



## 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 Main Street Mutual Insurance, Inc. for the period ended December 31, 2018, 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 Main Street Mutual Insurance, Inc. 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 22nd day of November, 2019.



  
Chlora Lindley-Myers, Director  
Department of Commerce and Insurance



REPORT OF THE  
FINANCIAL EXAMINATION OF

# **MAIN STREET MUTUAL INSURANCE, INC.**

AS OF  
DECEMBER 31, 2018

**STATE OF MISSOURI  
DEPARTMENT OF COMMERCE & INSURANCE**

**JEFFERSON CITY, MISSOURI**

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August 26, 2019  
Cole Camp, MO

Honorable Chlora Lindley-Myers, Director  
Missouri Department of Commerce & Insurance  
301 West High Street, Room 530  
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your examination warrant, a full-scope examination has been made of the records, affairs and financial condition of

**MAIN STREET MUTUAL INSURANCE, INC.**

hereinafter referred to as such, or as the "Company." The Company's administrative office is located at 206 West Main Street, Cole Camp, MO 65325, telephone number (660) 668-2445. This examination began on August 12, 2019, was concluded on the above date, and is respectfully submitted.

**SCOPE OF EXAMINATION**

**Period Covered**

We have performed a single-state examination of Main Street Mutual Insurance, Inc. The last examination covered the period of January 1, 2009 through December 31, 2013. This examination covers the period of January 1, 2014 through December 31, 2018.

This examination also included material transactions and/or events occurring subsequent to the examination date, which are noted in this report.

**Procedures**

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Missouri Department of Commerce and Insurance (DCI) and statutes of the State of Missouri prevailed.

## HISTORY

### General

The Company was originally organized and incorporated on October 8, 1878, as Farmer's Home Association of Morgan, Benton and Adjoining Counties and was incorporated on August 4, 1953. On July 1, 1990, the Company changed its name to Farmers Mutual Insurance Company of Cole Camp, Inc. On March 10, 2018, the Company changed its name to Main Street Mutual Insurance, Inc.

The Company has a Certificate of Authority dated May 17, 2018, 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

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the second Saturday of March at the home office of the Company or at such other place as may be designated by the Board of Directors. Ten members constitute a quorum at any membership meeting. Proxy and absentee ballot 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 seven members, serving staggered three-year terms. All directors must be policyholders of the Company. The Board of Directors meets each quarter, and each director is compensated \$150 per meeting attended.

Members serving on the Board of Directors, as of December 31, 2018, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term End Date</u>
Matthew Tinney Mora, Missouri	Teacher	2022
Storm Walker Cole Camp, Missouri	Deputy	2020
Kristi Craig Ionia, Missouri	Customer Service Representative	2019
Linda Hesse Cole Camp, Missouri	Self-Employed	2020
Bruce Huffman Sedalia, Missouri	Maintenance Technician	2021

Rusty Harms Cole Camp, Missouri	Electrician	2019
Jean Hesse Cole Camp, Missouri	Loan Officer	2021

The Board of Directors appoints the officers of the Company for a term of one year. The officers of the Company serving at December 31, 2018, were as follows:

<u>Name</u>	<u>Office</u>
Matthew Tinney	President
Storm Walker	Vice-President
Jennifer Taylor	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 has its directors and officers sign conflict of interest statements on an annual basis.

### **Corporate Records**

A review was made of the Articles of Incorporation and the Bylaws of the Company. The Articles of Incorporation were amended on March 2, 2013 to change the date of the annual meeting to the third Saturday of each March.

The minutes of the membership and the Board of Directors' meetings were reviewed for the period under examination. The minutes appeared to properly support the approval of major company transactions and events for the period under examination.

## **FIDELITY BOND AND OTHER INSURANCE**

The Company is a named insured on a fidelity bond providing a limit of liability of \$75,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$75,000 and \$100,000.

The Company carries liability coverage for its directors and officers and requires its agents to obtain errors and omissions coverage.

The Company self-insures its home office and adjacent rental properties owned by the Company. The Company purchases commercial liability and workers compensation coverage from an outside carrier.

## EMPLOYEE BENEFITS

The Company has three full-time employees. The benefits package offered by the Company to its employees includes health and life insurance, a SIMPLE IRA retirement plan with employer matching, and paid time off.

## INSURANCE PRODUCTS AND RELATED PRACTICES

### Territory and Plan of Operations

The Company is licensed by the DCI as an Extended Missouri Mutual Insurance Company operating under Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Insurance Companies). The Company is authorized to write fire, wind, and liability insurance in all counties in the State of Missouri. The Company's policies are sold by three licensed captive agents and through the agents of an independent agency in accordance with a producer agreement.

### Policy Forms and Underwriting Practices

The Company utilizes Grinnell Mutual Reinsurance Company policy forms and custom policy forms. The policies are continuously renewed with inspections and underwriting updates completed every three years. Property inspections and adjusting functions are performed by a third party. Rates are determined by the Board of Directors.

## GROWTH AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income	Underwriting Income	Net Income
2018	\$5,592,134	\$662,085	\$1,728,380	\$156,667	\$65,745	\$528,033	\$595,808
2017	4,996,430	643,202	1,626,995	657,956	44,271	63,832	109,735
2016	4,937,330	689,307	1,581,267	624,451	38,746	(87,545)	(17,747)
2015	4,957,476	688,273	1,555,532	185,661	32,995	487,031	353,310
2014	4,637,156	714,691	1,520,624	365,525	32,483	248,322	203,488

At year-end 2018, 2,007 policies were in force.

## REINSURANCE

### General

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Direct	\$1,520,624	\$1,555,532	\$1,581,267	\$1,626,995	\$1,728,380
Assumed	0	0	0	0	0
Ceded	<u>(358,334)</u>	<u>(356,507)</u>	<u>(363,335)</u>	<u>(377,594)</u>	<u>(389,928)</u>
Net	<u>\$1,162,290</u>	<u>\$1,199,025</u>	<u>\$1,217,932</u>	<u>\$1,249,401</u>	<u>\$1,338,452</u>

### Assumed

The Company does not reinsure other companies.

### Ceded

The Company cedes business to Grinnell Mutual Reinsurance Company (the reinsurer) through a reinsurance agreement that provides per risk excess of loss, catastrophe and aggregate excess of loss coverage for property risks, as well as coverage for liability and equipment breakdown risks.

Under the per risk excess of loss section of the agreement, the Company retains \$150,000 of property losses per risk, and the reinsurer's maximum limit is \$15,000,000 per risk. Under the catastrophe excess of loss section of the agreement, the Company retains \$400,000 in property losses per loss occurrence, and the reinsurer is liable for 100% of the excess. Under the aggregate excess section of the agreement, the reinsurer is liable for 100% of the property losses in excess of the Company's annual retention, which was \$1,000,000 for 2018.

The agreement also provides liability and equipment breakdown reinsurance coverage. For both coverages, the Company cedes 100% of its premium and losses to the reinsurer, and receives a 20% ceding commission. The reinsurer's maximum limit for the liability coverage is \$1,000,000 per occurrence. The reinsurer does not have a maximum limit for its equipment breakdown coverage.

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 CPA firm of Harden, Cummins, Moss & Miller, LLC, performs an annual audit of the Company's financial statements and prepares the Company's annual statement and tax filings.

## **FINANCIAL STATEMENTS**

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2018, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements," which follow 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 differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial, concerning their effect on the financial statements. Therefore, they were communicated to the Company and noted in the workpapers for each individual Annual Statement item.

**ASSETS**  
**December 31, 2018**

Bonds	\$ 337,327
Mutual Funds	313,643
Real Estate	206,267
Cash on Deposit	4,705,434
Computer Equipment	3,784
Interest Due and Accrued	10,866
Contingent Commissions Receivable	12,623
Deferred Tax Benefit	2,190
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Total Assets	\$ 5,592,134
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**LIABILITIES, SURPLUS AND OTHER FUNDS**  
**December 31, 2018**

Unpaid Losses	\$ 37,964
Ceded Reinsurance Premium Payable	30,417
Unearned Premium	559,640
Payroll Tax	137
Accounts Payable to Agents	27,053
Accounts Payable (Other)	550
Income Tax Payable	6,324
	<hr/>
Total Liabilities	\$ 662,085
Guaranty Fund	\$ 150,000
Other Surplus	4,780,049
	<hr/>
Total Surplus	\$ 4,930,049
	<hr/>
Total Liabilities and Surplus	\$ 5,592,134
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**STATEMENT OF INCOME**  
**For the Year Ending December 31, 2018**

Net Premiums Earned	\$ 1,310,862
Other Insurance Income	29,604
Net Losses & Loss Adjusting Expenses Incurred	(174,492)
Other Underwriting Expenses Incurred	(637,941)
	_____
Net Underwriting Income (Loss)	\$ 528,033
Net Investment Income	65,745
Other Income	12,854
	_____
Gross Profit (Loss)	\$ 606,632
Federal Income Tax	(10,824)
	_____
Net Income (Loss)	\$ 595,808
	_____

**RECONCILIATION OF SURPLUS**  
**Changes from January 1, 2014 to December 31, 2018**

	2014	2015	2016	2017	2018
Capital and Surplus, Beginning of Year	\$3,717,285	\$3,922,465	\$4,269,203	\$4,248,023	\$4,353,228
Net Income	203,488	353,310	(17,747)	109,735	595,808
Change in Net Unrealized Gains (Losses)	1,692	(6,572)	(3,433)	(4,530)	(18,987)
Change in Capital and Surplus for the Year	205,108	346,738	(21,180)	105,205	576,821
<b>Capital and Surplus, End of Year</b>	<b>\$3,922,465</b>	<b>\$4,269,203</b>	<b>\$4,248,023</b>	<b>\$4,353,228</b>	<b>\$4,930,049</b>

**NOTES TO THE FINANCIAL STATEMENTS**

None.

**EXAMINATION CHANGES**

None.

**SUBSEQUENT EVENTS**

None.

**SUMMARY OF RECOMMENDATIONS**

None.

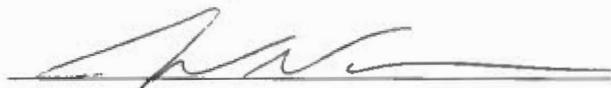
**ACKNOWLEDGMENT**

The assistance and cooperation extended by the employees of Main Street Mutual Insurance, Inc. during the course of this examination is hereby acknowledged and appreciated.

**VERIFICATION**

State of Missouri        )  
  )  
County of Cole         )

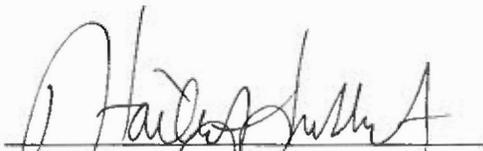
I, Joshua R. Nash, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only the facts appearing upon the books, records or other documents of the company, its agents or other persons examined or as ascertained from the testimony 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.

  
Joshua R. Nash, CPA, AFE  
Financial Examiner  
Missouri Department of Commerce & Insurance

Sworn to and subscribed before me this 4<sup>th</sup> day of November, 2019.

My commission expires:

March 30, 2023

  
Notary Public



HAILEY WEBBERT  
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.



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