



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

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

RE: Examination Report of North Missouri Mutual Insurance Company for the period ended December 31, 2013

ORDER

After full consideration and review of the report of the financial examination of North Missouri Mutual Insurance Company for the period ended December 31, 2013, 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 380.061, RSMo [if Part I], or 380.491, RSMo [if Part II], adopt such report. After my consideration and review of such report are incorporated by reference and deemed to be my findings and conclusions to accompany this order.

Based on such findings and conclusions, I hereby ORDER North 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) implement, and verify compliance with, each item mentioned in the Summary and/or Recommendations, if any, section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions; and (3) 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 26th day of June, 2015.



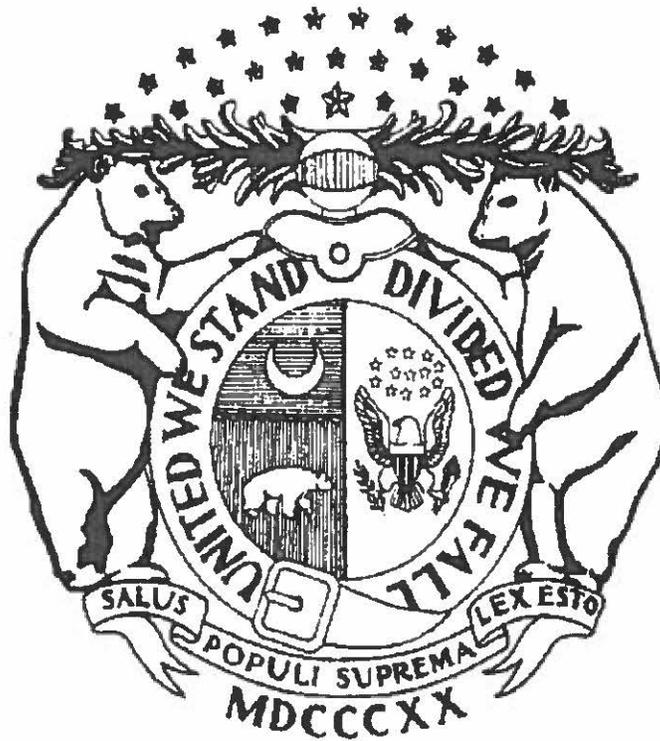
A handwritten signature in blue ink, appearing to read "John M. Huff".

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

REPORT OF THE
FINANCIAL EXAMINATION OF
**NORTH MISSOURI MUTUAL
INSURANCE COMPANY**

AS OF
DECEMBER 31, 2013

FILED
JUN 26 2015
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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January 30, 2015
Princeton, 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

NORTH MISSOURI MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company." The Company's administrative office is located at 701 East Main Street, Princeton, Missouri 64673, telephone number (660) 748-3415. This examination began on December 15, 2014 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2008, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2009, through December 31, 2013, 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 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 established on June 21, 1894, and was incorporated on July 11, 1894, as Mercer County Mutual Fire Insurance Company. On April 10, 1998, the Company changed its name to North Missouri Mutual Insurance Company.

The Company has a Certificate of Authority dated August 25, 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 final Wednesday of February, with the specific date and time being made no less than 30 days prior to that week of each year. Meetings are held at the home office or other place as designated by the Board. 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 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 seven members, serving staggered three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately six times per year, and each director is compensated \$150 per meeting attended.

Members serving on the Board of Directors as of December 31, 2013, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term</u>
Larry Pollard Spickard, Missouri	Mutual Manager	2011-2014
Mark Higgins Princeton, Missouri	CPA	2011-2014
Tammy Hart Princeton, Missouri	Physician	2011-2014
Dean Henley Mercer, Missouri	Farm Implement Salesman	2013-2016

Jennifer Walker Princeton, Missouri	Attorney	2012-2015
David Schooler Chillicothe, Missouri	Farmer	2012-2015
Toni Powell Princeton, Missouri	Teacher	2011-2014

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, 2013, were as follows:

Larry Pollard	President
Mark Higgins	Vice-President
David Schooler	Secretary
Dean Henley	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 conflict of interest statements noted no potential material conflicts disclosed.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. The Articles of Incorporation were amended on February 18, 2009, to add the authority to write liability business, to change the annual membership meeting date to the final Wednesday in February and to add a description of the Company seal. The Bylaws were not amended during the current 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 single loss limit of liability of \$1,000,000, an unlimited aggregate loss limit, and a single loss deductible of \$20,000.

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 requires its agents to carry errors and omissions insurance.

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

EMPLOYEE BENEFITS

The Company has three full-time employees. The benefits package offered to the employees includes health, dental and vision insurance. The package also includes paid holidays, paid time off and matching contributions to employee individual retirement accounts.

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. 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 Company's policies are sold by twenty-one licensed agents, who receive a commission of 15% on all policies.

Policy Forms and Underwriting Practices

The Company uses AAIS and Grinnell Mutual Reinsurance Company policy forms, and the policies are renewed annually. Rates are determined by the Board of Directors, and renewal billings are mailed directly to the insured. The Company's President performs the inspections, and the Company has an in-house underwriter. Adjusting services are performed by an independent adjuster.

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>
2013	\$1,749,362	\$603,323	\$1,223,692	\$297,342	\$27,589	\$ 49,235	\$ 68,270
2012	1,637,874	560,105	1,166,110	325,390	28,717	(30,938)	937
2011	1,506,641	429,809	1,012,541	688,070	31,107	(89,401)	(46,615)
2010	1,524,500	401,053	887,892	277,630	44,527	(30,400)	12,582
2009	1,447,852	336,987	843,692	443,303	52,531	(59,866)	(10,030)

At year-end 2013, 1,506 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:

	2013	2012	2011	2010	2009
Direct	\$1,212,967	\$1,154,920	\$1,001,984	\$877,019	\$833,656
Assumed	10,725	11,190	10,557	10,873	10,036
Ceded	503,234	469,115	365,671	306,078	296,142
Net	\$ 720,458	\$ 696,995	\$ 646,870	\$581,814	\$547,550

Assumed

The Company participates in a reinsurance pool with MAMIC Mutual Insurance Company (MMIC). The agreement pertains to errors and omissions policies and director and officer liability policies written by MMIC. MMIC cedes to the pool 84% of the first \$2,000,000 each claim and in aggregate on all insurance agent and broker errors and omissions policies and 84% of the first \$3,000,000 each claim and in aggregate on all officer and director liability policies. MMIC receives a 35% ceding commission of net written premium ceded to the pool. The Company has a 2% share in the interests and liabilities of the pool.

Ceded

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 \$100,000 for each individual loss occurrence, and the reinsurer is liable for losses in excess of the retention, with a limit of \$1,000,000 per risk.

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 based upon the Company's ten-year average loss ratio, plus a negotiated load, less a credit for the individual occurrence of loss premium rate. The reinsurer is liable for 100% of losses in excess of this retention. The attachment point for 2013 was \$443,403.

The contract 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. Under the facultative reinsurance portion of the agreement, the Company may cede risks to the reinsurer that exceed the individual risk limits outlined in the agreement. Rates are determined by the reinsurer on an individual basis.

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 Company maintains its records on an accrual basis. The CPA firm of Van de Ven, LLC, performs an annual review of the Company's financial statements and prepares the Company's 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, 2013, 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, 2013

Bonds	\$ 324,318
Real Estate	9,123
Cash on Deposit	1,269,382
Other Investments	122,844
Premium Receivable	9,179
Computer Equipment	5,976
Federal Income Tax Recoverable	4,005
Interest Due and Accrued	3,774
Prepaid Insurance	761
	<hr/>
Total Assets	\$ 1,749,362

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2013

Net Losses Unpaid	\$ 115,858
Ceded Reinsurance Premium Payable	41,690
Unearned Premium	438,326
Prepaid Premiums	7,449
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Total Liabilities	\$ 603,323
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Guaranty Fund	\$ 150,000
Other Surplus	996,039
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Total Surplus	1,146,039
	<hr/>
Total Liabilities and Surplus	\$ 1,749,362

STATEMENT OF INCOME
For the Year Ending December 31, 2013

Net Premiums Earned	\$ 704,088
Other Insurance Income	96,889
Net Losses & Loss Adjusting Expenses Incurred	(333,762)
Other Underwriting Expenses Incurred	<u>(417,980)</u>
Net Underwriting Income (Loss)	\$ 49,235
Net Investment Income	27,589
Other Income	<u>2,324</u>
Gross Profit (Loss)	\$ 79,148
Federal Income Tax	<u>(10,878)</u>
Net Income (Loss)	<u>\$ 68,270</u>

CAPITAL AND SURPLUS ACCOUNT
December 31, 2013

Policyholders' Surplus, December 31, 2012	\$ 1,077,769
Net Income (Loss)	<u>68,270</u>
Policyholders' Surplus, December 31, 2013	<u>\$ 1,146,039</u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
)
County of Cole)

I, Jay Buschmann 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.

J. Buschmann

Jay Buschmann, AFE
Financial Analyst/Examiner
Missouri DIFP

Sworn to and subscribed before me this 19th day of May, 2015.

My commission expires:

04-14-2016

Beverly M. Webb

Notary Public

BEVERLY M. WEBB
My Commission Expires
April 14, 2016
Clay County
Commission #12464070



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.

Mark Nance

Mark Nance, CFE, CPA
Audit Manager – Kansas City
Missouri DIFP