

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

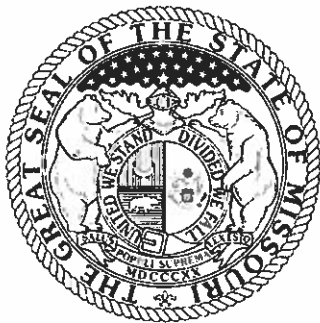
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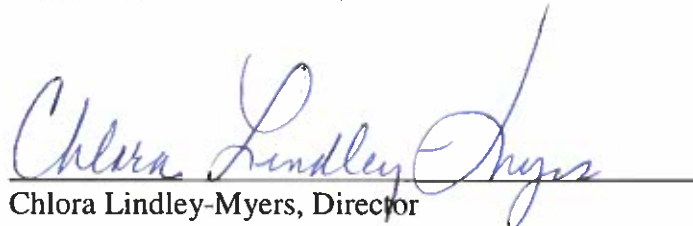
ORDER

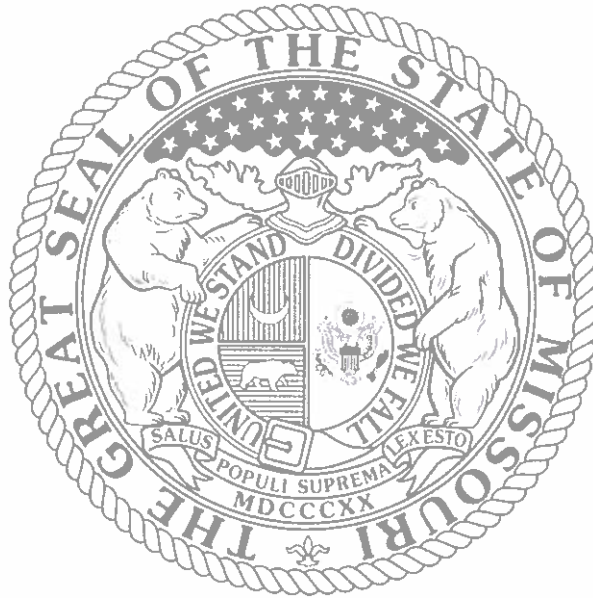
After full consideration and review of the report of the financial examination of Clark Mutual Insurance Company for the period ended December 31, 2019, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, Missouri 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 Clark 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 10th day of February, 2021.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

CLARK 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.....	2
CONFLICTS OF INTEREST	2
CORPORATE RECORDS.....	3
EMPLOYEE BENEFITS	3
FIDELITY BOND AND OTHER INSURANCE.....	3
INSURANCE PRODUCTS AND RELATED PRACTICES	3
TERRITORY AND PLAN OF OPERATIONS.....	3
POLICY FORMS AND UNDERWRITING PRACTICES.....	3
GROWTH OF COMPANY AND LOSS EXPERIENCE.....	3
REINSURANCE.....	4
GENERAL.....	4
ASSUMED REINSURANCE	4
CEDED REINSURANCE.....	4
ACCOUNTS AND RECORDS	4
FINANCIAL STATEMENTS.....	4
ASSETS.....	5
LIABILITIES, SURPLUS AND OTHER FUNDS.....	5

STATEMENT OF INCOME	6
RECONCILIATION OF CAPITAL AND SURPLUS	6
COMMENTS ON FINANCIAL STATEMENT ITEMS	7
FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION	7
SUMMARY OF RECOMMENDATIONS.....	7
SUBSEQUENT EVENTS	7
ACKNOWLEDGMENT	8
VERIFICATION.....	8
SUPERVISION	9

Kahoka, MO
October 1, 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

CLARK MUTUAL INSURANCE COMPANY

hereinafter referred to as such or as the Company. Its administrative office is located at 108 North Washington Street, Kahoka, Missouri, telephone number (660)727-2177. The fieldwork for this examination began on September 21, 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 Clark 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 are separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

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

COMPANY HISTORY

General

Clark Mutual Insurance Company was originally organized in 1881 as the Fanners Mutual Fire Insurance Company of Clark County. On January 28, 1985, the Company amended its Articles of Incorporation and changed its name to Clark Mutual Insurance Company. On July 26, 1985, the Company received a Certificate of Authority to provide insurance under Sections 380.201 to 380.601, RSMo (Extended Missouri Mutual Insurance Company).

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors that are elected by the policyholders. The Company’s Articles of Incorporation specify that there shall be seven members. The Board of Directors elected and serving as of December 31, 2019, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
John D. Huffman Kahoka, Missouri	Insurance Agent	2020
Arthur Lee Suter Wyakonda, Missouri	Farmer	2020
Gene F. Phillips Luray, Missouri	Farmer	2022
Steve Weaver Kahoka, Missouri	Manager of Agriculture Business	2022
Gary Plenge Kahoka, Missouri	Farmer	2021
Edwin Riney Revere, Missouri	Farmer	2021
Gilbert J. (Buddy) Kattlemann Kahoka, Missouri	Farmer	2020

Officers

The officers elected and serving, as of December 31, 2019, were as follows:

<u>Name</u>	<u>Office</u>
Arthur Lee Suter	President
Gene F. Phillips	Vice-President
John D. Huffman	Secretary/Treasurer

Conflicts of Interest

The Company has written conflict of interest procedures for the disclosure of material conflicts of interest or affiliations by its directors, officers, and employees. The Company’s directors, officers and employees sign conflict of interest statements on an annual basis.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. The Articles of Incorporation and Bylaws were amended during the examination period. On January 26, 2016, the Company approved an amendment to its Articles of Incorporation to reduce the number of directors from nine to seven.

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.

EMPLOYEE BENEFITS

The Company has two full-time employees. The Company offers health insurance and paid sick leave.

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 meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$25,000 and \$50,000 in coverage.

The Company carries liability coverage for its directors and officers. The Company also has a businessowner, workers compensation, and employers liability policy.

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 (Extended Missouri Mutual Insurance Companies). The Company is authorized to write fire, wind, and liability insurance in all Missouri counties. The Company's policies are sold by one agent.

Policy Forms and Underwriting Practices

The Company utilizes AAIS and Grinnell policy forms. The policies are written on a continuous basis. Property inspections are performed by the Company's agents. Adjusting functions are performed by a third party.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's premium writings and writing ratios for the period under examination:

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2019	1,788,484	\$157,415	\$313,800	\$79,592	\$30,895	\$ (655)	\$30,240
2018	1,749,029	153,983	304,957	48,089	21,905	29,742	51,647
2017	1,692,014	149,044	279,626	93,595	16,891	(32,584)	(15,693)
2016	1,700,125	145,862	269,337	47,818	16,086	18,623	35,235
2015	1,676,069	161,325	272,389	36,455	17,871	111,402	129,495

At year-end 2019, there were 324 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:

Premium Type	2015	2016	2017	2018	2019
Direct Premiums Written	\$ 272,389	\$ 269,337	\$ 279,626	\$ 304,957	\$ 313,800
Reinsurance Assumed	0	0	0	0	0
Reinsurance Ceded	(71,701)	(74,019)	(77,331)	(80,365)	(82,838)
Net Premiums Written	\$ 200,688	\$ 195,318	\$ 202,295	\$ 224,592	\$ 230,962

Assumed Reinsurance

The Company does not reinsure other companies.

Ceded Reinsurance

The Company cedes business to Grinnell Mutual Reinsurance Company (the reinsurer) through a reinsurance agreement that provides aggregate excess of loss coverage. Under the aggregate excess of loss agreement, the reinsurer covers 100% of the Company's losses that exceed \$180,000 in ultimate net losses. This agreement also includes an addendum that cedes 100% of the Company's earthquake losses to the reinsurer.

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 on a modified cash basis. The CPA firm of Hauk Kruse & Associates, LLC performs an annual compilation of the Company's financial statements, prepares the annual statement, and completes its annual 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 Clark 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

	<u>Assets</u>
Bonds	\$ 236,326
Stocks	1,500
Real Estate	31,435
Cash	1,499,190
Interest Due and Accrued	12,019
Other Assets	8,014
TOTAL ASSETS	<u>\$ 1,788,484</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2019

Unpaid Loss Adjustment Expenses	\$ 442
Ceded Reinsurance Premium Payable	6,931
Unearned Premium	138,198
Accounts Payable to Agents	2,886
Accounts Payable (Other)	438
Other Liabilities	8,520
TOTAL LIABILITIES	<u>\$ 157,415</u>
Guaranty Fund	150,000
Other Surplus	1,481,069
TOTAL POLICYHOLDER SURPLUS	<u>\$ 1,631,069</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$ 1,788,484</u>

STATEMENT OF INCOME

For the Year Ended December 31, 2019

Net Earned Assessment/Premium Income	\$ 226,521
Other Insurance Income	3,548
Net Losses & Loss Adjustment Expense	(84,889)
Underwriting Expenses	(145,835)
Underwriting Income (Loss)	\$ (655)
Investment Income	30,895
Investment Expenses	0
Net Investment Gain (Loss)	\$ 30,895
Other Income	0
Gross Profit or Loss	\$ 30,240
Federal Income Tax	0
NET INCOME (LOSS)	\$ 30,240

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 1, 2015 to December 31, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Beginning Policyholder's Surplus	\$ 1,475,502	\$ 1,514,744	\$ 1,554,263	\$ 1,542,970	\$ 1,595,046
Net Income (Loss)	129,495	35,235	(15,693)	51,647	30,240
Change in Non-Admitted Assets	(90,253)	4,284	4,400	429	5,781
Ending Policyholder's Surplus	\$ 1,514,744	\$ 1,554,263	\$ 1,542,970	\$ 1,595,046	\$ 1,631,069

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 (COVID19) 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 Clark Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Joshua R. Nash, CFE, CPA, 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 Clark 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.


Joshua R. Nash, CFE, CPA
Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 21st day of January, 2021.

My commission expires: May 18, 2024 
Notary Public



KIMBERLY LANDERS
My Commission Expires
May 18, 2024
Callaway County
Commission #12558402

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 R. Shadowens

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