



DEPARTMENT OF COMMERCE & INSURANCE

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


ORDER

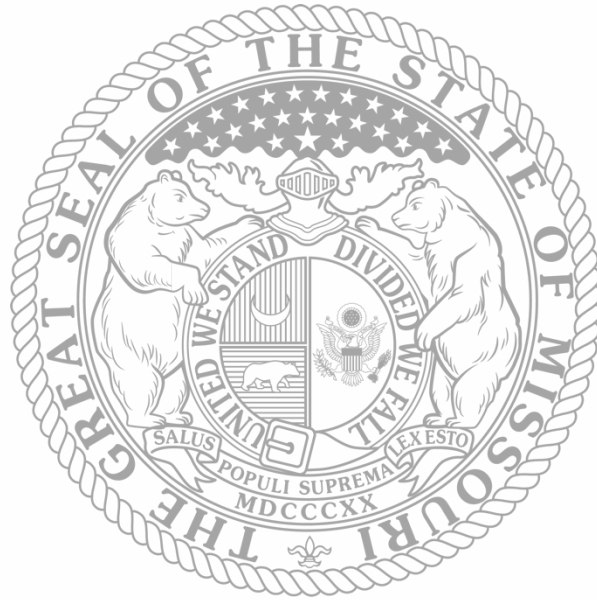
After full consideration and review of the report of the financial examination of Ralls County Mutual Insurance Company for the period ended December 31, 2019, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, 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 Ralls 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 22nd day of April, 2021.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF THE
FINANCIAL EXAMINATION OF

RALLS COUNTY MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2019

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

JEFFERSON CITY, MISSOURI

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Center, MO
March 10, 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

RALLS COUNTY MUTUAL INSURANCE COMPANY

hereinafter referred to as such, as RCMIC, or as the Company. Its administrative office is located at 110 South Public (P.O. Box 20), Center, Missouri 63436, telephone number (573) 267-3551. The fieldwork for this examination began on March 1, 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 Ralls County 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 organized on May 27, 1890, as Ralls County Farmers Fire Insurance Association. In 1959, the Company changed its name to Ralls County Farmers Mutual Fire Insurance Company. In 1991, the Company changed its name to Ralls 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 (Articles), the annual meeting of the Company's members is held on the third Monday in January, 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 may also be called upon petition of one-fourth of the members. Ten members shall constitute a quorum at any membership meeting.

The management of the Company is vested in a Board of Directors. Directors are elected by the general membership and serve staggered, three-year terms. According to the Company's Articles, the Board of Directors consists of at least seven members, but never more or less than required by the Extended Missouri Mutual Company Law of the State of Missouri. All directors must be policyholders of the Company. The Board of Directors meets approximately each month.

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

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Daryl Caswell New London, Missouri	Retired Farmer	2022
Lowell Jackson Center, Missouri	Farmer	2021
Laura Power Perry, Missouri	Insurance Agent	2021
Richard Dyrden Hannibal, Missouri	Insurance Agent	2022
Rhonda Robinson Saverton, Missouri	Chief Financial Officer	2021
Tracy Quinlin New London, Missouri	Office Manager	2020

Director Rich Stilley resigned from the Board of Directors effective December 9, 2019. The Company's Articles specify any vacancy on the Board of Directors may be filled for the unexpired term by a vote of the remaining directors. At the June 8, 2020, meeting, the Board of Directors approved Matt Monroe to fill the remaining term of vacant position.

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>
Daryl Caswell	President
Lowell Jackson	Vice-President
Laura Power	Secretary
Richard Dryden	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 that two directors disclosed being agents for the Company.

Corporate Records

The Company's Articles and Bylaws were reviewed. There were no revisions to the Articles. The amended Bylaws were approved by the Board of Directors at the December 12, 2016 meeting. The meeting minutes of the membership and the Board were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has three full-time employees. Employee benefits offered by the Company include paid vacation, paid holidays, and paid sick leave. The Company also makes matching contributions to employee retirement accounts.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$100,000 and 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 carries liability coverage for its directors and officers. The Company requires its agents to carry errors and omissions insurance and provide evidence of such coverage to the Company.

Other coverages carried by the Company include property insurance on its home office and contents, commercial liability insurance, cyber liability 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's policies are sold by 16 independent licensed agents and agencies, which receive a 20% commission on new business and 14% commission on renewal business.

Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Services policy forms, as well as a few Missouri Association Mutual Insurance Companies forms. The policies are written for one year and are continuous. Agents perform property inspections prior to policy issuance and re-inspect properties every three years thereafter. Claims adjustments are performed by independent adjusters and by adjusters of the reinsurer. 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	\$1,581	\$766	\$1,524	\$574	\$41	\$(156)	\$(115)
2018	1,586	654	1,548	547	39	1	40
2017	1,574	681	1,558	418	44	52	96
2016	1,441	672	1,551	552	43	106	150
2015	1,252	682	1,595	879	35	66	101

At year-end 2019, there were 1,522 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	\$ 1,595	\$ 1,551	\$ 1,558	\$ 1,548	\$ 1,524
Reinsurance Assumed	-	-	-	-	-
Reinsurance Ceded	(617)	(626)	(687)	(604)	(575)
Net Premiums Written	\$ 979	\$ 925	\$ 871	\$ 944	\$ 949

Assumed Reinsurance

MAMIC Mutual Insurance Company (MAMIC) issues direct policies to insure agents' errors and omissions liability and directors' and officers' liability risks for various mutual insurance companies, including the Company. All of the policy risks insured by MAMIC for these two products are pooled and ceded to participating mutual insurance companies. The Company has a 4% share in the interests and liabilities of the pool.

Ceded Reinsurance

The Company has all of its reinsurance through Wisconsin Reinsurance Corporation (the reinsurer) under a per risk excess of loss agreement and an aggregate excess of loss agreement for property risks and a quota share agreement for casualty risks.

Under the per risk excess of loss agreement, the Company retains \$60,000 per property risk and the reinsurer covers 100% of the excess, limited to \$1 million per risk. Under the aggregate excess of loss agreement, the Company's annual aggregate net retention, or attachment point, is equal to 60% of net premium. The reinsurer is responsible for 100% of losses in excess of this attachment. The attachment point for 2019 was \$647,211.

Under the casualty quota share reinsurance agreement, the Company cedes 100% of the casualty risks and premium 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 an accrual basis. The Certified Public Accounting (CPA) firm of Wade Stables P. C., of Hannibal, Missouri, performs an annual audit of the Company's financial statements and prepares the Company's federal tax filings and annual statement.

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 Ralls County 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	\$	150,446
Mutual Funds		314,938
Real Estate – Book Value		166,065
Cash on Deposit		579,025
Other Investments		325,371
Reinsurance Recoverable on Paid Losses		36,605
Computer Equipment (Hardware Only)		8,139
TOTAL ASSETS	\$	1,580,589

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2019

Gross Losses Unpaid Less Reinsurance Recoverable	\$	120,457
Ceded Reinsurance Premium Payable		51,179
Unearned Premium		586,457
Payroll Tax		5,250
Accounts Payable (Other)		2,987
TOTAL LIABILITIES	\$	766,330
Guaranty Fund		150,000
Other Surplus		664,259
TOTAL POLICYHOLDER SURPLUS	\$	814,259
TOTAL LIABILITIES AND SURPLUS	\$	1,580,589

UNDERWRITING AND INVESTMENT EXHIBIT

For the Year Ended December 31, 2019

Net Earned Assessment/Premium Income	\$ 950,453
Other Insurance Income	58,662
Net Losses & Loss Adjustment Expense	(644,269)
Underwriting Expenses	(521,221)
Underwriting Income (Loss)	\$ (156,375)
Investment Income	42,117
Investment Expenses	(693)
Net Investment Income	\$ 41,424
Other Income	-
Gross Profit or Loss	\$ (114,951)
Federal Income Tax	-
NET PROFIT OR (LOSS)	\$ (114,951)

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	\$ 580	\$ 570	\$ 769	\$ 893	\$ 932
Net Profit or (Loss)	101	150	96	40	(115)
Change in Unrealized Gains (Losses)	(8)	(7)	(10)	(10)	11
Change in Nonadmitted Assets	(103)	57	38	8	(13)
Ending Policyholder's Surplus	\$ 570	\$ 769	\$ 893	\$ 932	\$ 814

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 spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, United States President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the United States and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators with the assistance of the NAIC are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers.

ACKNOWLEDGMENT

The assistance and cooperation extended by the employees of Ralls County 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 Ralls 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.

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

Sworn to and subscribed before me this 18th day of April, 2021.

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.



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