

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

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


ORDER

After full consideration and review of the report of the financial examination of Missouri Intergovernmental Risk Management Association for the period ended June 30, 2016, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the 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, company history, management and control, territory and plan of operation, reinsurance, financial statements, examination changes, comments on financial statements, subsequent events and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Missouri Intergovernmental Risk Management Association as of June 30, 2016 be and is hereby ADOPTED as filed and for Missouri Intergovernmental Risk Management Association 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 16th day of OCTOBER, 2017.




Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions
and Professional Registration

FILED

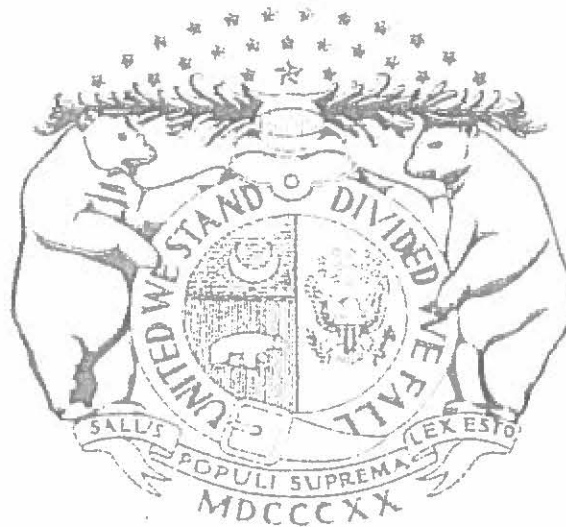
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REPORT OF
FINANCIAL EXAMINATION

DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

Missouri Intergovernmental Risk Management Association

As of:
June 30, 2016



STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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June 29, 2017
St. Louis, MO

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 financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

Missouri Intergovernmental Risk Management Association

hereinafter referred to as “MIRMA” or as the “Company.” The Company's main office is located at 3002 Falling Leaf Court; Columbia, Missouri 65201; telephone number (573) 817-2554. Examination fieldwork began on June 5, 2017 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a single-state examination of Missouri Intergovernmental Risk Management Association. The last examination was completed as of June 30, 2011. This examination covers the period of July 1, 2011 through June 30, 2016. This examination also included material transactions or events occurring subsequent to June 30, 2016.

Procedures

This examination was conducted using the guidelines set forth by applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration and statutes of the state of Missouri. Standard examination procedures were modified as necessary under the circumstances.

The examiners relied upon information and workpapers provided by the Company’s independent auditor, Hochschild, Bloom & Company LLP for its audit covering the period from July 1, 2015 through June 30, 2016.

SUMMARY OF SIGNIFICANT FINDINGS

The Company continues to emphasize steady growth with a focus on maintaining a level of net assets to ensure stable operations. No material weaknesses were identified during this examination.

COMPANY HISTORY

General

The Missouri Intergovernmental Risk Management Association was formed as a self-insurance pool to cover workers compensation and property and casualty claims for its members. The Association provides multi-line coverage (individual lines are not available) to municipalities and municipally owned utilities throughout Missouri. MIRMA was formed under the provisions of Chapter 287 RSMo (Workers' Compensation) and Chapter 537 RSMo (Risk Management for Public Entities) and was incorporated July 1, 1981.

On June 30, 1983, the Missouri Division of Insurance issued the Company a certificate of authority to operate as an assessable political subdivision plan pursuant to Sections 537.620 to 537.650 RSMo (Political Subdivision Assessable).

Corporate Documents

The Articles of Association and the Bylaws were reviewed during the examination period. The Articles of Association were revised and then amended three times. The revision, effective February 3, 2012, updated various provisions in the Articles and included changes to the timing of termination due to delinquent payments. The change also allowed the Executive Director the ability to give firm quotes to prospective members and approve new members. A deadline to file an appeal of an adverse decision and changes to the provision regarding board member attendance was also addressed in this revision.

- The first amendment, approved November 2, 2012, modified the provision for participation and admission of new members. The Articles will now allow new members to be added with a delay in part of the coverage until the new member's current coverage expires.
- The second amendment was implemented on July 18, 2013. This change allowed for the electronic submission of invoices to the membership. Previously, only mailed invoices were allowed.
- The third amendment, approved May 8, 2015, allowed the Company to offer credits to members that chose to use deductibles in their coverages.

The Bylaws were amended to implement procedural changes corresponding to the changes made in the Articles of Association.

Meeting Minutes

The minutes from the annual meetings and the Board of Directors meetings were reviewed for the current examination period. Those minutes adequately documented the deliberations of those meetings.

MANAGEMENT AND CONTROL

Board of Directors

Pursuant to its Articles of Association and Bylaws, a Board of Directors consisting of ten members manages the Association. The directors are elected annually for staggered three-year terms. Members serving at June 30, 2016, were:

Derek Brown, Chairman City Administrator City of Albany, MO	Russell Rost, Vice-Chairman City Administrator City of Union, MO
Jennifer Schmidt, Secretary City Clerk City of Tipton, MO	Greg Hodge, Treasurer Director of Finance City of Moberly, MO
Jeanette Yount Finance Clerk City of Arnold, MO	J. J. Wiseman Human Resource City of Jackson, MO
Zach McLeland Safety Coordinator City of Macon, MO	Amy Strough Human Resources Manager City of Maryville, MO
Phillip Shatzer Superintendent of Operations City of Paris, MO	Rodney Bourne General Manager City of Rolla, MO

Officers

Key officers as of June 30, 2016 were:

Matthew Brodersen	Executive Director
Jenne Auck	Finance Director
Glenn Price, Jr.	Claims & Litigation Director
Patrick Bonnot	Loss Control & Member Services Director

Conflict of Interest

Conflict of interest disclosure statements are executed annually by all Board members and the Executive Director. A review of the conflict of interest disclosure statements for the period under current examination indicated the Company has procedures in place to

ensure that potential conflicts are adequately disclosed and are taken into consideration when voting on and discussing issues where there may be a conflict of interest.

Holding Company, Subsidiaries and Affiliates

The Company was formed as a Chapter 537 RSMo entity and holding company statutes do not apply to those entities.

Service Providers

The Company contracts with third party vendors to provide a variety of services. These are summarized here:

Corporate Claims Management, Inc. (CCMI) This company provides claims administration for all claims except worker's compensation (MIRMA performs this internally) and employment practice liability. MIRMA also uses the claims administration software, provided by CCMI, for all claims. The Company paid \$303,799 under this contract during 2016.

Transitional Claims Solutions, Inc. This entity provides the claims administration function for all of the Company's employment practice liability claims. MIRMA paid \$35,000 for this contract during 2016.

St. Louis Series of Lockton Companies, LLC (Lockton) Lockton evaluates reinsurance programs and assists the Company in obtaining its reinsurance coverages. MIRMA paid \$160,000 for this service in 2016.

Praetorian Group, Inc. This company provides online safety and other risk reduction training courses for MIRMA's membership to use. MIRMA paid \$35,440 for this service in 2016.

Hochschild, Bloom & Company LLP (HBC) HBC performs the Company's annual audit and was paid \$21,560 during 2016.

Tiller Consulting Group, Inc. Tiller Consulting Group, Inc. is the Company's opining actuary. Claim reserves and expected losses are validated by this firm. The firm also evaluates the rates established by the Company for its member assessments. The cost of these services for 2016 was \$40,781.

TERRITORY AND PLAN OF OPERATION

MIRMA is licensed by the Department of Insurance, Financial Institutions and Professional Registration under Chapter 537 RSMo (Risk Management for Public Entities) and Chapter 287 RSMo (Workers' Compensation). Membership consists of 78 municipalities and municipally owned utilities in Missouri. The Company provides coverage to its members under five major categories; General Liability, Automobile Liability, Property, Crime and Workers' Compensation. Members must take all the coverages offered in the protection package.

The Company requires all municipalities and municipally owned utilities to sign a membership contract as a condition of membership. The membership contract documents the responsibilities of the Company and its members. All members also complete a membership questionnaire each year at renewal.

Assessments are largely a function of municipalities' payrolls. Adjustments are made based on property values, loss prevention measures undertaken by the member, the loss experience of the individual member, and other criteria. Assessment credits may be given when the Company's income permits.

REINSURANCE

Assumed

The Company does not assume any business.

Ceded

The Company obtains excess of loss protection from various reinsurers. The limits shown below are the coverages provided after the Company's retention limits have been exceeded:

General liability	\$2,500,000
Automobile liability	\$2,500,000
Public officials' liability	\$1,500,000
Police professional liability	\$1,500,000
Workers' compensation	Statutory
Workers' compensation aggregate	\$5,000,000
Property (including earthquake and flood)	\$100,000,000

The Company's self-insured retention limits are as follows:

Liability	\$1,000,000
Crime	\$100,000
Property	\$500,000
Workers' compensation	\$1,250,000

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, are based on the financial statements filed by the Company as of June 30, 2016. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statements," which follow 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." 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 financial statement item.

BALANCE SHEET

As of June 30, 2016

Assets

Certificates of deposit	\$11,770,048
Debt securities	20,122,484
Repurchase agreements	6,095,000
U. S. Treasury notes	5,256,878
Cash	3,061,381
Accrued interest	71,682
Accounts receivable	14,865
Insurance recoverable	29,671
Member assessment receivable	6,019
Prepaid expenses	1,581
Capital assets	332,313
Total Assets	<u>\$46,761,922</u>

Liabilities

Claim reserves	\$15,198,453
Reserve for unallocated loss adjustment expenses	39,053
Accounts payable	165,613
Unearned member assessments	13,226,421
Accrued payroll expense	94,026
Total Liabilities	<u>28,723,566</u>

Net Assets

Invested in capital assets	332,313
Unrestricted	17,706,043
Total Net Assets	<u>18,038,356</u>
Total Liabilities and Net Assets	<u>\$46,761,922</u>

INCOME STATEMENT
For Year Ending June 30, 2016

Revenues:	
Member assessments	\$12,117,709
Miscellaneous income	58,881
Interest income	670,606
Net increase (decrease) in fair value of investments	352,675
Total Revenues	<u>\$13,199,871</u>
Expenses:	
Claims paid on current losses	\$2,822,667
Established claim reserves	5,369,690
Adjustment to prior year's claim reserves	1,250,000
Excess insurance and bond premiums	1,960,549
Insurance services:	
Claims adjustment	342,237
Brokerage fee	160,000
Loss control services	120,300
Change in unallocated loss adjustment expenses	1,877
General and administrative	1,433,586
Taxes and fees	377,508
Risk management awards	171,248
Total Expenses	<u>\$14,009,662</u>
Change in Net Assets	<u><u>(\$809,791)</u></u>

RECONCILIATION OF NET ASSETS
Changes for Fiscal Years 2012 through 2016

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Beginning Net Assets	\$13,577,234	\$15,596,516	\$16,798,707	\$16,038,842	\$18,848,147
Change in Net Assets	<u>2,019,282</u>	<u>1,202,191</u>	<u>(759,865)</u>	<u>2,809,305</u>	<u>(809,791)</u>
Ending Net Assets	<u>\$15,596,516</u>	<u>\$16,798,707</u>	<u>\$16,038,842</u>	<u>\$18,848,147</u>	<u>\$18,038,356</u>

EXAMINATION CHANGES

There are no changes in the financial statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENTS

There are no comments on the Company's financial statements.

SUBSEQUENT EVENTS

There are no significant subsequent events since the examination date.

SUMMARY OF RECOMMENDATIONS

There are no recommendations based on the results of this examination.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and staff of Missouri Intergovernmental Risk Management Association during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
) ss
County of St. Louis)

I, Robert P. Jordan, 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 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.

Robert P. Jordan

Robert P. Jordan, CFE
Examiner-in-Charge
Missouri Department of Insurance,
Financial Institutions and Professional
Registration

Sworn to and subscribed before me this 19th day of July, 2017

My commission expires:
10/21/19

Peggy A. Wilson

Notary Public

PEGGY A. WILSON
Notary Public - Notary Seal
STATE OF MISSOURI
Commissioned for St. Louis County
My Commission Expires: October 21, 2019
Commission # 15422067

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 applicable regulations of the Missouri Department of Insurance and statutes of the State of Missouri has been confirmed.

Michael Shadowens

Michael Shadowens, CFE
Assistant Chief Examiner, St. Louis
Missouri Department of Insurance,
Financial Institutions and Professional
Registration