to the Department Director for approval of the investments, in accordance with the provisions of Missouri regulation 20 CSR 200-12.020.

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 officers and the employees of Jasper 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, 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 Jasper 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, CFE
Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 31st day of October, 2022.

My commission expires: March 30, 2023 *Hailey Luebert*

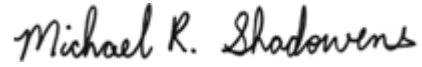
Notary Public



HAILEY LUEBERT
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