



**DEPARTMENT OF INSURANCE, FINANCIAL  
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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

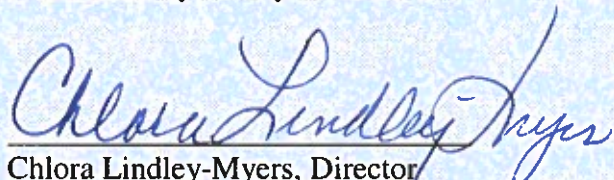
**ORDER**

After full consideration and review of the report of the financial examination of Old Missouri Mutual Insurance Company the period ended December 31, 2017, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration 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 Old 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 July, 2019.



  
Chlora Lindley-Myers, Director  
Department of Insurance, Financial Institutions  
and Professional Registration



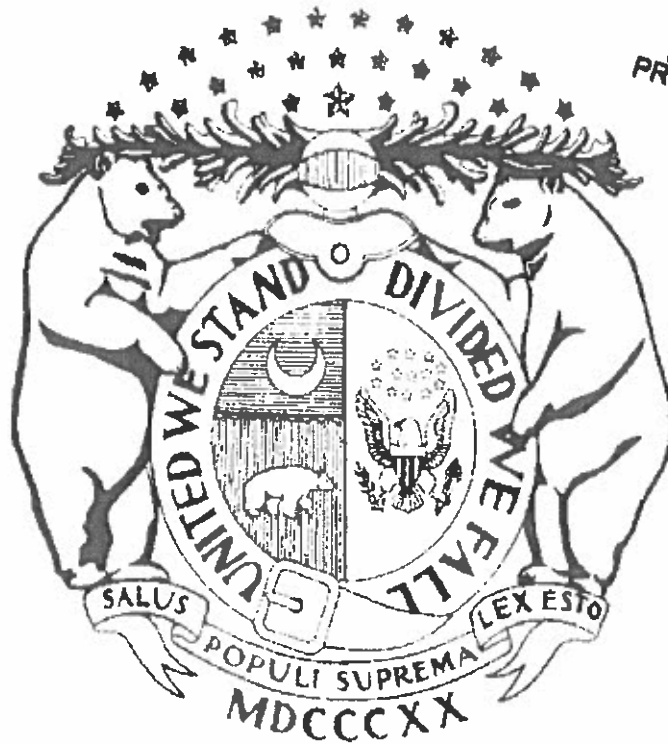
REPORT OF THE  
FINANCIAL EXAMINATION OF  
OLD MISSOURI MUTUAL INSURANCE COMPANY

AS OF  
DECEMBER 31, 2017

**FILED**

JUL 31 2019

DIRECTOR OF INSURANCE,  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS  
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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March 29, 2019  
Nixa, Missouri

Honorable Chlora Lindley-Myers, Director  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration  
301 West High Street, Room 530  
Jefferson City, Missouri 65102

Director Lindley-Myers:

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

### **OLD MISSOURI MUTUAL INSURANCE COMPANY**

hereinafter referred to as such, or as the "Company." The Company's administrative office is located at 902 West Mount Vernon (P.O. Box 367), Nixa, Missouri 65714, telephone number (417) 725-3811. This examination began on March 28, 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, 2012 and was conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP). The current full-scope examination covers the period from January 1, 2013 through December 31, 2017 and was also conducted by examiners from the DIFP.

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 DIFP and statutes of the State of Missouri prevailed.

## HISTORY

### General

The Company was originally organized and incorporated on August 12, 1922 as Farmers Mutual Insurance Company of Dallas County. In 1990, the Company changed its name to Old Missouri Mutual Insurance Company. In 2003, the Company was merged with Farmers Mutual Fire Insurance Company of Worth County, with the Company being the surviving entity. Effective March 1, 2010, Nixa Farmers Mutual Insurance Company was merged with the Company, with Old Missouri Mutual Insurance Company being the surviving entity.

The Company has a Certificate of Authority dated June 7, 2004, and is covered by Sections 380.201 through 380.611 Revised Statutes of Missouri (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 fourth Tuesday in January 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. Eight members shall constitute a quorum at any membership meeting. Proxy voting is permitted.

The management of the Company is vested in the Board of Directors, who are elected from the general membership. The Articles of Incorporation require the Board of Directors to consist of five members, serving staggered three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately six to eight times per year, and each director is compensated \$500 per meeting attended.

Members serving on the Board of Directors as of December 31, 2017 were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term</u>
Judy Hadsall Nixa, Missouri	Credit Union President	2017-2020
Brenda Simms Nixa, Missouri	Insurance Agent	2017-2020
Harold Hodges Sparta, Missouri	Insurance Agent	2016-2019
Beverly Moore Clever, Missouri	Insurance Company Chief Financial Officer	2017-2020
Charles Smith Galena, Missouri	Insurance Company Chief Executive Officer	2016-2019

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, 2017 were as follows:

Judy Hadsall	President
Brenda Simms	Vice-President
Rusty Dunning	Secretary
Beverly Moore	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 as performed as part of this examination. It was noted that three of the Company's directors also serve as directors for another Missouri Mutual Insurance Company, BMI, Inc. (BMI). Two of these three directors are also officers/employees of BMI. It was also noted that one of the remaining directors 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 were amended at the January 27, 2015 annual membership meeting to allow proxy voting and to reduce the required number of directors from seven to five. The 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 and records of the Company appear to properly reflect corporate transactions and events.

## **FIDELITY BOND AND OTHER INSURANCE**

The Company is a named insured on a fidelity bond providing a limit of liability of \$500,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC.

The Company carries liability coverage for its directors and officers. The Company utilizes an independent agency force and requires its agents to carry errors and omissions insurance. The Company also carries business owner's coverage on its home office and contents, as well as general liability and workers compensation coverages.

## EMPLOYEE BENEFITS

As of the date of the examination report, the Company had three full-time employees and one part-time employee. Full-time employees receive employer-subsidized health insurance coverage and paid time off. Eligible employees can also participate in an SEP retirement plan to which the Company matches contributions to certain limits.

## INSURANCE PRODUCTS AND RELATED PRACTICES

### Territory and Plan of Operations

The Company is licensed by the DIFP as an Extended Missouri Mutual Insurance Company operating under Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Insurance Companies). The Company writes fire, wind, and liability coverages. The Company's policies are marketed by 44 independent agencies. Commission rates are 17% on fire and extended coverage property lines, 14% on homeowners and farmowners property lines, and 12% on liability and all other lines.

### Policy Forms and Underwriting Practices

The Company utilizes primarily AAIS policy forms, but also utilizes some MAMIC and custom forms. Policies are renewed annually. Renewal billings are mailed directly to the insured. Property inspections and claims adjusting are performed by independent adjusters. Rates are determined by the Board of Directors.

## GROWTH AND LOSS EXPERIENCE OF THE COMPANY

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Gross Premiums</u>	<u>Gross Losses</u>	<u>Investment Income</u>	<u>Underwriting Income</u>	<u>Net Income</u>
2017	\$4,478,036	\$225,812	\$2,360,400	\$ 370,696	\$38,041	\$398,764	\$284,330
2016	4,122,668	169,960	2,326,590	244,714	52,508	546,084	419,479
2015	3,843,017	304,057	2,580,649	391,467	45,859	705,025	521,155
2014	3,110,823	83,562	2,865,855	634,719	20,314	605,535	631,206
2013	2,583,653	187,598	3,278,135	1,174,775	6,513	362,894	382,172

At year-end 2017, there were 2,432 policies 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:

	2017	2016	2015	2014	2013
Direct	\$2,360,400	\$2,326,590	\$2,580,649	\$2,865,855	\$3,278,135
Assumed	0	0	0	0	0
Ceded	564,091	601,846	790,641	997,337	1,214,037
Net	\$1,796,309	\$1,724,744	\$1,790,008	\$1,868,518	\$2,064,098

### Assumed

The Company does not reinsure other companies.

### Ceded

The Company has all of its reinsurance through Wisconsin Reinsurance Company (WRC) under a single contract with multiple sections covering property and liability risks.

Under the per risk section of the agreement, which covers property risks, the Company retains \$75,000 per risk, and the reinsurer is responsible for the excess loss, limited to \$675,000 per risk. Under the casualty excess of loss section of the agreement, which covers liability risks, the Company retains \$10,000 per occurrence, and the reinsurer is responsible for the excess loss, limited to \$1 million per occurrence. Under the aggregate excess of loss agreement, which covers both property and liability risks, the reinsurer is liable for 100% of the Company's net retained losses which exceed 70% of the Company's gross net earned premium income during the year.

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 IMT Computer Services software for policy administration and claims processing. The CPA firm of Van de Ven, LLC, performs an annual compilation of the Company's financial statements and prepares the 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, 2017 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, 2017**

Bonds	\$ 858,566
Stocks	2,700
Real Estate	137,301
Cash on Deposit	3,354,778
Computer Equipment	288
Federal Income Tax Recoverable	60,043
Interest Income Due and Accrued	14,441
Ceded Reinsurance Receivable	39,953
Prepaid Expense	9,966
	<hr/>
Total Assets	\$ 4,478,036
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**LIABILITIES, SURPLUS AND OTHER FUNDS**  
**December 31, 2017**

Unpaid Losses	\$ 164,907
Unpaid Loss Adjustment Expense	6,300
Accounts Payable to Agents	54,605
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Total Liabilities	\$ 225,812
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Guaranty Fund	\$ 150,000
Other Surplus	4,102,224
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Total Surplus	\$ 4,252,224
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Total Liabilities and Surplus	\$ 4,478,036
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**STATEMENT OF INCOME**  
**For the Year Ending December 31, 2017**

Net Premiums Earned	\$ 1,796,309
Other Insurance Income	133,768
Net Losses & Loss Adjusting Expenses Incurred	(474,236)
Other Underwriting Expenses Incurred	(1,057,077)
	\$ 398,764
Net Underwriting Income (Loss)	\$ 398,764
Net Investment Income	38,041
Other Income	2,802
	\$ 439,607
Gross Profit (Loss)	\$ 439,607
Federal Income Tax	(155,277)
	\$ 284,330
Net Income (Loss)	\$ 284,330

**CAPITAL AND SURPLUS ACCOUNT**  
**December 31, 2017**

Policyholders' Surplus, December 31, 2016	\$ 3,952,708
Net Income (Loss)	284,330
Market Value Adjustments on Mutual Funds	15,186
	\$ 4,252,224
Policyholders' Surplus, December 31, 2017	\$ 4,252,224

## **NOTES TO THE FINANCIAL STATEMENTS**

None.

### **EXAMINATION CHANGES**

None.

### **SUMMARY OF RECOMMENDATIONS**

None.

### **SUBSEQUENT EVENTS**

As indicated in the Conflict of Interest section of this report, three of the Company's current directors are also directors of BMI. On July 24, 2018, the Company and BMI signed a Memorandum of Understanding to document the relationship between the two companies, including the possibility of sharing of resources in the future.


**ACKNOWLEDGMENT**

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

**VERIFICATION**

State of Missouri        )  
  )  
County of Greene        )

I, Mark Nance 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.

  
\_\_\_\_\_  
Mark Nance, CFE, CPA  
Senior Examiner-In-Charge  
Missouri Department of Insurance Financial  
Institutions and Professional Registration

Sworn to and subscribed before me this 21 day of May, 2019.

My commission expires:

11-27-2019

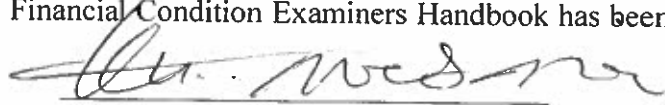
  
\_\_\_\_\_  
Notary Public





## 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.



Levi Nwasoria, CFE, CPA  
Audit Manager – Kansas City  
Missouri Department of Insurance Financial  
Institutions and Professional Registration