

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 Gasconade Farmers Mutual Fire 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.

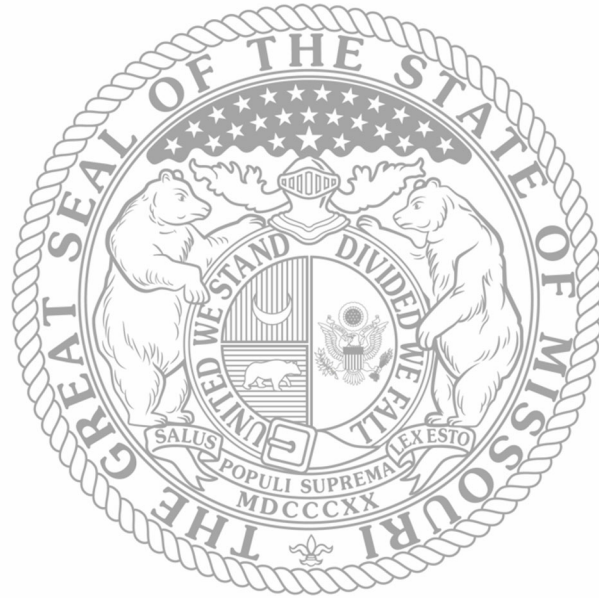
Based on such findings and conclusions, I hereby ORDER Gasconade Farmers Mutual Fire Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition 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 06th day of February, 2023.



Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

GASCONADE FARMERS MUTUAL FIRE INSURANCE COMPANY

AS OF
DECEMBER 31, 2021

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

JEFFERSON CITY, MISSOURI

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Jefferson City, MO
December 14, 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

Gasconade Farmers Mutual Fire Insurance Company

Hereinafter referred to as such, as GFMFIC, or as the Company. Its administrative office is located at 200 E First Street, Hermann, Missouri 65041. Telephone number (573) 486-3137. The fieldwork for this examination began on September 5, 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 Gasconade Farmers Mutual Fire Insurance 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 originally organized in August of 1886, as Boulware Farmers Aid Association and was incorporated in 1905 as the Gasconade Farmers Mutual Fire Insurance Company.

The Company has a Certificate of Authority dated June 18, 1997, and is covered by Sections 380.201 through 380.611 RSMO (Extended Missouri Mutual Insurance Companies).

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 Thursday in March, 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 at any time by the Board of Directors 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 permitted.

The management of the Company is vested in a Board of Directors, who are elected by the general membership. The Board of Directors consists of five members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every quarter. The Board of Directors elected and serving as of December 31, 2021, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Hoyt C. Stemme Hermann, Missouri	Insurance Agent	2023
Michael D. Sloan Hermann, Missouri	Restaurant Owner/Operator	2023
Linda A. Stemme Hermann, Missouri	Farmer/Real Estate Sales Associate	2024
Olan W. Stemme Hermann, Missouri	Insurance Agent/Real Estate Broker	2022
John E. Santhuff Steelville, Missouri	Retired/ Business Management	2022

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>
Hoyt C. Stemme	President
Michael D. Sloan	Vice-President
Linda A. Stemme	Treasurer
Olan W. Stemme	Secretary

Conflict of Interest

The Company has a conflict of interest procedure 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, neither of which were 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 full-time employee and two part-time employees. The Company’s employees receive vacation, holidays, dental and vision insurance, and participate in a simple IRA retirement plan with a Company match.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$25,000 with a \$1,000 deductible. The fidelity bond coverage does not meet the minimum amount of \$50,000 suggested in the guidelines promulgated by the NAIC.

The Company carries liability coverage for its directors and officers. The Company provides its agents with errors and omissions insurance. Other insurance coverages carried by the Company include property and liability insurance.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the Department 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 Missouri counties. The Company’s policies are sold by two licensed agents, who receive a 15% commission on new and renewal property policies and a 10% commission on new and renewal liability policies.

Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Service, Inc. (AAIS) policy forms. Policies are written on a one-year term for Homeowner Policies and a three-year term for other Property and Liability Policies. The Board of Directors determines rates. Property inspections are performed by the Company’s agents. Claims adjusting is performed by the Company’s agents or by independent adjusters, at the discretion of the Company.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's premium writings and other financial results for the period under examination:

(\$000s omitted)

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2021	\$ 1,694	\$ 2	\$ 417	\$ 89	\$ 32	\$ (3)	\$ 28
2020	1,581	11	432	39	35	57	91
2019	1,583	14	438	60	39	14	52
2018	1,510	12	419	50	44	72	119
2017	1,442	46	425	130	45	(63)	(12)

At year-end 2021, there were 643 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 Premiums Written	\$ 422	\$ 414	\$ 432	\$ 430	\$ 413
Reinsurance Assumed:	11	11	11	11	11
Reinsurance Ceded:	(130)	(128)	(132)	(135)	(129)
Net Premiums Written	\$ 303	\$ 297	\$ 311	\$ 306	\$ 295

Assumed Reinsurance

Missouri Association of Mutual Insurance Companies (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 3% share in the interest and liabilities of the pool.

Ceded Reinsurance

The Company has its reinsurance through Wisconsin Reinsurance Corporation (the Reinsurer) under a single contract with multiple sections covering property and liability risks.

The per-risk excess of loss section of the contract pertains to property risks. The Company retains \$50,000 per risk, and the Reinsurer's limit is \$950,000 per risk.

The aggregate excess of loss section of the contract pertains to all business written by the Company. The Company's annual aggregate net retention, or attachment point, is equal to 75% of Company's net written premium. The Reinsurer is liable for 100% of all losses in excess of the attachment point.

Under the casualty quota share coverage, the Company cedes 100% of premiums and losses 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 obligation under the reinsurance contract.

ACCOUNTS AND RECORDS

The Company maintains its accounting records on a modified accrual basis. The Company relies Biermann Straatmann, P.C., to assist in the completion of its annual statement and preparation of the Company's tax return for 2020 and 2021. For tax years 2017 through 2019, the Company engaged Thomas J. Metcalf, CPA, for assistance with tax returns

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 Gasconade Farmers Mutual Fire 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	\$	812,233
Stocks		49,912
Mutual Funds		267,540
Cash on Deposit		213,110
Other Investments		333,286
Interest Due and Accrued		5,610
Reinsurance Paid Receivable		12,747
TOTAL ASSETS	\$	1,694,438

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2021

Payroll Tax	\$	2,452
TOTAL LIABILITIES	\$	2,452
Guaranty Fund		150,000
Other Surplus		1,541,986
TOTAL CAPITAL AND SURPLUS	\$	1,691,986
TOTAL LIABILITIES AND SURPLUS	\$	1,694,438

UNDERWRITING AND INVESTMENT EXHIBIT

For the Year Ended December 31, 2021

Net Earned Assessment/Premium Income	\$	294,435
Other Insurance Income		19,804
Net Losses & Loss Adjustment Expense		(96,424)
Underwriting Expenses		(221,295)
Net Underwriting Gain (Loss)	\$	(3,480)
Investment Income		32,448
Net Investment Income	\$	32,448
Other Income		(744)
Gross Profit or Loss	\$	28,224
Federal Income Tax		0
NET INCOME (LOSS)	\$	28,224

GAIN OR LOSS IN SURPLUS

Changes from January 1, 2017 to December 31, 2021

In regard to the Gain or Loss in Surplus section on Page 5 of the annual statement, the Company failed to use the “Current Policyholder’s Surplus” from the prior year annual statement as the “Beginning Policyholder’s Surplus” on the current year statement. This error occurred in each year under examination, and as a result, there were numerous errors in this reporting section. The issue appears to be largely attributable to the incorrect reporting of market value adjustments of investments in the reconciliation. The errors in this section did not appear to affect the year-end total policyholder surplus reported in the annual statements.

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

Fidelity Bond

Page 3

The Company should increase the limit of liability of its fidelity bond coverage to at least \$50,000, to meet the minimum amount suggested in the NAIC guidelines.

Gain or Loss in Surplus

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The Company should ensure that the “Beginning Policyholder’s Surplus” amount reported in the Gain or Loss in Surplus section on Page 5 of the annual statement is equal to the “Current Policyholder’s Surplus” reported in the prior year annual statement to accurately portray a rollforward of policyholder surplus from the prior year to the current year.

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 Gasconade Farmers Mutual Fire 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 Gasconade Farmers Mutual Fire 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
Justin Lamb
Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 18 day of January, 2023.

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.

Michael R. Shadowens

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