



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

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

RE: Examination Report of Missouri Employers Mutual Insurance Company
for the period ended December 31, 2015


ORDER

After full consideration and review of the report of the financial examination of Missouri Employers Mutual Insurance Company for the period ended December 31, 2015, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John F. Rehagen, Acting Director, 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 subsequent events, company history, corporate records, management and control, territory and plan of operation, reinsurance, financial statements, comments on the financial statements, and general comments and/or recommendations.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Missouri Employers Mutual Insurance Company as of December 31, 2015 be and is hereby ADOPTED as filed and for Missouri Employers 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 by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

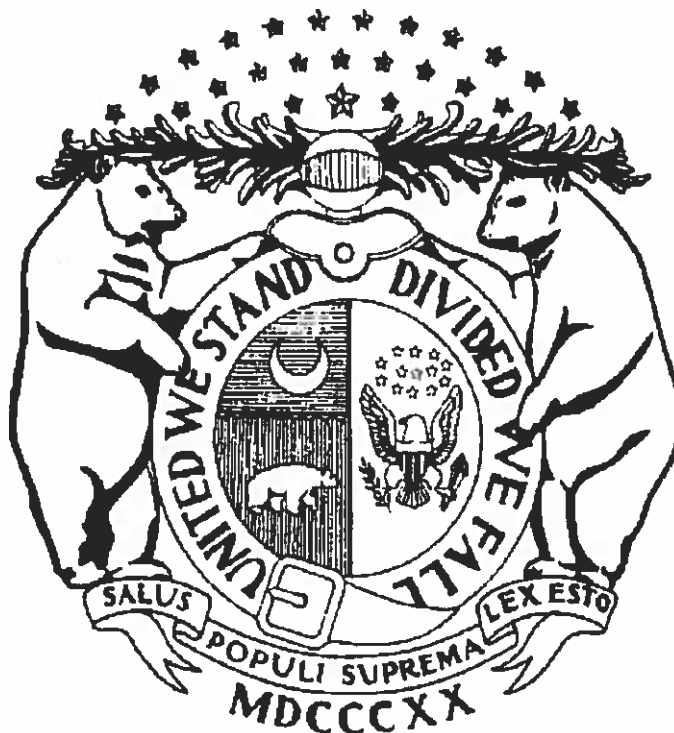
So ordered, signed and official seal affixed this 2ND day of March, 2017.




John F. Rehagen, Acting Director
Department of Insurance, Financial Institutions
and Professional Registration

**REPORT OF THE
FINANCIAL EXAMINATION OF
MISSOURI EMPLOYERS MUTUAL
INSURANCE COMPANY**

**AS OF
DECEMBER 31, 2015**



**STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION
JEFFERSON CITY, MISSOURI**

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Columbia, Missouri
December 15, 2016

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial Institutions
and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Huff:

In accordance with your financial examination warrant, a full scope association financial examination has been made of the records, affairs and financial condition of

Missouri Employers Mutual Insurance Company

hereinafter referred to as “MEM” or the “Company”. Its administrative office is located at 101 North Keene Street, Columbia, Missouri, 65201, telephone number (573) 499-9714. The examination began on April 18, 2016, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a single state examination of MEM. The last examination was completed as of December 31, 2010. This examination covers the period of January 1, 2011, through December 31, 2015. This examination also included the material transactions or events occurring subsequent to December 31, 2015.

Procedures

This examination was conducted using guidelines set forth in the Financial Condition Examiners Handbook (Handbook) of the NAIC, except where practices, procedures and applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration (“Department” or “DIFP”) or statutes of the State of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This includes assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment is documented separately following the Company's financial statements. The following key activities were identified during the examination: Investments, Premiums, Underwriting, Claims Handling, Reserving and Expenses.

This examination report includes significant findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

The examiners relied upon information provided by the Company's independent auditor, BKD, LLP (BKD), of Kansas City, Missouri, for its audit covering the period from January 1, 2015, through December 31, 2015. Areas in which the testing and results from the BKD workpapers were relied upon included risk identification, fraud assessment, information technology controls identification and testing, bank confirmations, premium receivable aging, premium receivable confirmations, claim payment approval authority testing, actuarial reserve review, case reserve testing, and legal expense analysis.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

SUBSEQUENT EVENTS

There were no significant subsequent events noted from December 31, 2015 through the date of this report.

COMPANY HISTORY

General

MEM was created pursuant to Sections 287.900 to 287.920 of the Revised Statutes of Missouri (RSMo), which is referred to as the "Missouri Employers Mutual Insurance Company Act." Section 287.920(5) RSMo specifies that the Company is "subject to all provisions of the statutes which relate to private insurance carriers." In compliance with this statute, MEM operates under the statutes in Chapter 379 RSMo (Insurance Other Than Life) for property and casualty insurers.

The Company was created for the purpose of insuring Missouri employers against liability for workers' compensation, occupational disease, and employers' liability coverage. The laws creating MEM were enacted in 1993. The Company was subsequently organized on September 16, 1994 and commenced business on March 1, 1995. The initial Board of Directors were appointed by the Governor of the State of Missouri. The initial capitalization of MEM was from \$5 million received from the State of Missouri, as consideration for a surplus note that was issued in 1995. The note and all accrued interest was repaid on September 16, 1999. MEM was granted tax-exempt status by the Internal Revenue Service, as of December 1, 1998.

The Company was organized and operates as a domestic mutual insurance company, but it is not an agency of the State of Missouri. However, the Company's Bylaws require that three of the five directors serving on the Board of Directors shall be appointed by the Governor of Missouri, subsequent to election by the policyholders. The Bylaws state that if the Governor rejects a director candidate, the policyholders must elect a new director candidate to be submitted to the Governor for appointment.

Dividends and Capital Contributions

MEM does not have any stockholders and therefore, no stockholder dividends. The Company began paying policyholder dividends in 2012. Below are the policyholder dividends paid during the examination period.

<u>Year</u>	<u>Amount</u>
2012	\$2,021,284
2013	1,122,573
2014	3,004,521
2015	3,001,713

The Company made capital contributions during the examination period to a related party, Previsor Insurance Company (Previsor), which is 100% beneficially owned by MEM. Refer to the Mergers and Acquisitions section below for a further description of Previsor. The capital contributions are summarized below:

<u>Year</u>	<u>Amount</u>
2011	\$500,000
2013	250,000
2014	250,000
2015	3,000,000

Mergers and Acquisitions

MEM acquired United Security Insurance Company (USI) from General Casualty Company of Wisconsin, effective January 4, 2011, for a purchase price of \$7,186,886. MEM entered into a Voting Trust Agreement, effective January 4, 2011, which transferred the Company's ownership of USI common stock to a voting trustee, Commerce Bank, N.A. A three member independent panel was also established to advise Commerce Bank, N.A. on any recommended actions to be voted with the USI shares. A new Voting Trust Agreement with Landmark Bank, N.A., was effective September 1, 2013, to replace the previous agreement with Commerce Bank, N.A. USI changed its name to Previsor Insurance Company in 2014.

Previsor is not considered an affiliate of MEM under the laws of Chapter 382 RSMo (Insurance Holding Companies) because of the trustee arrangement and independent board and management. However, MEM employees perform most non-management business functions for Previsor and Previsor's business operations are structured to compliment MEM's business plan.

CORPORATE RECORDS

A review was made of the Articles of Incorporation and Bylaws for the examination period. There were no amendments or changes to the Articles of Incorporation either during or subsequent to the period under examination. The Bylaws were amended and restated in February 2012 to (1) add a provision to allow for investments in subsidiaries, (2) add a provision to allow MEM to enter into an agreement with a director regarding a leave of absence and/or resignation from the Board of Directors, (3) add a provision to allow for a designee of the Secretary to maintain minutes of Board meetings, and (4) delete an article allowing MEM to issue revenue bonds. The Bylaws were also amended and restated in September 2016 to (1) revise the requirements for permanent records maintenance and (2) revise the terms and conditions for the removal of a director.

The minutes of the Board of Directors' meetings, policyholder's meetings, and committee meetings were reviewed for proper approval of corporate transactions. 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

Corporate Governance

The management of the Company is vested in a Board of Directors, which are elected by the policyholders. The Company's Bylaws specify that the Board of Directors shall consist of five directors. The Board of Directors appointed and serving, as of December 31, 2015, were as follows:

<u>Name</u>	<u>Address</u>	<u>Principal Occupation and Business Affiliation</u>
Charles A. Caisley	Kansas City, MO	Vice President – Marketing and Public Affairs, Kansas City Power & Light
Judith S. Heeter*	Mission Hills, KS	President, Pathfinder Consulting
Joe L. Moseley*	Columbia, MO	Retired (former Vice President – Public Affairs, Shelter Insurance Companies)
Gary B. O'Neal ¹	Chesterfield, MO	Chief Executive Officer, Commercial Bank
William T. Reeves*	St. Louis, MO	President, Pulaski Bank

* Appointed by the Governor of Missouri

¹ Term expired on July 1, 2016 and was replaced by James J. Jura

Committees

The Bylaws require the Board of Directors to have a committee to nominate candidates to fill vacancies on the Board. The Bylaws allow for the creation of other committees, if authorized by resolution. The following committees of the Board of Directors were active, as of December 31, 2015: Audit Committee, Investment Committee, Compensation Committee, Nominating and Governance Committee. All directors serve on each of the committees.

Officers

The officers elected by the Board of Directors and serving, as of December 31, 2015, were as follows:

<u>Officer</u>	<u>Position</u>
James C. Owen	President and Chief Executive Officer
Doug S. Phillips ²	Vice President of Finance, Chief Financial Officer, Treasurer
Jennifer L. Barth	Vice President, General Counsel, Secretary

² Mr. Phillips employment ended on June 22, 2016. A new CFO had not been hired, as of the date of this report.

The Company also had the following non-elected members of executive management, as of December 31, 2015:

<u>Name</u>	<u>Position</u>
Rene Eslinger	Vice President – Sales
Tim Jackman	Senior Vice President, Chief Operating Officer
Kevin Miller	Vice President – Information Technology, Chief Information Officer
Jennifer Peck	Vice President – Marketing and Communications
Shann Sievers	Vice President – Human Resources
Joyce Underwood	Vice President – Policyholder Services

Holding Company, Subsidiaries and Affiliates

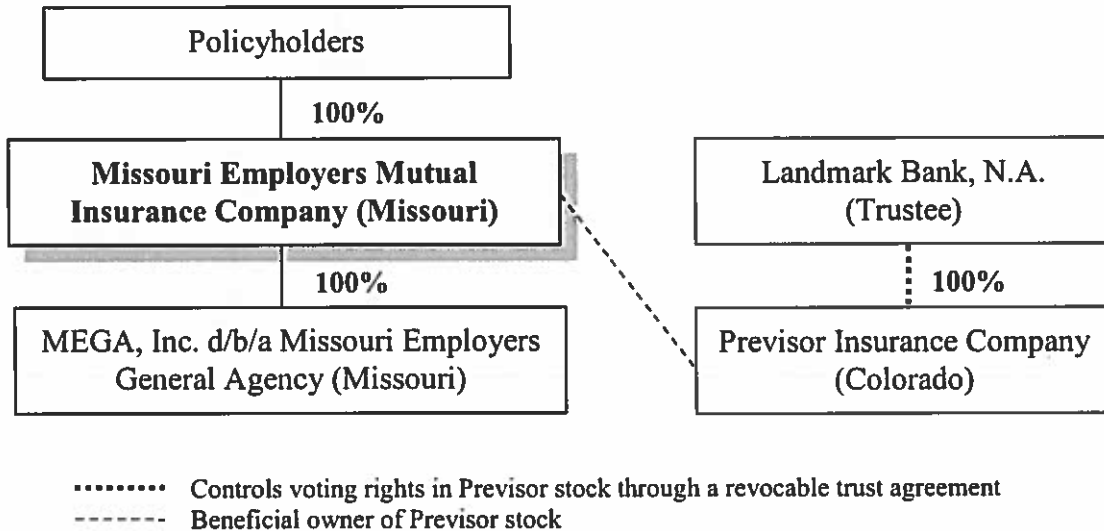
The Company is a member of an Insurance Holding Company System as defined by Section 382.010, RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by MEM for each year of the examination period. MEM does not have any stockholders or a controlling entity due to its formation as a mutual insurer. The Company is ultimately controlled by its policyholders, which elect the Board of Directors. As explained previously, a majority of directors elected by the policyholders are subject to approval by the Governor of Missouri.

The only other entity in the holding company system, as of December 31, 2015, was MEM's subsidiary, MEGA, Inc., d/b/a Missouri Employers General Agency (MEGA). MEGA was previously utilized as the licensed agent for MEM risks insured outside of the State of Missouri through a fronting arrangement with unaffiliated ceding companies. MEGA's services were no longer needed when MEM contracted with a new ceding company, Argonaut Insurance Company, at the end of 2003. MEGA has been a shell entity with no active operations since the end of 2005. Management does not currently have any plans to liquidate MEGA in the event that a new business use could develop in the future.

Previsor Insurance Company is a Colorado domiciled insurer that was acquired by MEM, effective January 4, 2011. MEM beneficially owns 100% of Previsor, but the voting rights of Previsor's common stock are controlled by a voting trust agreement, as explained in the Mergers and Acquisitions section of this report. Previsor is licensed in 18 states, but had no written premiums from January 1, 2011 through August 30, 2015. Beginning September 1, 2015, Previsor began writing business in the State of Kansas only. Previsor's direct written premiums were \$0.2 million in 2015.

Organizational Chart

Below is the organizational chart of MEM and its affiliates, as of December 31, 2015.

**Intercompany Agreements**

MEM has an inactive General Operating Agreement with MEGA, effective February 1, 2001, in which MEGA serves as a general agent for the Company to produce and issue policies for the employers that have employees working outside of the State of Missouri. There have been no transactions under this agreement since 2005.

MEM executed six intercompany agreements with Previsor that were all effective January 3, 2011. Five of the six agreements were replaced with new agreements in 2015. The Company's intercompany agreements with Previsor that were in effect, as of December 31, 2015, and subsequent periods are outlined below.

1. **Type:** Services Agreement
 - Affiliate:** Previsor
 - Effective:** January 3, 2011 (First Amendment – October 7, 2011; Second Amendment – January 1, 2016)
 - Terms:** Previsor provides the following services for MEM: management consulting, strategic planning, agency travel, corporate events, updates to directors and executive management, and other administrative services. MEM pays monthly fees to Previsor that are determined from an allocation of Previsor's actual costs for compensation plus 10% profit markup. The allocation of costs is based upon the percentage of time that Previsor staff spends providing services for MEM.

- 2. Type:** Administrative Services Agreement
- Affiliate:** Previsor
- Effective:** September 1, 2015 (replaced a prior Administrative Services Agreement, effective from January 3, 2011 to August 31, 2015)
- Terms:** MEM provides the following services for Previsor: product development, marketing, producer contracting, regulatory and compliance, information technology, human resources, accounting, financial reporting, tax preparation, legal, billing, rate development, and other services. Previsor pays monthly fees to MEM for services provided that are determined from an allocation of MEM's actual costs plus 10% profit markup for sales, legal, regulatory, compliance, and general services. The allocation of costs is based upon Previsor's direct written premium volume for most services.
- 3. Type:** Claims Adjudication Agreement
- Affiliate:** Previsor
- Effective:** September 1, 2015 (replaced a prior Claims Adjudication Agreement, effective from January 3, 2011 to August 31, 2015)
- Terms:** MEM provides the following services for Previsor: data entry, claim processing, claim investigations, governmental filings, reserve determination, claim settlement, management of litigated claims, and other services. Previsor pays monthly fees to MEM for services provided that are determined from an allocation of MEM's actual costs plus a 10% profit markup. The allocation of costs is based upon Previsor's open claim count.
- 4. Type:** Loss Prevention Services Agreement
- Affiliate:** Previsor
- Effective:** September 1, 2015 (replaced a prior Loss Control Services Agreement, effective from January 3, 2011 to August 31, 2015)
- Terms:** MEM provides the following services for Previsor: policyholder surveys for underwriting, accident investigations, workplace safety programs, safety training for policyholders, develop and maintain standard operating procedures, and other services. Previsor pays monthly fees to MEM for services provided that are determined from an allocation of MEM's actual costs plus a 10% profit markup. The allocation of costs is based upon Previsor's loss prevention service count.

- 5. Type:** Premium Consultation Agreement
Affiliate: Previsor
Effective: September 1, 2015 (replaced a prior Premium Consultation Agreement, effective from January 3, 2011 to August 31, 2015)
Terms: MEM provides the following services for Previsor: conduct audits of policyholder payroll exposures or classifications, conduct new business consultations, process premium audits, and manage audit disputes. Previsor pays monthly fees to MEM for services provided that are determined from an allocation of MEM's actual costs plus a 10% profit markup. The allocation of costs is based upon Previsor's premium audit count.
- 6. Type:** Underwriting & Customer Service Agreement
Affiliate: Previsor
Effective: September 1, 2015 (replaced a prior Underwriting Agreement, effective from January 3, 2011 to August 31, 2015)
Terms: MEM provides the following services for Previsor: establish underwriting rules, analyze and underwrite policy applications, provide premium quotes, maintain applications and other policy records, manage policy endorsements or other policy changes, re-underwrite renewal policies, process non-renewals and cancellations, prepare policy forms, and other services. Previsor pays monthly fees to MEM for services provided that are determined from an allocation of MEM's actual costs plus a 10% profit markup. The allocation of costs is based upon Previsor's policy count.

In addition, MEM has a Quota Share Reinsurance Contract with Previsor, which is described in the Reinsurance (Assumed) section of this report.

Intercompany Payments

The following table summarizes the fees paid during the examination period, between MEM and Previsor, pursuant to intercompany agreements.

<u>Agreement</u>	<u>Net Fees Paid / (Received)</u>				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Services	\$194,038	\$653,822	\$306,000	\$308,200	\$238,232
Administrative Services	(100,000)	(25,000)	(43,261)	(15,000)	(40,495)
Claims Adjudication	0	0	0	0	(583)
Loss Prevention Services	0	0	0	0	(6,131)
Premium Consultation	0	0	0	0	0
Underwriting/Customer Svc.	0	0	0	0	(928)
TOTAL	\$ 94,038	\$628,822	\$262,739	\$293,200	\$190,095

TERRITORY AND PLAN OF OPERATION

MEM is licensed as a property and casualty insurer by the Missouri DIFP under Chapter 379 RSMo (Insurance Other than Life). The Company is not licensed in any other states.

Some of MEM's policyholders have employees located outside of the State of Missouri. MEM has historically utilized a fronting arrangement with Argonaut Insurance Company (Argonaut) to insure out-of-state risks. Beginning September 1, 2015, Previsor began writing small amounts of business for MEM in Kansas. The Company plans for Previsor to eventually replace Argonaut as the direct writer for most of MEM's out-of-state risks. However, Previsor will not expand into additional states until 2018, due to a conversion to a new IT system. Descriptions of the reinsurance agreements with Previsor and Argonaut are included in the Reinsurance section of this report.

The Company's only line of business is workers' compensation, as prescribed by the statutes in the Missouri Employers Mutual Insurance Company Act, which created MEM in 1994. MEM is the market share leader for workers' compensation insurance in Missouri with a 21.8% share of 2015 direct written premiums. Approximately 900 independent insurance agencies are used to produce the Company's business. The top 100 agencies produced 80% of MEM's in-force premiums at year-end 2015.

Section 287.902 RSMo (Missouri Employers Mutual Insurance Company) requires that the Company shall give preference to Missouri employers with an annual premium of \$10,000 or less. As of December 31, 2015, 76% of MEM's policyholders had annual premiums of \$10,000 or less. This is a decrease from 83% of policyholders with premiums of \$10,000 or less in the prior examination, as of December 31, 2010.

REINSURANCE

General

The Company's premium activity on a direct written, assumed and ceded basis, for the period under examination, is detailed below:

	2011	2012	2013	2014	2015
Direct Business	\$138,736,211	\$136,517,180	\$166,965,432	\$186,834,979	\$201,488,300
Assumed – Affiliates	0	0	0	0	0
Assumed – Non-affiliates	5,159,875	6,688,127	7,460,852	9,082,515	10,252,130
Ceded – Affiliates	0	0	0	0	0
Ceded – Non-affiliates	(4,002,134)	(6,007,996)	(8,346,400)	(6,466,648)	(9,185,625)
Net Premiums Written	<u>\$139,893,952</u>	<u>\$137,197,311</u>	<u>\$166,079,884</u>	<u>\$189,450,846</u>	<u>\$202,554,805</u>

Assumed

All of the assumed business during 2011 to 2014 and 98% of the assumed business for 2015 was from Argonaut Insurance Company. MEM assumes 100% of the workers' compensation business written by Argonaut, pursuant to a quota share reinsurance agreement, effective January 1, 2010. The Company also has a quota share agreement with Previsor that is effective from September 1, 2015 to January 1, 2017. MEM assumes 90% of the workers' compensation business written by Previsor under the terms of the agreement. This agreement only accounted for \$0.2 million of assumed business in 2015.

Ceded

The Company's reinsurance program is comprised of excess of loss coverage in three layers. Below is a summary of the reinsurance coverage, as of December 31, 2015:

<u>Coverage Layer</u>	<u>Retention per Occurrence</u>	<u>Reinsurance Limit Excess of Retention</u>	<u>Aggregate Limit of Reinsurance</u>
First Layer	\$ 1,000,000	\$ 1,000,000	unlimited
Second Layer	2,000,000	8,000,000	\$ 32,000,000#
Third Layer	10,000,000	40,000,000	80,000,000*

free reinstatements

* with payment of reinstatement premium

The first layer reinsurance coverage is placed 100% with Technology Insurance Company, Inc. through an agreement effective January 1, 2015, through January 1, 2019. In addition to the \$1 million retention, this agreement also includes a \$2 million aggregate deductible for losses above the retention.

The second and third layers of reinsurance coverage are provided by various authorized and unauthorized reinsurers with new agreements executed each year. The reinsurance agreements for 2016 included the same retentions and coverage as the 2015 agreements. The number of participating reinsurers in the second and third layers totaled sixteen for 2015 and fourteen for 2016. No reinsurer had a participation percentage larger than 25% in either layer for 2015 or 2016.

MEM's ceded reserves totaled \$73 million, as of December 31, 2015. National Union Fire Insurance Company of Pittsburgh was the largest reinsurer with 13% of total ceded reserves. The top five reinsurers accounted for 56% of total ceded reserves, as of December 31, 2015.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the DIFP and present the financial condition of the Company for the period ending December 31, 2015. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of 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” section. 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 annual statement item.

ASSETS
as of December 31, 2015

	<u>Assets</u>	<u>Non-Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$430,632,808	\$ 0	\$430,632,808
Preferred Stocks	1,923,089	0	1,923,089
Common Stocks	71,567,849	484,582	71,083,267
Real Estate	13,974,565	0	13,974,565
Cash and Short-Term Investments	16,791,565	0	16,791,565
Receivables for Securities	863	0	863
Investment Income Due and Accrued	3,799,828	0	3,799,828
Uncollected Premiums and Agents' Deferred Premiums	68,561,369	3,741,199	64,820,170
Amounts Recoverable from Reinsurers	1,245,997	0	1,245,997
Funds Held By Reinsured Companies	1,208,319	0	1,208,319
EDP Equipment and Software	1,445,138	904,692	540,446
Furniture and Equipment	65,798	65,798	0
Aggregate Write-In Assets	<u>4,430,363</u>	<u>1,973,649</u>	<u>2,456,714</u>
TOTAL ASSETS	<u>\$622,333,492</u>	<u>\$7,838,514</u>	<u>\$614,494,978</u>

LIABILITIES, SURPLUS AND OTHER FUNDS
as of December 31, 2015

Losses	\$231,964,718
Reinsurance Payable on Paid Losses and LAE	338,676
Loss Adjustment Expenses	16,537,195
Commissions Payable	7,019,909
Other Expenses	8,636,264
Taxes, Licenses and Fees	2,702,705
Unearned Premiums	90,562,285
Advance Premium	2,480,380
Policyholders Dividends Declared and Unpaid	5,000,000
Ceded Reinsurance Premiums Payable	3,423,081
Amounts Withheld or Retained by Company	8,001,107
Payable to Parent, Subsidiaries and Affiliates	39,698
TOTAL LIABILITIES	\$376,706,018
Surplus Notes	20,035,833
Unassigned Funds (Surplus)	217,753,127
Surplus as Regards Policyholders	\$237,788,960
TOTAL LIABILITIES AND SURPLUS	\$614,494,978

STATEMENT OF INCOME
For the Year Ended December 31, 2015

Premium Earned	\$ 195,851,474
DEDUCTIONS:	
Losses Incurred	104,658,182
Loss Adjustment Expenses Incurred	16,884,098
Other Underwriting Expenses Incurred	55,725,441
Total Underwriting Deductions	<u>\$ 177,267,721</u>
Net Underwriting Gain	\$18,583,753
Net Investment Income Earned	16,280,589
Net Realized Capital Gains	597,591
Net Investment Gain	<u>\$ 16,878,180</u>
Other Income	105,854
Dividends to Policyholders	5,001,713
Federal Income Taxes Incurred	<u>0</u>
Net Income	\$ 30,566,074

RECONCILIATION OF SURPLUS
Changes from December 31, 2010 to December 31, 2015
(\$000's omitted)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Capital and Surplus, End of Prior Year	\$163,097	\$167,699	\$172,624	\$194,421	\$210,986
Net Income	7,480	(1,854)	5,850	14,896	30,566
Change in Net Unrealized Gains (Losses)	(712)	4,109	13,392	(381)	(3,737)
Change in Non-Admitted Assets	388	2,681	2,544	1,455	(26)
Change in Provision for Reinsurance	91	(11)	11	0	0
Change in Surplus Notes	0	0	(1)	0	1
Change in Accounting Principle	(2,645)	0	0	0	0
Agg. Write-Ins for Gains (Losses) in Surplus	<u>(0)</u>	<u>0</u>	<u>1</u>	<u>595</u>	<u>(1)</u>
Change in Capital and Surplus for the Year	<u>4,602</u>	<u>4,925</u>	<u>21,797</u>	<u>16,565</u>	<u>26,803</u>
Capital and Surplus, End of Current Year	<u>\$167,699</u>	<u>\$172,624</u>	<u>\$194,421</u>	<u>\$210,986</u>	<u>\$237,789</u>

COMMENTS ON FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND/OR RECOMMENDATIONS

None.

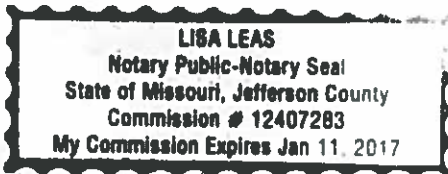
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Missouri Employers Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Steven Koonse, CFE, and Andy Balas, CFE, examiners for the Missouri DIFP, participated in this examination. Kristine Fitzgerald, ACAS, MAAA, of Actuarial & Technical Solutions, Inc., also participated as a consulting actuary.

VERIFICATION

State of Missouri)
)
County of)

I, Tim L. Tunks, 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 Missouri Employers Mutual Insurance 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.



Tim L. Tunks
Tim L. Tunks, CPA, CFE
Examiner-In-Charge
Missouri DIFP

Sworn to and subscribed before me this 20th day of December, 2016.

My commission expires: 1-11-2017

[Signature]
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
Missouri DIFP