



DEPARTMENT OF COMMERCE & INSURANCE

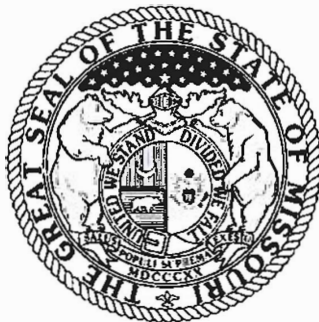
P.O. Box 690, Jefferson City, Mo. 65102-0690

ORDER

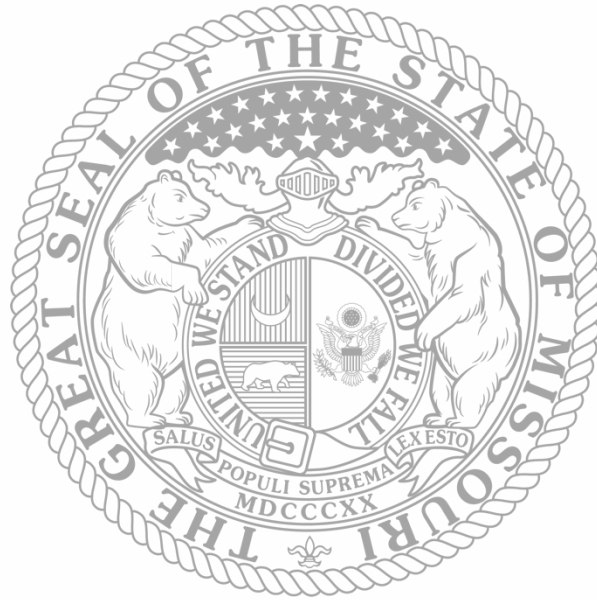
After full consideration and review of the report of the financial examination of Liberty Fire Benevolent Society for the period ended December 31, 2019, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, Missouri 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 Liberty Fire Benevolent Society 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 07th day of October, 2020.



Chlora Lindley-Myers
Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF THE
FINANCIAL EXAMINATION OF

LIBERTY FIRE BENEVOLENT SOCIETY

AS OF
DECEMBER 31, 2019

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Jefferson City, MO
June 29, 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

LIBERTY FIRE BENEVOLENT SOCIETY

hereinafter referred to as such, or as the Company. Its administrative office is located at 5405 Stoney Ridge Lane, Jefferson City, Missouri 65101, telephone number (573) 395-4333. The fieldwork for this examination began May 12, 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 Liberty Fire Benevolent Society. 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

During the examination period, the Company did not report an amount in the Annual Statements filed with the Department for "Guaranty Fund" as required by the provisions of Section 380.271, RSMo (Financial reinsurance requirements).

COMPANY HISTORY

General

The Company was organized on May 25, 1892, and was incorporated as a Missouri corporation on September 30, 1935. The Company was initially covered by Sections 380.011 through 380.151, RSMo (Missouri Mutual Insurance Companies).

The Company has a Certificate of Authority dated April 19, 2013, 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 first Friday 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. Eight members shall constitute a quorum at any membership meeting, in accordance with Section 380.381 RSMo.(Board of Directors, etc). 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 five members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets at least twice per year, with additional meetings held to address specific issues.

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>
Roger Hagner Jefferson City, Missouri	Farmer/Retired	2022
David Braun Jefferson City, Missouri	Dairy Farmer	2021
Rita Kerperin Jefferson City, Missouri	Retired	2020
Michael Forck Jefferson City, Missouri	Farmer	2022
Tony Forck Jefferson City, Missouri	Rural Mail Carrier/ Mayor of Taos, MO	2020

Senior 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>
Roger Hagner	President
David Braun	Vice-President
Rita Kerperin	Secretary
Michael Forck	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 no significant potential conflicts of interest.

Corporate Records

The Company's Articles of Incorporation (Articles) and Bylaws were reviewed. Effective June 3, 2016, the Articles were amended to change the date and quorum requirements of the annual membership meeting. At the March 4, 2016, annual membership meeting, the amended Bylaws were approved by the membership. The Bylaws were revised to remove bonding requirements for officers, to remove requirements on minimum insurance in relation to value, and to add the provision for use of veterinary services to determine the cause of livestock loss if deemed necessary. The minutes of the membership and the Board of Directors were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has no employees. Officers and directors carry out the day-to-day functions of the Company. The Company provides no benefits for the officers and directors, other than an annual salary paid to the officers.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$50,000 and no deductible. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$50,000 and \$75,000 in coverage.

The Company carries liability coverage for its directors and officers and errors and omissions coverage for its agents. The Company also carries workers compensation and employer's liability insurance.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the 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 two agents who are also directors. The agents are compensated by hourly wage and mileage reimbursement.

Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Services (AAIS) policy forms. The policies are written on a continuous basis and renewed annually. Property inspections are performed by agents. Property claims are adjusted by agents or by independent adjusters when deemed necessary. Liability claims, which are 100% ceded to the reinsurer, are adjusted by the reinsurer’s appointed adjusters.

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	\$1,939	\$1	\$400	\$199	\$31	\$ 5	\$ 36
2018	1,903	0	398	94	26	124	150
2017	1,754	1	381	168	17	29	46
2016	1,706	0	374	92	14	106	120
2015	1,587	0	372	34	12	174	186

At year-end 2019, there were 441 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	\$ 372	\$ 374	\$ 381	\$ 398	\$ 400
Reinsurance Assumed	0	0	0	0	0
Reinsurance Ceded	(111)	(116)	(117)	(119)	(119)
Net Premiums Written	\$ 261	\$ 258	\$ 264	\$ 279	\$ 281

Assumed Reinsurance

The Company does not reinsure other companies.

Ceded Reinsurance

The Company has all of its reinsurance through Wisconsin Reinsurance Corporation (the reinsurer) under a single reinsurance agreement for property and casualty risks. The agreement includes per risk excess of loss and aggregate excess of loss coverages for property risks and quota share coverage for casualty risks.

Under the per risk excess of loss coverage, the Company retains \$50,000 per property risk, and the reinsurer’s limit is \$450,000 per property risk. Under the aggregate excess of loss coverage, the Company’s annual aggregate net retention, or attachment point, is equal to 90% of net written premium. The reinsurer is responsible for 100% of losses in excess of this attachment point. The estimated attachment point for 2019 was \$277,661.

Under the casualty quota share section of the agreement, the Company cedes 100% of the casualty risks and premium to the reinsurer and receives a 25% 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 a modified-cash basis. The Company utilizes Microsoft Word and Excel to maintain policyholder records and Quicken to maintain accounting records. The Company also maintains paper copies of its accounting and policy records at its home office.

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 Liberty Fire Benevolent Society 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	\$ 2,351
Cash on Deposit	1,934,782
Interest Due and Accrued	2,292
TOTAL ASSETS	<u>\$ 1,939,425</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2019

Payroll Tax	\$ 823
TOTAL LIABILITIES	<u>\$ 823</u>
Guaranty Fund (Note 1)	0
Other Surplus (Note 1)	1,938,602
TOTAL POLICYHOLDER SURPLUS	<u>\$ 1,938,602</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$ 1,939,425</u>

UNDERWRITING AND INVESTMENT EXHIBIT

For the Year Ended December 31, 2019

Net Earned Assessment/Premium Income	\$ 280,933
Net Losses & Loss Adjustment Expense	(199,019)
Underwriting Expenses	(77,401)
Underwriting Income (Loss)	\$ 4,513
Investment Income	31,473
Investment Expenses	0
Net Investment Income	\$ 31,473
Gross Profit or Loss	\$ 35,986
Federal Income Tax	0
NET PROFIT OR (LOSS)	\$ 35,986

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	\$ 1,401	\$ 1,587	\$ 1,707	\$ 1,753	\$ 1,903
Net Profit or (Loss)	186	120	46	150	36
Ending Policyholder's Surplus	\$ 1,587	\$ 1,707	\$ 1,753	\$ 1,903	\$ 1,939

COMMENTS ON FINANCIAL STATEMENT ITEMS

NOTE 1: Guaranty Fund **\$ 150,000**

The amount reported by the Company for this line item of the Annual Statement is \$150,000 less than the amount determined by the examination. According to the provisions of Section 380.271, RSMo (Financial reinsurance requirements), the Company should have reported a Guaranty Fund balance of \$150,000. This represents a reclassification of \$150,000 from “Other Surplus” to “Guaranty Fund” in the Company’s Annual Statement. The reclassification has no effect on total surplus.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

Reported Total Surplus at December 31, 2019		\$1,938,602
	<u>Increase</u>	<u>Decrease</u>
Guaranty Fund (Note 1)	\$150,000	
Other Surplus (Note 1)		\$150,000
Net Change in Total Surplus		0
Adjusted Total Surplus at December 31, 2019		\$1,938,602

SUMMARY OF RECOMMENDATIONS

Financial Statement Changes Resulting from Examination

Page 8

The Company should report an appropriate Guaranty Fund amount on all future Annual Statement filings as required by Missouri law at 380.271, RSMo (Financial reinsurance requirements).

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 directors of Liberty Fire Benevolent Society 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 Liberty Fire Benevolent Society, 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 D. Hammann, CPA, AFE
Financial Examiner
Missouri Department of Commerce and Insurance

On this 16th day of September, 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: March 4, 2024 Kathryn Latimer
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