

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 St. Thomas-Babbtown Mutual Insurance Company for the period ended December 31, 2019, 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.

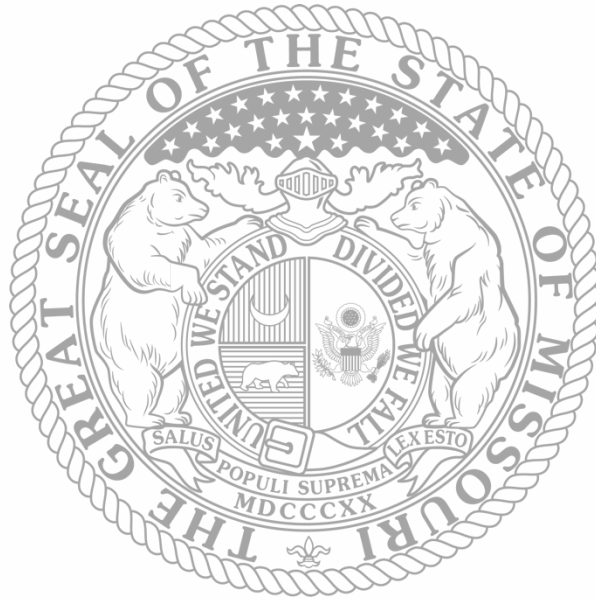
Based on such findings and conclusions, I hereby ORDER of St. Thomas-Babbtown Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition 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 28th day of July, 2021.



A handwritten signature in blue ink, reading "Chlora Lindley-Myers".

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF THE
FINANCIAL EXAMINATION OF

ST. THOMAS-BABBTOWN MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2019

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Jefferson City, MO
June 16, 2021

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

ST. THOMAS-BABBTOWN MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the Company. Its administrative office is located at 106 E. Third Street (P.O. Box 116), Meta, Missouri 65058, telephone number (573) 229-4211. The fieldwork for this examination began on April 7, 2021, 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 St. Thomas-Babbtown Mutual Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2010 through December 31, 2014. The current examination covers the period of January 1, 2015 through December 31, 2019, 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 and incorporated on May 25, 1892, as Fire Assistance Association of Babbtown. The Company changed its name to St. Thomas-Babbtown Mutual Insurance Company in 1926. The Company was incorporated in the State of Missouri on December 28, 1984.

The Company has a Certificate of Authority dated December 1, 1988, 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 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 Monday in February, 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 at any time by the Board of Directors 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 five members serving staggered three year terms and meets approximately once each month.

Members serving on the Board of Directors as of December 31, 2019, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Lawrence Wansing Meta, Missouri	Retired	2020
Frank Veltrop St. Thomas, Missouri	City Employee/Agent	2022
Jeff Tellman Meta, Missouri	Electric Company Salesman/Agent	2021
Charles Schroeder Westphalia, Missouri	Retired/Agent	2023
Shelby Barnhart Meta, Missouri	Retired/Agent	2023

Officers

The Board of Directors appoints the officers of the Company, who serve a term of one year. The officers serving, as of December 31, 2019, were as follows:

<u>Name</u>	<u>Office</u>
Lawrence Wansing	President
Frank Veltrop	Vice-President
Jeff Tellman	Secretary/Treasurer

At the end of his term in February of 2020, Lawrence Wansing was replaced on the Board of Directors by Dave Hammann. Frank Veltrop was appointed President and Shelby Barnhart was appointed Vice President.

Conflict of Interest

The Company requires its directors to complete conflict of interest disclosures on an annual basis. The completed conflict of interest statements are reviewed by the Board of Directors for any possible conflicts requiring resolutions. A review was made of the executed conflict of interest statements, and no significant potential conflicts of interest were disclosed.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. Neither the Articles of Incorporation 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.

EMPLOYEE BENEFITS

The Company has three part-time employees. The Company provided no fringe benefits to the employees as of December 31, 2019.

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 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 also carries errors and omissions coverage for its employees and agents.

Other coverages carried by the Company include property insurance on its home office and contents, commercial liability insurance, and workers compensation.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the Missouri Department of Commerce and Insurance 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's policies are sold by four licensed agents. The office manager, who is also a licensed agent, performs insurance quotes, but does not actively write policies. The Company does not pay any commission to their agents. The agents are compensated \$16 per hour for selling policies and receive \$0.55 per mile reimbursement during inspections and while accepting applications.

Policy Forms and Underwriting Practices

The Company mainly utilizes a combination of AAIS, MAMIC, and Grinnell Mutual Insurance Company policy forms. The policies are written for one year terms with continuous renewal periods. Rates are determined by the Board of Directors, and renewal billings are mailed directly to the insured or mortgagee, as applicable. Property inspection and claims adjusting functions are completed by the agents. Properties are fully inspected when the policy is written and are re-inspected on a five year cycle or when claims are made.

GROWTH OF COMPANY AND LOSS EXPERIENCE

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2019	\$3,339,175	\$1,246	\$645,703	\$432,745	\$60,206	\$ (63,763)	\$ (3,541)
2018	3,343,273	1,803	624,624	199,627	38,715	157,436	201,351
2017	3,141,309	1,190	619,564	226,765	33,066	115,956	149,022
2016	2,992,293	1,196	594,340	82,726	27,600	250,551	278,158
2015	2,714,084	1,145	577,856	187,555	23,881	134,641	158,675

At year-end 2019, there were 851 policies in force.

REINSURANCE

General

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

Premium Type	2015	2016	2017	2018	2019
Direct Premiums Written	\$ 574,063	\$ 585,219	\$ 610,027	\$ 619,855	\$ 640,220
Reinsurance Assumed	3,793	9,121	9,537	4,769	5,483
Reinsurance Ceded	(153,791)	(154,385)	(161,753)	(167,409)	(171,340)
Net Premiums Written	\$ 424,065	\$ 439,955	\$ 457,811	\$ 457,215	\$ 474,363

Assumed Reinsurance

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 3% share in the interests and liabilities of the pool.

Ceded Reinsurance

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (the reinsurer) under an individual occurrence of loss with aggregate excess plan reinsurance agreement.

The individual occurrence section of the agreement covers property risks. The Company retains \$150,000 for each individual loss occurrence, and the reinsurer is liable for losses in excess of the retention.

The aggregate excess section of the agreement also covers property risks. Under the aggregate excess section of the agreement, the Company's annual aggregate net retention, or attachment point, is equal to 85% of net premium. The reinsurer is liable for 100% of losses in excess of this retention. The attachment point for 2019 was \$385,000.

The agreement has a liability quota share section for liability risks. The Company cedes 100% of the liability risks and premium to the reinsurer and receives a 20% ceding commission.

ACCOUNTS AND RECORDS

The accounting records are maintained by the Company on a modified cash basis. The CPA firm of Williams-Keepers LLC prepares the Company's Annual Statement and tax filings.

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 St. Thomas-Babbtown Mutual Insurance Company for the period ending December 31, 2019. 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 examination workpapers.

ASSETS

As of December 31, 2019

Real Estate	\$ 34,732
Cash on Deposit	3,066,956
Other Investments	237,487
TOTAL ASSETS	<u>3,339,175</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2019

Payroll Tax	\$ 1,246
TOTAL LIABILITIES	<u>1,246</u>
Guaranty Fund	150,000
Other Surplus	3,187,929
TOTAL POLICYHOLDER SURPLUS	<u>3,337,929</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$ 3,339,175</u>

UNDERWRITING AND INVESTMENT EXHIBIT

For the Year Ended December 31, 2019

Net Earned Assessment/Premium Income	\$ 474,363
Other Insurance Income	10,601
Net Losses & Loss Adjustment Expense	(432,745)
Underwriting Expenses	(115,982)
Underwriting Income (Loss)	<u>\$ (63,763)</u>
Investment Income	60,206
Investment Expenses	0
Net Investment Income	<u>\$ 60,206</u>
Other Income	16
Gross Profit or Loss	<u>\$ (3,541)</u>
Federal Income Tax	0
NET PROFIT OR (LOSS)	<u>\$ (3,541)</u>

GAIN OR LOSS IN SURPLUS

Changes from January 1, 2015 to December 31, 2019

(\$000s omitted)

	2015	2016	2017	2018	2019
Beginning Policyholder's Surplus	\$ 2,554	\$ 2,713	\$ 2,991	\$ 3,140	\$ 3,341
Net Profit or (Loss)	159	278	149	201	(4)
Ending Policyholder's Surplus	<u>\$ 2,713</u>	<u>\$ 2,991</u>	<u>\$ 3,140</u>	<u>\$ 3,341</u>	<u>\$ 3,338</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

On March 11, 2020, The World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, United States President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the United States and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators with the assistance of the NAIC are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers.

ACKNOWLEDGMENT

The assistance and cooperation extended by the employees of St. Thomas-Babbtown Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
)
County of Cole) ss

I, Conner J. Nilges, 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 St. Thomas-Babbtown Mutual 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.

Conner Nilges
Conner Nilges
Financial Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 6th day of July, 2021.

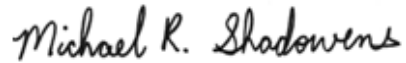
My commission expires: March 30, 2023 Halley Luebert
Notary Public



HALEY LUEBERT
My Commission Expires
March 30, 2023
Osage County
Commission #19634386

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