

DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

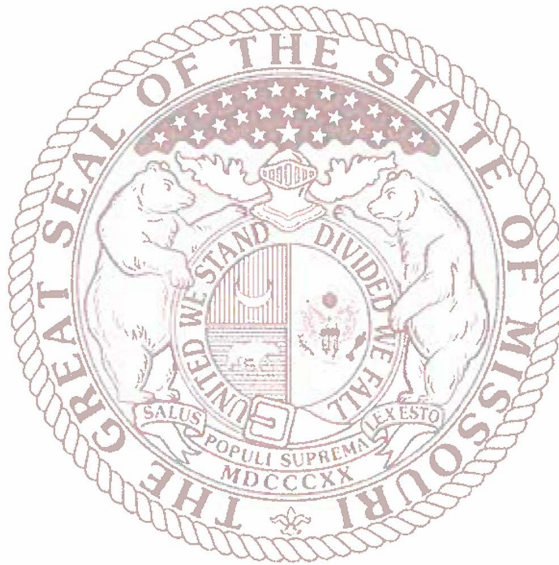
After full consideration and review of the report of the financial examination of Chariton County Mutual Insurance Company for the period ended December 31, 2018, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, 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 Chariton 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 13th day of May, 2020.


Chlora Lindley-Myers, Director
Department of Commerce and Insurance





REPORT OF THE
FINANCIAL EXAMINATION OF

CHARITON COUNTY MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2018

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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December 18, 2019
Mendon, 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

CHARITON COUNTY MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company." The Company's administrative office is located at 404 Main Street, Mendon, MO, telephone number (660) 272-3322. This examination began on December 11, 2019, was concluded on the above date, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed a single-state examination of Chariton 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 on August 5, 1895, and was incorporated on October 10, 1895, as Farmers Mutual Fire Insurance Company of Chariton County. On March 30, 2000, the Company changed its name to Chariton 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 last Thursday of March at the home office of the Company or at such other place as may be designated by the Board of Directors. 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 nine members, serving staggered three-year terms. All directors must be policyholders of the Company. The Board of Directors meets twelve times each year, and each director is compensated \$125 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>
William Wilkey Salisbury, Missouri	Farmer	2020
John Summers Triplett, Missouri	Farmer	2020
Duane Leimkuehler Brunswick, Missouri	Farmer	2019
William Marek Salisbury, Missouri	Self-Employed	2021
Ronnie McGilvray Mendon, Missouri	Farmer	2019
Meredith Manson Brunswick, Missouri	Farmer	2019
Mark Ramsey Salisbury, Missouri	Banker	2021

Paul Speichinger Mendon, Missouri	Farmer	2021
Floyd Rodgers New Cambria, Missouri	Retired	2020

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>
Ronald McGilvray	President
John Summers	Vice-President
Darryl Young	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 one of the officers is an agent 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. The minutes appeared to properly support the approval of major company transactions and events 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 \$100,000. The fidelity bond coverage of the Company meets 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 three full-time employees. The benefits package offered by the Company to its employees includes participation in a retirement plan, with the Company matching employee contributions, health insurance, 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 three captive agents and an independent agency.

Policy Forms and Underwriting Practices

The Company utilizes AAIS and its reinsurer's policy forms. The policies are written on a three-year continuous basis. Property inspections are performed by the Company's agents. Adjusting functions are performed by the Company's agents and a third party. Rates are determined by the Company's 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	\$6,216,475	\$618,347	\$1,338,816	\$ 761,470	\$122,743	\$182,627	\$405,564
2017	5,963,884	733,813	1,302,324	1,132,565	106,638	10,485	221,494
2016	5,874,379	857,923	1,275,969	394,934	84,162	411,973	415,369
2015	5,551,695	963,002	1,245,408	464,447	99,970	221,834	282,898
2014	5,353,528	781,480	1,240,027	497,887	116,754	79,242	130,796

At year-end 2018, 1,169 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	\$1,240,027	\$1,245,408	\$1,275,969	\$1,302,324	\$1,338,816
Assumed	0	0	0	0	0
Ceded	<u>(261,264)</u>	<u>(277,250)</u>	<u>(264,205)</u>	<u>(257,312)</u>	<u>(266,126)</u>
Net	<u>\$ 978,763</u>	<u>\$ 968,158</u>	<u>\$1,011,764</u>	<u>\$1,045,012</u>	<u>\$1,072,690</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 \$200,000 of losses per risk, and the reinsurer's maximum limit is \$20,000,000 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 \$750,000 of its ultimate net losses in 2018.

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	\$1,460,899
Mutual Funds	1,013,534
Real Estate	17,306
Cash on Deposit	3,399,845
Other Investments	303,035
Interest Due and Accrued	19,237
Prepaid Insurance	2,619
	<hr/>
Total Assets	<u>\$6,216,475</u>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2018

Unpaid Losses	\$ 20,880
Ceded Reinsurance Premium Payable	23,289
Unearned Premium	470,647
Federal Income Tax Payable	4,865
Borrowed Money	50,000
Payroll Tax	945
Accounts Payable (Other)	750
Accrued Compensated Absences	31,971
Profit Sharing Payable	15,000
	<hr/>
Total Liabilities	\$ 618,347
Guaranty Fund	\$ 150,000
Other Surplus	5,448,128
	<hr/>
Total Surplus	<u>\$ 5,598,128</u>
Total Liabilities and Surplus	<u>\$ 6,216,475</u>

STATEMENT OF INCOME
For the Year Ending December 31, 2018

Net Premiums Earned	\$1,156,040
Other Insurance Income	3,290
Net Losses & Loss Adjusting Expenses Incurred	(688,714)
Other Underwriting Expenses Incurred	<u>(287,989)</u>
Net Underwriting Income (Loss)	\$ 182,627
Net Investment Income	122,743
Other Income	<u>117,640</u>
Gross Profit (Loss)	\$ 423,010
Federal Income Tax	<u>(17,446)</u>
Net Income (Loss)	<u>\$ 405,564</u>

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Capital and Surplus, Beginning of Year	\$4,438,050	\$4,572,048	\$4,588,703	\$5,016,456	\$5,230,073
Net Income	130,796	282,898	415,369	221,494	405,564
Change in Net Unrealized Gains (Losses)	3,202	(15,770)	12,384	(7,877)	(37,509)
Change in Value of Mutual Funds	0	(474)	0	0	0
Investment in Agency (Non-Admitted)	<u>0</u>	<u>(250,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital and Surplus, End of Year	<u>\$4,572,048</u>	<u>\$4,588,703</u>	<u>\$5,016,456</u>	<u>\$5,230,073</u>	<u>\$5,598,128</u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUBSEQUENT EVENTS

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

SUMMARY OF RECOMMENDATIONS

None.

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 R. Shadowens

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