

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

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

ORDER

After full consideration and review of the report of the financial examination of Clarks Fork 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 Clarks Fork 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 9th Day of March, 2011.



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

REPORT OF THE
FINANCIAL EXAMINATION OF
CLARKS FORK MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2009



FILED
MAR 03 2011
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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December 14, 2010
Boonville, 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

CLARKS FORK MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 17780 Sky Line Road, Boonville, Missouri 65233, telephone number (660) 882-7199. This examination began on December 13, 2010, and concluded on December 14, 2010, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company 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 (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

There were no comments or recommendations in the previous examination report dated December 31, 2004.

HISTORY

General

The Company was originally organized on November 15, 1892, as Clarks Fork Farmer Feuer-Unterstuetzungs-Verein. On February 24, 1915, the Company changed its name to Clarks Fork Farmers Mutual Fire, Lightning and Tornado Insurance Company of Cooper County, Missouri and was incorporated in the State of Missouri. On February 25, 1935, the Company changed its name to Clarks Fork Farmers Mutual Insurance Company of Cooper County. On November 18, 1971, the Company changed its name to Clarks Fork Mutual Insurance Company.

The Company has a Certificate of Authority dated July 1, 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 its Articles of Incorporation, the annual meeting of the Company's members is held on the fourth Tuesday in March at the home office of the Company or at such other place as may be designated by the Board of Directors. Special meetings of the members may be called by the Board of Directors at any time, and shall be called upon petition of one-fourth of the members. Ten 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 seven members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every month, and the directors are compensated \$150 per meeting attended.

Members serving on the Board of Directors as of December 31, 2009, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term</u>
Herbert Twenter Pilot Grove, Missouri	Rental Property Owner/Insurance Agent	2007-2010

David Lang Boonville, Missouri	Real Estate Broker	2007-2010
Judith Simmons Otterville, Missouri	Insurance Agent	2008-2011
Jared Williams Syracuse, Missouri	Farm Product Salesperson/Farmer	2008-2011
Megan McGuire Boonville, Missouri	Attorney	2009-2012
Robert Ashford Marshall, Missouri	Insurance & Real Estate Agent	2009-2012
Larry Grissum Boonville, Missouri	Farmer	2009-2012

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:

Herbert Twenter	President
Judith Simmons	Vice-President
Victoria Simmons	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 signed statements noted no significant conflict disclosures.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. On March 31, 2007, the Articles of Incorporation were amended to change the annual membership meeting date from the last Saturday in March to the fourth Tuesday in March. On March 25, 2008, the Articles of Incorporation were amended to disallow proxy voting.

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 \$250,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is \$75,000.

The Company carries liability coverage for their directors and officers. Agents are required to purchase their own errors and omissions coverage.

The Company also carries general liability, office property and contents and workers compensation coverage.

The insurance coverage appears adequate.

EMPLOYEE BENEFITS

The Company has five full-time employees. The employee benefits plan includes employer-subsidized medical, dental and disability insurance, employer matching in SIMPLE IRA accounts, and paid time off.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the 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 counties in the State of Missouri. The Company writes fire, wind and liability coverages. The Company's policies are marketed by eight licensed agents, who receive a 14% commission.

Policy Forms and Underwriting Practices

The Company utilizes AAIS and Grinnell Mutual Reinsurance Company policy forms. The policies are renewed annually. Property inspections are performed by an in-house inspector. Adjusting is performed through an agreement with Grinnell Advisory Company, an affiliate of the Company's reinsurer. Rates are determined by the Board of Directors. Renewal billings are mailed directly to the insured.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Assessments	Gross Losses	Investment Income	Underwriting Income	Net Income
2009	\$3,122,738	\$246,528	\$2,051,693	\$ 784,688	\$91,680	\$ 312,806	\$ 270,101
2008	2,707,233	101,124	2,084,473	1,319,932	94,284	(4,659)	117,301
2007	2,662,905	174,097	2,108,796	1,403,599	104,916	(60,075)	106,533
2006	2,536,128	153,853	1,986,647	3,349,990	80,717	(392,964)	(322,334)
2005	2,790,555	85,946	1,884,505	956,451	89,543	84,770	135,860

At year-end 2009, 3,488 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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Direct	\$ 1,884,505	\$ 1,986,647	\$ 2,108,796	\$ 2,084,473	\$2,051,693
Assumed	11,854	11,888	13,052	12,905	13,047
Ceded	<u>(385,462)</u>	<u>(434,338)</u>	<u>(485,349)</u>	<u>(482,208)</u>	<u>(451,980)</u>
Net	<u>\$ 1,510,898</u>	<u>\$ 1,564,196</u>	<u>\$ 1,636,499</u>	<u>\$ 1,615,170</u>	<u>\$ 1,612,760</u>

Assumed

The Company participates in a reinsurance pool with MAMIC Mutual Insurance Company (MMIC). The agreement pertains to errors and omissions policies and director and officer liability policies written by MMIC. MMIC cedes 95% of the first \$2,000,000 each claim and in aggregate on all insurance agent and broker errors and omissions policies and 95% of the first \$3,000,000 each claim and in aggregate on all officer and director liability policies to the pool. MMIC receives a 35% ceding commission of net written premium ceded to the pool. The Company has a 4% share in the interests and liabilities of the pool.

Ceded

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (the reinsurer). Under the aggregate excess section of the agreement, which is for property risks, the Company's annual aggregate net retention, or attachment point, is based upon the Company's ten-year average fire loss ratio plus a load, which is mutually agreed upon. The reinsurer is liable for

100% of losses in excess of this retention. The attachment point for 2009 was \$1,423,866.

The agreement also provides quota share reinsurance coverage for liability risks. Under the terms of the agreement, the Company cedes 100% of the liability premiums and losses to the reinsurer and receives a 20% ceding commission.

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. The Annual Statement is prepared by the Company Manager. The CPA firm of Lammers & Associates, P.C., performs an annual review of the Company's financial statements and prepares the tax filings.

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	\$ 432,878
Real Estate	156,421
Cash on Deposit	2,351,479
Other Investments (Note 1)	150,939
Computer Equipment	7,422
Interest Due and Accrued	1,011
Asset Write-Ins (Note 1)	22,589

Total Assets	<u><u>\$ 3,122,738</u></u>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2009

Net Unpaid Losses	\$ 150,991
Ceded Reinsurance Payable	33,218
Federal Income Tax Payable	58,389
Liability Write-Ins	3,930

Total Liabilities	\$ 246,528

Guaranty Fund	\$ 150,000
Other Surplus	2,726,211

Total Surplus	2,876,211

Total Liabilities and Surplus	<u><u>\$ 3,122,738</u></u>

STATEMENT OF INCOME
For the Year Ending December 31, 2009

Net Assessments Earned	\$ 1,612,760
Other Insurance Income	171,964
Net Losses & Loss Adjustment Expenses Incurred	(815,535)
Other Underwriting Expenses Incurred	(656,384)

Net Underwriting Income (Loss)	\$ 312,806
Investment Income	91,680
Other Income	1,200

Gross Profit (Loss)	\$ 405,685
Federal Income Tax	(135,584)

Net Income (Loss)	\$ 270,101
	=====

CAPITAL AND SURPLUS ACCOUNT
December 31, 2009

Policyholders' Surplus, December 31, 2008	\$ 2,606,109
Net Income (Loss)	270,101

Policyholders' Surplus, December 31, 2009	\$ 2,876,211
	=====

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Other Investments

The Company reported its equity investment in the MAMIC E&O and D&O Pool of \$150,939 as an asset write-in on the 2009 Annual Statement. This investment is more properly reported on the “Other Investments” asset line of the statement. A reclassification was made to reduce the asset write-in balance and increase the other investment balance by 150,939. It is recommended the Company report its investment in the MAMIC E&O and D&O Pool on the “Other Investments” line of future Annual Statement filings.

EXAMINATION CHANGES

As disclosed in Note 1 above, a reclassification of \$150,939 was made from the “Asset Write-ins” lines to the “Other Investments” line on the Annual Statement. The reclassification had no effect on total policyholder surplus. There were no other examination changes.

GENERAL COMMENTS AND RECOMMENDATIONS

Notes to the Financial Statements (Page 9)

It is recommended the Company report its investment in the MAMIC E&O and D&O Pool on the “Other Investments” line of future Annual Statement filings.

SUBSEQUENT EVENTS

None.

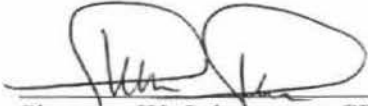
ACKNOWLEDGMENT

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

VERIFICATION


State of Missouri)
) ss
County of Cole)

I, Shannon W. Schmoeger 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.


Shannon W. Schmoeger, CFE
Financial Examiner
Missouri DIFP

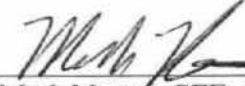
Sworn to and subscribed before me this 30th day of December 2010.

My commission expires:
SUSAN M. GREENFIELD
Notary Public - Notary Seal
State of Missouri, County of Boone
Commission # 08479801
My Commission Expires Oct. 2, 2012


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.


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



CLARK'S FORK MUTUAL INSURANCE COMPANY

17780 Sky Line Road
BOONVILLE, MISSOURI
65233

RECEIVED

FEB 14 2011

February 16, 2011

Certificate of Mailing

INSURANCE SOLVENCY
&
COMPANY REGULATION

Missouri Department of Insurance
P O Box 690
Jefferson City, MO 65102-0690

Attn: Tammy Rodieck, Exam Coordinator

Dear Ms Rodieck

In response to your letter dated February 7, 2011 regarding the Examination Report of Clarks Fork Mutual Insurance Company as of December 31, 2009.

The Board of Directors' meeting was held on Tuesday, February 15, 2011 and the Report of Financial Examination was reviewed by all directors. The report was accepted and the reclassification of which line to report the MAMIC E/O D/O Pool investment on the Annual Statement will be corrected in the future. The company's response may be included in the report as a public document.

If you have further questions or comments, please feel free to contact us at the above address or our phone number, 660-882-7199.

Again, we wish to thank the Department and Mr Shannon Schmoeger, CFE, for the courtesy and assistance shown our company during the examination.

Sincerely,

Herbert Twenter

Herbert Twenter
President, Clarks Fork Mutual

HT/vs