



## DEPARTMENT OF COMMERCE & INSURANCE

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

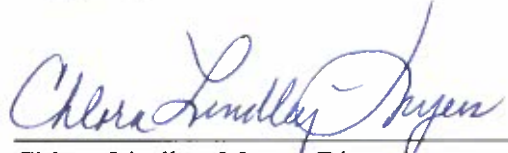
### ORDER

After full consideration and review of the report of the financial examination of St. Elizabeth Mutual Insurance Company for the period ended December 31, 2017, 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<sup>1</sup> 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 St. Elizabeth 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 30<sup>th</sup> day of August, 2019.



  
Chlora Lindley-Myers, Director  
Department of Commerce and Insurance

<sup>1</sup> Pursuant to Executive Order #19-02, effective August 28, 2019, the department name was changed from the Department of Insurance, Financial Institutions and Professional Registration to the Department of Commerce and Insurance.

**REPORT OF THE  
FINANCIAL EXAMINATION OF  
ST. ELIZABETH MUTUAL INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2017**



**STATE OF MISSOURI**

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

**JEFFERSON CITY, MISSOURI**

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April 1, 2019  
St. Elizabeth, Missouri

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

Director Lindley-Myers:

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

### **ST. ELIZABETH MUTUAL INSURANCE COMPANY**

hereinafter referred to as such, or as the Company. The Company's administrative office is located at 160 South Walnut Street (P.O. Box 117), St. Elizabeth, Missouri 65075, telephone number (573) 493-2717. This examination began on March 11, 2019, and was concluded on the above date, and is respectfully submitted.

### **SCOPE OF EXAMINATION**

#### **Period Covered**

The prior full-scope examination of the Company was made as of December 31, 2012, and was conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP). The current full-scope examination covers the period from January 1, 2013, through December 31, 2017, and was conducted by examiners from the 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.

## **HISTORY**

### **General**

The Company was originally organized on December 8, 1899, and incorporated on February 27, 1930, as The St. Elizabeth Mutual Insurance Company of St. Elizabeth, Missouri. The Company currently operates as St. Elizabeth Mutual Insurance Company.

The Company has a Certificate of Authority dated August 13, 2003, 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 third Thursday in January at the home office of the Company, or at the St. Elizabeth Community Center if the home office is deemed to be insufficient by the Board of Directors. Special meetings of the members shall be called by the President, by the Board of Directors, or by not less than one percent of the members. One percent of the members represented in person or by proxy shall constitute a quorum at any membership meeting.

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 eight members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately four times per year, and directors are compensated \$100 per each meeting attended.

Members serving on the Board of Directors as of December 31, 2017, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term Expires</u>
Mark Adrian Eugene, Missouri	Banker	2020
Kenneth Hammond Jefferson City, Missouri	Retired, Inspector	2019
Richard Juergensmeyer St. Elizabeth, Missouri	Retired MFA Salesman/Farmer	2019
Alfred Luetkemeyer St. Elizabeth, Missouri	Retired Banker/Farmer	2021
Dean Luetkemeyer St. Elizabeth, Missouri	Farmer/Insurance Agent	2021
Mark Reinkemeyer St. Elizabeth, Missouri	Maintenance/Farmer	2020
Victor Wilde St. Elizabeth, Missouri	Business Owner/Farmer/ Insurance Agent	2019
Robert Oligschlaeger St. Elizabeth, Missouri	Retired Farmer/Military	2019

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, 2017, were as follows:

Victor Wilde	President
Dean Luetkemeyer	Vice-President
Alfred Luetkemeyer	Secretary/Treasurer

### **Conflict of Interest**

The Company completes annual conflict of interest statements 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 completed statements noted no material conflicts disclosed.

### **Corporate Records**

A review was made of the Articles of Incorporation (Articles) and the Bylaws of the Company. Neither the Articles nor the Bylaws were amended during the examination period. 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 does not meet the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$75,000 and \$100,000 in coverage.

The Company carries liability coverage for its directors and officers and errors and omissions coverage for its agents. The Company self-insures its office building and contents, and purchases commercial general liability and workers compensation and employers liability insurance from an outside insurer.

## **EMPLOYEE BENEFITS**

The Company has ten part-time employees. The Company provides paid time off to employees based on the years of service.

## 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 Companies). The Company is authorized to write fire, wind, liability, and crop insurance in all counties in the State of Missouri. The Company writes fire, wind, and liability coverages. The Company's policies are sold by seven licensed agents, who receive a 15% commission.

### Policy Forms and Underwriting Practices

The Company uses American Association of Insurance Services (AAIS) forms. The policies are written on a continuous period and renewed annually, with rates determined by the Board of Directors. Renewal billings are mailed directly to the insured. Inspections are performed by a part-time inspector, who is also a director. The Company President performs most of the claims adjusting, while reinsurer adjusters are utilized on large dollar claims.

## GROWTH AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income	Underwriting Income	Net Income
2017	\$3,225,720	\$311,826	\$1,089,805	\$335,175	\$81,819	\$152,271	\$246,549
2016	2,973,869	299,978	1,068,564	463,231	58,987	(6,046)	61,251
2015	2,905,334	287,922	1,045,011	225,762	50,314	232,541	287,311
2014	2,630,837	286,585	1,028,155	291,485	47,438	149,142	196,136
2013	2,404,491	291,316	963,982	552,384	32,578	(166,188)	(132,041)

At year-end 2017, 1,216 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:

	2013	2014	2015	2016	2017
Direct	\$963,982	\$1,028,155	\$1,045,011	\$1,068,564	\$1,089,805
Assumed	0	0	0	0	0
Ceded	(201,882)	(231,648)	(237,679)	(254,497)	(261,163)
Net	\$762,100	\$796,507	\$807,332	\$814,067	\$828,642

### Assumed

The Company does not reinsure other companies.

### Ceded

The Company has a property reinsurance contract with Grinnell Mutual Reinsurance Company (Grinnell) that includes per risk and aggregate excess of loss coverage. Under the per risk section of the agreement, the Company retains \$200,000 for each loss, and Grinnell is liable for the excess of up to \$1 million in total loss per exposure. The aggregate excess of loss section covers 100% of losses incurred during the year which exceed the Company's aggregate attachment point of \$725,000.

The Company has casualty liability risk coverage. The Company cedes 100% of the liability premiums and losses to Grinnell 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 a modified cash basis. The Company utilizes MIPS policy maintenance and accounting software by IMT Computer Services. The CPA firm of Bert Doerhoff, P.C., prepares the Company's tax filings.

## FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2017, 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, 2017**

Bonds	\$ 970,690
Mutual Funds	545,835
Real Estate	140,063
Cash on Deposit	1,555,372
Interest Due and Accrued	13,560
Cash in Office	200
	<hr/>
Total Assets	<u>\$ 3,225,720</u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**  
**December 31, 2017**

Unearned Premium	\$ 310,243
Agents Payable	1,583
	<hr/>
Total Liabilities	<u>\$ 311,826</u>
Guaranty Fund	\$ 200,000
Other Surplus	2,713,894
	<hr/>
Total Surplus	<u>\$ 2,913,894</u>
	<hr/>
Total Liabilities and Surplus	<u>\$ 3,225,720</u>

**STATEMENT OF INCOME**  
**For the Year Ending December 31, 2017**

Net Premiums Earned	\$ 817,043
Other Insurance Income	6,012
Net Losses & Loss Adjustment Expenses Incurred	(338,128)
Other Underwriting Expenses Incurred	<u>(332,656)</u>
Net Underwriting Income (Loss)	\$ 152,271
Net Investment Income	81,819
Other Income	<u>14,276</u>
Gross Profit (Loss)	\$ 248,366
Federal Income Tax	<u>1,817</u>
Net Income (Loss)	<u><u>\$ 246,549</u></u>

**RECONCILIATION OF SURPLUS**  
**Changes from January 1, 2013, to December 31, 2017**  
(000's omitted)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Capital and Surplus, Beginning of Year	\$ 2,249	\$ 2,113	\$ 2,344	\$ 2,617	\$ 2,674
Net Income (Loss)	(132)	196	287	61	246
Change in Net Unrealized Gains (Losses)	(4)	13	(15)	(16)	(18)
Adjustment – Unearned Premium	<u>0</u>	<u>22</u>	<u>1</u>	<u>12</u>	<u>12</u>
Change in Capital and Surplus for the Year	<u>\$ (136)</u>	<u>\$ 231</u>	<u>\$ 273</u>	<u>\$ 57</u>	<u>\$ 240</u>
<b>Capital and Surplus, End of Year</b>	<u><b>\$ 2,113</b></u>	<u><b>\$ 2,344</b></u>	<u><b>\$ 2,617</b></u>	<u><b>\$ 2,674</b></u>	<u><b>\$ 2,914</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

None.

### EXAMINATION CHANGES

None.

### SUMMARY OF RECOMMENDATIONS

#### **Fidelity Bond Coverage (Page 4)**

The Company should increase its fidelity bond coverage to at least \$75,000, which is the minimum amount suggested in the guidelines promulgated by the NAIC.

### SUBSEQUENT EVENTS

None.

**ACKNOWLEDGMENT**

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

**VERIFICATION**

State of Missouri )  
  )  
County of Cole        )

I, Brian Hammann, 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.

Brian Hammann  
Brian Hammann, CPA  
Financial Examiner  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration

Sworn to and subscribed before me this 16<sup>th</sup> day of August, 2019.

My commission expires:  
March 30, 2023

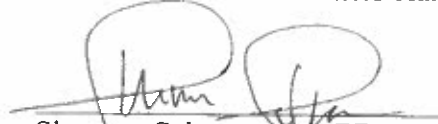
Hailey Luebbert  
Notary Public



• HAILEY LUEBBERT  
My Commission Expires  
March 30, 2023  
• Osage County  
Commission #15634366

## 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.

A handwritten signature in black ink, appearing to read 'Shannon Schmoeger', written over a horizontal line.

Shannon Schmoeger, CFE, ARe  
Chief Financial Examiner  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration