

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

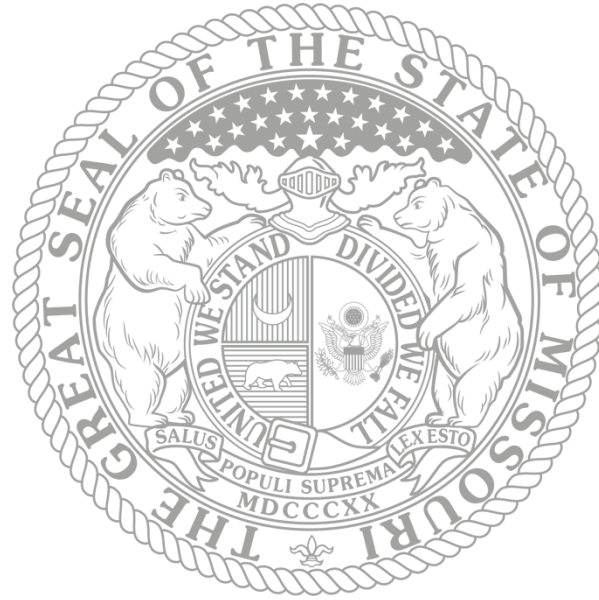
After full consideration and review of the report of the financial examination of Schuyler County Mutual Insurance Company for the period ended December 31, 2020, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, 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 Schuyler 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 12th day of January, 2022.



Chlora Lindley-Myers
Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

SCHUYLER COUNTY MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2020

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Queen City, MO
December 13, 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

SCHUYLER COUNTY MUTUAL INSURANCE COMPANY

hereinafter referred to as such or as the Company. Its administrative office is located at 806 North Jefferson Street, Queen City, Missouri 63561, telephone number (660) 766-2505. The fieldwork for this examination began on November 22, 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 Schuyler 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 are separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no adverse findings, significant non-compliance issues, or material changes to the financial statements during the examination.

COMPANY HISTORY

General

The Company was organized in December 1877, as Farmers’ Fire and Lightning Insurance Association of Schuyler County, Missouri, and changed its name to Schuyler County Mutual Insurance Company on October 21, 1972. The Company was officially incorporated in the State of Missouri on February 15, 1980. On April 2, 1984, the Company amended its Articles of Incorporation to comply with Sections 380.201 to 380.611 RSMo (Extended Missouri Mutual Companies). The Company was then issued a Certificate of Authority by the Missouri Division of Insurance.

MANAGEMENT AND CONTROL

The Company is managed by a board of six directors, serving staggered, three-year terms. Directors must be policyholders and are elected at the annual member meetings held on the first Thursday of every February. Eight members constitute a quorum at annual member meetings, and proxy voting is not allowed. 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. Each director receives \$100 per meeting.

The Board of Directors elected and serving as of December 31, 2020, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Mike McGoldrick Glenwood, Missouri	Farmer	2022
Franklin Wheeler Greentop, Missouri	Farmer	2022
Mark Bushnell Queen City, Missouri	Farmer	2023
Robert Seamster Queen City, Missouri	Farmer	2024
Edwin Jackson Downing, Missouri	Farmer	2024
John March Queen City, Missouri	Business Owner	2024

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

<u>Name</u>	<u>Office</u>
Mike McGoldrick	President
Mark Bushnell	Vice-President
Margaret Sapp	Treasurer/Secretary

Conflicts of Interest

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. The Articles of Incorporation and Bylaws were not amended during the examination period. The minutes of the membership and the Board of Directors' meetings were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has one part-time employee and two full-time employees. Full-time employees receive health insurance benefits, employer 401k contributions, and paid time off.

FIDELITY BOND AND OTHER INSURANCE

The Company has fidelity bond coverage providing a liability limit of \$250,000. This coverage meets the minimum amount recommended in the NAIC Financial Condition Examiners Handbook for the Company's level of exposure.

The Company carries liability coverage for its directors and officers, as well as errors and omissions insurance for the two employee that are also agents of the Company.

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 Insurance Companies). The Company is authorized to write fire, windstorm, and liability coverage in all Missouri counties. The majority of the Company's business is primarily concentrated in Schuyler, Putnam, Adair and Scotland counties.

Policy Forms and Underwriting Practices

The Company primarily uses a combination of American Association of Insurance Services (AAIS), Missouri Association of Mutual Insurance Companies (MAMIC) and Grinnell Mutual Reinsurance Company policy forms. The Company writes policies for a one-year period. Policy rates are approved by the Board of Directors based on internal recommendations. The two full-time employees also serve as agents and receive 16.5% commission for all new and renewal business. Each agent conducts property inspections on all new business written. The office manager performs all underwriting and loss adjusting procedures.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's premium writings and writing ratios for the period under examination:

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2020	\$3,357,292	\$306,987	\$890,826	\$377,898	\$60,106	\$ (51,130)	\$ (1,844)
2019	3,426,241	374,092	845,975	307,195	58,727	(59,903)	(11,691)
2018	3,388,481	324,641	796,759	188,755	35,492	48,265	78,577
2017	3,234,914	249,651	760,446	390,716	26,952	(109,508)	(85,154)
2016	3,321,539	251,227	748,104	101,519	24,964	150,877	176,722

At year-end 2020, there were 992 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:

Premium Type	2016	2017	2018	2019	2020
Direct Premiums Written	\$ 748,104	\$ 760,446	\$ 796,759	\$ 845,975	\$ 890,826
Reinsurance Assumed	0	0	0	0	0
Reinsurance Ceded	(251,100)	(257,321)	(261,024)	(275,054)	(280,196)
Net Premiums Written	\$ 497,004	\$ 503,125	\$ 535,735	\$ 570,921	\$ 610,630

Assumed Reinsurance

The Company does not assume any reinsurance.

Ceded Reinsurance

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (the reinsurer) through a reinsurance agreement that provides per risk excess of loss and aggregate excess of loss coverage for property risks, as well as coverage for liability risks.

Under the per risk excess of loss section of the agreement, the Company retains \$100,000 of property losses per risk, and the reinsurer's maximum limit is \$1 million per risk. Under the aggregate excess of loss section of the agreement, the reinsurer is liable for 100% of the property losses in excess of the Company's annual aggregate net retention, or attachment point. The attachment point for 2020 was \$337,000.

For liability coverage, the Company cedes 100% of premiums and losses and receives a 20% 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 the assuming reinsurer fails to perform its obligations under the reinsurance contract.

ACCOUNTS AND RECORDS

The accounting records are maintained on an accrual basis by the Company. The Certified Public Accounting firm of Van de Ven, LLC, of Cape Girardeau, Missouri, prepares the Company's annual statement and 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 Schuyler 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

Cash	\$ 3,335,292
Real estate – book value	12,294
Premiums/Assessments/Agent’s balances uncollected	1,049
Interest due and accrued	6,766
Prepaid insurance	1,891
TOTAL ASSETS	\$ 3,357,292

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2020

Gross losses unpaid	\$ 5,500
Ceded reinsurance premium payable	16,938
Unearned premium	270,371
Federal income tax payable	263
Accounts payable (other)	50
Payroll tax	721
Advanced premiums	13,144
TOTAL LIABILITIES	\$ 306,987
Guaranty fund	150,000
Other surplus	2,900,305
TOTAL POLICY HOLDER SURPLUS	\$ 3,050,305
TOTAL LIABILITIES AND SURPLUS	\$ 3,357,292

STATEMENT OF INCOME

For the Year Ended December 31, 2020

Net Earned Assessment/Premium Income	\$ 623,614
Other Insurance Income	34,090
Net Losses & Loss Adjustment Expense	(306,785)
Underwriting Expenses	(402,049)
Underwriting Income (Loss)	\$ (51,130)
Investment Income	60,106
Investment Expenses	(3)
Net Investment Gain (Loss)	\$ 60,103
Other Income	126
Gross Profit or Loss	\$ 9,099
Federal Income Tax	10,943
NET INCOME (LOSS)	\$ (1,844)

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from January 1, 2016 to December 31, 2020

(\$000s omitted)

	2016	2017	2018	2019	2020
Beginning Policyholder's Surplus	\$ 2,893	\$ 3,070	\$ 2,985	\$ 3,064	\$ 3,052
Net Income (Loss)	177	(85)	79	(12)	(2)
Ending Policyholder's Surplus	\$ 3,070	\$ 2,985	\$ 3,064	\$ 3,052	\$ 3,050

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. 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 the Schuyler County 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 officers and the employees of Schuyler County Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
) ss
County of St. Louis)

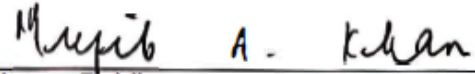
I, Ken Tang, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records, or other documents of Schuyler County Mutual Insurance Company its agents or other persons examined, or as 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.



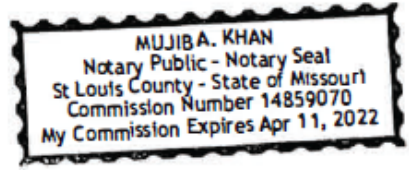
Ken Tang, CFE
Certified Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 16 day of DECEMBER, 2021.

My commission expires: 04/11/2022



Notary Public



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 R. Shadowens

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