

DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

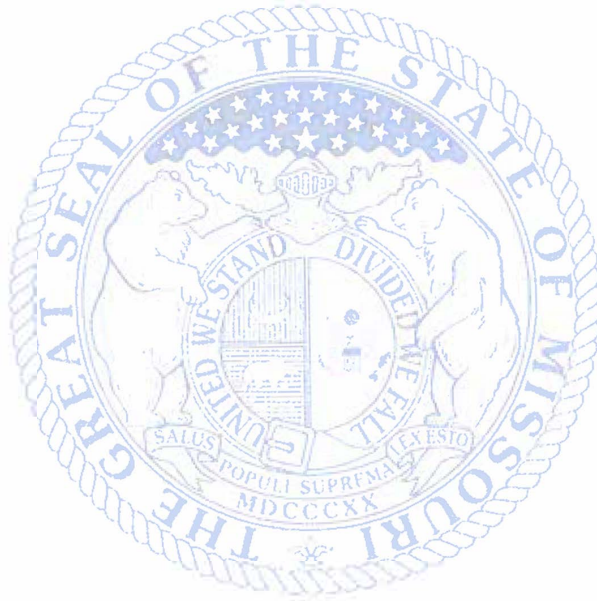
After full consideration and review of the report of the financial examination of Andrew County Mutual Insurance Company for the period ended December 31, 2018, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, 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 Andrew 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 14th day of January, 2020.



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



FILED
JAN 14 2020
DIRECTOR OF
MISSOURI DEPARTMENT OF
COMMERCE AND INSURANCE

REPORT OF THE
FINANCIAL EXAMINATION OF

ANDREW COUNTY MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2018

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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November 25, 2019
Savannah, MO

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce & 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

ANDREW COUNTY MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company." The Company's administrative office is located at 422 Court Street, Savannah, MO, telephone number (816) 324-3151. This examination began on November 21, 2019, was concluded on the above date, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed a single-state examination of Andrew County Mutual Insurance Company. The last examination covered the period of January 1, 2009 through December 31, 2013. This examination covers the period of January 1, 2014 through December 31, 2018.

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 Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Department of Commerce & Insurance (DCI) and statutes of the State of Missouri prevailed.

HISTORY

General

The Company was originally organized in December 21, 1889, and was incorporated on July 25, 1890, as Farmers Mutual Fire, Lightning and Windstorm Insurance Company of Andrew County, Missouri. The Company was subsequently known as Farmers Mutual Insurance Company of Andrew County, Missouri, and in 1985 changed its name to Andrew County Mutual Insurance Company.

The Company has a Certificate of Authority dated April 1, 1985, 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 second Tuesday of April at the home office of the Company or at such other place as may be designated by the Board of Directors. Proxy voting is 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 nine members, serving staggered three-year terms. All directors must be policyholders of the Company. The Board of Directors meet twelve times each year, and each director is compensated \$150 per 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 End</u>
Ray Furst Cosby, Missouri	Retired	2019
Randy Roberts Rea, Missouri	Farmer	2019
Johnnie Hubach Rea, Missouri	Farmer	2019
Steve Humphrey Helena, Missouri	Banker	2020
Terry Evans Cosby, Missouri	Farmer	2020
Steve Cole Rosendale, Missouri	Farmer	2020

Gary Baumann Savannah, Missouri	Farmer	2021
Roger Bowlin Savannah, Missouri	Farmer	2021
Brandon Rasnic Fillmore, Missouri	Farmer	2021

The Board of Directors appoints the officers of the Company for a term of one year. The officers of the Company serving at December 31, 2018, were as follows:

<u>Name</u>	<u>Office</u>
Gary Baumann	President
Steve Humphrey	Vice-President
Connie Wall	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 has its directors and officers sign conflict of interest statements on an annual basis. A review of the executed conflict of interest statements noted that three of the directors are agents for the Company.

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.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$50,000. The fidelity bond coverage of the Company does not meet the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$75,000 and \$100,000.

The Company carries liability coverage for its directors and officers and requires its agents to obtain errors and omissions coverage.

The Company has a business owner's and workers' compensation policy with outside carriers.

EMPLOYEE BENEFITS

The Company has one full-time employee. The benefits package offered by the Company to its employee includes participation in a retirement plan, with the Company matching employee contributions, and paid time off.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the DCI 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 counties in the State of Missouri. The Company's policies are sold by four captive agents.

Policy Forms and Underwriting Practices

The Company utilizes AAIS, MAMIC, and its reinsurer's policy forms. The policies are written on a 3-year continuous basis. Property inspections are performed by the Company's agents. Adjusting functions are performed by Company agents and a third party. Rates are determined by the Board of Directors.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income	Underwriting Income	Net Income
2018	\$3,100,002	\$470,290	\$1,125,280	\$218,230	\$ 77,121	\$250,715	\$335,550
2017	2,815,074	520,912	1,118,321	472,226	99,674	(98,503)	(4,271)
2016	2,744,945	538,191	1,099,267	357,190	95,894	23,764	116,273
2015	2,602,658	512,177	1,076,872	438,871	62,690	(16,374)	45,446
2014	2,544,992	499,957	1,036,315	352,542	103,794	31,245	129,115

At year-end 2018, 1,083 policies were in force.

REINSURANCE

General

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Direct	\$1,036,315	\$1,076,872	\$1,099,267	\$1,118,321	\$1,125,280
Assumed	0	0	0	0	0
Ceded	<u>(341,178)</u>	<u>(357,084)</u>	<u>(367,029)</u>	<u>(371,491)</u>	<u>(388,346)</u>
Net	<u>\$ 695,137</u>	<u>\$ 719,788</u>	<u>\$ 732,238</u>	<u>\$ 746,830</u>	<u>\$ 736,934</u>

Assumed

The Company does not reinsure other companies.

Ceded

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

Under the per risk excess of loss section of the property agreement, the Company retains \$125,000 of losses per risk, and the reinsurer's maximum limit is \$15,000,000 per risk. Under the aggregate excess section of the property agreement, the reinsurer is liable for 100% of losses in excess of the Company's annual retention, which was \$530,000 of its ultimate net losses in 2018. The agreement also contains an addendum that provides for the cession of 100% of earthquake coverage premium and losses to the reinsurer.

For the liability coverage, the Company cedes 100% of its premium and losses to the reinsurer and receives a 20% ceding commission. The reinsurer's maximum limit under the agreement is \$1,000,000 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 an accrual basis. The CPA firm of Harden, Cummins, Moss & Miller, LLC performs an annual audit of the Company's financial statements and prepares the annual statement and federal 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	\$2,817,018
Real Estate	6,740
Cash on Deposit	223,789
Interest Due and Accrued	28,924
Prepaid Insurance	4,398
Contingent Commission	18,198
Prepaid Adjustment	935
	<hr/>
Total Assets	\$ 3,100,002

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2018

Unpaid Losses	\$ 10,567
Ceded Reinsurance Premium Payable	32,041
Unearned Premium	427,629
Payroll Tax	53
	<hr/>
Total Liabilities	\$ 470,290
Guaranty Fund	\$ 150,000
Other Surplus	2,479,712
	<hr/>
Total Surplus	\$ 2,629,712
Total Liabilities and Surplus	\$ 3,100,002

STATEMENT OF INCOME
For the Year Ending December 31, 2018

Net Premiums Earned	\$ 727,976
Other Insurance Income	87,515
Net Losses & Loss Adjusting Expenses Incurred	(199,147)
Other Underwriting Expenses Incurred	<u>(365,629)</u>
Net Underwriting Income (Loss)	\$ 250,715
Net Investment Income	77,121
Other Income	<u>12,997</u>
Gross Profit (Loss)	\$ 340,833
Federal Income Tax	<u>(5,283)</u>
Net Income (Loss)	<u>\$ 335,550</u>

RECONCILIATION OF SURPLUS
Changes from January 1, 2014 to December 31, 2018

	2014	2015	2016	2017	2018
Capital and Surplus, Beginning of Year	\$1,915,920	\$2,045,035	\$2,090,481	\$2,298,433	\$2,294,162
Net Income	<u>129,115</u>	<u>45,446</u>	<u>207,952</u>	<u>(4,271)</u>	<u>335,550</u>
Capital and Surplus, End of Year	<u>\$2,045,035</u>	<u>\$2,090,481</u>	<u>\$2,298,433</u>	<u>\$2,294,162</u>	<u>\$2,629,712</u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUBSEQUENT EVENTS

None.

SUMMARY OF RECOMMENDATIONS

Fidelity Bond (Page 3)

The Company should increase its fidelity bond coverage to at least \$75,000, which is the minimum amount suggested in the guidelines promulgated by the NAIC.

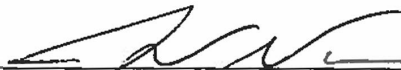
ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
)
County of Cole)

I, Joshua R. Nash, 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.

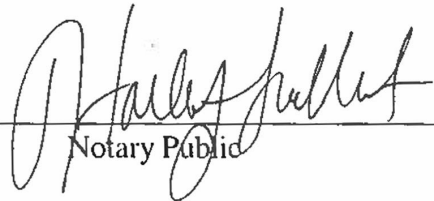


Joshua R. Nash, CPA, AFE
Financial Examiner
Missouri Department of Commerce & Insurance

Sworn to and subscribed before me this 23rd day of December, 2019.

My commission expires:

March 30, 2023



Notary Public



HALEY 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.



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