



## DEPARTMENT OF COMMERCE & INSURANCE

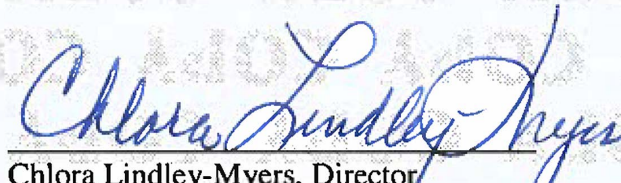
P.O. Box 690, Jefferson City, Mo. 65102-0690

### ORDER

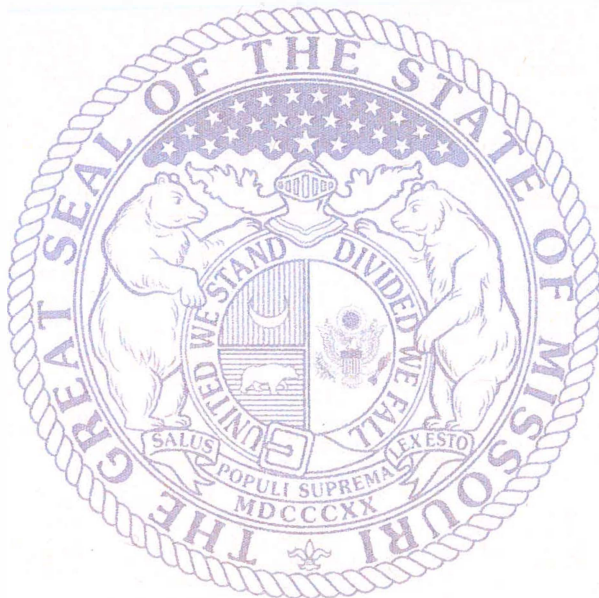
After full consideration and review of the report of the financial examination of North Missouri Mutual Insurance Company for the period ended December 31, 2018, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, 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 North Missouri 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 31<sup>st</sup> day of March, 2020.

  
Chlora Lindley-Myers, Director  
Department of Commerce and Insurance





REPORT OF THE  
FINANCIAL EXAMINATION OF

# **NORTH MISSOURI MUTUAL INSURANCE COMPANY**

AS OF  
DECEMBER 31, 2018

STATE OF MISSOURI  
DEPARTMENT OF COMMERCE & INSURANCE



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December 10, 2019  
Princeton, Missouri

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 examination warrant, a full-scope examination has been made of the records, affairs and financial condition of

### **NORTH MISSOURI MUTUAL INSURANCE COMPANY**

hereinafter referred to as such, or as the Company. The Company's administrative office is located at 701 East Main Street, Princeton, Missouri 64673, telephone number (660) 748-3415. This examination began on December 9, 2019, was concluded on the above date, and is respectfully submitted.

### **SCOPE OF EXAMINATION**

#### **Period Covered**

The prior full-scope examination of the Company was made as of December 31, 2013, and was conducted by examiners from the Missouri Department of Commerce and Insurance (Department). The current full-scope examination covers the period from January 1, 2014, through December 31, 2018, and was conducted by examiners from the Department.

This examination also included material transactions and/or events occurring subsequent to the examination date, which are noted in this report.

#### **Procedures**

This examination was conducted using the guidelines set forth in the Financial Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Department and statutes of the State of Missouri prevailed.

## HISTORY

### General

The Company was originally established on June 21, 1894, and was incorporated on July 11, 1894, as Mercer County Mutual Fire Insurance Company. On April 10, 1998, the Company changed its name to North Missouri Mutual Insurance Company.

The Company has a Certificate of Authority dated August 25, 2004, 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

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the final Wednesday of February, with the specific date and time being made no less than 30 days prior to that week of each year. Meetings are held at the home office or other place as 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. Eight members shall constitute a quorum at any membership meeting. Proxy voting is not permitted.

The management of the Company is vested in the Board of Directors, who are elected from the general membership. The Board of Directors consists of seven members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every other month. Directors are compensated \$150 per each meeting attended.

Members serving on the Board of Directors as of December 31, 2018, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term Expires</u>
Larry Pollard Spickard, Missouri	Mutual Manager	2020
Mark Higgins Princeton, Missouri	CPA	2020
Dean Henley Mercer, Missouri	Insurance Agent	2019
Tammy Hart Princeton, Missouri	Physician	2020

Toni Powell Princeton, Missouri	Teacher	2020
Ronald Parsons Cainsville, Missouri	Maintenance Worker	2021
Terry Puffer Mercer, Missouri	Retired	2021

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, 2018, were as follows:

Larry Pollard	President
Mark Higgins	Vice-President
Dean Henley	Secretary/Treasurer

**Conflict of Interest**

The Company has a written conflict of interest procedure for the disclosure of material conflicts of interest or affiliations by its directors and officers. The Company has its directors and officers sign conflict of interest statements on an annual basis. A review of the completed statements noted no material potential conflicts.

**Corporate Records**

A review was made of the Articles of Incorporation (Articles) and the Bylaws of the Company. Neither the Articles nor the Bylaws were amended during the examination period. The minutes of the membership and the Board of Directors' meetings were reviewed for the period under examination. The minutes and records of the Company appear to properly reflect and approve corporate transactions and events.

## **FIDELITY BOND AND OTHER INSURANCE**

The Company is a named insured on a fidelity bond providing a single loss limit of liability of \$1 million and a single loss deductible of \$20,000. 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, business liability insurance, and workers compensation and employers' liability insurance.

## **EMPLOYEE BENEFITS**

The Company has three full-time employees. The benefits package offered to employees includes health, dental, and vision insurance. The package also includes paid holidays, paid time off and matching contributions to employee individual retirement accounts.

## **INSURANCE PRODUCTS AND RELATED PRACTICES**

### **Territory and Plan of Operation**

The Company is licensed by the Department 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 writes fire, wind, and liability coverages. The Company's policies are sold by twenty-two licensed agents, who receive a commission of 15% on new and renewal business.

### **Policy Forms and Underwriting Practices**

The Company mainly utilizes American Association of Insurance Services (AAIS) forms, as well as some forms of their reinsurer, Grinnell Mutual Reinsurance Company. The policies are written on a continuous period and renewed annually, with rates determined by the Board of Directors. Renewal billings are mailed directly to the insured. Property inspections are performed by an independent inspector, and underwriting is done by the Company's full-time underwriter. Loss adjusting is performed by an independent adjuster.

## GROWTH AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income	Underwriting Income	Net Income
2018	\$ 1,907,748	\$ 744,035	\$ 1,214,322	\$ 354,021	\$ 30,896	\$ (122,071)	\$ (35,554)
2017	1,975,405	776,138	1,268,757	439,417	29,456	(197,840)	(166,856)
2016	2,117,625	751,502	1,282,823	201,458	29,233	193,940	171,039
2015	1,922,795	727,711	1,350,337	459,963	27,465	(24,943)	4,125
2014	1,727,314	536,355	1,297,549	1,929,669	25,084	19,272	44,920

At year-end 2018, 1,323 policies were in force.

## REINSURANCE

### General

The Company's reinsurance premium activity on a direct-written, assumed and ceded basis for the period under examination is shown below:

	2014	2015	2016	2017	2018
Direct	\$ 1,286,010	\$ 1,339,527	\$ 1,271,412	\$ 1,257,925	\$ 1,203,185
Assumed	11,539	10,810	11,411	10,832	11,137
Ceded	(510,184)	(558,583)	(585,259)	(597,041)	(599,476)
Net	\$ 787,365	\$ 791,754	\$ 697,564	\$ 671,716	\$ 614,846

### Assumed

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 2% share in the interests and liabilities of the pool.



## Ceded

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (Grinnell).

The Company has a property reinsurance agreement that includes per risk and aggregate excess of loss coverage. Under the per risk excess of loss section of the agreement, the Company retains \$125,000 per risk, and Grinnell covers 100% of the excess subject to a maximum reinsurance recovery of \$15 million for each risk. Under the aggregate excess of loss agreement, Grinnell is liable for all losses in excess of the Company's annual aggregate net retention, or attachment point. The attachment point for 2018 was \$475,000.

For liability risks, the Company cedes 100% of the premiums and losses to Grinnell 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 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 an accrual basis. The Company utilizes packaged software systems for policy maintenance. The CPA firm of Van de Ven, LLC, performs a compilation of the Company's financial statements and prepares the Company's annual statement and tax filings.

## **FINANCIAL STATEMENTS**

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2018, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements," which follow 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 differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial, concerning their effect on the financial statements. Therefore, they were communicated to the Company and noted in the workpapers for each individual annual statement item.

**ASSETS**  
**December 31, 2018**

Bonds	\$ 104,686
Real Estate	11,196
Cash on Deposit	1,567,742
Other Investments	166,147
Premium Receivable	8,461
Federal Income Tax Recoverable	40,000
Interest Due and Accrued	5,750
Prepaid Insurance	<u>3,766</u>
 Total Assets	 <u><u>\$ 1,907,748</u></u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**  
**December 31, 2018**

Net Losses Unpaid	\$ 270,521
Ceded Reinsurance Premium Payable	49,188
Unearned Premium	413,321
Prepaid Premiums	<u>11,005</u>
 Total Liabilities	 <u>\$ 744,035</u>
 Guaranty Fund	 \$ 150,000
Other Surplus	<u>1,013,713</u>
 Total Surplus	 <u>\$ 1,163,713</u>
 Total Liabilities and Surplus	 <u><u>\$ 1,907,748</u></u>

**STATEMENT OF INCOME**  
**For the Year Ending December 31, 2018**

Net Premiums Earned	\$ 643,999
Other Insurance Income	99,279
Losses & Loss Adjustment Expenses Incurred	(389,489)
Other Underwriting Expenses Incurred	(475,860)
	<hr/>
Net Underwriting Income (Loss)	\$ (122,071)
Net Investment Income	30,896
Other Income	55,621
	<hr/>
Gross Profit (Loss)	\$ (35,554)
Federal Income Tax	0
	<hr/>
Net Income (Loss)	<u>\$ (35,554)</u>

**RECONCILIATION OF SURPLUS**  
**Changes from January 1, 2014, to December 31, 2018**  
**(\$000's omitted)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Capital and Surplus, Beginning of Year	\$ 1,146	\$ 1,191	\$ 1,195	\$ 1,366	\$ 1,199
Net Income (Loss)	45	4	171	(167)	(35)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Capital and Surplus, End of Year</b>	<b><u>\$ 1,191</u></b>	<b><u>\$ 1,195</u></b>	<b><u>\$ 1,366</u></b>	<b><u>\$ 1,199</u></b>	<b><u>\$ 1,164</u></b>

**NOTES TO THE FINANCIAL STATEMENTS**

None.

**EXAMINATION CHANGES**

None.

**SUMMARY OF RECOMMENDATIONS**

None.

**SUBSEQUENT EVENTS**

There were no significant subsequent events noted between December 31, 2018 and the date of this report.



**ACKNOWLEDGMENT**

The assistance and cooperation extended by the employees of North Missouri Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated.

**VERIFICATION**

State of Missouri )  
  )  
County of Cole        )

I, Brian D. Hammann, 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 the facts appearing upon the books, records or other documents of the 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 Hammann  
Brian D. Hammann, CPA, AFE  
Financial Examiner  
Missouri Department of Commerce & Insurance

Sworn to and subscribed before me this 19<sup>th</sup> day of February, 2020.

My commission expires:  
March 30, 2023

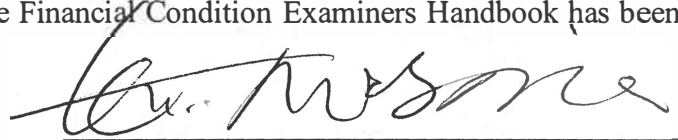
Hailey Luebbert  
Notary Public



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.

A handwritten signature in black ink, appearing to read "Levi N. Nwasoria", written over a horizontal line.

Levi N. Nwasoria, CPA, CFE  
Assistant Chief Financial Examiner  
Missouri Department of Commerce & Insurance