

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 Knox County Mutual Insurance Company for the period ended December 31, 2021, 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.

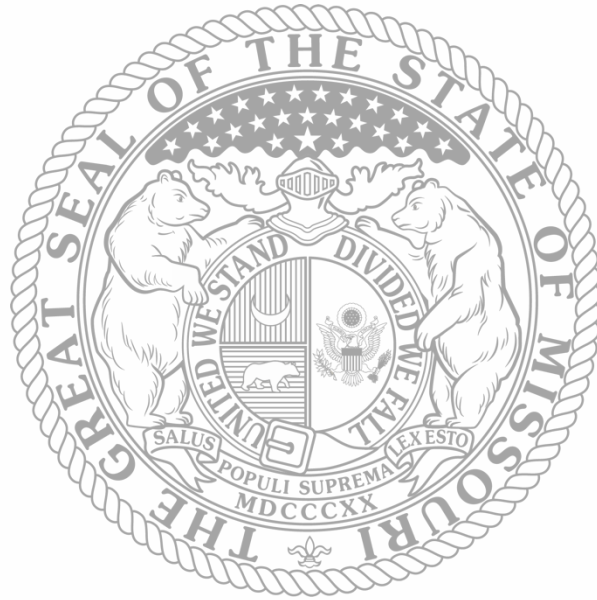
Based on such findings and conclusions, I hereby ORDER Knox County Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition and 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 25th day of October, 2022.



A handwritten signature in blue ink that reads "Chlora Lindley-Myers". The signature is written over a horizontal line.

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF THE
FINANCIAL EXAMINATION OF

KNOX COUNTY MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2021

**STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

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Edina, MO
September 1, 2022

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

KNOX COUNTY MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the Company. Its administrative office is located at 54636 State Highway 6, Edina, Missouri 63537, telephone number (660) 397-2383. The fieldwork for this examination began on August 29, 2022, 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 Knox County Mutual Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2012, through December 31, 2016. The current examination covers the period of January 1, 2017, through December 31, 2021, 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 established on January 31, 1891, and was incorporated on December 26, 1894, as Farmers Mutual Insurance Company of Knox County. In 1985, the Company changed its name to Knox County Mutual Insurance Company.

The Company has a Certificate of Authority dated December 18, 2003, 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 third Monday in March, at the home office of the Company or at such place as may be designated by the Board of Directors. Ten members shall constitute a quorum at any membership meeting. Proxy voting is not permitted.

The management of the Company is vested in a Board of Directors, who are elected by the general membership. The Board of Directors consists of seven members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every other month.

Members serving on the Board of Directors as of December 31, 2021, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Barbara Allen Lewistown, Missouri	Farmer	2024
Joseph Delaney Baring, Missouri	Farmer	2024
Jim Glasgow Edina, Missouri	Farmer	2022
Mark Greenley Knox City, Missouri	Farmer	2024
Rex Sykes Hurdland, Missouri	Farmer	2023
Mark Townsend Baring, Missouri	Mechanic	2022
Larry Walker Knox City, Missouri	Farmer	2022

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, 2021, were as follows:

<u>Name</u>	<u>Office</u>
Joseph Delaney	President
Larry Walker	Vice President
Rachel Browning	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’s directors and officers sign conflict of interest statements on an annual basis. A review of the executed conflict of interest statements noted no material potential conflicts 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 meeting minutes of the membership and the Board were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has one full-time employee. Employee benefits offered by the Company include paid vacation & sick leave.

In addition to serving as an officer, the Company’s Secretary/Treasurer is also the Company’s Manager. The Manager is the Company’s only full-time employee.

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’s agents are responsible for purchasing errors and omissions coverage.

Other coverages maintained by the Company include general liability coverage and property coverage for its office building and contents.

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 writes fire, wind, and liability coverages. The majority of the Company’s business is concentrated in Knox County and the surrounding areas.

Insurance products are sold by four licensed producers, who receive a 20% commission on new business and a 12% commission on renewals.

Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Services (AAIS) policy forms for property coverage and Cameron Mutual Insurance Company forms for liability coverage. Rates are determined by the Board of Directors. The policies are written on a continuous renewable basis and are assessable. Property inspections are performed by the writing agent prior to the issuance of a policy and every third year thereafter. Claims adjustments are generally performed by independent adjustors, with some smaller claims being adjusted by the agents.

GROWTH OF COMPANY AND LOSS EXPERIENCE

(\$000s omitted)

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2021	\$1,473	\$46	\$336	\$136	\$10	\$ (28)	\$ (8)
2020	1,440	6	305	58	20	43	64
2019	1,378	8	310	44	22	56	78
2018	1,321	29	303	61	14	25	46
2017	1,265	19	321	155	16	(43)	(23)

At 2021 year-end, there were 368 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:

(\$000s omitted)

<u>Premium Type</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Direct	\$ 321	\$ 303	\$ 310	\$ 304	\$ 302
Assumed	-	-	-	-	34
Ceded	(103)	(110)	(101)	(88)	(108)
Net Written	\$ 218	\$ 193	\$ 209	\$ 216	\$ 228

Assumed Reinsurance

The Company does not reinsure other companies. In 2021, the Company reported \$34,037 in assumed premiums. However, this amount represented recoveries on reinsurance ceded, which were incorrectly reported as assumed reinsurance. The reporting error had a zero net effect on the Company’s overall financial statement results.

Ceded Reinsurance

The Company has three property agreements and one liability agreement through the intermediary, Guy Carpenter & Company, LLC. There are nine reinsurers participating in the agreements, with Renaissance Reinsurance U.S. Inc. being the largest participant at 20.08%.

Under the Property Per Risk Excess of Loss agreement, the Company retains \$30,000 each loss, each risk, subject to limits of liability of \$500,000 each loss, each risk, and \$1,000,000 each loss occurrence. Under the Catastrophe Excess of Loss agreement, the reinsurers are liable for 95% of each loss occurrence in excess of \$65,000 subject to a limit of \$950,000 (being 95% of \$1,000,000). Under the Aggregate Excess of Loss agreement, the reinsurers are liable for 100% of losses in excess of 75% of Company's gross net earned premium income. Under the liability agreement, the Company cedes 100% of all business subject to a limit of \$1,000,000. The Company receives a ceding commission equal to 25% of the net written premiums.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance contract.

ACCOUNTS AND RECORDS

The accounting records are maintained by the Company on a cash basis. The CPA firm of Wade Stables P.C. prepares the Company's annual statements, tax returns, and performs an annual audit of the financial statements.

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 Knox County Mutual Insurance Company for the period ending December 31, 2021. 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, 2021

Real Estate-Book Value	\$ 21,360
Cash on Deposit	1,451,929
TOTAL ASSETS	\$ 1,473,289

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2021

Gross Losses Unpaid Less Reinsurance Recoverable	\$ 42,363
Ceded Reinsurance Premium Payable	3,180
Payroll Tax	875
TOTAL LIABILITIES	\$ 46,418
Guaranty Fund	150,000
Other Surplus	1,276,871
TOTAL POLICYHOLDER SURPLUS	\$ 1,426,871
TOTAL LIABILITIES AND SURPLUS	\$ 1,473,289

UNDERWRITING AND INVESTMENT EXHIBIT

For the Year Ended December 31, 2021

Net Earned Assessment/Premium Income	\$ 227,612
Net Losses & Loss Adjustment Expense	(139,841)
Underwriting Expenses	(115,651)
Underwriting Income (Loss)	\$ (27,880)
Investment Income	9,512
Net Investment Income	\$ 9,512
Other Income	10,436
Gross Profit or Loss	\$ (7,932)
Federal Income Tax	0
NET PROFIT OR (LOSS)	\$ (7,932)

GAIN OR LOSS IN SURPLUS

Changes from January 1, 2017 to December 31, 2021

(\$000s omitted)

	2017	2018	2019	2020	2021
Beginning Policyholder's Surplus	\$ 1,269	\$ 1,246	\$ 1,292	\$ 1,370	\$ 1,434
Net Profit or (Loss)	(23)	46	78	64	(8)
Ending Policyholder's Surplus	\$ 1,246	\$ 1,292	\$ 1,370	\$ 1,434	\$ 1,426

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

The COVID-19 pandemic has continued to develop, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Conner Nilges, CFE, 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 Knox County 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, CFE
Financial Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 11th day of October, 2022.

My commission expires: March 30, 2023 Hailey Luebbert
Notary Public



HAILEY LUEBBERT
My Commission Expires
March 30, 2023
Osage County
Commission #15634368

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