

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 Laclede Mutual Insurance for the period ended December 31, 2020, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, Missouri Department of Commerce and Insurance 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.

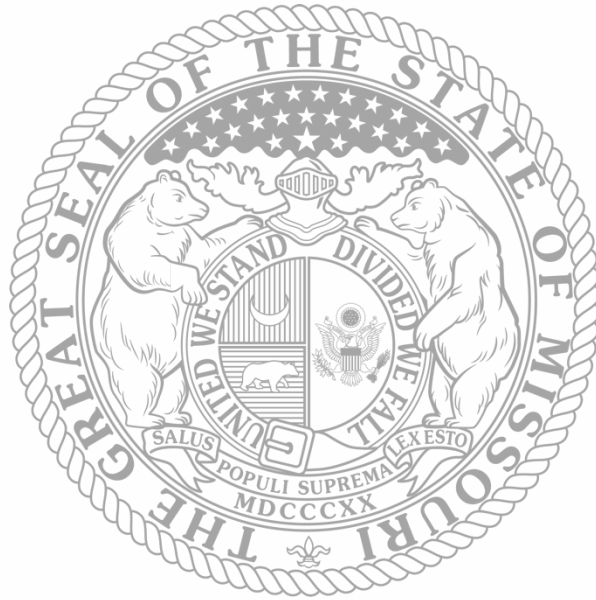
Based on such findings and conclusions, I hereby ORDER Laclede Mutual Insurance to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition and affairs in a 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 25th day of May, 2022.



Chlora Lindley Myers

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF THE
FINANCIAL EXAMINATION OF

LACLEDE MUTUAL INSURANCE

AS OF
DECEMBER 31, 2020

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Lebanon, MO
March 29, 2022

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

Director Lindley-Myers:

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

LACLEDE MUTUAL INSURANCE

hereinafter referred to as such, or as the Company. Its administrative office is located at 325 West Commercial, Lebanon, Missouri 65536, telephone number (417) 588-1857. The fieldwork for this examination began on September 2, 2021, 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 Laclede Mutual Insurance. The last examination of the Company by the Department covered the period of January 1, 2011, through December 31, 2015. The current examination covers the period of January 1, 2016, through December 31, 2020, 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 report includes significant findings of fact 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 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

The Company was originally established in 1912 as the Mutual Insurance Association of Laclede County. In 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 AND CONTROL

Board of Directors

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 and time as may be designated by the Board of Directors. Special meetings of the members may be called at any time 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 corporate powers of the Company are vested in the Board of Directors, who are elected from the general membership. According to the Articles of Incorporation, the Board of Directors shall consist of no less than five or 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.

Members serving on the Board of Directors as of December 31, 2020, were as follows:

<u>Name and Address</u>	<u>Principal Occupation & Business Affiliation</u>	<u>Term Expires</u>
Shannon Barclay Lebanon, Missouri	Vice President Central Bank	2021
Freida Brackett Lebanon, Missouri	Agent Ozark Farm & Home Realty	2021
Jean Cook Lebanon, Missouri	Retired Laclede County Treasurer	2022
Cathy Dame Lebanon, Missouri	General Manager Lebanon/Laclede County Library	2021
Keith Johnson Lebanon, Missouri	Business Owner Ag-Transit Inc.	2023
Michael Light Lebanon, Missouri	Insurance Agent Mike Light Insurance	2023
Steve Stratton Lebanon, Missouri	Farmer Self-Employed	2022

Officers

The Board of Directors appoints the officers of the Company, who serve a term of one year. The officers serving, as of December 31, 2020, were as follows:

<u>Name</u>	<u>Office</u>
Michael Light	President
Keith Johnson	Vice President
Scott Kelley	Secretary/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's directors and officers sign conflict of interest statements on an annual basis. A review of the executed conflict of interest statements noted no material potential conflicts disclosed.

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 period under examination. The Board of Directors and membership meeting minutes were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has four full-time employees. Employee benefits offered by the Company include health insurance, life insurance, retirement contributions, and paid time off.

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 their directors and officers. The Company's agents are responsible for purchasing errors and omissions coverage.

Other coverages maintained by the Company include home office building property, business personal property, and commercial liability insurance.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the Missouri Department of Commerce and Insurance as an Extended Missouri Mutual Company operating under Sections 380.201 through 380.611 RSMo (Extended Missouri Mutual Companies). 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 coverage. The Company's policies are sold by 21 licensed producers. Agents receive a 14% commission on all business written.

Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Services (AAIS) policy forms. Policies are written for one-year terms and are continuous. Rates are determined by the Board of Directors, and renewal billings are mailed directly to the insured or mortgagee, as applicable.

Property inspections on new business are performed internally by the company's inspector. Property inspections on existing business are performed every three years by an external inspection service. Claims adjusting is performed by an external inspection service.

GROWTH OF COMPANY AND LOSS EXPERIENCE

(\$000s omitted)

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2020	\$ 3,795	\$ 684	\$ 1,794	\$ 939	\$ 73	\$ 43	\$ 146
2019	3,829	790	1,786	602	65	253	323
2018	3,432	739	1,814	410	71	342	411
2017	3,069	774	1,895	852	69	(66)	7
2016	3,105	815	1,998	912	69	98	132

At year-end 2020, there were 1,762 policies in force.

REINSURANCE

General

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

(\$000s omitted)

Premium Type	2016	2017	2018	2019	2020
Direct	\$ 1,975	\$ 1,874	\$ 1,792	\$ 1,763	\$ 1,771
Assumed	23	22	22	23	23
Ceded	(604)	(514)	(425)	(418)	(420)
Net Written	\$ 1,394	\$ 1,382	\$ 1,389	\$ 1,368	\$ 1,374

Assumed Reinsurance

MAMIC Mutual Insurance Company (MMIC) issues direct policies to insure agents' errors and omissions liability and directors' and officers' liability risks for various mutual insurance companies, including the Company. The policy risks insured by MMIC for these two products are pooled and ceded to participating mutual insurance companies. The Company has a 4% share in the interests and liabilities of the pool.

Ceded Reinsurance

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

Under the property per risk section of the agreement, the Company retains \$95,000 per loss, 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 80% 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 accounting records are maintained by the Company on an accrual basis. The Certified Public Accounting (CPA) firm of Van de Ven, LLC, of Cape Girardeau, Missouri, performs the monthly accounting and prepares the Company's annual statement and federal tax filings.

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 Laclede Mutual Insurance for the period ending December 31, 2020. 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 examination workpapers.

ASSETS

As of December 31, 2020

Bonds	\$ 1,444,891
Stocks	7,482
Mutual Funds	637,927
Real Estate	364,232
Cash on Deposit	988,337
Other Investments	340,475
Computer Equipment (Hardware Only)	471
Federal Income Tax Recoverable	540
Interest Due and Accrued	11,019
TOTAL ASSETS	\$ 3,795,374

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2020

Gross Losses Unpaid Less Reinsurance Recoverable	\$ 4,860
Ceded Reinsurance Premium Payable	7,778
Unearned Premium	656,172
Payroll Tax	2,256
Accounts Payable to Agents	11,178
Accounts Payable (Other)	2,031
TOTAL LIABILITIES	\$ 684,275
Guaranty Fund	150,000
Other Surplus	2,961,099
TOTAL POLICYHOLDER SURPLUS	\$ 3,111,099
TOTAL LIABILITIES AND SURPLUS	\$ 3,795,374

UNDERWRITING AND INVESTMENT EXHIBIT

For the Year Ended December 31, 2020

Net Earned Assessment/Premium Income	\$ 1,375,379
Other Insurance Income	81,096
Net Losses & Loss Adjustment Expense	(743,823)
Underwriting Expenses	(669,860)
Underwriting Income (Loss)	\$ 42,792
Investment Income	73,448
Investment Expenses	(1,653)
Net Investment Income	\$ 71,795
Other Income	38,740
Gross Profit or Loss	\$ 153,326
Federal Income Tax	(7,460)
NET PROFIT OR (LOSS)	\$ 145,866

GAIN OR LOSS IN SURPLUS

Changes from January 1, 2016 to December 31, 2020

(\$000s omitted)

	2016	2017	2018	2019	2020
Beginning Policyholder's Surplus	\$ 2,159	\$ 2,290	\$ 2,295	\$ 2,693	\$ 3,039
Net Profit or (Loss)	132	7	411	323	146
Mutual Fund Adjustments	(1)	(2)	(13)	23	5
Non-Admitted Investments	-	-	-	-	(79)
Ending Policyholder's Surplus	\$ 2,290	\$ 2,295	\$ 2,693	\$ 3,039	\$ 3,111

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

The COVID-19 pandemic has continued to develop, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

ACKNOWLEDGMENT

The assistance and cooperation extended by the employee of Laclede Mutual Insurance during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Conner Nilges, AFE, 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 facts appearing upon the books, records, or other documents of Laclede Mutual Insurance, 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.

Conner Nilges
Conner Nilges, AFE
Financial Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 20th day of April, 2022.

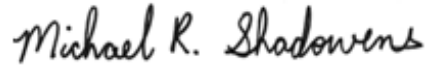
My commission expires: 3/30/2023 Hailey Luebbert
Notary Public



HAILEY LUEBBERT
My Commission Expires
March 30, 2023
Osage County
Commission #15634366

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.



Michael Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance