



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

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

RE: Examination Report of Boeuf & Berger Mutual Insurance Company, Inc. for the period ended December 31, 2014

ORDER

After full consideration and review of the report of the financial examination of Boeuf & Berger Mutual Insurance Company, Inc. for the period ended December 31, 2014, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, 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 Boeuf & Berger Mutual Insurance Company, Inc. 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 17th day of October, 2016.



A handwritten signature in blue ink, appearing to read "John M. Huff", is written over a horizontal line.

John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

**REPORT OF THE
FINANCIAL EXAMINATION OF**

Boeuf & Berger Mutual Insurance Company

**AS OF
DECEMBER 31, 2014**



STATE OF MISSOURI

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

JEFFERSON CITY, MISSOURI

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February 4, 2016
New Haven, Missouri

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Sir:

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

Boeuf & Berger Mutual Insurance Company

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 545 Harold H. Meyer Dr., New Haven, Missouri 63068, telephone number (573) 237-3476. This examination began on January 14, 2016, and concluded on the date above.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2009, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2010, through December 31, 2014, and was conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration (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 by 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.

Comments-Previous Examination Report

There were no comments, recommendations or notes in the previous examination report.

HISTORY

General

Boeuf & Berger Mutual Insurance Company was originally organized on April 20, 1908 as the Boeuf & Berger Mutual Aid Society. On February 4, 1935, the Company amended its Articles of Incorporation and changed its name to Boeuf & Berger Mutual Insurance Company. On September 22, 1987, the Company received a Certificate of Authority to provide insurance under Sections 380.201 to 380.601, RSMo (Extended Missouri Mutual Insurance Company).

Management

The Company is managed by a board of seven directors serving staggered, three-year terms. Directors are elected at annual member meetings held on the Third Tuesday of February. Special meetings of the members may be called at any time by the Board or upon petition of one-fourth of the members. A person must have a policy with the Company in order to be a member. Ten members constitute a quorum at annual meetings and proxy voting is permitted. The President and Secretary receive \$125 and all other Directors receive \$100 as compensation for attending meetings.

Members serving on the Board of Directors as of December 31, 2014, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term</u>
Charles Vedder* 2269 Hwy C New Haven, MO 63068	Retired Farmer	2013-2015
Kenneth Bolte 2105 Enochs Rd. New Haven, MO 63068	Mizzou Farm Management	2014-2017
Jackie Branson 10174 Hwy 100 New Haven, MO 63068	Accountant	2013-2015
Robert Bohl 1946 Sawmill Rd Hermann, Mo. 65041	Farm Manager	2011-2014
John Steinbeck 2356 Stony Hill Rd Owensville, MO 65066	Farmer	2011-2014

Roland Walkenhorst 4518 Bucklick Creek Rd New Haven, MO 63068	Businessman	2014-2017
Richard Scheer 2448 Koelkebeck Rd. New Haven, MO 63068	Farmer	2014-2017

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, 2014, were as follows:

Charles Vedder*	President
Kenneth Bolte	Vice-President
Jo Ann Kuschel	Secretary-Treasurer

*Board member retired in 2015. The Board position was filled at the January 2016 board meeting. Vice-President Kenneth Bolte served as interim president until the new elections in February 2016.

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, and no potential material conflicts were disclosed.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. No amendments were made to the Articles of Incorporation or the Bylaws 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 \$250,000. This coverage exceeds the \$25,000 suggested in the guidelines promulgated by the NAIC. The bond is underwritten by St. Paul Fire and Marine Insurance Company.

The Company carries directors' and officers' liability coverage through NAMIC Insurance Company with a limit of liability of \$2,000,000 per claim and aggregate.

Each of the Company's agents is required to carry errors and omissions liability coverage. The Company provided its 3 captive agents with \$1 million in coverage through MAMIC Mutual Insurance Company through December 31, 2014. Beginning January 1, 2015, Captive agents are also required to purchase their own coverage that meets the Company's requirements.

The Company has a property insurance policy written by the Company. The insurance limits in 2014 were \$575,000 for the office building and \$100,000 for the contents.

The Company has a commercial general liability policy with Cameron Mutual Insurance Company. The policy limit of liability is \$500,000 per occurrence and \$1 million aggregate.

The Company has a workers compensation and employers liability policy with Hartford Insurance Company.

The insurance coverage appears adequate.

EMPLOYEE BENEFITS

The Company has five full-time employees and one part-time employee. Employees receive life, health, and dental insurance benefits. The Company provides twelve paid holidays and five paid sick days annually, as well as vacation time based on employment tenure. No accumulation of sick days or vacation days is allowed. A deferred compensation plan is also offered whereby the employee can contribute up to 6% of their salary in one calendar year. The Company will match up to 3% of employee contributions per year.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the Missouri DIFP 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 Missouri counties, although the majority of the Company's business is concentrated in Franklin, Gasconade, and the immediate surrounding counties. The company has traditionally sold homeowners, fire, and extended coverage, farm property, commercial property, inland marine, and liability insurance policies. On July 20, 2009, the Missouri DIFP approved the company to write Equipment Breakdown coverage and Equipment Breakdown Enhancement endorsements through "Other" coverage. Insurance is provided on a non-assessable basis. The Company advertises its insurance products in local papers, phone books, and at local events.

Policy Forms and Underwriting Practices

The Company utilizes AAIS policy forms provided by the Missouri Association of Mutual Insurance Companies. Policies are written on a continuous basis and renewed every three years. The Board of Directors establishes the rates. Insurance products are sold by three captive agents and sixteen independent agents. Captive agents receive a 16% commission while independent agents receive a 15% commission plus a bonus commission if profitable.

All new properties are inspected prior to issuing the policies and properties are re-inspected prior to renewal. Inspection and claims adjusting services are performed by both in-house and independent inspectors and adjusters.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Gross Assessments</u>	<u>Gross Losses</u>	<u>Investment Income</u>	<u>Underwriting Income</u>	<u>Net Income</u>
2014	\$5,221,608	\$1,388,565	\$ 3,897,525	\$1,415,687	\$ 65,270	\$ 641,743	\$ 688,439
2013	4,833,936	1,689,332	3,750,145	1,900,905	47,049	175,646	222,850
2012	4,556,092	1,634,338	3,335,126	1,401,350	53,652	(23,445)	30,252
2011	4,185,476	1,293,974	3,231,114	3,511,630	72,073	(410,751)	(202,042)
2010	4,182,022	1,064,015	3,435,144	1,907,074	73,627	9,866	82,388

At year-end 2014, 4,147 policies were 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:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Direct	\$ 2,819,175	\$ 2,979,651	\$ 3,318,341	\$ 3,734,058	\$ 3,880,216
Assumed	615,969	251,463	16,785	16,087	17,309
Ceded	(1,928,193)	(1,636,648)	(1,592,784)	(1,817,082)	(1,875,741)
Net	<u>\$ 1,506,951</u>	<u>\$ 1,594,466</u>	<u>\$ 1,742,342</u>	<u>\$ 1,933,063</u>	<u>\$ 2,021,784</u>

Assumed

The Company was a member of the Missouri Mutual Reinsurance Exchange, a group reinsurance pool, under which the maximum assumed cession coverage limit per risk is \$60,000. This pool is no longer in existence ceasing to operate on May 31, 2011. Since this date, there have only been small residual transactions sporadically occurring. Most months there are no transactions at all.

The Company had Assumed Premium of \$17,309 in 2014 which is attributed to their participation in the MAMIC Mutual Insurance Company D&O/E&O Program. This is a quota share reinsurance program that provides reinsurance of all Insurance Producers' Errors and Omissions Insurance policies and Directors' and Officers' Liability and Company Reimbursement Insurance policies issued by the Company. The Company has a 3% participation in this program.

Ceded

The Company reinsurers all of its' Equipment Breakdown coverage to Guy Carpenter through a 100% Quota Share Treaty.

For property coverage the Company maintains retention of \$65,000 per risk and cedes reinsurance to a maximum of \$1,020,000 per risk as follows:

Risks over \$65,000 are ceded Guy Carpenter under a Property Per Risk Excess of Loss Treaty. The maximum cession under this agreement is \$80,000 per risk.

The Company carries a Property First Surplus Reinsurance Treaty attaching a 10% loss corridor at 67.50% loss ratio. The minimum retention is \$5,000 with a maximum cession of \$375,000.

The Company's liability coverage is reinsured through two agreements with Guy Carpenter. The Casualty Excess of Loss Reinsurance Agreement is a per occurrence treaty for liability coverage. The Company's retention is \$50,000 and the agreement covers policies up to \$965,000. Coverage under the Specialty Casualty Excess of Loss Reinsurance Agreement begins when a policy of the Company exceeds \$500,000. The maximum liability under this agreement is \$500,000.

The Company also has an Aggregate Excess of Loss Reinsurance Agreement with Guy Carpenter which covers all property and casualty business. The reinsurer is liable for 100% of the Company's total net losses exceeding the greater of 70% of net premiums earned or \$1,176,000.

Below are the reinsurers participating in the contracts under the Guy Carpenter program and the percentage of the total reinsurance each company assumes:

<u>Company</u>	<u>Share</u>
American Agricultural Insurance Company	5.00%
Allied World Reinsurance Company	19.00%
Hannover Ruckversicherung AG	7.50%
The Toa Reinsurance Company of America	16.50%
Transatlantic Reinsurance Company	5.00%
American Agricultural Insurance Company	8.23%
Berkley Re America	5.87%
Employers Mutual Casualty Company	24.67%
Farmers Mutual Hail Insurance Company of Iowa	8.23%

ACCOUNTS AND RECORDS

The Company maintains its accounting on an accrual basis. Accounting records for premiums, claims, and financial reporting are maintained in the IMT software system. IWS is used for their quoting system. The CPA firm of Van de Ven, LLC prepares financial statements and tax returns and compiles the Company's Annual Statement.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2014, 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 work papers for each individual annual statement item.

ANALYSIS OF ASSETS
December 31, 2014

Bonds	\$ 1,936,897
Stocks	2,561
Real Estate	139,476
Cash on Deposit	2,987,230
Reinsurance Recoverable	38,617
Other Investments	60,361
Computer Equipment	6,640
Interest Due & Accrued	22,381
Other Assets	27,445
Total Assets	\$ 5,221,608

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2014

Losses Unpaid	\$ 166,129
Ceded Reinsurance Payable	49,977
Unearned Premium	997,246
Federal Income Tax Payable	19,169
Payroll Tax	894
Accounts Payable to Agents	25,880
Accounts Payable (Other)	1,683
Other Liabilities	127,587
Total Liabilities	\$ 1,388,565
Guaranty Fund	\$ 150,000
Other Surplus	3,683,043
Total Surplus	\$ 3,833,043
Total Liabilities and Surplus	\$ 5,221,608

STATEMENT OF INCOME
For the Year Ending December 31, 2014

Net Premiums Earned	\$ 2,041,300
Other Insurance Income	460,605
Net Losses & Loss Adjustment Expenses Incurred	(743,277)
Other Underwriting Expenses Incurred	(1,116,885)
Net Underwriting Income (Loss)	<u>\$ 641,743</u>
Investment Income	65,270
Other Income	595
Gross Profit (Loss)	<u>\$ 707,608</u>
Federal Income Tax	(19,169)
Net Income (Loss)	<u>\$ 688,439</u>

CAPITAL AND SURPLUS ACCOUNT
December 31, 2014

Policyholders' Surplus, December 31, 2013	\$ 3,144,604
Net Income (Loss)	688,439
Change in Unrealized Gain/Loss on Securities	-
Policyholders' Surplus, December 31, 2014	<u>\$ 3,833,043</u>

NOTES TO THE FINANCIAL STATEMENTS

There were no notes to the financial statements.

EXAMINATION CHANGES

There were no examination changes.

GENERAL COMMENTS AND RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

