

# 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 Freistatt 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.

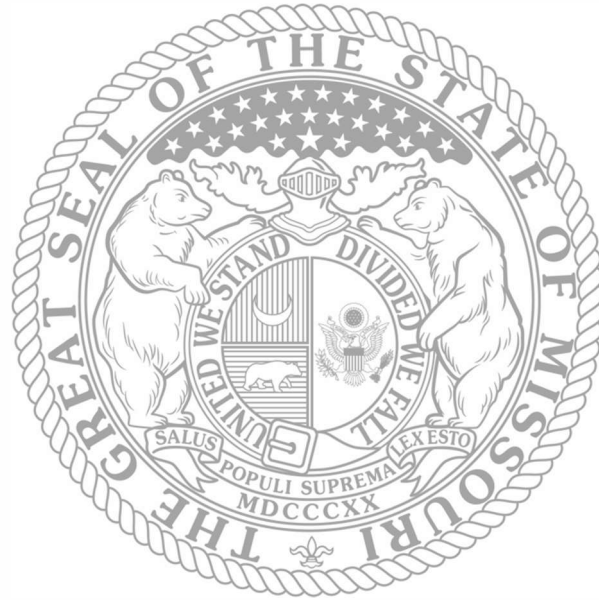
Based on such findings and conclusions, I hereby ORDER Freistatt Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition and affairs 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 22<sup>nd</sup> day of December, 2021.



*Chlora Lindley-Myers*

Chlora Lindley-Myers, Director  
Department of Commerce and Insurance



REPORT OF THE  
FINANCIAL EXAMINATION OF

# FREISTATT MUTUAL INSURANCE COMPANY

AS OF  
DECEMBER 31, 2020

STATE OF MISSOURI  
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

## TABLE OF CONTENTS

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

UNDERWRITING AND INVESTMENT EXHIBIT .....	7
GAIN OR LOSS IN SURPLUS .....	7
<b>COMMENTS ON FINANCIAL STATEMENT ITEMS .....</b>	<b>8</b>
<b>FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION .....</b>	<b>8</b>
<b>SUMMARY OF RECOMMENDATIONS.....</b>	<b>8</b>
<b>SUBSEQUENT EVENTS.....</b>	<b>8</b>
<b>ACKNOWLEDGMENT .....</b>	<b>9</b>
<b>VERIFICATION.....</b>	<b>9</b>
<b>SUPERVISION .....</b>	<b>10</b>

Freistatt, MO  
November 16, 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

### **FREISTATT MUTUAL INSURANCE COMPANY**

hereinafter referred to as such, or as the Company. Its administrative office is located at 411 North Main Street, Freistatt, Missouri, 65654, telephone number (417) 390-2019. The fieldwork for this examination began on September 10, 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 Freistatt 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 transaction 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 February 19, 1887, and incorporated on March 13, 1935, as the Farmers Mutual Insurance Company. On March 5, 1985, the Company amended its Articles of Incorporation, changing its name to Freistatt 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, the annual meeting of the Company's members is held on the first Tuesday 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 and shall be called upon petition of one-fourth of the members. Ten members shall constitute a quorum at any membership meeting. Proxy voting is not permitted.

The corporate powers of the Company are vested in the Board of Directors, who are elected from the general membership. The Board of Directors consists of nine members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every quarter and each director is compensated \$400 for each meeting attended.

Members serving on the Board of Directors as of December 31, 2020, were as follows:

<b><u>Name and Address</u></b>	<b><u>Occupation</u></b>	<b><u>Term Expires</u></b>
Gayle Cobb Clever, Missouri	Insurance Agent/Minster	2021
Robert Patterson Pierce City, Missouri	Insurance Agent/Farmer	2023
Kathy Kellhofer Sarcoxie, Missouri	Retired Insurance Agent/Farmer	2022
Chris Griesbaum Mount Vernon, Missouri	Company Manager	2023
Kay Kaiser Monett, Missouri	Insurance Agent	2022
Ed Mosher Mount Vernon, Missouri	Retired Insurance Agent	2023
Sandra Buntin Marionville, Missouri	Retired Teacher	2022
Kert Stump Oronogo, Missouri	Insurance Agent	2021
Steve Quade Shell Knob, Missouri	Retired Military	2021

**Officers**

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

<b><u>Name</u></b>	<b><u>Office</u></b>
Gayle Cobb	President
Robert Patterson	Vice President
Kathy Kellhofer	Vice President
Chris Griesbaum	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 that all directors and officers completed the conflict of interest forms, and four of the nine directors disclosed that they were also agents for the Company.

**Corporate Records**

The Company's Articles of Incorporation (Articles) and Bylaws were reviewed. At the 2017 annual meeting of the Company's members, the Articles were amended changing the number and term of directors, along with multiple revisions to clarify language in the document. The amended Articles were approved by the Department on July 18, 2017, and were filed with the Secretary of State on July 22, 2017. There were no changes to the Bylaws during this period of examination.

**EMPLOYEE BENEFITS**

The Company has three full-time employees. Employees receive two weeks paid vacation annually and all federal holidays. The Company does not provide any additional paid benefits to its employees.

**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 meets the minimum amount suggested in NAIC Financial Condition Examiners Handbook for the Company's level of exposure.

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 insurance coverages carried by the Company include property insurance on its office and contents, workers compensation, business liability and cyber 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, windstorm, and liability insurance in all counties in the State of Missouri. The Company's policies are sold by twenty-two independent agents and four Board members who are also agents. The agents receive a 20% commission on all business written and are able to earn bonus commission.

**Policy Forms and Underwriting Practices**

The Company utilizes American Association of Insurance Services (AAIS) policy forms, as well as Missouri Association Mutual Insurance Companies (MAMIC) forms and custom forms approved by the Department. Policies are renewed annually, and rates are determined by the Board of Directors. Renewal billings are mailed directly to insureds. Property inspections and claim adjusting services are performed by the Company Manager and the Company Inspector/Adjuster.

**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)
2020	\$2,958	\$772	\$1,688	\$ 728	\$83	\$ (87)	\$ 29
2019	2,782	625	1,688	1,242	77	(181)	(109)
2018	3,025	778	1,722	557	65	298	359
2017	2,671	736	1,772	1,094	75	(241)	(166)
2016	2,835	762	1,810	346	59	591	598

At year-end 2020, there were 2,100 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	2016	2017	2018	2019	2020
Direct Premiums Written	\$ 1,810	\$ 1,772	\$ 1,722	\$ 1,741	\$ 1,688
Assumed Gross Prem.	29	27	28	28	28
Reinsurance Ceded	(395)	(278)	(272)	(266)	(252)
<b>Net Premiums Written</b>	<b>\$ 1,443</b>	<b>\$ 1,521</b>	<b>\$ 1,478</b>	<b>\$ 1,503</b>	<b>\$ 1,464</b>

**Assumed Reinsurance**

MAMIC Mutual Insurance Company (MAMIC Mutual) 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 Mutual for these two 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's property and casualty reinsurance is placed with multiple participating reinsurers (reinsurer) through intermediary Guy Carpenter & Company, LLC. Coverage includes per risk excess of loss and aggregate excess of loss for property risks and excess of loss for casualty risks.



Under the property per risk excess of loss agreement, the Company retains \$100,000 per risk, and the reinsurer is responsible for the excess, limited to \$900,000 per risk and \$1,800,000 per occurrence. Under the aggregate excess of loss agreement, the Company's annual aggregate net retention, or attachment point, is equal to 75% of Company's gross net earned premium. The reinsurer is responsible for 100% of losses in excess of this attachment point. The attachment point for 2020 was \$1,167,692.

Under the casualty excess of loss section of the agreement, the Company retains \$25,000 per occurrence, and the reinsurer is responsible for 100% of the excess loss, limited to \$975,000 per occurrence.

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 a modified cash basis. The Certified Public Accounting firm of The CPA Group, of Monett, Missouri performs the annual audit, prepares tax returns and compiles the 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 Freistatt 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

Bonds – Book Value	\$ 1,844,563
Stocks	13,202
Mutual Funds	283,454
Real Estate-Book Value	1,126
Cash on Deposit	373,926
Computer Equipment (Hardware only)	11,863
Reinsurance Premium Receivable	24,825
Mutual D/O –E/O Loss Reserve Pool Partnership	403,325
Reinsurance Recoverable on Adjusting	1,623
<b>TOTAL ASSETS</b>	<b><u>\$ 2,957,907</u></b>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

As of December 31, 2020

Gross Losses Unpaid Less Reinsurance Recoverable	\$ 185,002
Unearned Premium	579,989
Federal Income Tax Payable	2,154
Payroll Tax	4,537
<b>TOTAL LIABILITIES</b>	<b><u>\$ 771,682</u></b>
Guaranty Fund	150,000
Other Surplus	2,036,225
<b>TOTAL POLICYHOLDER SURPLUS</b>	<b><u>\$ 2,186,225</u></b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b><u>\$ 2,957,907</u></b>

**UNDERWRITING AND INVESTMENT EXHIBIT**

For the Year Ended December 31, 2020

Net Earned Assessment/Premium Income	\$ 1,467,841
Other Insurance Income	54,110
Net Losses & Loss Adjustment Expense	(939,197)
Underwriting Expenses	(669,916)
<b>Underwriting Income (Loss)</b>	<b>\$ (87,162)</b>
Investment Income	84,498
Investment Expenses	(1,879)
<b>Net Investment Income</b>	<b>\$ 82,619</b>
Other Income	41,069
<b>Gross Profit or Loss</b>	<b>\$ 36,526</b>
Federal Income Tax	7,754
<b>NET PROFIT OR (LOSS)</b>	<b>\$ 28,772</b>

**GAIN OR LOSS IN SURPLUS**

Changes from January 1, 2016 to December 31, 2020

(\$000s omitted)

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Beginning Policyholder's Surplus	\$ 1,475	\$ 2,073	\$ 1,907	\$ 2,247	\$ 2,157
Net Profit or (Loss)	597	(166)	359	(109)	29
Unrealized Gains or (Losses)	0		(19)		
<b>Ending Policyholder's Surplus</b>	<b>\$ 2,072</b>	<b>\$ 1,907</b>	<b>\$ 2,247</b>	<b>\$ 2,138</b>	<b>\$ 2,186</b>

**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 Freistatt 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 employees of Freistatt Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated.


**VERIFICATION**

State of Missouri            )  
  )    ss  
County of Cole             )

I, Justin Lamb, 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 Freistatt 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.

  
\_\_\_\_\_  
Justin Lamb  
Financial Examiner  
Missouri Department of Commerce and  
Insurance

Sworn to and subscribed before me this 2<sup>nd</sup> day of December, 2021.

My commission expires: March 30, 2023  
  
\_\_\_\_\_  
Notary Public



**HAILEY LUEBBERT**  
My Commission Expires  
March 30, 2023  
Osage County  
Commission #16634366



**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*

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