

**REPORT ON EXAMINATION**  
**OF**  
**MARYSVILLE MUTUAL INSURANCE COMPANY**  
**1001 BROADWAY**  
**MARYSVILLE, KANSAS 66508**  
**AS OF**  
**DECEMBER 31, 2023**

**FILED**

November 4, 2024

**VICKI SCHMIDT**  
Commissioner of Insurance

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Topeka, Kansas  
October 21, 2024

Honorable Vicki Schmidt  
Commissioner of Insurance  
Kansas Department of Insurance  
1300 SW Arrowhead Rd  
Topeka, Kansas 66604-4019

Dear Commissioner:

In accordance with your authorization and pursuant to K.S.A. 40-222, an examination has been conducted of the financial condition and business affairs of:

**MARYSVILLE MUTUAL INSURANCE COMPANY**

with its statutory home office and main administrative office at:

**1001 BROADWAY  
MARYSVILLE, KANSAS 66508**

hereinafter referred to as the “Company” or “MMIC”. The following report on such examination is respectfully submitted.

**SCOPE OF EXAMINATION**

The examiners have performed a single-state financial examination of the Company, a Kansas-domiciled property and casualty insurance company. The last examination covered the five-year period from January 1, 2015, through December 31, 2019. This examination covers the four-year period from January 1, 2020, through December 31, 2023.

The examination was conducted in accordance with the rules, regulations, and directives of the Kansas Department of Insurance (“Department”) and the observed guidelines and procedures contained in the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”). The

Handbook requires that the examiners 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 identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles.

Those activities considered in the examination as key or critical to MMIC included Investments, Reinsurance, Reserving, and Underwriting and Pricing. The examination also included a review and evaluation of information technology general controls.

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 is documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in K.S.A. 40-222, and general information about the insurer 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.

### **Independent Audit Reports**

Financial statements of the Company were audited by Strohm Ballweg, LLP of

Madison, Wisconsin for the years ended December 31, 2020, through December 31, 2023. In each of the years under examination, the auditors concluded that the financial statements of the Company present fairly, in all material respects, the admitted assets, liabilities and policyholders' surplus of the Company as of December 31, 2023, and the results of its operations and its cash flows for the years then ended in accordance with the statutory accounting practices prescribed or permitted by the Department.

The independent auditor's workpapers were reviewed and analyzed by the examiners. Significant reliance was placed on select workpapers during this examination.

### **Actuarial Review**

Steven Regnier, ACAS, MAAA, of Regnier Consulting Group, Inc. of Stevens Point, Wisconsin was retained as the appointed actuary to perform a review of the Company's actuarial practices and reserves as of December 31, 2023. The appointed actuary's review consisted of evaluating assumptions, methodologies, and calculations utilized by the Company in its reserve setting process.

### **SUMMARY OF SIGNIFICANT FINDINGS**

No significant findings were noted during the examination.

### **COMPANY HISTORY**

#### **General**

Pursuant to K.S.A. 40-1027, Marshall County Farmers Mutual Fire and Lightning Insurance Association was incorporated in the State of Kansas on January 1, 1889, as a mutual fire and tornado company, and commenced writing business on January 1, 1889. On March 10, 1932, the Company merged with The Farmers Mutual Fire and Tornado Insurance Company of Northeast Kansas and the surviving entity was named The

Farmers' Mutual Insurance Company. On November 30, 1955, the Company amended its charter and changed its name effective January 2, 1956, to The Marysville Mutual Insurance Company.

On September 14, 1977, the Company converted to a mutual status pursuant to K.S.A. 40-1201. On January 3, 1994, the Company converted back to a mutual status under K.S.A. 40-1027. On December 15, 1997, the Company returned to the status of K.S.A. 40-1201 and extended the corporate existence to a perpetual basis.

### **CORPORATE RECORDS**

The Company's articles of incorporation and bylaws were reviewed. There were no amendments to the articles of incorporation during the examination period.

The Company's bylaws were amended on April 21, 2021. The amendments made were as follows:

- Article III – revised mandatory retirement age for all new directors to the end of their term after reaching age seventy-five (75).
- Article IVa – changed “City Dwelling” to “Dwelling Fire”.
- Article V – revised to no longer require the Executive Committee to meet with the Board of Directors at the quarterly meetings, as “shall” was changed to “may”, and removed the Executive Committee's authority to employ, hire, or appoint the investment facility.

The amendments were filed and approved by the Department on May 18, 2021.

### **MANAGEMENT AND CONTROL**

#### **Policyholders**

In accordance with the bylaws, each policyholder shall have as many votes for directors as there are directors to be elected and one (1) vote for each item of business at issue at such meeting. A policyholder also has one (1) additional vote for each \$500 of insurance premium paid on insurance in force, or fraction thereof, in excess of \$500.

The policyholder annual meeting is held on the third Wednesday in January at the home office in Marysville, Kansas.

### **Board of Directors**

The Company's bylaws consist of sixteen (16) articles that provide the framework for the operation, management, and control of the Company. The Company is managed under the direction of its board of directors ("Board").

Pursuant to the bylaws, the Board shall consist of not less than seven (7) members nor more than nine (9) members. Each director will be a Kansas resident which has an in-force policy with a minimum of \$10,000 property coverage with MMIC. Mandatory retirement age for all new directors is the end of their term after reaching seventy-five (75) years of age. At the annual meeting, the policyholders shall elect directors, each of whom will hold office for a term of three (3) years or until a successor is elected and qualified or until such director's earlier resignation or removal. There will be not less than one-fifth (1/5), nor more than one-third (1/3) elected at each annual meeting. The directors elected and serving as of December 31, 2023, were as follows:

<b><u>Name</u></b>	<b><u>Principal Occupation and Business Affiliation</u></b>
John W. Evans II	Owner Evans Real Estate Company, Inc. & Insurance
Cynthia J. Hower	President Kellerman Insurance Agency
Terry L. Jelinek	President (Retired) The Jelinek Insurance Agency
Trent G. Moser	President Marysville Mutual Insurance Company
Lori A. Scheibe	Secretary and Treasurer Marysville Mutual Insurance Company
David S. Stuckey	Owner (Retired) Cardinal Insurance Agency
Candace A. Wright	Chief Executive Officer and Chief Financial Officer Blue Valley Tele-Communications, Inc.

Leonard R. Wolfe

Chief Executive Officer and President  
United Bank & Trust

## **Committees**

The Company's bylaws stipulate that the Executive Committee shall consist of the Chairman, Vice Chairman and Treasurer, who are elected on an annual basis. Additionally, the Chairman will appoint a Bylaws Committee which consists of one-third (1/3) of the directors and a Nominating Committee which will have three members. The established committees and the members elected and serving as of December 31, 2023, were as follows:

### **Audit Committee**

David S. Stuckey, Chairman  
John W. Evan II  
Cynthia J. Hower  
Terry L. Jelinek  
Leonard R. Wolfe  
Candace A. Wright

### **Compensation Committee**

David S. Stuckey, Chairman  
John W. Evan II  
Cynthia J. Hower  
Terry L. Jelinek  
Leonard R. Wolfe  
Candace A. Wright

### **Finance Committee\***

Trent G. Moser  
Lori A. Scheibe  
David S. Stuckey  
Leonard R. Wolfe

### **Bylaws Committee**

David S. Stuckey, Chairman  
Cynthia J. Hower  
Terry L. Jelinek  
Lori A. Scheibe  
Leonard R. Wolfe

### **Executive Committee**

David S. Stuckey, Chairman  
Leonard R. Wolfe  
Lori A. Scheibe

### **Planning Committee**

David S. Stuckey, Chairman  
John W. Evan II  
Cynthia J. Hower  
Terry L. Jelinek  
Trent G. Moser  
Lori A. Scheibe  
Leonard R. Wolfe  
Candace A. Wright



**Board Nominating Committee**

Leonard R. Wolfe, Chairman  
Cynthia J. Hower  
Trent G. Moser

**Officer Nominating Committee**

Cynthia J. Hower, Chairman  
Terry L. Jelinek  
Candace A. Wright

\* No chairman was appointed

**Officers**

Pursuant to the bylaws, the Company will have a Chairman, a Vice Chairman, a Secretary, a Treasurer and an assistant secretary and a President as deemed necessary. The bylaws direct the Board to elect at the annual board meeting a Chairman, a Vice Chairman, and a Secretary and Treasurer. In accordance with the bylaws, the Secretary does not need to be a member of the Board. The Board may select an Assistant Secretary as needed. Additionally, the Board may designate a President as deemed necessary. The following is a listing of officers and their position(s) held as of December 31, 2023:

<b><u>Name</u></b>	<b><u>Office</u></b>
David S. Stuckey	Chairman
Leonard R. Wolfe	Vice Chairman
Trent G. Moser	President
Lori A. Scheibe	Secretary and Treasurer
Nichole Zeibig	Assistant Secretary

**TERRITORY AND PLAN OF OPERATION**

As of December 31, 2023, the Company is authorized to transact business only in Kansas. The Company’s product lines are distributed by independent agents throughout Kansas.

As of December 31, 2023, the Company’s largest lines of direct written premium were homeowners multiple peril at 43.8%, farmowners multiple peril at 33.9%, allied lines

at 11.6%, inland marine at 4.4%, and fire at 3.5%.

### **SELECT FINANCIAL INFORMATION**

The exhibit below shows the Company's financial results for the period of December 31, 2020, through December 31, 2023. The financial amounts were obtained from annual statements filed by the Company.

	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
<i>(000's omitted)</i>				
Admitted Assets	\$74,418	\$86,818	\$87,192	\$94,547
Liabilities	23,335	28,706	27,746	33,015
Capital and Surplus	51,083	58,112	59,446	61,532
Net Income (Loss)	8,129	5,940	3,278	1,566
Net Premium Written	29,917	29,639	32,844	35,903

### **REINSURANCE**

#### **General**

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

<i>(000's omitted)</i>				
<b>Premium Type</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Direct Premiums Written	\$ 35,654	\$ 37,404	\$ 40,360	\$ 46,698
Reinsurance Assumed	0	0	0	66
Reinsurance Ceded	(5,737)	(7,765)	(7,516)	(10,861)
<b>Net Premiums Written</b>	<b>\$ 29,917</b>	<b>\$ 29,639</b>	<b>\$ 32,844</b>	<b>\$ 35,903</b>

#### **Assumed Reinsurance**

Beginning in 2023, MMIC started assuming business from Regional Reciprocal Catastrophe Pool ("RRCP"), a catastrophe pool created by five insurance companies. RRCP's maximum capacity is \$60 million when fully subscribed; however, at December 31, 2023, \$55 million of its capacity was subscribed. RRCP is managed by Mutual Re, a Cherry Valley, Illinois, joint reinsurance association.

## **Ceded Reinsurance**

The Company is reinsured by excess of loss reinsurance contracts to protect against catastrophic or other unforeseen loss activity. The Company maintains a multi-line excess of loss agreement that covers both property and casualty lines with Dorinco Reinsurance Company (Dorinco) and Hannover Rück SE (Hannover Re), f/k/a Hannover Rückversicherung AG. Dorinco and Hannover Re are the lead reinsurers, each having a twenty-five percent (25%) participation, with the various other (re)insurers making up the hundred percent placement. The Company's retention under this agreement is \$275,000. This agreement consists of two layers and covers up to \$1,725,000 in excess of the Company's retention. This agreement includes a basket cover of \$275,000 in excess of \$275,000.

The Company also maintains a property aggregate excess of loss agreement with R+V Versicherung AG ("R+V"). R+V is the lead reinsurer with a forty-and-one-half percent (40.5%) participation, with the various other (re)insurers making up the remaining placement. This agreement has two layers and covers up to \$4,500,000 should the Company exceed a 77.5% loss ratio on subject business in the period defined in the agreement. For 2023, MMIC is co-participating in both layers of the aggregate stop loss agreement with 45.5% and 32.5% co-participation, respectively.

The Company also maintains a catastrophe excess of loss agreement, which consists of four layers and covers \$55,000,000 excess \$2,250,000. Additionally, the Company maintains facultative coverage with Arch Reinsurance Company for all risks with property coverages over \$2,000,000.

All reinsurance agreements in effect during the examination contained insolvency and cancellation clauses as required by K.S.A. 40-221a. All reinsurance agreements reviewed provided for the transfer of risk. However, the Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event an assuming reinsurer fails to perform its obligations under the reinsurance contract.

### **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 the Company for the period ended December 31, 2023. There were no adjustments to the Company's filed statutory financial statements as a result of this examination.

**MARYSVILLE MUTUAL INSURANCE COMPANY**  
**STATEMENT OF ASSETS**  
**AS OF DECEMBER 31, 2023**

	Assets	Assets Nonadmitted	Net Admitted Assets
Bonds	\$66,615,798	\$ -	\$66,615,798
Preferred stocks	784,365		784,365
Common stocks	13,488,865	-	13,488,865
Real Estate: Properties occupied by the company	553,541	-	553,541
Cash and cash equivalents	4,241,095	-	4,241,095
Investment income due and accrued	406,546	-	406,546
Deferred premiums, agents' balances and installments booked but deferred and not yet due	6,797,031	-	6,797,031
Amounts recoverable from reinsurers	312,489	-	312,489
Other amounts receivable under reinsurance contracts	17,258	-	17,258
Current federal income tax recoverable	352,468	-	352,468
Net deferred tax asset	856,708	-	856,708
Electronic data processing equipment and software	516,820	508,271	8,549
Furniture and equipment	3,370	3,370	-
Aggregate write-ins for other than invested assets	154,008	42,009	111,999
	<u>\$95,100,362</u>	<u>\$ 553,650</u>	<u>\$94,546,712</u>

**MARYSVILLE MUTUAL INSURANCE COMPANY  
STATEMENT OF LIABILITIES AND SURPLUS  
AS OF DECEMBER 31, 2023**

Losses	\$ 5,441,098
Loss adjustment expenses	262,235
Commissions payable, contingent commissions and other similar Changes	884,717
Other expenses	537,957
Taxes, licenses and fees	390,914
Unearned premiums	22,933,651
Advance premiums	727,342
Ceded reinsurance premiums payable	1,784,707
Funds held by company under reinsurance treaties	52,544
Total liabilities	<u>33,015,165</u>
Unassigned funds (surplus)	<u>61,531,547</u>
Surplus as regards policyholders	<u>61,531,547</u>
Totals	<u><u>\$94,546,712</u></u>

**MARYSVILLE MUTUAL INSURANCE COMPANY  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2023**

Premiums earned	\$32,825,783
DEDUCTIONS	
Losses incurred	21,587,300
Loss adjustment expenses incurred	1,405,714
Other underwriting expenses incurred	10,162,726
Total underwriting deductions	<u>33,155,740</u>
Net underwriting loss	(329,957)
INVESTMENT INCOME	
Net investment income earned	2,123,892
Net realized capital gains less capital gains tax	116,840
Net investment gain	<u>2,240,732</u>
OTHER INCOME	
Finance and service charges not included in premiums	183,894
Aggregate write-ins for miscellaneous income	37,994
Total other income	<u>221,888</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	2,132,663
Dividends to policy holders	<u>0</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	2,132,663
Federal and foreign income taxes incurred	566,309
Net income	<u>\$ 1,566,354</u>

**MARYSVILLE MUTUAL INSURANCE COMPANY  
CAPITAL AND SURPLUS ACCOUNT  
RECONCILIATION OF CAPITAL AND SURPLUS SINCE LAST EXAMINATION**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Surplus as regards policyholders, December 31 prior year	\$42,537,352	\$51,083,329	\$58,112,139	\$59,445,899
Net income (loss)	8,128,924	5,940,370	3,278,260	1,566,354
Change in net unrealized capital gains or (losses)	401,932	989,109	(2,011,315)	812,600
Change in net deferred income tax	9,872	94,196	65,638	245,653
Change in nonadmitted assets	5,249	5,135	1,177	(538,959)
Surplus as regards policyholders, December 31 current year	<u>\$51,083,329</u>	<u>\$58,112,139</u>	<u>\$59,445,899</u>	<u>\$61,531,547</u>



### **ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS**

No adjustments were made to surplus as a result of this examination. The capital and surplus of the Company as of December 31, 2023, was \$61,531,547, which was the same amount reported by the Company in its 2023 filed Annual Statement.

### **COMMENTS ON FINANCIAL STATEMENTS**

There were no significant or material findings resulting from the examination that warranted inclusion in this Report on Examination.

### **SUBSEQUENT EVENTS**

There were no events subsequent to December 31, 2023, that had a material effect on the Company.

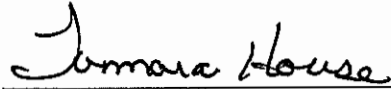
### **SUMMARY OF RECOMMENDATIONS**

No recommendations for the Company were identified that warranted inclusion in this Report of Examination.

### **CONCLUSION**

The assistance and cooperation by the officers of the Company during this examination is hereby acknowledged and appreciated. In addition to the undersigned, Shane Mead, CISA, CISM, CRISC performed the information technology portion of the examination.

Respectfully submitted,



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Tamara House, CFE  
Examiner-in-Charge  
Kansas Department of Insurance

**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 Handbook has been confirmed except where practices, procedures and applicable regulations of the Department and statutes of the State of Kansas prevailed.



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Levi Nwasoria, CPA, CFE  
Chief Examiner  
Kansas Department of Insurance

**EXHIBIT S**  
**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND**  
**PROCEDURES USED IN AN EXAMINATION**

State of Kansas,

County of Shawnee,

Tamara House, being duly sworn, states as follows:

1. I have authority to represent the Kansas Department of Insurance in the examination of Marysville Mutual Insurance Company.
2. Kansas Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Marysville Mutual Insurance Company was performed in a manner consistent with the standards and procedures required by K.S.A. 40-222.

The affiant says nothing further.

Tamara House

Examiner's Signature

Subscribed and sworn before me by Tamara House on this 4th day of November, 2024.



(SEAL)

Glenda M. Haverkamp

Notary Public

My commission expires 9-23-2027 [date].