

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Clark Mutual Insurance Company as of December 31, 2009

ORDER

After full consideration and review of the report of the financial examination of Clark Mutual Insurance Company for the period ended December 31, 2009 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 380.061, RSMo [if Part I], or 380.491, RSMo [if Part II], adopt such report. After my consideration and review of such report are incorporated by reference and deemed to be my findings and conclusions to accompany this order.

Based on such findings and conclusions, I hereby ORDER Clark 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) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions; and (3) 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 October.



A handwritten signature in black ink, appearing to read "John M. Huff".

John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF THE
FINANCIAL EXAMINATION OF

Clark Mutual Insurance Company

AS OF
DECEMBER 31, 2009

FILED
OCT 25 2010
DIRECTOR OF INSURANCE &
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

<u>Subject</u>	<u>Page</u>
SALUTATION	1
SCOPE OF EXAMINATION:	
Period Covered	1
Procedures	1
Comments - Previous Examination Report	2
HISTORY:	
General	2
Management	2
Conflict of Interest	3
Corporate Records	3
FIDELITY BOND AND OTHER INSURANCE	4
EMPLOYEE BENEFITS	4
INSURANCE PRODUCTS AND RELATED PRACTICES:	
Territory and Plan of Operation	4
Policy Forms & Underwriting	5
GROWTH AND LOSS EXPERIENCE OF THE COMPANY	5
REINSURANCE:	
General	5
Assumed	6
Ceded	6
ACCOUNTS AND RECORDS	6
FINANCIAL STATEMENTS:	
Analysis of Assets	8
Liabilities, Surplus and Other Funds	8
Statement of Income	9
Capital and Surplus Account	9
NOTES TO THE FINANCIAL STATEMENTS	10
EXAMINATION CHANGES	10
GENERAL COMMENTS AND/OR RECOMMENDATIONS	10
SUBSEQUENT EVENTS	10
ACKNOWLEDGMENT, VERIFICATION AND SUPERVISION	11

September 3, 2010
Kahoka, 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

Clark Mutual Insurance Company

hereinafter referred to as such, or as the "Company". The Company's home office and principal place of business is located at 108 North Washington, Kahoka, Missouri 63445, telephone number (660)727-2177. This examination began on August 16, 2010, and was concluded on the above date, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination was made as of December 31, 2004, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2005 through December 31, 2009, and was conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration.

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 by 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

There were no general comments and recommendations listed in the previous examination report.

HISTORY

General

The Company was organized in 1881 as the Farmers Mutual Fire Insurance Company of Clark County. On January 28, 1985, the Company amended its Articles of Incorporation and changed its name to Clark Mutual Insurance Company. On July 26, 1985, the Company received a Certificate of Authority to provide insurance under Sections 380.201 to 380.601, RSMo (Extended Missouri Mutual Insurance Company).

Management

The Company is managed by a board of nine directors, serving staggered, three-year terms. Directors are elected at annual member meetings held on the last Monday of January. Special meetings of the members may be called at any time by the Board or upon petition of one-fourth of the members. A person must have a policy with the Company in order to be a member. Eight members constitute a quorum at annual meetings and proxy voting is permitted. Directors receive \$50 per meeting as compensation for attending meetings.

The Board consisted of the following members as of December 31, 2009:

<u>Name / Address</u>	<u>Occupation</u>	<u>Term</u>
Lee Suter RR 1 Box 1510 Wyaconda, Mo. 63474	Farmer	2009-2011
Gene Phillips RR 1 Box 80A Luray, Mo. 63453	Farmer	2008-2010
John D. Huffman 418 N. Washington St. Kahoka, Mo. 63445	Agent	2009-2011
James A. Lorigan RR 1 Box 47 Revere, Mo. 63465	Farmer	2008-2010

Clifford W. Higbee RR 1 Box 41 Canton, Mo. 63435	Farmer	2007-2009
Gary Plenge RR 2 Box 73 Kahoka, Mo. 63445	Farmer	2007-2009
Steve Weaver RR 2 Box 38A Kahoka, Mo. 63445	Manager-Coop	2008-2010
Edwin Riney RR 2 Box 23 Revere, Mo. 63465	Farmer	2007-2009
Gilbert Kattleman RR 1 Box 48 Kahoka, Mo. 63445	Farmer	2009-2011

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, 2009, were as follows:

Lee Suter	President
Gene Phillips	Vice-President
John D. Huffman	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. No potential material conflicts were disclosed during the examination period.

Corporate Records

The Articles of Incorporation, Bylaws, and minutes from the annual member meetings and Board of Directors meetings were reviewed. The Company is following the guidelines established in the Articles of Incorporation and Bylaws. Board meeting minutes indicated that the Board is adequately informed regarding the Company's operations. Attendance at the Board and annual meetings appeared satisfactory.

FIDELITY BOND AND OTHER INSURANCE

The Company has fidelity bond coverage providing a liability limit of \$50,000. This coverage exceeds the minimum amount of \$25,000 suggested in the guidelines promulgated by the NAIC. The bond is underwritten by Old Republic Surety Company.

The Company carries directors' and officers' liability coverage through NAMIC Insurance Company with a limit of liability of \$2,000,000 per claim and aggregate.

The Company's sole agent, the Huffman Insurance Agency carries errors and omissions coverage. The policy is through Westport Insurance Corporation and has a \$1 million limit of liability per claim and \$2 million aggregate limit.

The Company has a general businessowners policy for property and liability coverage from Grinnell Mutual Insurance Company. The insurance limits as of 12/31/09 were \$163,995 for the Company's office building and \$17,076 for the contents. The policy also had insurance limits for business liability coverage of \$300,000 per occurrence and \$600,000 aggregate.

The Company has a workers compensation and employers liability policy through Grinnell Mutual. The workers compensation insurance applies to the Workers Compensation Laws of the state of Missouri. The Employers Liability Insurance has a limit of liability for bodily injury by accident of \$100,000 each accident and limits of liability for bodily injury by disease of \$100,000 per employee and a policy limit of \$500,000.

EMPLOYEE BENEFITS

The Company has two employees, a full-time Secretary/Treasurer/Office Manager, and a full-time Office Secretary. Employees receive two weeks of paid vacation per year plus holidays. The Company also allows one day of sick leave per month to be accrued. The Company offers health coverage and has a workers compensation policy for its employees.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the Missouri Department of Insurance as an Extended Missouri Mutual Insurance Company operating under Sections 380.201 through 380.601 RSMo (Extended Missouri Mutual Insurance Companies). The Company is authorized to write fire, windstorm and liability coverages in all Missouri counties, although the business is primarily written in the counties of Clark, Lewis and Scotland. Insurance is provided on a non-assessable basis. The

Company advertises through some radio stations and newspapers and participates in promotional activities involving local organizations.

The Company actively writes fire and windstorm coverage. Liability coverage is provided by way of an agreement between the Company and Grinnell Mutual Reinsurance Company (Grinnell). All premiums, less a 20% commission, and risk associated with liability coverage is passed on to Grinnell. This allows the Company to offer a more complete package of coverage without having to assume the additional risk associated with liability business.

Policy Forms and Underwriting Practices

The Company uses policy forms provided by the American Association of Insurance Services (AAIS). Policies are written on a continuous basis and renewed annually. The Board of Directors establishes the rates. The sole agent for the Company is John Huffman, of the Huffman Insurance Agency. Per the Agent Contract between the Company and John Huffman, the agent receives a commission of 15% on all new and renewal business.

All inspections are made by the agent. Most claims adjusting is also handled by the agent through direct contact with the insured. All water claims are handled by an independent adjuster. Large claims (greater than \$50,000) are also usually referred to an independent adjuster.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

	<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>
2009	\$1,549,704	\$ 144,836	\$256,395	\$387,581	\$48,449	\$53,102	\$101,551
2008	1,495,109	185,648	251,021	52,375	65,615	(16,257)	49,359
2007	1,406,456	144,134	242,442	51,927	59,076	11,046	70,123
2006	1,312,413	126,522	232,285	29,946	51,900	49,828	101,728
2005	1,211,084	125,880	233,192	48,691	28,879	46,349	75,229

At year-end 2009, there were 442 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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Direct	\$ 233,192	\$ 232,285	\$ 242,442	\$251,021	\$ 256,395
Assumed	0	0	0	0	0
Ceded	<u>(29,565)</u>	<u>(32,680)</u>	<u>(34,218)</u>	<u>(32,780)</u>	<u>(31,729)</u>
Net	<u>\$ 203,627</u>	<u>\$ 199,605</u>	<u>\$ 208,223</u>	<u>\$ 218,241</u>	<u>\$ 224,666</u>

Assumed

None.

Ceded

The Company has an aggregate excess of loss contract with Grinnell Mutual Reinsurance Company for its fire and windstorm business. The attachment point is determined by a formula that considers such factors as the fire risks in force at the end of the preceding year and the ten-year fire loss ratio. The attachment point for contract year 2009 is \$93,299. The policy has limitations for various types of risks and the Company uses those limitations in its policies as well. Premium for this coverage was \$0.0522 per \$1,000 of adjusted gross fire risk in force at the end of each month during the 2009 contract year. The reinsurance contract was reviewed and no unusual clauses or requirements were noted. The contract included the necessary and usual clauses.

ACCOUNTS AND RECORDS

The Company maintains its records on a cash basis with accrual adjustments made for reporting purposes and to establish reserves. A computer-based program from Grinnell Mutual is used for recording all policyholder information. A manual record is kept for all cash disbursements, premium receipts and claims. Grinnell Mutual performs an annual compilation of the Company's transactions and also prepares the Company's Annual Statement and federal income tax return.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2009, 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, 2009

Bonds	100,306
Stocks	5,633
Real Estate	41,610
Cash on Deposit	1,390,529
Premiums/Assessments/Agents Balances Uncollected	704
Computer Equipment	1,258
Interest Due and Accrued	9,664

Total Assets	<u><u>\$1,549,704</u></u>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2009

Losses and Loss Adjustment Expenses Unpaid	\$ 5,086
Ceded Reinsurance Premiums Payable	2,682
Unearned Premium	124,603
Other Liabilities	12,465

Total Liabilities	\$ 144,836

Guaranty Fund	\$ 150,000
Other Surplus	1,254,869

Total Surplus	1,404,869

Total Liabilities and Surplus	<u><u>\$1,549,704</u></u>

STATEMENT OF INCOME
For the Year Ending December 31, 2009

Net Premiums Earned		\$ 222,110
Other Insurance Income		3,926
Net Losses & Loss Adjustment Expenses Incurred		(32,461)
Other Underwriting Expenses Incurred		(140,472)

Net Underwriting Income (Loss)		\$ 53,102

Investment Income		\$ 48,449
Other Income		0

Gross Profit (Loss)		\$ 101,551
Federal Income Tax		0

Net Income (Loss)		\$ 101,551
		=====

CAPITAL AND SURPLUS ACCOUNT
December 31, 2009

Policyholders' Surplus, December 31, 2008		\$1,309,461
Net Income (Loss)		101,551
Increase/(Decrease) in Non-Ledger Assets		(2,547)
Decrease/(Increase) in Liabilities		(3,596)

Policyholders' Surplus, December 31, 2009		\$1,404,869
		=====

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

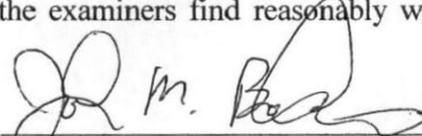
ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, John M. Boczkiewicz 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.

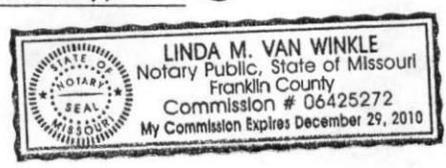

John M. Boczkiewicz, CPA, CFE
Financial Examiner
Missouri DIFP

Sworn to and subscribed before me this 19th day of August, 2010.

My commission expires:

12/29/2010


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.


Michael Shadowens, CFE
Audit Manager-St. Louis
Missouri DIFP