



**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 for the period ended December 31, 2014

ORDER

After full consideration and review of the report of the financial examination of Clark Mutual Insurance Company for the period ended December 31, 2014, 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 380.491, 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 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) 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 6th day of June, 2016.



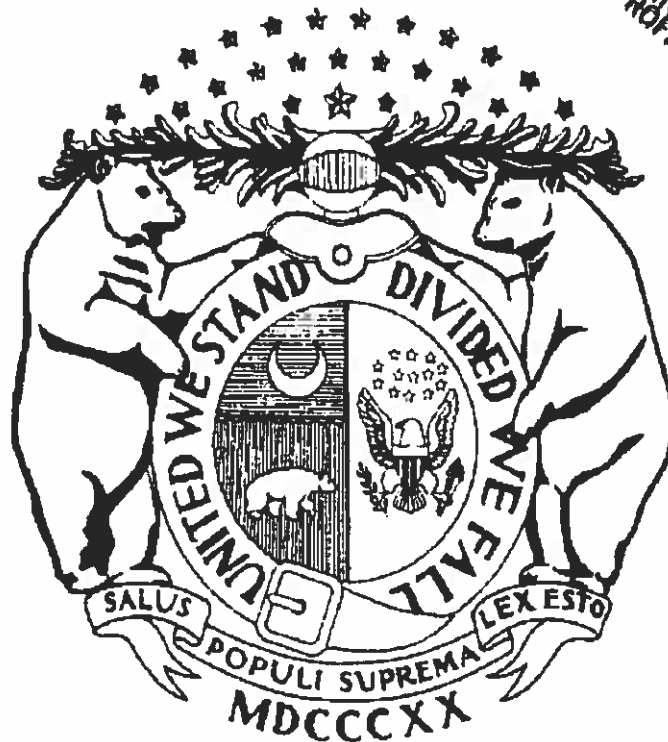
A handwritten signature in blue ink, reading "John M. Huff", is written over a horizontal line.

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, 2014**



FILED
JUN 06 2016
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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January 28, 2016
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 administrative office is located at 108 N. Washington St., Kahoka, Missouri 63445, telephone number (660) 727-2177. This examination began on January 26, 2016, and concluded on the date above.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2009, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2010, through December 31, 2014, 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 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 comments, recommendations or notes in the previous examination report.

HISTORY

General

Clark Mutual Insurance Company was originally 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.

Members serving on the Board of Directors as of December 31, 2014, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term</u>
Lee Suter RR 1 Box 1510 Wyaconda, MO 63474	Farmer	2012-2015
Gene Phillips RR 1 Box 80A Luray, MO 63453	Farmer	2014-2017
John D. Huffman 418 N. Washington St. Kahoka, MO 63445	Agent	2012-2015
James A. Lorigan RR 1 Box 47 Revere, MO 63465	Farmer	2014-2017*
Steve Weaver RR 2 Box 38A Kahoka, MO 63445	Manager of Ag Business	2014-2017

Gary Plenge RR 2 Box 73 Kahoka, MO 63445	Farmer	2013-2016
Edwin Riney RR 2 Box 23 Revere, MO 63465	Farmer	2013-2016
Gilbert J (Buddy) Kattlemann RR 1 Box 48 Kahoka, MO 63445	Farmer	2012-2015
Clifford W. Higbee 2622 Old Orchard Rd. Quincy, IL 62305	Farmer	2013-2016*

*Director resigned as off the January 2016 Annual Membership Meeting.

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, 2014, 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, and no potential material conflicts were disclosed.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. No amendments were made to the Articles of Incorporation or the Bylaws during the examination period. During the Annual Membership meeting on January 25, 2016, the Members elected to change the number of Board members from nine to seven.

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. This coverage exceeds the \$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.

Other insurance coverages carried by the Company include property insurance on the home office and contents, commercial liability and workers compensation.

The insurance coverage appears adequate.

EMPLOYEE BENEFITS

The Company has two full-time employees, the Manager-Secretary and an Office Secretary. The Company provides the Office Secretary paid vacation and one sick day per month. Both employees receive health insurance and workers' compensation insurance through the Company. The Company maintains a detailed employee handbook and procedure manual.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the Missouri DIFP 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 Missouri counties concentrating in Clark, Lewis, and Scotland and all . 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. 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 utilizes AAIS policy forms provided by the Missouri Association of Mutual Insurance Companies. 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. The company uses Grinnell Mutual Insurance Company's independent adjusters for approximately 90% of their claims. Minor claims are adjusted by the agent. Large claims exceeding \$50,000 are also audited by Grinnell.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

	<u>Admitted</u>		<u>Gross</u>	<u>Gross</u>	<u>Investment</u>	<u>Underwriting</u>	<u>Net</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Assessments</u>	<u>Losses</u>	<u>Income</u>	<u>Income</u>	<u>Income</u>
2014	\$ 1,628,084	\$ 152,582	\$ 272,881	\$ 258,751	\$ 19,362	\$ (140,951)	\$ (119,031)
2013	1,659,234	152,130	275,999	25,078	20,535	52,602	75,758
2012	1,585,905	154,685	281,873	363,465	26,755	(38,784)	(6,428)
2011	1,592,403	150,983	278,701	108,901	29,098	(6,396)	25,682
2010	1,559,370	139,710	259,240	155,716	38,116	(23,334)	14,782

At year-end 2014, 348 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:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Direct	\$ 259,239	\$ 278,701	\$ 281,873	\$ 275,999	\$ 272,881
Assumed	-	-	-	-	-
Ceded	<u>(33,328)</u>	<u>(33,434)</u>	<u>(41,526)</u>	<u>(54,843)</u>	<u>(67,598)</u>
Net	<u>\$ 225,911</u>	<u>\$ 245,267</u>	<u>\$ 240,347</u>	<u>\$ 221,156</u>	<u>\$ 205,283</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 five-year fire loss ratio. The attachment point for contract year 2014 is \$136,003. 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 \$0.7864 per \$1,000 of adjusted gross fire risk in force at the end of each of month during the 2014 contract year. The reinsurance contract was reviewed and no unusual clauses or requirements were noted. The contract included the necessary and usual clauses.

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 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. The Company has invested in IMT accounting software. The Company maintained both manual and electronic accounting records in 2015 and will use only electronic going forward.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2014, 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 work papers for each individual annual statement item.

ANALYSIS OF ASSETS
December 31, 2014

Bonds	\$	91,270
Stocks		1,500
Real Estate		35,499
Cash on Deposit		1,391,340
Reinsurance Recoverable		90,000
Premiums Uncollected		820
Computer Equipment		7,502
Interest Due & Accrued		3,363
Other Assets		6,790
Total Assets	\$	<u>1,628,084</u>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2014

Losses Unpaid	\$	784
Ceded Reinsurance Payable		6,091
Unearned Premium		130,050
Other Liabilities		15,657
Total Liabilities	\$	<u>152,582</u>
Guaranty Fund	\$	150,000
Other Surplus		1,325,502
Total Surplus	\$	<u>1,475,502</u>
Total Liabilities and Surplus	\$	<u>1,628,084</u>

STATEMENT OF INCOME
For the Year Ending December 31, 2014

Net Premiums Earned	\$ 208,646
Other Insurance Income	3,692
Net Losses & Loss Adjustment Expenses Incurred	(228,645)
Other Underwriting Expenses Incurred	(124,644)
Net Underwriting Income (Loss)	<u>\$ (140,951)</u>
Investment Income	19,362
Other Income	-
Gross Profit (Loss)	<u>\$ (119,031)</u>
Federal Income Tax	(2,558)
Net Income (Loss)	<u><u>\$ (119,031)</u></u>

CAPITAL AND SURPLUS ACCOUNT
December 31, 2014

Policyholders' Surplus, December 31, 2013	\$ 1,507,104
Net Income (Loss)	(119,031)
Change in Unrealized Gain/Loss on Securities	87,429
Policyholders' Surplus, December 31, 2014	<u><u>\$ 1,475,502</u></u>

NOTES TO THE FINANCIAL STATEMENTS

There were no notes to the financial statements.

EXAMINATION CHANGES

There were no examination changes.

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, Scott A. Reeves 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.

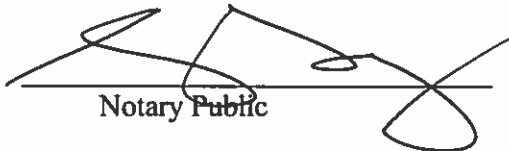
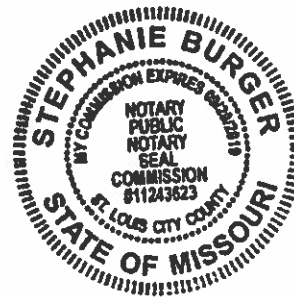


Scott A. Reeves
Financial Examiner
Missouri DIFP

Sworn to and subscribed before me this 15 day of April , 2015.

My commission expires:

 09/20/2015


Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting work papers 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