

DEPARTMENT OF COMMERCE & INSURANCE

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


ORDER

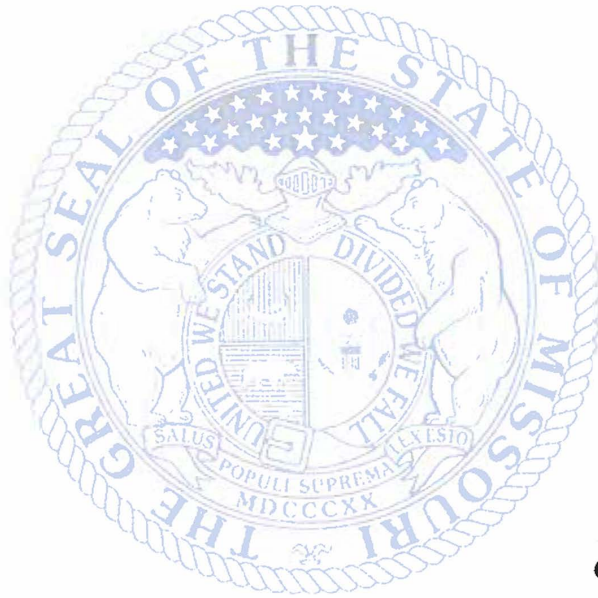
After full consideration and review of the report of the financial examination of Lewis County Mutual Insurance Company for the period ended December 31, 2018, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, 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 Lewis County 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 14th day of January, 2020.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



FILED
JAN 14 2020
DIRECTOR OF
MISSOURI DEPARTMENT OF
COMMERCE AND INSURANCE

REPORT OF THE
FINANCIAL EXAMINATION OF

LEWIS COUNTY MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2018

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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September 9, 2019
Lewistown, MO

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

Director Lindley-Myers:

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

LEWIS COUNTY MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company." The Company's administrative office is located at 106 E. Main Street, Lewistown, MO 63452, telephone number (573) 215-2703. This examination began on August 27, 2019, was concluded on the above date, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2013, and was conducted by examiners from the Missouri Department of Commerce & Insurance (DCI). The current full-scope examination covers the period from January 1, 2014, through December 31, 2018, and was conducted by examiners from the DCI.

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 Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the DCI and statutes of the State of Missouri prevailed.

HISTORY

General

Lewis County Mutual Insurance Company was originally organized as Lewis County Benefit Association in March 1880. On December 12, 1932, the Company was granted a Charter of Incorporation by the Missouri Secretary of State as Grange Mutual Insurance Company of Lewis County, Missouri. On February 16, 1982, the Company changed its name to Lewis County Mutual Insurance Company.

The Company has a Certificate of Authority dated August 15, 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 Monday of March at the home office of the Company or at such other place as may be designated by the Board. Eight members constitutes a quorum at any membership meeting. Proxy voting is 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. All directors must be policyholders of the Company. The Board of Directors meets four times each year, and each director is compensated \$250 per meeting attended.

Members serving on the Board of Directors, as of December 31, 2018, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term End</u>
Brenda Sharpe Lewistown, Missouri	Manager of Company	2021
Dennis Winship La Grange, Missouri	Farmer/Agent for Company	2020
Randall Sharpe Lewistown, Missouri	Company Inspector and Agent	2020
Jack Crist Lewistown, Missouri	Lineman	2021
Harry Scifres La Belle, Missouri	Bus Driver	2019

Troy Seals Lewistown, Missouri	Laborer	2019
Kevin Meany, Jr. Maywood, Missouri	Vice-President of HomeBank	2021

The Board of Directors appoints the officers of the Company for a term of one year. The officers of the Company serving at December 31, 2018, were as follows:

<u>Name</u>	<u>Office</u>
Randall Sharpe	President
Jack Crist	Vice-President
Brenda Sharpe	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 has its directors and officers sign conflict of interest statements on an annual basis. A review of the executed conflict of interest statements noted no significant potential conflicts disclosed.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. No amendments were made 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 \$500,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$50,000 and \$75,000.

The Company carries liability coverage for its directors and officers and requires its agents to obtain errors and omissions coverage.

The Company maintains a business owner's policy that includes property and liability coverage, and carries a workers' compensation policy.

EMPLOYEE BENEFITS

The Company has two full-time employees. The benefits package offered by the Company to its employees includes IRA contributions and paid time off.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the DCI as an Extended Missouri Mutual Insurance Company operating under Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Insurance Companies). The Company is authorized to write fire, wind, and liability insurance in all counties in the State of Missouri. The Company's policies are sold by one captive agent and three independent agencies.

Policy Forms and Underwriting Practices

The Company utilizes AAIS policy forms. The policies are continuously renewed every three years. Property inspections are completed by the Company's employees, and adjusting functions are performed by a third party. Rates are determined by the Board of Directors.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income	Underwriting Income	Net Income
2018	\$3,262,838	\$20,749	\$685,683	\$343,157	\$68,818	\$(103,621)	\$(34,803)
2017	3,296,729	4,964	676,974	304,269	67,099	(104,175)	(37,076)
2016	3,378,997	46,801	680,298	251,766	50,778	42,995	93,773
2015	3,249,089	15,022	685,295	387,955	57,583	16,344	73,927
2014	3,228,055	54,426	681,764	253,728	35,592	(33,060)	2,532

At year-end 2018, 684 policies were in force.

REINSURANCE

General

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Direct	\$ 670,514	\$675,119	\$ 669,008	\$ 666,413	\$ 675,433
Assumed	11,250	10,176	11,290	10,561	10,250
Ceded	<u>(246,509)</u>	<u>(239,262)</u>	<u>(225,015)</u>	<u>(272,720)</u>	<u>(223,798)</u>
Net	<u>\$ 435,255</u>	<u>\$ 446,033</u>	<u>\$ 455,283</u>	<u>\$ 404,254</u>	<u>\$ 461,885</u>

Assumed

MAMIC Mutual Insurance Company (MAMIC) 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 MAMIC for these products are pooled and ceded to participating mutual insurance companies. The Company assumes a 3% share of the interests and liabilities of the MAMIC pooled risks.

Ceded

The Company cedes business to Wisconsin Reinsurance Corporation (the reinsurer) through a reinsurance agreement that provides per risk excess of loss and aggregate excess coverage for property, as well as coverage for liability.

Under the per risk excess of loss section of the agreement, the Company retains \$150,000 of property losses per risk, and the reinsurer's maximum limit is \$1,000,000 per risk. Under the aggregate excess section of the agreement, the reinsurer is liable for 100% of the property losses in excess of 75% of the Company's annual net written premiums.

The agreement also provides liability reinsurance coverage. Company cedes 100% of its liability premium and losses to the reinsurer, and receives a 25% ceding commission. The reinsurer's maximum liability limit is \$1,000,000 per occurrence.

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. Wade Stables P.C. performs an annual audit, compiles the Annual Statement, and prepares tax filings.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2018, 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, 2018

Bonds	\$ 843,320
Stocks	7,482
Mutual Funds	555,923
Real Estate	184,359
Cash on Deposit	1,361,504
Other Investments	300,350
Computer Equipment	1,511
Asset Write-Ins	<u>8,389</u>
 Total Assets	 <u>\$ 3,262,838</u>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2018

Unpaid Losses	\$ 17,034
Payroll Tax	1,964
Accounts Payable (Other)	<u>1,751</u>
 Total Liabilities	 <u>\$ 20,749</u>
 Guaranty Fund	 \$ 150,000
Other Surplus	<u>3,092,089</u>
 Total Surplus	 <u>\$ 3,242,089</u>
 Total Liabilities and Surplus	 <u>\$ 3,262,838</u>

STATEMENT OF INCOME
For the Year Ending December 31, 2018

Net Premiums Earned	\$ 461,885
Other Insurance Income	35,759
Net Losses & Loss Adjusting Expenses Incurred	(340,737)
Other Underwriting Expenses Incurred	<u>(260,528)</u>
Net Underwriting Income (Loss)	\$ (103,621)
Net Investment Income	<u>68,818</u>
Gross Profit (Loss)	\$ (34,803)
Federal Income Tax	<u>0</u>
Net Income (Loss)	<u><u>\$ (34,803)</u></u>

RECONCILIATION OF SURPLUS
Changes from January 1, 2014 to December 31, 2018

	2014	2015	2016	2017	2018
Capital and Surplus, Beginning of Year	\$3,168,027	\$3,173,629	\$3,234,067	\$3,332,196	\$3,291,765
Net Income	2,532	73,927	93,773	(37,076)	(34,803)
Change in Net Unrealized Gains (Losses)	<u>3,070</u>	<u>(13,489)</u>	<u>4,356</u>	<u>(3,355)</u>	<u>(14,873)</u>
Change in Capital and Surplus for the Year	<u>5,602</u>	<u>60,438</u>	<u>98,129</u>	<u>(40,431)</u>	<u>(49,676)</u>
Capital and Surplus, End of Year	<u><u>\$3,173,629</u></u>	<u><u>\$3,234,067</u></u>	<u><u>\$3,332,196</u></u>	<u><u>\$3,291,765</u></u>	<u><u>\$3,242,089</u></u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUBSEQUENT EVENTS

None.

SUMMARY OF RECOMMENDATIONS

None.


ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
)
County of Cole)


I, Joshua R. Nash, 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.


Joshua R. Nash, CPA, AFE
Financial Examiner
Missouri Department of Commerce & Insurance

Sworn to and subscribed before me this 23rd day of December, 2019.

My commission expires:

March 30, 2023



Notary Public



HALEY WEBBERT
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.



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