

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 United 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.

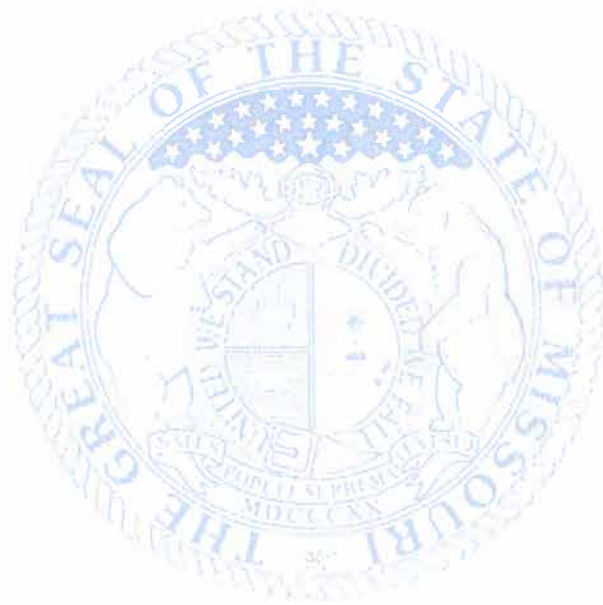
Based on such findings and conclusions, I hereby ORDER United Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition and affairs 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 22nd day of November, 2019.

A handwritten signature in blue ink that reads "Chlora Lindley-Myers".

Chlora Lindley-Myers, Director
Department of Commerce and Insurance





REPORT OF THE
FINANCIAL EXAMINATION OF

UNITED MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2018

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

<u>Subject</u>	<u>Page</u>
SALUTATION	1
SCOPE OF EXAMINATION:	
Period Covered	1
Procedures	1
HISTORY:	
General	2
Management	2
Conflict of Interest	3
Corporate Records	3
FIDELITY BOND AND OTHER INSURANCE	4
EMPLOYEE BENEFITS	4
INSURANCE PRODUCTS AND RELATED PRACTICES:	
Territory and Plan of Operation	4
Policy Forms & Underwriting	4
GROWTH AND LOSS EXPERIENCE OF THE COMPANY	5
REINSURANCE:	
General	5
Assumed	5
Ceded	5
ACCOUNTS AND RECORDS	6
FINANCIAL STATEMENTS:	
Assets	7
Liabilities, Surplus and Other Funds	8
Statement of Income	9
Reconciliation of Surplus	9
NOTES TO THE FINANCIAL STATEMENTS	10
EXAMINATION CHANGES	10
SUBSEQUENT EVENTS	10
SUMMARY OF RECOMMENDATIONS	10
ACKNOWLEDGMENT	11
VERIFICATION	11
SUPERVISION	12

August 28, 2019
Washington, 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

UNITED MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company." The Company's administrative office is located at 113 Elm Street, Washington, MO 63090, telephone number (636) 239-6047. This examination began on August 20, 2019, was concluded on the above date, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed a single-state examination of United 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 Missouri Department of Commerce & Insurance (DCI) and statutes of the State of Missouri prevailed.

HISTORY

General

The Company was originally organized in June of 1895 as Farmers Mutual Fire Insurance Company of St. Johns and was incorporated on July 1, 1949. Most recent name changes and merger history is described below.

- On January 1, 2004 the Company, known as St. Johns Mutual Insurance Company at that time, merged with two other mutual insurers, Farmers Mutual Insurance Company of Jefferson County and Missouri River Mutual Insurance Company, with the Company being the surviving entity. The Company was renamed United Mutual Insurance Company at that time.
- On January 1, 2005 the Company merged with Tipton Mutual Insurance Company, with United Mutual Insurance Company being the surviving entity.
- On January 1, 2006 the Company merged with Chamois Mutual, with United Mutual Insurance Company being the surviving company.
- On January 1, 2013 the Company merged with Century Mutual Insurance Company, with United Mutual Insurance Company being the surviving entity.

The Company has a Certificate of Authority dated January 30, 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 second Saturday of February at the home office of the Company or at such other place as may be designated by the Board of Directors. Eight members 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 nine members, serving staggered three-year terms. All directors must be policyholders of the Company. The Board of Directors meets six 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 Date</u>
Donald Peters Washington, Missouri	Retired	2019
Tom Hoerstkamp New Haven, Missouri	Retired	2021

Gretchen Brune New Haven, Missouri	Registered Nurse	2020
Glennon Gildehaus Washington, Missouri	Retired	2020
Walter Luther Washington, Missouri	Retired	2019
Burt Schweissguth Marthasville, Missouri	Farm Implement Dealer	2020
Dennis Huhmann Tipton, Missouri	Health & Safety Supervisor	2021
Jerome Schulte West Alton, MO	Farmer	2019
Joy Haeffner Hermann, MO	Investment Broker	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>
Donald Peters	President
Tom Hoerstkamp	Vice-President
Gretchen Brune	Secretary
Glennon Gildehaus	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.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. The Articles of Incorporation were amended on March 2, 2013 to change the date of the annual meeting to the second Saturday of each March.

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 significant 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 does not meet the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$125,000 and \$150,000.

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

The Company self-insures its home office that is owned by the Company. The Company purchases liability, terrorism, and workers compensation coverage from an outside carrier.

EMPLOYEE BENEFITS

The Company has four full-time employees. The benefits package offered by the Company to its employees includes health, life, and disability insurance, a retirement plan with employer matching, 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 pursuant to agreements with twelve individual agents and fifteen agencies.

Policy Forms and Underwriting Practices

The Company utilizes AAIS and its reinsurer's policy forms. The policies are continuously renewed on an annual basis. Property inspections are completed by the Company's employees and adjusting functions are performed by a third party. Rates are calculated by the Company's manager and approved 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	\$7,441,428	\$1,877,164	\$3,872,568	\$1,148,020	\$174,825	\$ 663,443	\$ 679,434
2017	7,067,789	2,153,480	3,583,160	636,216	143,662	905,354	721,041
2016	5,906,732	1,705,522	3,566,455	1,708,004	104,058	(3,987)	108,983
2015	6,071,894	1,987,430	3,510,643	1,839,712	108,189	(335,876)	(123,021)
2014	5,913,628	1,678,056	3,499,330	1,586,559	113,423	6,621	104,566

At year-end 2018, 3,832 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	\$3,499,330	\$3,510,643	\$3,566,455	\$3,583,160	\$3,872,568
Assumed	11,251	10,539	11,126	10,561	10,859
Ceded	<u>(1,038,152)</u>	<u>(1,078,504)</u>	<u>(1,008,722)</u>	<u>(914,937)</u>	<u>(953,584)</u>
Net	<u>\$2,472,429</u>	<u>\$2,442,678</u>	<u>\$2,568,859</u>	<u>\$2,678,784</u>	<u>\$2,929,843</u>

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. The policy risks insured by MAMIC for these products are pooled and ceded to participating mutual insurance companies. The Company assumes a 3% share of the interests and liabilities of the MAMIC pooled risks.

Ceded

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

Under the per risk excess of loss section of the agreement, the Company retains \$300,000 of property losses per risk, and the reinsurer's maximum limit is \$15,000,000 per risk. Under the catastrophe section of the agreement, the reinsurer is liable for 100% of the property losses per loss occurrence in excess of the Company's retention, which was \$600,000 in 2018. Under the aggregate excess section of the agreement, the reinsurer is liable for 100% of the property losses in excess of the Company's annual retention, which was \$1,925,000 for 2018.

The agreement also provides liability and equipment breakdown reinsurance coverage. For both coverages, the Company cedes 100% of its premium and losses to the reinsurer, and receives a 20% ceding commission. The reinsurer's maximum limit for the liability coverage is \$1,000,000 per occurrence. The reinsurer does not have a maximum limit for its equipment breakdown coverage.

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. Tochtrop & Associates, P.C., performs an annual audit 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, 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	\$ 3,049,633
Stocks	1,500
Mutual Funds	786,439
Real Estate	98,238
Cash on Deposit	3,295,671
Other Investments	161,013
Computer Equipment	1,555
Federal Income Tax Recoverable	863
Interest Due and Accrued	35,824
Prepaid Expenses	10,692
	<hr/>
Total Assets	\$ 7,441,428
	<hr/>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2018

Unpaid Losses	\$ 59,653
Ceded Reinsurance Premium Payable	89,090
Unearned Premium	1,636,892
Payroll Tax	3,138
Accounts Payable to Agents	83,527
Accounts Payable (Other)	4,864
	<hr/>
Total Liabilities	\$ 1,877,164
Guaranty Fund	\$ 150,000
Other Surplus	5,414,264
	<hr/>
Total Surplus	\$ 5,564,264
	<hr/>
Total Liabilities and Surplus	\$ 7,441,428
	<hr/>

STATEMENT OF INCOME
For the Year Ending December 31, 2018

Net Premiums Earned	\$ 2,813,879
Other Insurance Income	58,575
Net Losses & Loss Adjusting Expenses Incurred	(1,097,430)
Other Underwriting Expenses Incurred	(1,111,581)
	<hr/>
Net Underwriting Income (Loss)	\$ 663,443
Net Investment Income	174,825
Other Income	303
	<hr/>
Gross Profit (Loss)	\$ 838,571
Federal Income Tax	(159,137)
	<hr/>
Net Income (Loss)	\$ 679,434
	<hr/> <hr/>

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

	2014	2015	2016	2017	2018
Capital and Surplus, Beginning of Year	\$4,131,006	\$4,235,572	\$4,084,465	\$4,201,210	\$4,914,309
Net Income	104,566	(123,021)	108,983	721,041	679,434
Change in Net Unrealized Gains (Losses)	<u>0</u>	<u>(28,086)</u>	<u>7,762</u>	<u>(7,942)</u>	<u>(29,479)</u>
Change in Capital and Surplus for the Year	<u>104,566</u>	<u>(151,107)</u>	<u>116,745</u>	<u>713,099</u>	<u>649,955</u>
Capital and Surplus, End of Year	<u>\$4,235,572</u>	<u>\$4,084,465</u>	<u>\$4,201,210</u>	<u>\$4,914,309</u>	<u>\$5,564,264</u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUBSEQUENT EVENTS

None.

SUMMARY OF RECOMMENDATIONS

Fidelity Bond (Page 4)

The Company should increase its fidelity bond coverage to at least \$125,000, which is the minimum amount suggested in the guidelines promulgated by the NAIC.

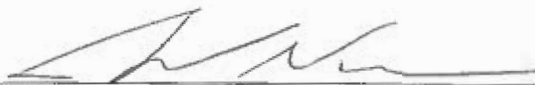
ACKNOWLEDGMENT

The assistance and cooperation extended by the employees of United 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.

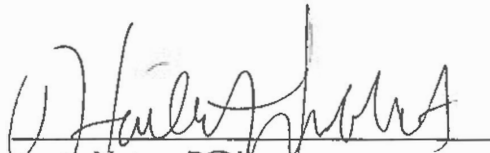


Joshua R. Nash, CPA, AFE
Financial Examiner
Missouri Department of Commerce & Insurance

Sworn to and subscribed before me this 4th day of November, 2019.

My commission expires:

March 30, 2023



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.



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