

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 MAMIC Mutual Insurance Company for the period ended December 31, 2019, 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.

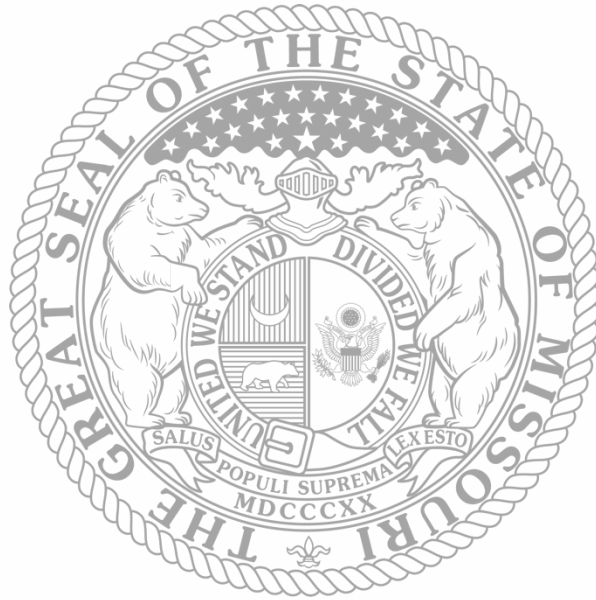
Based on such findings and conclusions, I hereby ORDER MAMIC Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition and affairs 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 August, 2021.



A handwritten signature in blue ink that reads "Chlora Lindley-Myers" written over a horizontal line.

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF THE
FINANCIAL EXAMINATION OF

MAMIC MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2019

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Cape Girardeau, MO
July 12, 2021

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

MAMIC MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the Company. Its administrative office is located at 1131 North Kingshighway, Suite 2H (P.O. Box 643), Cape Girardeau, Missouri 63702, telephone number (573) 471-1534. The fieldwork for this examination began on April 14, 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 MAMIC Mutual Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2010 through December 31, 2014. The current examination covers the period of January 1, 2015 through December 31, 2019, 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 1946 as the Shield Fire Insurance Company. On December 28, 1989, the Company changed its name to FMH Mutual Insurance Company. On June 12, 2003, the Company changed its name to MAMIC Mutual Insurance Company.

The Company has a Certificate of Authority dated August 29, 2003, 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 (Articles), the annual meeting of the Company's members is held on the third Tuesday in March, at the home office of the Company or at such place as may be designated by the Board of Directors. Special meetings of the members may be called by the Board of Directors 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 permitted.

The management of the Company is vested in a Board of Directors, who are elected by 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 once or twice a year.

Members serving on the Board of Directors as of December 31, 2019, were as follows:

<u>Name and Address</u>	<u>Principal Occupation & Business Affiliation</u>	<u>Term Expires</u>
Ron Borders Cape Girardeau, Missouri	Manager MAMIC Mutual Insurance Company	2022
Philip Bibb, Jr. Bowling Green, Missouri	Insurance Agent Pike County Mutual Insurance Company	2020
Michael Kiefer Perryville, Missouri	President Missouri Alliance Mutual Insurance Company	2022
Steven Underwood Washington, Missouri	Manager United Mutual Insurance Company	2021
Charles Smith Billings, Missouri	Chief Executive Officer BMI Company, Inc.	2021
Olan Stemme Hermann, Missouri	Manager Gasconade Farmers Mutual Insurance Company	2020
Don Hemmann Uniontown, Missouri	Manager Arnsberg Farmers Mutual Insurance Company	2020

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, 2019, were as follows:

<u>Name</u>	<u>Office</u>
Ron Borders	President
Philip Bibb, Jr.	Vice President
Michael Kiefer	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

The Company's Articles and Bylaws were reviewed. At the September 28, 2018, special meeting of the members, the Articles were amended to change the address of the Company's home office and registered agent. The amended Articles were approved by the Department on October 18, 2018, and were filed with the Secretary of State on November 7, 2018.

The meeting minutes of the membership and the Board were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has one full-time employee. Employee benefits offered by the Company include paid vacation, paid holidays, and paid sick leave.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$50,000 with no deductible. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$50,000 and \$75,000 in coverage.

The Company is self-insured with regards to directors and officers liability exposure. No errors and omission coverage is necessary since the Company does not have agents.

Other coverages maintained by the Company include business personal property insurance, commercial liability insurance, cyber liability and breach response insurance, and workers compensation and employer's 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 only writes directors and officers liability for the member companies of the Missouri Association of Mutual Insurance Companies and errors and omissions liability coverage for the agents of those companies. The Company Manager processes all policies.

Policy Forms and Underwriting Practices

The Company utilizes customized policy forms. The policies are written for one year and are continuous. Claims adjustments are performed by the Company Manager and outside attorneys. Rates are determined by the Board of Directors.

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)
2019	\$ 2,236	\$ 121	\$ 567	\$ 21	\$ 45	\$ 158	\$ 192
2018	2,015	119	557	139	42	158	198
2017	1,852	131	544	21	39	173	211
2016	1,662	149	572	64	30	126	155
2015	1,517	123	540	140	21	125	145

At year-end 2019, there were 377 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	2015	2016	2017	2018	2019
Direct Premiums Written	\$ 540	\$ 572	\$ 544	\$ 557	\$ 567
Reinsurance Assumed	-	-	-	-	-
Reinsurance Ceded	(454)	(479)	(455)	(472)	(476)
Net Premiums Written	\$ 86	\$ 92	\$ 88	\$ 85	\$ 91

Assumed Reinsurance

The Company does not reinsure other companies.

Ceded Reinsurance

MAMIC Mutual Insurance Company reinsures its business under a quota share reinsurance agreement between the Company and twenty-five participating Missouri mutual insurance companies. Under the terms of this reinsurance agreement, the Company cedes to the various participating insurers 84% of the first \$2 million of its ultimate net loss, each claim and in the aggregate on all errors and omissions policies and 84% of the first \$3 million of its ultimate loss, each claim and in the aggregate on all directors' and officers' policies. In return, the Company pays to the participating insurance companies 84% of the net written premiums for the policies covered under the reinsurance agreement. The ceded premiums and losses are allocated to the participating insurers based upon the percentage agreed upon in the "Interest and Liabilities Agreement" attached to the quota share agreement. The participation percentages of each of the insurers range from 1% to 6%. The Company is allowed a 35% ceding commission on the net written premium ceded.

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 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 MAMIC Mutual Insurance Company for the period ending December 31, 2019. 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, 2019

Bonds – Book Value	\$ 1,008,917
Mutual Funds	618,197
Cash on Deposit	597,994
Interest Due and Accrued	9,358
Pre-Funded Payroll	1,567
TOTAL ASSETS	<u>\$ 2,236,033</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2019

Gross Losses Unpaid Less Reinsurance Recoverable	\$ 800
Unearned Premium	116,693
Federal Income Tax Payable	1,244
Payroll Tax	2,366
TOTAL LIABILITIES	<u>\$ 121,103</u>
Guaranty Fund	150,000
Other Surplus	1,964,930
TOTAL POLICYHOLDER SURPLUS	<u>\$ 2,114,930</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$ 2,236,033</u>

UNDERWRITING AND INVESTMENT EXHIBIT

For the Year Ended December 31, 2019

Net Earned Assessment/Premium Income	\$ 89,460
Other Insurance Income	166,591
Net Losses & Loss Adjustment Expense	(1,917)
Underwriting Expenses	(96,111)
Underwriting Income (Loss)	\$ 158,023
Investment Income	45,467
Investment Expenses	(25)
Net Investment Income	\$ 45,442
Other Income	48
Gross Profit or Loss	\$ 203,513
Federal Income Tax	(11,538)
NET PROFIT OR (LOSS)	\$ 191,975

GAIN OR LOSS IN SURPLUS

Changes from January 1, 2015 to December 31, 2019

(\$000s omitted)

	2015	2016	2017	2018	2019
Beginning Policyholder's Surplus	\$ 1,250	\$ 1,394	\$ 1,513	\$ 1,721	\$ 1,896
Net Profit or (Loss)	145	155	211	198	192
Change in Unrealized Gains (Losses)	-	(36)	(2)	(23)	27
Prior Year Adjustment	(1)	-	-	-	-
Ending Policyholder's Surplus	\$ 1,394	\$ 1,513	\$ 1,721	\$ 1,896	\$ 2,115

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak as a pandemic. As of the date of this report, significant uncertainty remains regarding the effect that the pandemic will have on the economy and insurance industry at large, and on MAMIC Mutual Insurance Company specifically. The examination team considered the potential impact of COVID-19 on the Company throughout examination testing and procedures. At this point, it does not appear that COVID-19 has had a significant impact on the Company. The Department is monitoring the impact of the pandemic on the Company and will take necessary actions if a solvency concern arises.

ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Brian D. Hammann, CPA, 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 MAMIC 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.

Brian D. Hammann
Brian D. Hammann, CPA, CFE
Financial Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 27th day of July, 2021.

My commission expires: March 30, 2023 Halley Luedert
Notary Public



HALEY LUEDERT
My Commission Expires
March 30, 2023
Osage County
Commission #15834358

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.



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