



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

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

RE: Examination Report of Laclede Mutual Insurance for the period ended December 31, 2015

**ORDER**

After full consideration and review of the report of the financial examination of Laclede Mutual Insurance for the period ended December 31, 2015, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, 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.

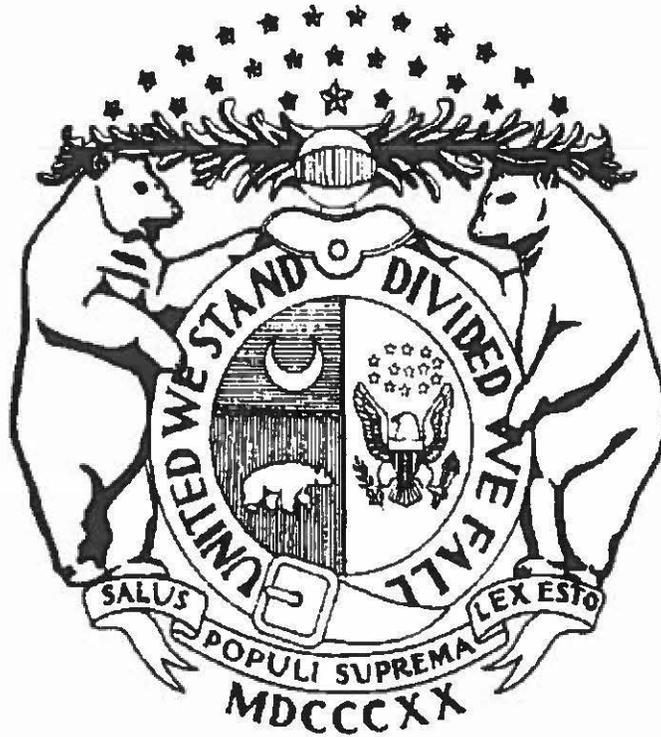
Based on such findings and conclusions, I hereby ORDER Laclede Mutual Insurance to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition and affairs in a 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 16<sup>th</sup> day of October, 2017.



*Chlora Lindley-Myers*  
Chlora Lindley-Myers, Director  
Department of Insurance, Financial Institutions  
and Professional Registration

**REPORT OF THE  
FINANCIAL EXAMINATION OF  
LACLEDE MUTUAL INSURANCE  
AS OF  
DECEMBER 31, 2015**



**STATE OF MISSOURI**

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

**JEFFERSON CITY, MISSOURI**

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April 12, 2017  
Lebanon, Missouri

Honorable Chlora Lindley-Myers, Director  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration  
301 West High Street, Room 530  
Jefferson City, Missouri 65101

Director Lindley-Myers:

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

### **LACLEDE MUTUAL INSURANCE**

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 325 West Commercial Street, Lebanon, Missouri 65536, telephone number (417) 588-1857. This examination began on April 10, 2017 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, 2010, and was conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP). The current full-scope examination covers the period from January 1, 2011 through December 31, 2015, and was also conducted by examiners from the Missouri 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 organized on January 2, 1912 as the Mutual Insurance Association of Laclede County. On June 17, 1938, the Company reorganized and received a Certificate of Incorporation. On April 15, 2002, the Company amended its Articles of Incorporation to change its name to Laclede Mutual Insurance.

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 third Thursday 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 by the Board of Directors at any time and shall be called upon petition of one-fourth of the members. Ten members shall constitute a quorum at any annual 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 no less than five and no more than nine members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every month and each director is compensated \$200 for each meeting attended. As of December 31, 2015, the Company had seven directors.

The members serving on the Board of Directors as of December 31, 2015, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term</u>
Freida Brackett Lebanon, Missouri	Agent Ozark Farm & Home Realty	2015-2018
Michael Light Lebanon, Missouri	Insurance Agent	2014-2017
Shannon Barclay Lebanon, Missouri	Vice-President Central Bank	2015-2018
Keith Johnson Lebanon, Missouri	Owner Ag-Transit, Inc.	2014-2017

Cathy Dame Lebanon, Missouri	General Manager Lebanon-Laclede County Library	2015-2018
Bernita Shamel Lebanon, Missouri	Retired Manager Laclede Mutual Insurance	2012-2015
Robert Stratton Lebanon, Missouri	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, 2015, were as follows:

Michael Light	President
Keith Johnson	Vice-President
Scott Kelly	Treasurer / Secretary

**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 executed conflict of interest statements noted that all directors and officers completed conflicts of interest forms and no material conflicts were disclosed.

**Corporate Records**

A review was made of the Articles of Incorporation and the Bylaws of the Company. The Articles of Incorporation were amended effective March 15, 2012 to change the date of the Annual Membership meeting to the third Thursday of March. The Bylaws were not 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 \$100,000. 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. Other insurance coverages carried by the Company include property insurance on its home office and contents as well as premises liability insurance.

## EMPLOYEE BENEFITS

The Company has five full-time employees. The Company provides health and life insurance to its employees. The Company also provides employees with an annual retirement allowance of \$1,500 which employees can invest in the retirement plan of their choice. Employees receive 30 hours of sick leave per year and two to four weeks of vacation per year depending on length of service.

## 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, lightning, wind and liability insurance in all counties in the State of Missouri. The Company writes all of its authorized lines of business. The Company's policies are sold by 19 independent agencies, who receive a fourteen percent commission.

### Policy Forms and Underwriting Practices

The Company utilizes policy forms from the American Association of Insurance Services. The policies are renewed annually. Property inspections and claims adjusting are performed by employees of the Company. Rates are determined by the Board of Directors. Renewal billings are mailed directly to the insured.

## GROWTH AND LOSS EXPERIENCE OF THE COMPANY

<u>Year</u>	<u>Admitted Assets</u>	<u>Admitted Liabilities</u>	<u>Gross Premiums</u>	<u>Gross Losses</u>	<u>Investment Income</u>	<u>Underwriting Income</u>	<u>Net Income</u>
2015	\$2,960,726	\$ 801,681	\$2,123,149	\$785,561	\$59,605	\$ 239,716	\$ 298,789
2014	2,740,530	829,750	2,238,697	646,774	50,143	244,388	301,065
2013	2,576,067	969,762	2,540,808	891,972	53,850	497,097	557,107
2012	2,451,869	1,396,493	2,922,094	1,014,665	54,207	323,271	383,570
2011	2,150,398	1,396,342	2,913,635	2,487,371	50,169	(488,955)	(432,671)

At year-end 2015 the Company had 2,359 policies 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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Direct	\$2,123,149	\$2,238,697	\$2,540,808	\$2,922,094	\$2,913,635
Assumed	21,620	23,078	21,449	22,380	21,113
Ceded	<u>673,673</u>	<u>822,061</u>	<u>953,723</u>	<u>1,014,401</u>	<u>966,437</u>
Net	<u>\$1,471,096</u>	<u>\$1,439,714</u>	<u>\$1,608,534</u>	<u>\$1,930,073</u>	<u>\$1,968,311</u>

**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 89% of the premiums and losses applicable to the first \$2,000,000 each claim and in aggregate on all insurance agent and broker errors and omissions policies and to 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 4% share in the interests and liabilities of the pool.

**Ceded**

The Company has all of its reinsurance through Wisconsin Reinsurance Company (the reinsurer) under a single contract with multiple sections covering property and liability risks.

Under the two-layer property per risk section of the agreement, the Company retains \$95,000 per risk and the reinsurer is responsible for the excess, limited to \$505,000 per risk. Under the aggregate excess of loss agreement, the reinsurer is liable for 100% of losses which exceed 70% of the Company's gross net earned premium income during the year.

Under the casualty excess of loss section of the agreement, the Company retains \$10,000 per occurrence and the reinsurer is responsible for the excess loss.

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 uses the accrual basis method of accounting. Policyholder documentation is maintained both manually and electronically. The Company uses IMT Computer Services mutual processing system software for premiums and claims.

The CPA firm of Van de Ven, LLC prepares the financial statements, tax returns and compiles the Annual Statement. The CPA firm of Walters, Staedtler & Allen, LLC processes the Company's payroll and prepares its payroll tax return.

## **FINANCIAL STATEMENTS**

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2015, 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.

**ANALYSIS OF ASSETS**  
**December 31, 2015**

Bonds	\$ 1,367,756
Stocks	7,482
Mutual Funds	206,223
Real Estate	308,708
Cash on Deposit	757,476
Other Investments	236,803
Computer Equipment	8,224
Interest Due and Accrued	15,813
Ceded Reinsurance Premium Receivable	<u>52,241</u>
Total Assets	<u>\$2,960,726</u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**  
**December 31, 2015**

Losses and LAE	\$ 14,500
Unearned Premiums	759,369
Federal Income Tax	7,035
Payroll Tax	3,405
Accounts Payable to Agents	14,535
Accounts Payable (Other)	2,837
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Total Liabilities	\$ 801,681
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Guaranty Fund	150,000
Other Surplus	2,009,045
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Total Surplus	\$ 2,159,045
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Total Liabilities and Surplus	\$ 2,960,726
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**STATEMENT OF INCOME**  
**For the Year Ending December 31, 2015**

Net Assessments Earned	\$ 1,509,887
Other Insurance Income	107,187
Net Losses & Loss Adjusting Expenses Incurred	(582,807)
Other Underwriting Expenses Incurred	(794,551)
Net Underwriting Income (Loss)	<u>\$ 239,716</u>
Net Investment Income	59,605
Other Income	6,503
Gross Profit (Loss)	<u>\$ 305,824</u>
Federal Income Tax	(7,035)
Net Income (Loss)	<u>\$ 298,789</u>

**CAPITAL AND SURPLUS ACCOUNT**  
**December 31, 2015**

Policyholders' Surplus, December 31, 2014	\$ 1,867,147
Net Income (Loss)	298,789
Mutual Funds Market Adjustment	(6,891)
Policyholders' Surplus, December 31, 2015	<u>\$ 2,159,045</u>

**NOTES TO THE FINANCIAL STATEMENTS**

None.

**EXAMINATION CHANGES**

None.

**GENERAL COMMENTS AND RECOMMENDATIONS**

None.

**SUBSEQUENT EVENTS**

None.

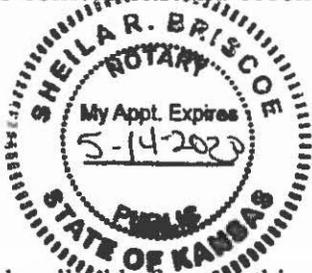
## ACKNOWLEDGMENT

The assistance and cooperation extended by the employees of Laclede Mutual Insurance during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Marc Peterson, CFE, examiner for the Missouri DIFP also participated in this examination.

## VERIFICATION

State of Kansas  
County of Johnson

I, Mark Nance 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.

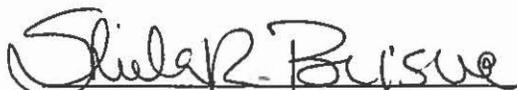


  
Mark Nance, CFE, CPA  
Senior Examiner-In-Charge  
Missouri DIFP

Sworn to and subscribed before me this 19<sup>th</sup> day of April, 2016.

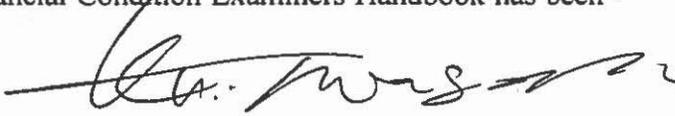
My commission expires:

5-14-2020

  
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.

  
Levi Nwasoria, CFE, CPA  
Audit Manager  
Missouri DIFP