STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Lutheran Fire and Lightning Insurance Company of Lawrence County, Missouri for the period ended December 31, 2011

ORDER

After full consideration and review of the report of the financial examination of Lutheran Fire and Lightning Insurance Company of Lawrence County, Missouri for the period ended December 31, 2011, 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 Lutheran Fire and Lightning Insurance Company of Lawrence County, Missouri 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, if any, 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 18th day of April 2013.

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

REPORT OF THE
FINANCIAL EXAMINATION OF

LUTHERAN FIRE AND LIGHTNING INSURANCE COMPANY OF LAWRENCE COUNTY, MISSOURI

AS OF
DECEMBER 31, 2011

FILED
APR 18 2013
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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November 27, 2012
Monett, 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

LUTHERAN FIRE AND LIGHTNING INSURANCE COMPANY
OF LAWRENCE COUNTY, MISSOURI

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 4982 Farm Road 1057, Monett, Missouri 65708, telephone number (417) 442-7563. This examination began on November 19, 2012, was concluded on November 27, 2012, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2006, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2007, through December 31, 2011, and was conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration (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.

Comments-Previous Examination Report

The comments, recommendations, and notes of the previous examination report dated December 31, 2006 are listed below followed by the Company's response and the current examination findings regarding such comments, recommendations and notes.

Corporate Records

Comment: It was recommended the Company enter into a written contract which details the provisions of the management arrangement and file the contract with the DIFP.

Company Response: A management arrangement was presented at the February 2, 2008, Board meeting. The Board members approved the management arrangement and a copy is provided for your file.

Current Findings: The current management agreement which has been provided to the DIFP adequately details the provisions of the management arrangement between the Company Manager and the Company.

HISTORY

General

The Company was originally organized and incorporated on August 25, 1933 as the Lutheran Fire and Lightning Insurance Company of Lawrence County, Missouri.

The Company has a Certificate of Authority dated June 13, 2005 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 first Saturday in February at the home office of the Company or at such place designated by the Board of Directors. Special meetings may be called by the President or Secretary/Treasurer with the consent of two other directors. Eight members shall constitute a quorum at any 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 six members serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meet approximately every quarter and are compensated $100 per meeting attended.

Members serving on the Board of Directors as of December 31, 2011 were as follows:

Name and Address	Occupation	Term
Phil Schad Purdy, MO	Retired Farmer	2011 - 2014
Melvin Eggerman Lockwood, MO	Agent/Retired Farmer	2010 - 2013
Mark McMillin Monett, MO	Agent/Farmer	2010 - 2013
Leland Eggerman Lockwood, MO	Farmer	2009 - 2012
Nolan Kleiboeker Wentworth, MO	Farmer	2009 - 2012
Bob Moennig Pierce City, MO	Farmer	2011 - 2014

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, 2011 were as follows:

Phil Schad	President
Melvin Eggerman	Vice President
Mark McMillin	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. While it was noted that two directors were also agents, neither disclosed this potential conflict in the conflict of interest statement. Additionally, a director did not disclose his role as the Company's contracted Manager.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. 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 $50,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between $25,000 and $50,000 in coverage.

The Company carries directors and officers liability coverage with an aggregate limit of $500,000 and a $5,000 deductible in aggregate for each claim.

The Company purchases errors and omission coverage for its two agents.

The Company does not own its office building or any significant personal property and thus does not carry property insurance.

The insurance coverage appears adequate.

EMPLOYEE BENEFITS

The Company has one part-time employee. The employee does not receive any additional benefits beyond a monthly salary.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company is licensed by the DIFP as an Extended Missouri Mutual 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 writes fire and wind coverages. The Company's policies are sold by two licensed agents, who receive a 15% commission.

Policy Forms and Underwriting Practices

The Company uses AAIS and MAMIC policy forms. The policies are renewed annually with rates determined by the Board of Directors. Renewal billings are mailed directly to the insured. Inspections and adjusting services are performed by the Company agents, and independent adjusters are also utilized as needed.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

	Admitted Assets	Liabilities	Gross Assessments	Gross Losses	Investment Income	Underwriting Income	Net Income
2011	$1,580,498	$78,215	$207,303	$ 40,503	$36,236	$ 10,607	$ 46,843
2010	1,532,069	302	208,158	30,026	40,633	25,944	66,577
2009	1,465,359	147	190,682	116,549	17,837	(3,908)	13,929
2008	1,451,382	100	192,374	176,816	56,968	(114,348)	(57,380)
2007	1,508,762	100	187,408	109,627	72,465	(73,366)	(901)

At year-end 2011, 251 policies were 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:

	2007	2008	2009	2010	2011
Direct	$187,408	$192,374	$190,682	$208,158	$207,303
Assumed	0	0	0	0	0
Ceded	(70,929)	(43,078)	(62,865)	(70,706)	(68,433)
Net	$116,479	$149,296	$127,817	$137,452	$138,870

Assumed

The Company does not reinsure others.

Ceded

The Company has its reinsurance through two contracts with different reinsurers. The contracts cover property risks only, with one contract covering the peril of fire and the other covering the peril of wind.

The peril of fire is covered under a per risk excess of loss reinsurance contract with annual aggregate limit with Farmers Mutual Reinsurance Company of Missouri (FMRe). Under the per risk section of the agreement, the Company retains $30,000 per risk and cedes the excess to FMRe, limited to $650,000 per risk. Under the aggregate section of the agreement, FMRe is liable for the Company's net losses in excess of 80% of net premium income, limited to $1,000,000.

The peril of wind is covered under a per risk excess of loss with aggregate excess contract with numerous reinsurers (the reinsurers) brokered by Guy Carpenter. The wind per risk excess of loss reinsurance contract consists of two layers pertaining to wind and earthquake risks. Under the terms of the contract, the Company retains $30,000 per risk, and the reinsurers' limits are $495,000 per risk and $590,000 per occurrence.

The unlimited aggregate excess of loss reinsurance contract pertains to wind risks. The reinsurers are liable for 95% of losses in excess of 100% of the Company's earned premium, with no annual loss limit.

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 a cash basis. The CPA Group, P.C. performs an annual audit of the Company's financial statements and prepares the Company's Annual Statement and federal tax filings.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2011 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, 2011

Cash on Deposit	$ 1,579,441
Computer Equipment (Hardware Only)	1,007
Other Assets	50
Total Assets	$ 1,580,498

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2011

Unearned Premium	$ 76,730
Payroll Tax	1,485
Total Liabilities	$ 78,215
Guaranty Fund	$ 100,000
Other Surplus	1,402,283
Total Surplus	1,502,283
Total Liabilities and Surplus	$ 1,580,498

STATEMENT OF INCOME
For the Year Ending December 31, 2011

Net Premiums Earned	$ 138,467
Other Insurance Income	515
Net Losses & Loss Adjustment Expenses Incurred	(44,497)
Other Underwriting Expenses Incurred	(83,878)
Net Underwriting Income (Loss)	$ 10,607
Investment Income	36,236
Gross Profit (Loss)	$ 46,843
Federal Income Tax	(0)
Net Income (Loss)	$ 46,843

CAPITAL AND SURPLUS ACCOUNT
December 31, 2011

Policyholders' Surplus, December 31, 2010	$ 1,455,440
Net Income (Loss)	46,843
Policyholders' Surplus, December 31, 2011	$ 1,502,283

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUMMARY OF RECOMMENDATIONS

Conflict of Interest Statements (Page 4)
It is recommended that members of the Board of Directors and officers disclose all potential conflicts of interest in future conflict of interest statements.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGMENT

The assistance and cooperation extended by the employees of Lutheran Fire and Lightning Insurance Company of Lawrence County, Missouri during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
)
County of Jackson)

I, Scott L. Rennick 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.

Scott L. Rennick

Scott L. Rennick MBA, CFE
Financial Examiner
Missouri DIFP

Sworn to and subscribed before me this 23rd day of January, 2013.

My commission expires:

04-14-2016

B M. Webb

Notary Public

BEVERLY M. WEBB
My Commission Expires
April 14, 2016
Clay County
Commission #12464070

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

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.

Mark Nance CPA, CFE
Audit Manager – Kansas City
Missouri DIFP