

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 Farm Bureau Town & County Insurance Company of Missouri for the period ended December 31, 2023, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Angela L. Nelson, Director of the Missouri Department of Commerce and Insurance pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

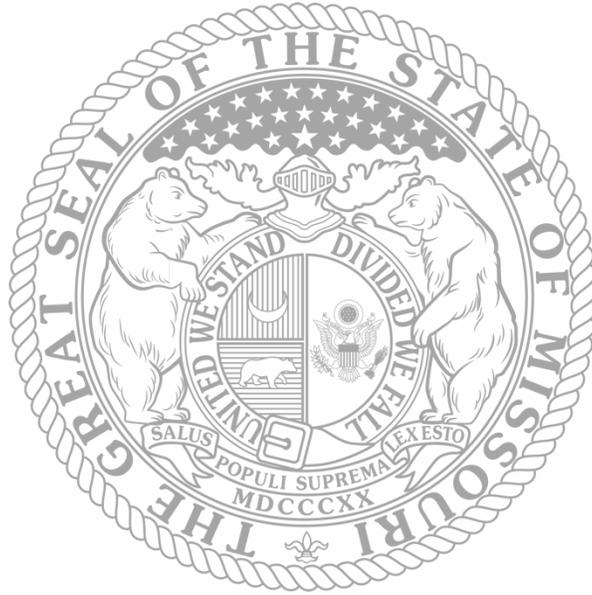
Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Farm Bureau Town & County Insurance Company of Missouri as of December 31, 2023, be and is hereby ADOPTED as filed and for Farm Bureau Town & County Insurance Company of Missouri to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 17th day of April, 2025.



A handwritten signature in blue ink that reads 'Angela L. Nelson'.

Angela L. Nelson, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

FARM BUREAU TOWN & COUNTRY INSURANCE COMPANY OF MISSOURI

AS OF
DECEMBER 31, 2023

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Jefferson City, MO
February 18, 2025

Honorable Angela L. Nelson, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Nelson:

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

Farm Bureau Town & Country Insurance Company of Missouri (NAIC#26859)

hereinafter referred to as such, as FBTC, or as the Company. Its administrative office is located at 701 South Country Club Drive, Jefferson City, Missouri, 65109, telephone number (573) 893-1400. This examination began on February 27, 2024, 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 FBTC. The last examination of the Company covered the period of January 1, 2015, through December 31, 2018. This examination covers the period of January 1, 2019, through December 31, 2023, 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 also included a review of significant estimates made by management and evaluation of management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to FBTC included cash and investments, reinsurance, claims handling and reserving, related party, and premiums and underwriting. The examination also included a review and evaluation of information technology general controls.

This examination was performed concurrently with the Department’s examinations of FBTC’s affiliate, Farm Bureau Life Insurance Company of Missouri (FBL), and FBTC’s subsidiaries, New Horizons Insurance Company of Missouri (NH), and Legacy Life Insurance Company of Missouri (LLIC). The insurance entities are collectively referred to as the “Missouri Farm Bureau Companies” or “Companies” in this report.

This examination report includes significant findings of fact, as mentioned in section 374.205 of the Revised Statutes of Missouri (RSMo) (Examination, director may conduct, when...) 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 are 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

FBTC was incorporated on January 9, 1946, under the laws of the state of Missouri and commenced business on April 1, 1946. The Company operates as a stock property and casualty insurer under the insurance laws of Chapter 379 RSMo (Insurance Other Than Life).

The Company was originally formed as a mutual insurer named Farm Bureau Mutual Insurance Company of Missouri. An affiliated stock company named Farm Bureau Casualty Company was formed in 1971, and subsequently changed its name to Farm Bureau Town & Country Insurance Company of Missouri. These two entities were merged in 1977, which resulted in the current FBTC entity.

Mergers, Acquisitions, and Major Corporate Events

There were no mergers or acquisitions involving the Company or the holding company system of the ultimate parent, Missouri Farm Bureau Federation (MFB-Federation), during the examination period.

Dividends and Capital Contributions

The Bylaws allow for dividends to be paid on common stock shares, pursuant to a declaration by the Board of Directors. The following dividends were declared and paid to the direct parent, Missouri Farm Bureau Services, Inc. (MFB-Services), during the examination period:

Year	Amount
2019	\$ 3,645,425
2020	1,757,850
2021	2,462,959
2022	1,427,627
2023	771,466
Total	\$ 10,065,327

Surplus Notes

There were no surplus notes issued or outstanding during the examination period.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors, which are appointed by the sole shareholder, MFB-Services. The Company's Bylaws specify that the Board of Directors shall consist of ten directors, a vice president, and a president, for a total of twelve voting members. The Directors of the ultimate parent, MFB-Federation, simultaneously serve as directors for all of MFB-Federation subsidiaries, including FBTC. The Directors appointed and serving, as of December 31, 2023, were as follows:

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
Dana Lane St. Catherine, MO	Retired Elementary School Teacher
Garrett Hawkins Appleton City, MO	President, Missouri Farm Bureau Companies
Amy Estes Rosebud, MO	Regional Manager, Ayusa
Duane Kaiser Monett, MO	Self-Employed, Farmer
Sharon Arnold Drexel, MO	Branch Manager, Hawthorn Bank
Jason Kurtz Oregon, MO	Self-Employed, Farmer
Todd Hays Monroe City, MO	Vice-President of MFB-Federation
Stanley Coday Seymour, MO	Self-Employed, Farmer
Andy Clay Jamestown, MO	Self-Employed, Farmer
Brian Koenig Perryville, MO	Self-Employed, Farmer
Drew Lock La Plata, MO	Self-Employed, Farmer
Christopher Brundick Argyle, MO	Self-Employed, Farmer

Senior Officers

The officers elected by the Board of Directors and serving as of December 31, 2023, were as follows:

<u>Officer</u>	<u>Position</u>
Garrett Hawkins	President
Todd Hays	Vice-President
Blake Rollins	Secretary and Chief Administrative Officer
Jana Oliver	Treasurer and Chief Financial Officer

Principal Committees

The Missouri Farm Bureau Companies share three Board committees - the Audit Committee, the Compensation Committee, and the Per Diem and Expense Committee. Each Board committee consists of four individuals who are members of the Board of Directors. Additionally, the Companies share five management committees: Investment Committee, Personnel Committee, Reinsurance Committee, Management Committee, and 401(k) Committee. The management committees consist of management and staff members from all areas of the Companies.

Corporate Records

FBTC’s Articles of Incorporation and Bylaws were reviewed. There were no revisions to either document during the examination period. The minutes of the Board of Directors’ meetings, Committee meetings, and Shareholder meetings were reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates

The Company is a member of an Insurance Holding Company System, as defined by section 382.010, RSMo (Definitions). MFB-Federation, the ultimate parent company of the holding group, is a not-for-profit membership group that promotes the interests of its member farmers and the agriculture industry. MFB-Federation offers members insurance coverage through its varied affiliates organized under a shared services holding company, MFB-Services. Under the terms of a service agreement, MFB-Services provides management, administrative, office, and data processing services to its subsidiaries, including FBTC.

Below is a description of the business operations of affiliated entities:

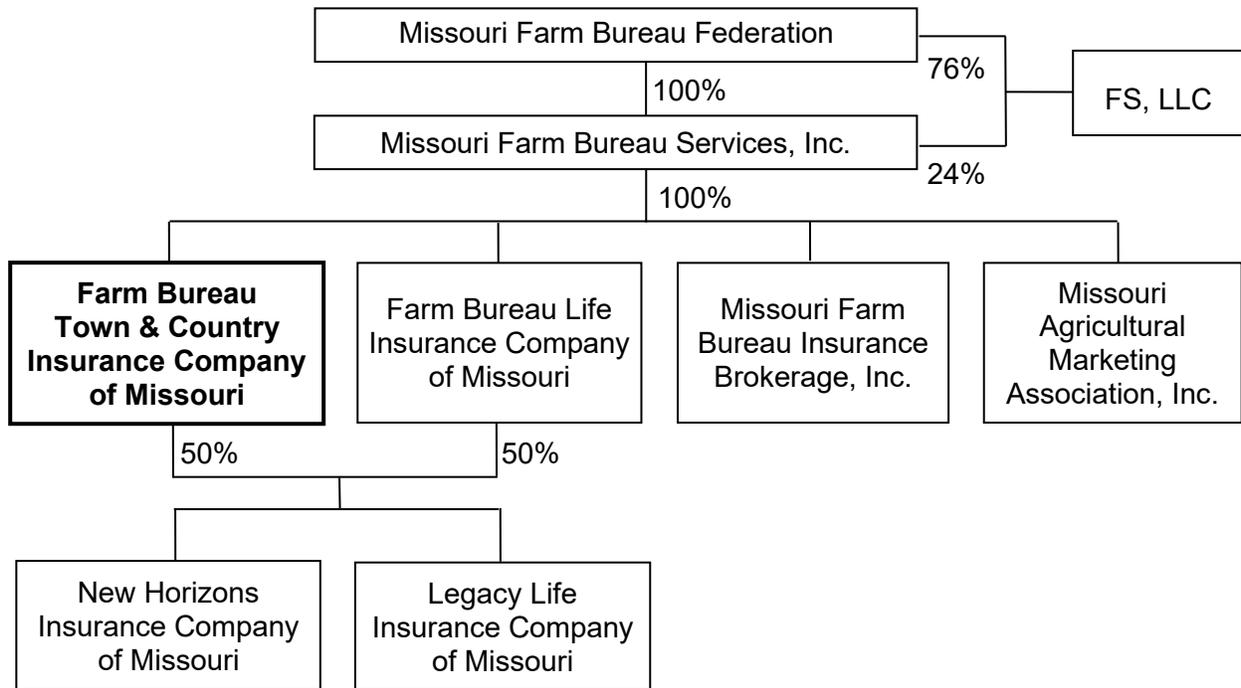
- **Farm Bureau Life Insurance Company of Missouri** – FBL is a life insurance company that offers individual whole life, term life, and annuity products.
- **New Horizons Insurance Company of Missouri** – NH compliments FBTC by offering additional products, services, and coverages to the non-standard market through an existing captive agency force. In recent years, NH broadened its marketing efforts to develop products and services to appeal to the Spanish-speaking market demographic in Missouri and Nebraska. Product offerings in states other than Missouri are marketed directly to the consumer via electronic platforms.
- **Legacy Life Insurance Company of Missouri** – LLIC offers products very similar to those currently offered by FBL, focusing on term and whole life insurance marketed to the Spanish-speaking population. Product offerings in states other than Missouri will be marketed directly to the consumer via electronic platforms.
- **Missouri Farm Bureau Insurance Brokerage, Inc.** (MFB-Brokerage) – MFB-Brokerage manages the Missouri Farm Bureau Companies’ exclusive multi-line agency workforce. Any risks for lines of business not written by the Companies are placed with third-party

insurers. Coverages offered range from workers' compensation, non-standard automobile, professional liability, individual and group health products, disability, Medicare supplements, long-term care, and many specialty coverages.

- **Missouri Agricultural Marketing Association, Inc.** – A dormant entity that had no business operations during the examination period.
- **FS, LLC** – An entity formed in 2006 for the sole purpose of holding ownership to the main office building in Jefferson City, Missouri. Ownership of the building was transferred from MFB-Federation to FS, LLC at the time of its formation to provide tax advantages that could not be utilized by MFB-Federation.

Organizational Chart

The following organizational chart depicts the holding company group as of December 31, 2023. All entities are incorporated / domiciled in Missouri.



Intercompany Transactions

The following agreements represent significant contracts executed with affiliated entities that were in effect as of December 31, 2023. A brief description of these agreements are as follows:

Service Agreement: This agreement, effective January 1, 2018, is between FBL, FBTC, NH, LLIC, MFB-Brokerage, and MFB-Services. Per the agreement, MFB-Services provides administrative, accounting, investment, information technology, customer support, actuarial, and various other services to the parties included in the agreement. Expenses are allocated on an actual cost basis.

Space Rent Agreement: This agreement, amended effective May 22, 2017, is between FBL, FBTC, NH, and FS, LLC. Per the agreement, FS, LLC provides office space to accommodate the business operations of the entities under this agreement. The rent due under the agreement

is billed monthly and payable within thirty days. Rents are computed on a pro-rata basis using assigned square footage as the basis.

Claims Service Agreement: This agreement, effective January 1, 2006, is between FBTC and NH. Per the agreement, FBTC provides NH with claims adjusting and claims payment services. Fees are billed on a per claim basis under the agreed upon fee schedule.

Cost Sharing Agreement: This agreement, effective January 1, 2017, is between MFB-Services, MFB-Federation, FBTC, FBL, MFB-Brokerage, NH, and LLIC. Under the terms of the agreement, the entities will share and allocate the following costs: underwriting, sales, sales contests, promotional events, agents' payroll, Partners for Growth Program, and operational expenses.

Allocation of Consolidated Tax Liability Agreement: This agreement, effective October 1, 2016, is between MFB-Services, FBTC, FBL, MFB-Brokerage, NH, LLIC, and Missouri Agriculture Marketing Association. Per the agreement, each member of the group agrees to pay its share of the consolidated federal income tax liability as allocated among the members under the rules provided by the Internal Revenue Code.

TERRITORY AND PLAN OF OPERATION

FBTC is licensed only in the state of Missouri under Chapter 379 RSMo (Insurance Other Than Life). FBTC specializes in writing personal lines insurance, primarily homeowners, farmowners, and private passenger automobile. In addition, some commercial multiple-peril policies are written, primarily covering apartments, churches, and other small commercial risks. FBTC is the largest writer of farmowners insurance in Missouri and the eighth largest writer of all property and casualty lines in Missouri. The majority of policyholders are located in rural areas, and the policyholder must be a member of the ultimate parent, MFB-Federation, in order to be insured by FBTC. This requirement results in a high percentage of farmowner policies and many policies in sparsely populated farming regions.

Business for FBTC is produced by a captive agency sales force that is either employed by or contracted by its affiliate, MFB-Brokerage. MFB-Brokerage had 292 licensed producers throughout the 114 counties in Missouri as of December 31, 2023. The agents market and distribute products for the Missouri Farm Bureau Companies. Any risks for lines of business not written by the Companies are placed with third-party insurers.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's premium writings and writing ratios for the period under examination. The Company committed to significant rate increases for homeowners, personal automobile, and commercial automobile in 2022 and 2023, which contributed to the increase in premium writings in those years.

(\$000s omitted)

Year	Net Premiums Written	Change in Net Premiums	Capital and Surplus	Ratio of Net Premiums to Surplus
2019	\$ 256,385	\$ 19,886	\$ 246,978	103.8%
2020	263,476	7,091	275,135	95.8%
2021	291,590	28,114	299,108	97.5%
2022	318,682	27,092	297,337	107.2%
2023	364,353	45,671	239,193	152.3%

The table below summarizes the Company’s incurred losses and loss ratios for the period under examination. A heavier-than-normal amount of convective storm damage in Missouri in 2022 and 2023 led to increased losses and loss adjustment expenses (LAE).

(\$000s omitted)

Year	Net Premiums Earned	Net Losses and LAE Incurred	Loss Ratio
2019	\$ 248,252	\$ 194,414	78.3%
2020	257,768	195,033	75.7%
2021	280,061	224,300	80.1%
2022	305,460	254,688	83.4%
2023	340,714	373,176	109.5%

REINSURANCE

General

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

(\$000s omitted)

Premium Type	2019	2020	2021	2022	2023
Direct Premiums Written	\$ 269,461	\$ 286,715	\$ 311,706	\$ 342,294	\$ 393,454
Reinsurance Assumed:					
Affiliates	-	-	-	-	-
Non-Affiliates	570	614	695	675	1,120
Reinsurance Ceded:					
Affiliates	-	-	-	-	2,310
Non-Affiliates	13,646	23,854	20,811	24,287	27,911
Net Premiums Written	\$ 256,385	\$ 263,476	\$ 291,590	\$ 318,682	\$ 364,353

Assumed Reinsurance

The Company assumes business from American Agricultural Insurance Company (American Ag) on a retrocessional basis. American Ag has underlying reinsurance agreements to assume property catastrophe risks from various Farm Bureau companies, including FBTC and NH. FBTC and the other Farm Bureau companies assume varying percentages of American Ag’s assumed liabilities under multiple pooling agreements.

FBTC and NH collectively assume a 7.07% share of the terrorism catastrophe pool, and the pool’s aggregate liability under the agreement is \$35 million.

Ceded Reinsurance

The Company has a property and auto catastrophe reinsurance agreement with NH. Under the agreement, the Company cedes losses of \$5 million in excess of a \$20 million retention. This agreement was terminated effective January 1, 2024.

The Company and NH cede business to American Ag through separate property and liability reinsurance agreements.

Property reinsurance coverage includes per risk and catastrophe excess of loss. Under the property per risk and coded excess agreement, coverage is \$29.4 million in excess of \$600,000. Under the property and auto catastrophe agreement, coverage is \$105 million in excess of \$25 million. Two additional overlaying catastrophe agreements that are shared with other Farm Bureau companies are also in effect. Collectively, catastrophe coverage is up to \$173 million in excess of \$25 million per occurrence.

Liability risks are reinsured through excess of loss and quota share agreements. Under the liability and umbrella excess of loss agreement, coverage is \$30 million after a retention of \$900,000 for liability coverages and \$1.2 million for umbrella policies. Umbrella liability risks covered under this agreement are limited to \$5 million. Under the umbrella quota share agreement, the Companies cede 100% of risks in excess of \$5 million.

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

Independent Auditor

The certified public accounting (CPA) firm, Williams-Keepers LLC (WK), in Jefferson City, Missouri, performed the statutory audit of the Company for all years in the examination period years. Reliance was placed upon the CPA workpapers as deemed appropriate. Such reliance included, but was not limited to, narrative descriptions of information technology processes and controls, internal control and substantive testing relating to investment, claims, reserves, underwriting, premium activities, and fraud risk analysis.

Actuarial Opinion

The Company's actuarial opinion regarding loss reserves, loss adjustment expense reserves, and other actuarial items was issued by Kathryn R. Koch, FCAS, MAAA, for 2021 through 2023. Ms. Koch is employed by Lewis and Ellis, LLC in Overland Park, KS. Dustin Gary, FCAS, MAAA with Centric Actuarial Solutions in Overland Park, KS, issued the actuarial opinion in 2019 and 2020.

Consulting Actuary

Pursuant to a contract with the Department, Kristine M. Fitzgerald, ACAS, MAAA, FCA, of Actuarial & Technical Solutions, Inc., reviewed the underlying actuarial assumptions and methodologies used by FBTC to determine the adequacy of loss reserves and LAE reserves. Ms. Fitzgerald determined that the Company made a reasonable provision for the loss and LAE reserves that were reported in the statutory financial statements, as of December 31, 2023.

Information Systems

The Department also engaged a third-party firm, Examination Resources, LLC (ER), to perform a review of the Group's information technology systems, policies, and procedures. ER's work was completed under the supervision of Kimberly Dobbs, CFE, AES, CISA, Information Systems Examiner-in-Charge for the Department.

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 Farm Bureau Town & Country Insurance Company of Missouri for the period ending December 31, 2023. 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 workpapers for each individual key activity.

ASSETS

As of December 31, 2023

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 412,686,699	\$ -	\$ 412,686,699
Stocks:			
Preferred Stocks	215,270	-	215,270
Common Stocks	75,290,030	-	75,290,030
Cash, Cash Equivalents, and Short- Term Investments	22,571,012	-	22,571,012
Other Invested Assets	5,381,018	-	5,381,018
Investment Income Due and Accrued Premiums and Considerations:	4,030,248	-	4,030,248
Uncollected Premiums and Agents' Balances in the Course of Collection	1,343,174	512,712	830,462
Deferred Premiums, Agents' Balances, and Installments Booked but Deferred and Not Yet Due	108,682,170	-	108,682,170
Reinsurance:			
Amounts Recoverable from Reinsurers	1,236,907	-	1,236,907
Current Federal and Foreign Income Tax Recoverable and Interest Thereon	15,731,219	-	15,731,219
Net Deferred Tax Asset	5,762,568	-	5,762,568
Receivables from Parent, Subsidiaries, and Affiliates	105,600	-	105,600
Aggregate Write-Ins for Other-Than- Invested Assets	102,110	32,351	69,759
TOTAL ASSETS	\$ 653,138,025	\$ 545,063	\$ 652,592,962

LIABILITIES, SURPLUS, AND OTHER FUNDS

As of December 31, 2023

Losses	\$ 119,646,142
Loss Adjustment Expenses	17,309,125
Commissions Payable, Contingent Commissions, and Other Similar Charges	9,532,763
Other Expenses	10,157,157
Taxes, Licenses, and Fees	1,471,331
Unearned Premiums	162,600,909
Advance Premiums	67,046,733
Ceded Reinsurance Premiums Payable (Net of Ceding Commissions)	1,724,010
Remittances and Items Not Allocated	607
Drafts Outstanding	20,583,665
Payable to Parent, Subsidiaries, and Affiliates	1,405,971
Derivatives	42,472
Aggregate Write-Ins for Liabilities	1,879,467
TOTAL LIABILITIES	\$ 413,400,352
Aggregate Write-Ins for Special Surplus Funds	5,576,039
Common Capital Stock	1,200,000
Gross Paid In and Contributed Surplus	5,000,000
Unassigned Funds (Surplus)	227,416,571
TOTAL CAPITAL AND SURPLUS	\$ 239,192,610
TOTAL LIABILITIES AND SURPLUS	\$ 652,592,962

STATEMENT OF INCOME
For the Year Ended December 31, 2023

Premiums Earned	\$ 340,714,424
DEDUCTIONS:	
Losses Incurred	351,641,685
Loss Adjustment Expenses Incurred	21,535,151
Other Underwriting Expenses Incurred	68,045,832
Total Underwriting Deductions	<u>\$ 441,222,668</u>
Net Underwriting Gain (Loss)	\$ (100,508,244)
Net Investment Income Earned	15,083,105
Net Realized Capital Gains	3,596,824
Net Investment Gain (Loss)	\$ 18,679,929
Net Gain (Loss) from Agents' or Premium Balances Charged Off	(947,489)
Finance and Service Charges Not Included in Premiums	5,247,220
Aggregate Write-Ins for Miscellaneous Income	43,690
Federal and Foreign Income Taxes Incurred	(14,620,559)
NET INCOME (LOSS)	<u>\$ (62,864,335)</u>

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from January 1, 2019, to December 31, 2023

(\$000s omitted)

	2019	2020	2021	2022	2023
Capital and Surplus, Beginning of Year	\$ 224,679	\$ 246,978	\$ 275,135	\$ 299,108	\$ 297,337
Net Income (Loss)	17,579	24,630	14,276	7,715	(62,864)
Change in Net Unrealized Capital Gains (Losses)					
Less Capital Gains Tax	7,985	4,998	11,647	(8,556)	449
Change in Net Deferred Income Tax	345	298	742	716	4,570
Change in Nonadmitted Assets	35	(11)	(228)	(218)	472
Dividends to Stockholders	(3,645)	(1,758)	(2,463)	(1,428)	(771)
Net Change in Capital and Surplus	<u>\$ 22,299</u>	<u>\$ 28,157</u>	<u>\$ 23,974</u>	<u>\$ (1,771)</u>	<u>\$ (58,144)</u>
Capital and Surplus, End of Year	<u>\$ 246,978</u>	<u>\$ 275,135</u>	<u>\$ 299,108</u>	<u>\$ 297,337</u>	<u>\$ 239,193</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

There were no significant subsequent events noted from December 31, 2023, through the date of the report.

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.



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