



DEPARTMENT OF COMMERCE & INSURANCE

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

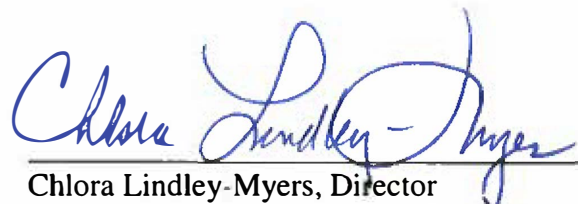
ORDER

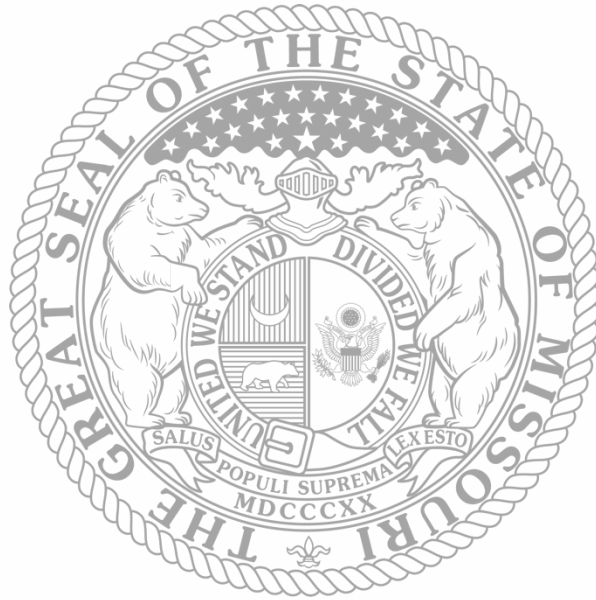
After full consideration and review of the report of the financial examination of Clarks Fork Mutual Insurance Company for the period ended December 31, 2019, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, Missouri Department of Commerce and Insurance 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 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) 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 28th day of August, 2020.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF THE
FINANCIAL EXAMINATION OF

CLARKS FORK MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2019

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
PERIOD COVERED.....	1
PROCEDURES.....	1
SUMMARY OF SIGNIFICANT FINDINGS	1
COMPANY HISTORY	2
GENERAL.....	2
MANAGEMENT AND CONTROL	2
BOARD OF DIRECTORS	2
OFFICERS.....	3
CONFLICT OF INTEREST.....	3
CORPORATE RECORDS.....	3
EMPLOYEE BENEFITS	3
FIDELITY BOND AND OTHER INSURANCE	3
INSURANCE PRODUCTS AND RELATED PRACTICES	4
TERRITORY AND PLAN OF OPERATIONS.....	4
POLICY FORMS AND UNDERWRITING PRACTICES.....	4
GROWTH OF COMPANY AND LOSS EXPERIENCE	4
REINSURANCE	4
GENERAL.....	4
ASSUMED REINSURANCE	4
CEDED REINSURANCE.....	5
ACCOUNTS AND RECORDS	5
FINANCIAL STATEMENTS	5
ASSETS.....	6
LIABILITIES, SURPLUS AND OTHER FUNDS.....	6

UNDERWRITING AND INVESTMENT EXHIBIT	7
GAIN OR LOSS IN SURPLUS	7
COMMENTS ON FINANCIAL STATEMENT ITEMS	8
FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION	8
SUMMARY OF RECOMMENDATIONS.....	8
SUBSEQUENT EVENTS.....	8
ACKNOWLEDGMENT	9
VERIFICATION.....	9
SUPERVISION	10

Boonville, MO
May 20, 2020

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

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

CLARKS FORK MUTUAL INSURANCE COMPANY

hereinafter referred to as such, as CFMIC, or as the Company. Its administrative office is located at 17780 Sky Line Road, Boonville, Missouri 65233, telephone number (660) 882-7199. The fieldwork for this examination began on April 15, 2020, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a single-state financial examination of Clarks Fork Mutual Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2010 through December 31, 2014. The current examination covers the period of January 1, 2015 through December 31, 2019, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department 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 the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

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.

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.

COMPANY HISTORY

General

The Company was originally organized on November 15, 1892, as Clarks Fork Farmer Feuer-Unterstuetzungs-Verein. On February 24, 1915, the Company changes its name to Clarks Fork Farmers Mutual, Fire, Lightning and Tornado Insurance Company of Cooper County, Missouri and was incorporated as a Missouri corporation. 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 AND CONTROL

Board of Directors

In accordance with the 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 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 a Board of Directors, who are elected by 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 each month. Directors receive \$300 for each meeting attended. The President receives an additional \$150 per month.

Members serving on the Board of Directors as of December 31, 2019, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Herbert Twenter Pilot Grove, Missouri	Insurance Agent	2022
Judith Simmons Otterville, Missouri	Insurance Agent	2020
Sheryl Luster Boonville, Missouri	Insurance Agent	2021
Robert Ashford Marshall, Missouri	Insurance Agent/Realtor	2021
Jared Williams Syracuse, Missouri	Farmer/Seed Salesman	2020
Larry Grissum Boonville, Missouri	Farmer	2021
David Lang Boonville, Missouri	Realtor/Retired Banker	2022

Officers

The Board of Directors appoints for a term of one year, the officers of the Company. The officers serving, as of December 31, 2019, were as follows:

<u>Name</u>	<u>Office</u>
Herbert Twenter	President
Judith Simmons	Vice-President
Donald 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's directors and officers sign conflict of interest statements on an annual basis. A review of the executed conflict of interest statements noted that three of the directors disclosed being agents for the Company.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. There were no revisions to either document during the examination period. The minutes of the membership and the Board were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has five full-time employees. Employee benefits offered by the Company include basic life insurance, dental insurance, health insurance, short-term and long-term disability insurance, matching contributions to retirement accounts, paid holidays, and paid time off.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$250,000 and a \$5,000 deductible. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$100,000 and \$125,000 in coverage.

The Company carries liability coverage for its directors and officers. The Company requires its agents to carry errors and omissions insurance and provide evidence of such coverage to the Company.

Other coverages carried by the Company include property insurance on its home office and contents, business liability insurance, auto insurance, and workers compensation and employer's liability insurance.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the Missouri Department of Commerce and Insurance as an Extended Missouri Mutual Company operating under Sections 380.201 through 380.611 RSMo (Extended Missouri Mutual Companies). The Company is authorized to write fire, wind, and liability insurance in all counties in the State of Missouri. The Company's policies are sold by eleven licensed agencies, which receive a 15% commission on new and renewal business and have the potential to receive bonus commission.

Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Services (AAIS) policy forms, as well as Grinnell Mutual Reinsurance Company (reinsurer) forms and custom forms approved by the Department. The policies are written on a continuous basis and renewed annually. Property inspections and the majority of claims adjusting are performed in-house by the Company's inspector/adjuster. Claims adjusting is also performed by the reinsurer. Rates are determined by the Board of Directors.

GROWTH OF COMPANY AND LOSS EXPERIENCE

(\$000s omitted)

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2019	\$6,318	\$174	\$2,872	\$1,495	\$149	\$199	\$ 353
2018	5,964	173	2,740	689	112	893	1,051
2017	4,850	110	2,616	848	98	682	725
2016	4,212	197	2,617	1,535	91	(37)	55
2015	4,126	166	2,613	1,196	80	606	466

At year-end 2019, there were 3,428 policies in force.

REINSURANCE

General

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

(\$000s omitted)

Premium Type	2015	2016	2017	2018	2019
Direct Premiums Written	\$ 2,595	\$ 2,599	\$ 2,599	\$ 2,722	\$ 2,854
Reinsurance Assumed	18	18	17	18	18
Reinsurance Ceded	(582)	(609)	(621)	(633)	(659)
Net Premiums Written	\$ 2,031	\$ 2,008	\$ 1,995	\$ 2,107	\$ 2,213

Assumed Reinsurance

MAMIC Mutual Insurance Company (MAMIC) issues direct policies to insure agents' errors and omissions liability and directors' and officers' liability risks for various mutual insurance companies, including the Company. All of the policy risks insured by MAMIC for these two products are pooled and ceded to participating mutual insurance companies. The Company has a 5% share in the interests and liabilities of the pool.

Ceded Reinsurance

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (the reinsurer) under separate reinsurance agreements for property and liability risks.

The property reinsurance agreement includes per risk excess of loss, catastrophe excess of loss, and aggregate excess of loss coverages. Under the per risk section of the agreement, the Company retains \$200,000 per property risk, subject to a maximum reinsurance recovery of \$15 million each risk. Under the catastrophe excess of loss section of the agreement, the Company retains \$700,000 per loss occurrence, and the reinsurer is 100% liable for the excess of Company's retention. The aggregate excess of loss section covers 100% of losses incurred during the year that exceed the Company's aggregate attachment point of \$1,600,000.

Under the liability reinsurance agreement, the Company cedes 100% of the liability risks and premium to the reinsurer and receives a 31% 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 an assuming reinsurer fails to perform its obligations under the reinsurance contract.

ACCOUNTS AND RECORDS

The accounting records are maintained by the Company on an accrual basis. The CPA firm of Lammers and Associates, P. C., of Boonville, Missouri, performs an annual review of the Company's financial statements and prepares the Company's tax filings.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of Clarks Fork Mutual Insurance Company for the period ending December 31, 2019. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of 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 additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items." These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual key activity.

ASSETS

As of December 31, 2019

Bonds	\$	1,901,191
Real Estate – Book Value		145,955
Cash on Deposit		3,877,311
Other Investments		339,594
Computer Equipment (Hardware Only)		14,167
Vehicle		15,447
Furniture & Equipment		24,155
TOTAL ASSETS	\$	6,317,820

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2019

Gross Losses Unpaid Less Reinsurance Recoverable	\$	122,797
Ceded Reinsurance Premium Payable		49,239
Accounts Payable (Other)		1,875
TOTAL LIABILITIES	\$	173,911
Guaranty Fund		150,000
Other Surplus		5,993,909
TOTAL POLICYHOLDER SURPLUS	\$	6,143,909
TOTAL LIABILITIES AND SURPLUS	\$	6,317,820

UNDERWRITING AND INVESTMENT EXHIBIT

For the Year Ended December 31, 2019

Net Earned Assessment/Premium Income	\$ 2,213,030
Other Insurance Income	196,851
Net Losses & Loss Adjustment Expense	(1,170,780)
Underwriting Expenses	(1,039,773)
Underwriting Income (Loss)	\$ 199,328
Investment Income	150,729
Investment Expenses	(1,859)
Net Investment Income	\$ 148,870
Other Income	4,950
Gross Profit or Loss	\$ 353,148
Federal Income Tax	0
NET PROFIT OR (LOSS)	\$ 353,148

GAIN OR LOSS IN SURPLUS

Changes from January 1, 2015 to December 31, 2019

(\$000s omitted)

	2015	2016	2017	2018	2019
Beginning Policyholder's Surplus	\$ 3,494	\$ 3,960	\$ 4,015	\$ 4,740	\$ 5,791
Net Profit or (Loss)	466	55	725	1,051	353
Ending Policyholder's Surplus	\$ 3,960	\$ 4,015	\$ 4,740	\$ 5,791	\$ 6,144

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

On March 11, 2020, The World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, United States President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the United States and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators with the assistance of the NAIC are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers.


ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
)
County of Cole) ss

I, Brian D. Hammann, CPA, AFE, 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 Clarks Fork 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.



Brian D. Hammann, CPA, AFE
Financial Examiner
Missouri Department of Commerce and
Insurance

On this 30th day of July, 2020, before me, the undersigned notary, appeared remotely pursuant to Executive Order 20-08 Brian D. Hammann proved to me through identification documents, and acknowledged to me that he signed the forgoing instrument voluntarily for its stated purpose and acknowledged that he executed the same for the purposes therein contained.

In witness thereof, I hereunto set my signature and official seal.

My commission expires: 3-4-2024


Notary Public

KATHRYN LATIMER
My Commission Expires
March 4, 2024
Cole County
Commission #12418395

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, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.



Levi N. Nwasoria, CPA, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance