

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

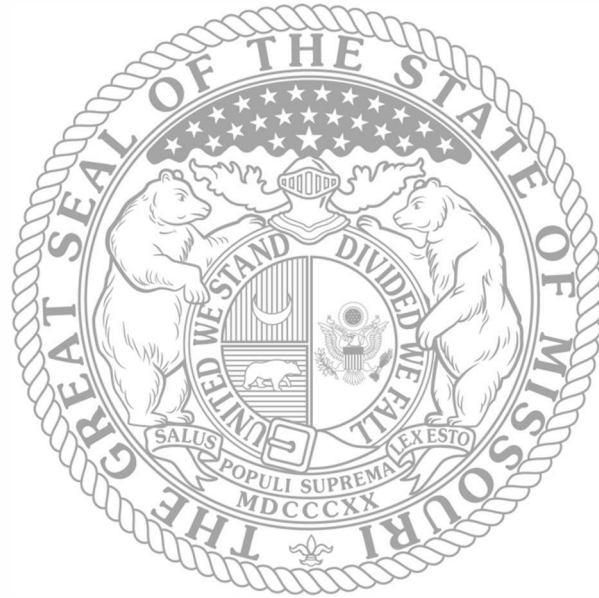
After full consideration and review of the report of the financial examination of Arnsberg Farmers' Mutual Insurance Company for the period ended December 31, 2021, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, 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 Arnsberg Farmers' 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 23rd day of January, 2023.



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



REPORT OF
FINANCIAL EXAMINATION OF

ARNSBERG FARMERS' MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2021

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

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
PERIOD COVERED.....	1
PROCEDURES.....	1
SUMMARY OF SIGNIFICANT FINDINGS	1
COMPANY HISTORY	2
GENERAL.....	2
MANAGEMENT AND CONTROL	2
BOARD OF DIRECTORS	2
SENIOR OFFICERS	3
CONFLICT OF INTEREST.....	3
CORPORATE RECORDS.....	3
EMPLOYEE BENEFITS	3
FIDELITY BOND AND OTHER INSURANCE	3
INSURANCE PRODUCTS AND RELATED PRACTICES	3
TERRITORY AND PLAN OF OPERATIONS.....	3
POLICY FORMS AND UNDERWRITING PRACTICES.....	4
GROWTH OF COMPANY AND LOSS EXPERIENCE	4
REINSURANCE	4
GENERAL.....	4
ASSUMED REINSURANCE	4
CEDED REINSURANCE.....	4
ACCOUNTS AND RECORDS	5
FINANCIAL STATEMENTS	5
ASSETS.....	6
LIABILITIES, SURPLUS AND OTHER FUNDS.....	6

STATEMENT OF INCOME	7
RECONCILIATION OF CAPITAL AND SURPLUS	7
COMMENTS ON FINANCIAL STATEMENT ITEMS	8
FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION	8
SUMMARY OF RECOMMENDATIONS.....	8
SUBSEQUENT EVENTS	8
ACKNOWLEDGMENT	9
VERIFICATION.....	9
SUPERVISION	10

Uniontown, Missouri
November 21, 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

Arnsberg Farmers' Mutual Insurance Company

hereinafter referred to as such, or as the Company. Its administrative office is located at 11994 South Highway 61, Uniontown, Missouri, 63783, telephone number (573)788-2304. The fieldwork for this examination began on November 17, 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 Arnsberg Farmers' Mutual Insurance Company (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 organized on October 1, 1880, as The Arnsberg Mutual Fire Insurance Company. During the period of 1890 to 1916, the Company underwent two name changes. The first change was to Arnsberg Fire and Lightning Insurance Company and then to Arnsberg Farmers Mutual Fire and Lightning Insurance Company. The Company adopted its name of Arnsberg Farmers' Mutual Insurance Company in October 1969.

The Company has an amended Certificate of Authority dated December 1, 1998, 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 the first Monday in March, at the home office of the Company or at such other 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 or upon petition by one-fourth of the members.

The management of the Company is vested in a Board of Directors that are elected by the policyholders. The Board of Directors currently consists of five members serving three-year terms. The Board of Directors elected and serving as of December 31, 2021, was as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Roger Thomas Perryville, Missouri	Farmer	2022
Michael Ponder Altenburg, Missouri	Business Owner	2024
Jason Telle Jackson, Missouri	Business Owner	2022
Danielle Huber Perryville, Missouri	Office Manager	2023
Kendall Shrum Valles Mines, Missouri	Ambulance Director	2023

Senior Officers

The Board of Directors appoints for a term of one year, the officers of the Company. The officers elected and serving, as of December 31, 2021, were as follows:

<u>Name</u>	<u>Office</u>
Roger Thomas	President
Michael Ponder	Vice President
David Hinkebein	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.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. The minutes of the annual membership meetings and Board of Directors meetings were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has three full-time employees and four part-time employees. The Company provides health, life, and disability insurance for its employees. The Company also offers a retirement contribution match and paid time off.

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 does not meet the minimum amount of \$150,000 suggested in the guidelines promulgated by the NAIC.

The Company carries liability coverage for its directors and officers. The Company also carries a workers compensation, a commercial cyber, and a commercial general liability policy.

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 eight licensed agents, who receive a 13.5% commission on new and renewal business. Additional agent bonuses are provided as approved by the Board of Directors.

Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Services (AAIS) and its reinsurer's policy forms. Policies are written on a continuous basis. Property inspections are performed by the Company. Claim adjusting services are performed by a third party and the Company.

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)
2021	\$10,700	\$3,182	\$5,830	\$3,394	\$232	\$(254)	\$ (22)
2020	10,419	2,880	5,385	1,861	245	637	886
2019	9,507	2,672	5,210	1,942	251	247	499
2018	8,870	2,437	4,878	2,428	225	265	490
2017	8,247	2,381	4,441	6,710	219	(696)	(477)

At year-end 2021, there were 5,407 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	\$ 4,441	\$ 4,878	\$ 5,210	\$ 5,385	\$ 5,830
Assumed	27	28	28	28	29
Ceded	(1,386)	(1,195)	(1,718)	(1,784)	(1,888)
Net Written	\$ 3,082	\$ 3,711	\$ 3,520	\$ 3,629	\$ 3,971

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. The policy risks insured by MAMIC for these products are pooled and ceded to participating mutual insurance companies. The Company has a 5% share in the interests and liabilities of the pool.

Ceded Reinsurance

The Company has property reinsurance through the Wisconsin Reinsurance Corporation (Wisconsin Re). Under the per risk excess of loss agreement, the Company retains \$200,000 per risk, and Wisconsin Re covers up to \$800,000 of the remaining losses per risk. Under the catastrophe excess of loss agreement, the Company retains the first \$600,000 of any loss occurrence, and Wisconsin Re covers up to \$3,400,000 of the remaining losses. Under the aggregate excess of loss agreement, Wisconsin Re is liable for all losses in excess of the Company's annual aggregate net retention, or attachment point. The attachment point for 2021 was 60% of the Company's net written premiums.

The Company reinsures liability risks with Wisconsin Re. The Company cedes 50% of net written premiums and retains \$10,000 per risk. The Company also cedes 100% of the liability related to earthquake coverage to Wisconsin Re and receives a 15% 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 CPA firm of HSB Advisors LLC 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 Arnsberg Farmers' 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	\$ 7,579,805
Stocks	11,744
Real Estate	10,053
Cash	2,471,096
Other Investments	390,320
Federal Income Taxes Recoverable	178,800
Interest Due and Accrued	58,045
TOTAL ASSETS	\$ 10,699,863

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2021

Losses and LAE Unpaid	\$ 368,231
Ceded Reinsurance Payable	214,144
Unearned Premiums	2,587,825
Payroll Tax Payable	3,454
Other Liabilities	7,865
TOTAL LIABILITIES	\$ 3,181,519
Guaranty Fund (Note 1)	0
Other Surplus	7,368,344
TOTAL POLICYHOLDER SURPLUS	\$ 7,518,344
TOTAL LIABILITIES AND SURPLUS	\$ 10,699,863

STATEMENT OF INCOME

For the Year Ended December 31, 2021

Net Earned Assessment/Premium Income	\$ 3,755,065
Other Insurance Income	103,947
Net Losses & Loss Adjustment Expense	(2,772,495)
Underwriting Expenses	(1,340,341)
Underwriting Income (Loss)	\$ (253,824)
Investment Income	232,246
Net Investment Gain (Loss)	\$ 232,246
Gross Profit or Loss	\$ (21,578)
Federal Income Tax	0
NET INCOME (LOSS)	\$ (21,578)

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 1, 2017 to December 31, 2021

	2017	2018	2019	2020	2021
Beginning Policyholder's Surplus	\$ 6,342,359	\$ 5,865,839	\$ 6,433,493	\$ 6,834,677	\$ 7,539,103
Net Income (Loss)	(476,520)	389,003	401,184	706,993	(21,578)
Impact of NOL Carryback	0	178,651	0	0	0
Non-Admitted Assets	0	0	0	(2,567)	(1,232)
Surplus Adjustment	0	0	0	0	2,051
Ending Policyholder's Surplus	\$ 5,865,839	\$ 6,433,493	\$ 6,834,677	\$ 7,539,103	\$ 7,518,344

COMMENTS ON FINANCIAL STATEMENT ITEMS

Guaranty Fund (Note 1)

The Company did not report a Guaranty Fund on its Annual Statement as of December 31, 2021, as required by Section 380.271 RSMo (Financial reinsurance requirements). A Guaranty Fund amount of \$150,000 should have been reported.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

As a result of the examination and as noted above, the Guaranty Fund was increased from \$0 to \$150,000. This examination change also results in a decrease to Other Surplus of \$150,000, but no change to Total Policyholder Surplus.

SUMMARY OF RECOMMENDATIONS

Fidelity Bond (Page 3)

The Company should ensure that the amount of its fidelity bond coverage meets or exceeds the minimum amount suggested in the guidelines promulgated by the NAIC.

Guaranty Fund (Page 8)

The Company should report a Guaranty Fund in future Annual Statements that is in compliance with Section 380.271 RSMo (Financial reinsurance requirements).

SUBSEQUENT EVENTS

The COVID-19 pandemic is ongoing, with 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 Arnsberg Farmers' Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

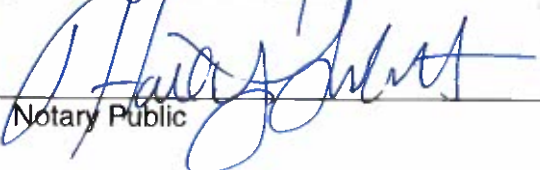
State of Missouri)
) ss
County of Cole)

I, Joshua Nash, 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 Arnsberg Farmers' 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.



Joshua Nash, CPA, CFE
Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 9th day of January, 2023.

My commission expires: March 30, 2023


Notary Public



HAILEY LUEBBERT
My Commission Expires
March 30, 2023
Osage County
Commission #15634365

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