



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

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

RE: Examination Report of Clarks Fork Mutual Insurance Company for the period ended
December 31, 2014

ORDER

After full consideration and review of the report of the financial examination of Clarks Fork Mutual Insurance Company 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 Clarks Fork 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 15th day of August, 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

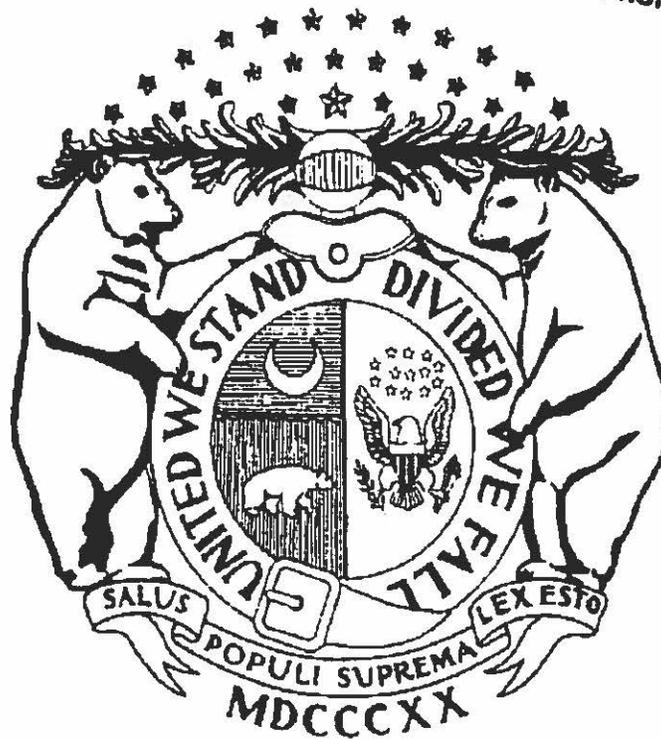
**REPORT OF THE
FINANCIAL EXAMINATION OF
CLARKS FORK MUTUAL
INSURANCE COMPANY**

**AS OF
DECEMBER 31, 2014**

FILED

AUG 15 2016

**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 13, 2016
Boonville, 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

CLARKS FORK MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company." The Company's administrative office is located at 17780 Sky Line Rd., Boonville, Missouri 65233, telephone number (660) 882-7199. This examination began on January 12, 2016, and was concluded on the above date.

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 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.

Comments-Previous Examination Report

The comments, recommendations, and notes of the previous examination report dated December 31, 2009, are listed below followed by the Company's response and the current examination findings regarding such comments, recommendations and notes.

MAMIC Reinsurance Pool Investment Reporting

Comment: It was recommended the Company report its investment in the MAMIC Reinsurance Pool on the "Other Investments" line on future Annual Statement Filings.

Company Response: The Company responded that it accepted the recommendation and would report the investment in the MAMIC Reinsurance Pool under Schedule O, "Other Investments" on subsequent filings.

Current Findings: As of December 31, 2014, the Company reported the investment properly under "Other Investments".

HISTORY

General

The Company was originally organized on November 15, 1892, as Clarks Fork Farmer Feuer-Unterstuetzungs-Verein. On February 24, 1915, the Company changed its name to Clarks Fork Farmers Mutual Fire, Lightning and Tornado Insurance Company of Cooper County, Missouri and was incorporated in the State of Missouri. On February 25, 1935, the Company changed its name to Clarks Fork Farmers Mutual Insurance Company of Cooper County. On November 18, 1971, the Company changed its name to Clarks Fork Mutual Insurance Company.

The Company has a Certificate of Authority dated July 1, 1991 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 fourth Tuesday in March, at the home office of the Company or at such other place as may be designated by the Board of Directors. Special meetings of the members may be called at any time by the Board of Directors and shall be called upon petition of one-fourth of the members. Ten 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 and meets approximately each month. Compensation per each meeting attended is \$150. The President receives an additional \$150 per month for additional duties such as signing checks.

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 Expires</u>
Herbert Twenter Pilot Grove, Missouri	President/Landlord & Business Owner	2016
Judith Simmons Otterville, Missouri	Vice President/Insurance Agent	2017
David Lang Boonville, Missouri	Realtor/Business Owner	2016
Jared Williams Syracuse, Missouri	Farmer/Seed Salesman	2017
Megan McGuire Boonville, Missouri	Attorney-City of Boonville	2015
Larry Grissum Boonville, Missouri	Farmer	2015
Robert Ashford Marshall, Missouri	Insurance Agent/Realtor	2015

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:

Herbert Twenter	President
Judith Simmons	Vice-President
Vicky Simmons	Secretary/Treasurer

Conflict of Interest

The Company's directors and officers complete conflict of interest forms annually, and the Board of Directors reviews the completed forms for any possible conflicts requiring resolution.

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 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. 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 also carries errors and omissions coverage for its employees. The Company requires its agents to maintain the errors and omission coverage at the agents' expense.

Other insurance coverages carried by the Company include property insurance on the home office and contents, workers compensation, commercial liability insurance and auto insurance on their company automobile.

EMPLOYEE BENEFITS

The Company has five full-time employees. The Company provides sick leave, annual leave, holiday pay, dental, short-term and long-term disability and access to a Simple IRA plan with 3% matching as of December 31, 2014. Health insurance through the Company was offered until September 1, 2014, but was subsequently discontinued due to costs.

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 and currently writes all three lines. The Company cedes 100% of the liability lines to Grinnell Mutual Reinsurance Company for a contingent commission.

The Company's policies are sold by nine licensed agents/agencies. The agents receive a compensation of 14% on all new and renewal policies and endorsements.

Policy Forms and Underwriting Practices

The Company mainly utilizes AAIS forms, as well as Grinnell Mutual Insurance Company forms and custom forms approved by the Missouri DIFP. The policies are written for one year and are continuous. Rates are determined by the Board of Directors, and renewal billings are mailed directly to the insured unless escrowed and sent to the mortgage company. Property inspections are completed by an in-house inspector. Claims are completed through a contract for adjusting by the Company's reinsurer, unless adjusted by the agent on some smaller claims. Property inspections are completed on all new policies and every five years thereafter at renewal.

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>
2014	\$3,924,229	\$ 430,258	\$2,455,336	\$ 955,262	\$ 70,273	\$ 310,369	\$ 263,479
2013	3,537,948	307,454	2,361,787	1,151,218	65,117	42,921	85,195
2012	3,261,740	116,443	2,186,771	801,940	65,710	418,452	397,178
2011	2,841,556	93,437	2,044,146	1,440,949	71,539	(165,375)	(76,612)
2010	3,072,692	247,959	2,027,293	1,161,413	83,525	(134,742)	(51,479)

At year-end 2014, 3,429 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:

	2014	2013	2012	2011	2010
Direct	\$2,455,336	\$2,361,787	\$2,186,771	\$2,044,146	\$2,027,293
Assumed	18,751	17,427	18,184	15,019	14,012
Ceded	556,016	498,790	476,296	458,952	455,215
Net	\$1,918,071	\$1,880,424	\$1,728,659	\$1,600,213	\$1,586,090

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 5% share in the interests and liabilities of the pool.

Ceded

The Company has all of its ceded reinsurance through Grinnell Mutual Reinsurance Company (the reinsurer) under an aggregate excess plan reinsurance agreement.

The aggregate excess section of the agreement 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 debit for the attachment point. The reinsurer is liable for 100% of losses in excess of this retention. The attachment point for 2014 was \$1,383,614.

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% commission.

Under the facultative reinsurance section 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 accounting records are maintained by the Company on an accrual basis. The Company utilizes IMT Computer Services Company software for general ledger, claims reports and policy maintenance. The Company also utilizes AISUS Insurance Services for online applications and quoting. The Company maintains paper copies of signed applications, policyholder declaration pages and endorsements in addition to the online copies. In addition, the Company backs up their data with DVDs. The CPA firm of Lammers & Associates, P.C. prepares the Company's tax filings and completes an annual audit. The Company Manager completes the Annual Statement filing.

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 workpapers for each individual annual statement item.

ASSETS
December 31, 2014

Bonds	\$ 852,401
Cash on Deposit	2,673,519
Real Estate	140,424
Other Investments	236,929
Computer Hardware	6,022
Other Assets	<u>14,934</u>
Total Assets	<u>\$ 3,924,229</u>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2014

Net Losses Unpaid	\$ 340,924
Ceded Reinsurance Payable	40,183
Federal Income Tax Payable	43,000
Accounts Payable- Other	<u>6,151</u>
Total Liabilities	<u>\$ 430,258</u>
Guaranty Fund	\$ 150,000
Other Surplus	<u>3,343,971</u>
Total Surplus	<u>3,493,971</u>
Total Liabilities and Surplus	<u>\$ 3,924,229</u>

STATEMENT OF INCOME
For the Year Ending December 31, 2014

Net Premiums Earned	\$ 1,918,071
Other Insurance Income	195,088
Net Losses & Loss Adjusting Expenses Incurred	(1,089,219)
Other Underwriting Expenses Incurred	<u>(713,571)</u>
 Net Underwriting Income (Loss)	 310,369
Net Investment Income	70,273
Other Income	<u>837</u>
 Gross Profit (Loss)	 \$ 381,479
Federal Income Tax	<u>118,000</u>
 Net Income (Loss)	 <u>\$ 263,479</u>

CAPITAL AND SURPLUS ACCOUNT
December 31, 2014

Policyholders' Surplus, December 31, 2013	\$ 3,230,494
Net Income (Loss)	<u>263,479</u>
 Policyholders' Surplus, December 31, 2014	 <u>\$ 3,493,973</u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

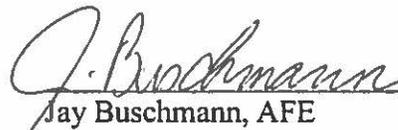
ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
)
County of Cole)

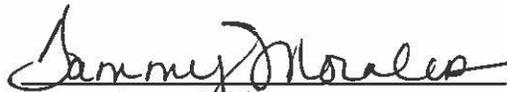
I, Jay Buschmann on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only the facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony 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.

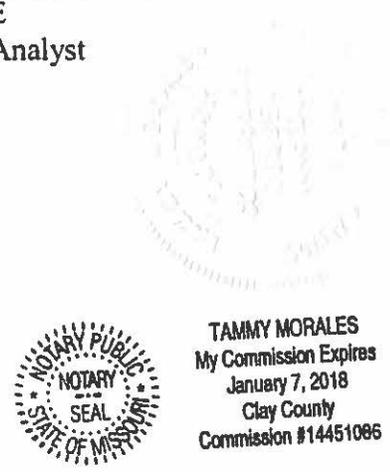

Jay Buschmann, AFE
Financial Examiner/Analyst
Missouri DIFP

Sworn to and subscribed before me this 13th day of May, 2016.

My commission expires:

01/07/2018


Notary Public



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, CFE, CPA
Audit Manager – Kansas City
Missouri DIFP