

STATE OF MISSOURI



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 Lutheran Fire and Lightning Insurance Company of Lawrence County, Missouri for the period ended December 31, 2022, 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.

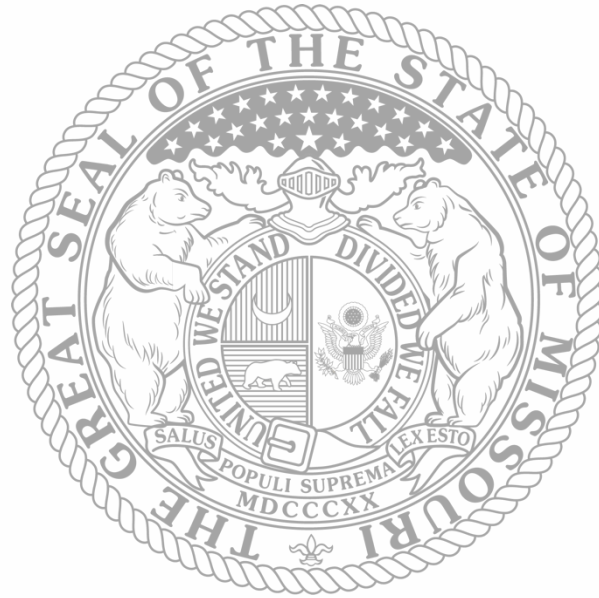
Based on such findings and conclusions, I hereby Lutheran Fire and Lightning Insurance Company of Lawrence County, Missouri to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account 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 May, 2024.



Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

LUTHERAN FIRE AND LIGHTNING INSURANCE COMPANY OF LAWRENCE COUNTY, MISSOURI

AS OF
DECEMBER 31, 2022

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Purdy, Missouri
May 9, 2024

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

Lutheran Fire and Lightning Insurance Company of Lawrence County, Missouri

hereinafter referred to as such, or as the Company. Its administrative office is located at 4948 State Hwy B, Purdy, Missouri 65734, telephone number (417) 442-7563. The fieldwork for this examination began on October 23, 2023, 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 Lutheran Fire and Lightning Insurance Company of Lawrence County, Missouri. The last examination of the Company by the Department covered the period of January 1, 2013, through December 31, 2017. The current examination covers the period of January 1, 2018, through December 31, 2022, 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 organized on August 25, 1933. The Company has a Certificate of Authority dated January 1, 1985, and is covered by Sections 380.201 through 380.611 Revised Statutes of Missouri (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 first Saturday in February at the home office of the Company or at such other place as may be designated by the Board of Directors. Special meetings may be called by the President or Secretary/Treasurer with the consent of two other directors. Eight 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 six members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets five times a year in January, February, April, July, and October.

Members serving on the Board of Directors as of December 31, 2022, were as follows:

<u>Name and Address</u>	<u>Occupation</u>
Nolan Kleiboeker Wentworth, Missouri	Farmer
Leland Eggerman Lockwood, Missouri	Farmer
Mark McMillin Purdy, Missouri	Retired Farmer
Lee Eggerman Lockwood, Missouri	Farmer
Phil Schad Purdy, Missouri	Farmer
Bob Moenning Pierce City, Missouri	Farmer

Officers

The officers elected and serving, as of December 31, 2022, were as follows:

<u>Name</u>	<u>Office</u>
Phil Schad	President
Nolan Kleiboeker	Vice President
Mark McMillin	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.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. Neither the Articles of Incorporation nor the Bylaws were amended during the examination period. The minutes of the annual membership meetings and Board of Directors meetings were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has one part-time employee. There are no monthly benefits provided to the employee other than salary.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$75,000. The fidelity bond coverage meets the minimum amount suggested in the guidelines promulgated by the NAIC.

The Company carries liability coverage for its directors and officers and errors and omissions coverage for its agents.

The Company does not own its office building or any significant personal property and thus does not carry any property or other insurance coverages.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the Department as an Extended Missouri Mutual Insurance Company operating under Sections 380.201 through 380.611 RSMo.

The Company is authorized to write fire, wind, and liability insurance in all counties in the State of Missouri. The Company writes fire and wind coverages. The Company's policies are marketed by a licensed agent, who receives a 15% commission on premiums written for new and renewal business.

Policy Forms and Underwriting Practices

The Company utilizes AAIS and MAMIC policy forms. The policies are renewed annually with rates determined by the Board of Directors. Renewal billings are mailed directly to the insured. Property inspections and claims adjusting are performed by the Company agent and contracted inspector/adjusters as needed.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's growth and loss experience for the period under examination:

(\$000s omitted)

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2022	\$1,851	\$131	\$306	\$85	\$43	\$(30)	\$ 14
2021	1,825	119	278	53	29	49	102
2020	1,724	120	282	116	70	(28)	42
2019	1,696	134	275	97	48	(17)	31
2018	1,659	128	268	107	28	3	30

At year-end 2022, there were 195 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	2018	2019	2020	2021	2022
Direct	\$ 266	\$ 270	\$ 276	\$ 274	\$ 303
Assumed	-	-	-	-	-
Ceded	(63)	(65)	(77)	(70)	(80)
Net Written	\$ 203	\$ 205	\$ 199	\$ 204	\$ 223

Assumed Reinsurance

The Company does not reinsure other companies.

Ceded Reinsurance

The Company has a reinsurance agreement with various participating reinsurers (reinsurers) brokered by Guy Carpenter. The lead reinsurer under the program is Renaissance Reinsurance U.S. Inc., with a 22.58% share in the interest and liabilities of the contract. The following coverage is provided under this agreement.

Under the per risk excess of loss contract, the Company retains \$30,000 per risk, and the reinsurers' limits are \$495,000 per risk and \$990,000 per occurrence.

Under the unlimited aggregate excess of loss reinsurance contract, the reinsurers are liable for 100% of losses in excess of 70% of the Company's earned premium.

ACCOUNTS AND RECORDS

The accounting records are maintained by the Company on a cash basis. The CPA Group of Monett, Missouri performs an annual audit and prepares 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 Lutheran Fire and Lightning Insurance Company of Lawrence County, Missouri for the period ending December 31, 2022. 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, 2022

Bonds	\$ 791,786
Cash on Deposit	1,058,829
TOTAL ASSETS	\$ 1,850,615

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2022

Ceded Reinsurance Premium Payable	\$ 7,198
Unearned Premium	122,255
Payroll Tax	1,504
TOTAL LIABILITIES	\$ 130,957
Guaranty Fund	100,000
Other Surplus	1,619,658
TOTAL POLICYHOLDER SURPLUS	\$ 1,719,658
TOTAL LIABILITIES AND SURPLUS	\$ 1,850,615

STATEMENT OF INCOME

For the Year Ended December 31, 2022

Net Earned Assessment/Premium Income	\$ 727,035
Other Insurance Income	-
Net Losses & Loss Adjustment Expense	(419,942)
Underwriting Expenses	(324,901)
Underwriting Income (Loss)	\$ (17,808)
Investment Income	43,343
Investment Expenses	-
Net Investment Gain (Loss)	\$ 43,343
Other Income	-
Gross Profit or Loss	\$ 25,535
Federal Income Tax	(8,600)
NET INCOME (LOSS)	\$ 16,935

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 1, 2018 to December 31, 2022

(\$000s omitted)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Beginning Policyholder's Surplus	\$ 1,501	\$ 1,531	\$ 1,562	\$ 1,604	\$ 1,706
Net Income (Loss)	30	31	42	102	14
Ending Policyholder's Surplus	\$ 1,531	\$ 1,562	\$ 1,604	\$ 1,706	\$ 1,720

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

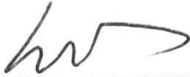
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Lutheran Fire and Lightning Insurance Company of Lawrence County, Missouri during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION


State of Missouri)
) ss
County of Cole)

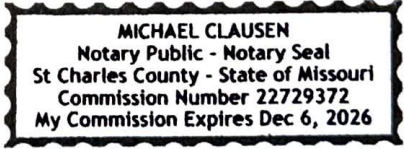
I, Ken Tang, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records, or other documents of Lutheran Fire and Lightning Insurance Company of Lawrence County, Missouri, its agents 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.



Ken Tang, CFE
Certified Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 4th day of April, 2024.

My commission expires: 12/6/26 _____
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, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.



Michael Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance