



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

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

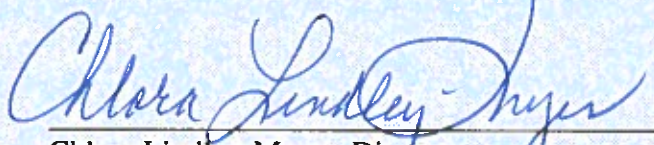
ORDER

After full consideration and review of the report of the financial examination of Missouri Housing Authorities Property & Casualty, Inc. for the period ended December 31, 2017 together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, company history, management and control, territory and plan of operation, reinsurance, financial statements, examination changes, comments on financial statements, subsequent events and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Missouri Housing Authorities Property & Casualty, Inc. as of December 31, 2017 be and is hereby ADOPTED as filed and for Missouri Housing Authorities Property & Casualty, Inc. 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 by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 26th day of October, 2018.




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

Report of
Financial Examination

**MISSOURI HOUSING AUTHORITIES
PROPERTY & CASUALTY, INC.**

As of
December 31, 2017

FILED
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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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September 20, 2018

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 your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

Missouri Housing Authorities Property & Casualty, Inc.

hereinafter referred to as “MHAPCI” or as the “Company.” The Company's main office is located at 173 Chesterfield Business Parkway, Chesterfield, MO 63005; telephone number (636) 530-6181. Examination fieldwork began on August 27, 2018 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a single state examination of Missouri Housing Authorities Property & Casualty, Inc. The last examination was completed as of December 31, 2012. This examination covers the period of January 1, 2013 through December 31, 2017. This examination also included material transactions or events occurring subsequent to December 31, 2017.

Procedures

This examination was conducted using the guidelines set forth by applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration (DIFP) and statutes of the state of Missouri. Standard examination procedures were modified as necessary under the circumstances.

The examiners relied upon information and workpapers provided by the Company's independent auditor Hochschild, Bloom and Company, LLP for its audit covering the period from January 1, 2017 through December 31, 2017.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings as a result of this examination. The Company has experienced operating losses in each of the past three years, but has taken steps to reverse that trend. Changes were made to the formula for assessment determination and an overall rate increase will be implemented in 2019.

COMPANY HISTORY

General

MHAPCI was formed in December 1988 under Chapter 537 RSMo to provide insurance and risk management services for its members. Membership consists of 103 public housing authorities in Missouri.

Corporate Documents

The Articles of Association and the Bylaws were reviewed. The Bylaws were amended twice during the examination period. The Bylaws were amended in 2013 to require members to promptly notify the company of an interim or acting executive director, require the Board of Directors to determine premiums not less than annually, and to allow for notification of membership meetings by e-mail. The Bylaws were also amended in 2016 placing a term limit of 12 years to serve on the Board of Directors and limiting the length of time an officer can serve in that position to 4 years.

Meeting Minutes

The minutes from the annual meetings and the Board of Directors meetings were reviewed for the current examination period. In general, the minutes appear to properly reflect and approve the Company's major transactions and events for the period under examination.

MANAGEMENT AND CONTROL

Board of Directors

Pursuant to its Articles of Association and Bylaws, a Board of Directors consisting of nine members manages the Association. The Directors are elected annually for staggered three-year terms. Members serving at December 31, 2017 were as follows:

Matt Moran (President)
Joplin Housing Authority

Carol Branham (Secretary)
Nevada Housing Authority

Kenneth King
Poplar Bluff Housing Authority

Renia Mauldin
Malden Housing Authority

Susan Rollins
St. Louis County Housing Authority

Anne Johnson (Vice-President)
Fulton Housing Authority

Darrin Taylor (Treasurer)
Lee's Summit Housing Authority

Lina Gibbs
Bloomfield Housing Authority

Patti Preston
Kirksville Housing Authority

Officers

The officers appointed and serving as of December 31, 2017 were:

Susan McNary, Chief Executive Officer
Michele Solie, Director of Operations, Risk & Claim Management

Conflict of Interest

Conflict of interest disclosure statements are executed annually by all Board members and officers. A review of the conflict of interest disclosure statements for the period under examination indicated the Company has procedures in place to ensure that potential conflicts are adequately disclosed and are taken into consideration when voting on and discussing issues where there may be a conflict of interest.

Holding Company, Subsidiaries and Affiliates

The Company was formed as a Chapter 537 RSMo entity and holding company statutes do not apply to those entities. Also, the Company has no other affiliates.

Service Providers

Some services for the Company are provided through contracts with third-parties. The major contracts are:

- JLT Re provides insurance consulting and reinsurance brokerage services.
- PricewaterhouseCoopers provides actuarial services.
- The law firm of Paule, Camazine & Blumenthal serves as the company's general counsel.
- Stifel Nicolaus & Company, Incorporated is the company's financial investment advisor and securities custodian.
- M.E Shaffer, CPA provides accounting consulting services.
- Hochschild, Bloom and Company, LLP serves as the company's independent auditor.

TERRITORY AND PLAN OF OPERATION

MHAPCI provides property and liability coverage to its members in a risk pool arrangement. Property coverages include buildings, auto physical damage, and equipment breakdown. Liability coverages include general, auto, directors and officers, and employment practices. As of December 31, 2017, the Company had 103 members. Under Chapter 537 RSMo, the Company is not required to submit policy forms or premium rates to the Missouri Department of Insurance, Financial Institutions and Professional Registration.

REINSURANCE

Assumed

The Company carries excess coverages for risks shared in the pool. It does not assume any business.

Ceded

MHAPCI obtained reinsurance for its liability coverages from Great American Insurance Company. This includes general liability, auto liability, D&O liability, and Employment Practices Liability. The reinsurance limit is \$4,900,000 excess \$100,000 retention. This reinsurance limit is subject to the Company meeting a \$100,000 annual aggregate deductible.

Property protection is provided primarily through three layers. The first layer was obtained through Munich Reinsurance America, Inc. and provides a \$10,000,000 limit excess \$500,000 retention for windstorm, hail, and earthquake and a \$100,000 retention for all other perils.

The second layer was obtained from Great American Insurance Company and provides a \$50,000,000 limit excess of \$10,000,000.

The third layer was reinsured by Arch Reinsurance Company and provides a \$15,000,000 limit excess \$60,000,000. Extra limits are provided for two housing authorities covering \$3,000,000 and \$5,000,000 in additional limits each excess of \$75,000,000.

Coverage for equipment breakdown is provided through Liberty Mutual Insurance Company with an \$80,000,000 limit subject to a \$1,000 member deductible.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, are based on the financial statements reported by the Company as of December 31, 2017. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statements," which follow the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual financial statement item.

Balance Sheet
As of December 31, 2017

Cash and cash equivalents	\$ 1,313,722
Investments	13,586,679
Reinsurance receivable	987,721
Accrued interest receivable	81,777
Other receivables	274
Prepaid expenses	34,695
Capital assets, net of depreciation	<u>279,641</u>
Total Assets	<u>\$ 16,284,509</u>
Reserve for losses and LAE	3,311,055
Unearned premiums	3,375,359
Accounts payable and accrued liabilities	<u>109,625</u>
Total Liabilities	\$ 6,796,039
Net investment in capital assets	279,641
Unrestricted	<u>9,208,829</u>
Total Net Position	\$ 9,488,470
Total Liabilities and Net Position	<u>\$ 16,284,509</u>

Income Statement
For Year Ending December 31, 2017

Premiums written	\$ 3,561,013
Less premium reductions	101,000
Net premiums written	<u>\$ 3,460,013</u>
Less ceded premiums	1,274,748
Net premiums earned	<u>\$ 2,185,265</u>
Net investment income	691,914
Commissions	14,822
Loss on disposition of assets	(237)
Total Operating Revenues	<u><u>\$ 2,891,764</u></u>
Operating Expenses	
Losses and LAE	3,185,448
General and administrative expenses	825,689
Loss control incentive awards	0
Total Operating Expenses	<u><u>\$ 4,011,137</u></u>
Change in Net Position	<u><u>\$ (1,119,373)</u></u>

Reconciliation of Net Position
Changes from December 31, 2013 to December 31, 2017

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Beginning	\$ 10,721,119	\$ 12,147,630	\$ 12,899,139	\$ 11,133,608	\$ 10,607,843
Change	<u>1,426,511</u>	<u>751,509</u>	<u>(1,765,531)</u>	<u>(525,765)</u>	<u>(1,119,373)</u>
Ending	<u><u>\$ 12,147,630</u></u>	<u><u>\$ 12,899,139</u></u>	<u><u>\$ 11,133,608</u></u>	<u><u>\$ 10,607,843</u></u>	<u><u>\$ 9,488,470</u></u>

EXAMINATION CHANGES

There are no changes in the financial statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENTS

There are no comments on the Company's financial statements.

SUBSEQUENT EVENTS

There are no significant subsequent events since the examination date.

SUMMARY OF RECOMMENDATIONS

There are no recommendations based on the results of this examination.


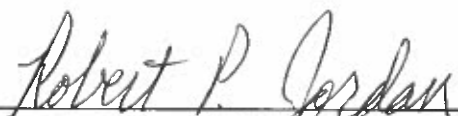
ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and staff of Missouri Housing Authorities Property & Casualty, Inc. during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

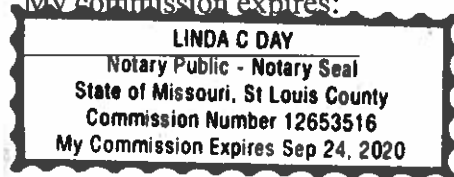
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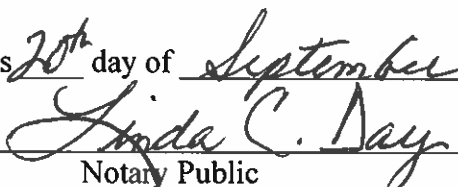
I, Robert P. Jordan, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony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



Robert P. Jordan, CFE
Examiner-in-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 20th day of September


My commission expires:




Linda C. Day
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 applicable regulations of the Missouri Department of Insurance and statutes of the State of Missouri has been confirmed.


Michael Shadowens, CFE
Assistant Chief Examiner, St. Louis
Missouri Department of Insurance, Financial
Institutions and Professional Registration