



**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 Lutheran Fire & Lightning Insurance Company of Lawrence County, Missouri 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 Insurance, Financial Institutions and Professional Registration 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 Lutheran Fire & 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 31<sup>st</sup> day of July, 2019.

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





REPORT OF THE  
FINANCIAL EXAMINATION OF

LUTHERAN FIRE AND LIGHTNING INSURANCE  
COMPANY OF LAWRENCE COUNTY, MISSOURI

AS OF  
DECEMBER 31, 2017

**FILED**  
JUL 31 2019  
DIRECTOR OF INSURANCE,  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS  
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

## TABLE OF CONTENTS

<u>Subject</u>	<u>Page</u>
SCOPE OF EXAMINATION:	
Period Covered	1
Procedures	1
HISTORY:	
General	2
Management	2
Conflict of Interest	3
Corporate Records	3
FIDELITY BOND AND OTHER INSURANCE	3
EMPLOYEE BENEFITS	3
INSURANCE PRODUCTS AND RELATED PRACTICES:	
Territory and Plan of Operations	4
Policy Forms & Underwriting Practices	4
GROWTH AND LOSS EXPERIENCE OF THE COMPANY	4
REINSURANCE:	
General	5
Assumed	5
Ceded	5
ACCOUNTS AND RECORDS	6
FINANCIAL STATEMENTS:	
Analysis of Assets	7
Liabilities, Surplus and Other Funds	7
Statement of Income	8
Capital and Surplus Account	8
NOTES TO THE FINANCIAL STATEMENTS	9
EXAMINATION CHANGES	9
SUMMARY OF RECOMMENDATIONS	9
SUBSEQUENT EVENTS	9
ACKNOWLEDGMENT	10
VERIFICATION	10
SUPERVISION	10

May 10, 2019  
Monett, Missouri

Honorable Clora 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

**LUTHERAN FIRE AND LIGHTNING INSURANCE COMPANY OF LAWRENCE  
COUNTY, MISSOURI**

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 4982 Farm Road 1057, Monett, Missouri 65708, telephone number (417) 442-7563. This examination began and was concluded on May 10, 2019 and is respectfully submitted.

**SCOPE OF EXAMINATION**

**Period Covered**

The prior full-scope examination of the Company was made as of December 31, 2011 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, 2012 through December 31, 2017 and was also 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 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

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 quarterly and directors receive \$100 for 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</u>
Phil Schad Purdy, Missouri	Retired Farmer	2017-2020
Leland Eggerman Lockwood, Missouri	Farmer	2015-2018
Melvin Eggerman Lockwood, Missouri	Insurance Agent & Retired Farmer	2016-2019
Nolan Kleiboeker Wentworth, Missouri	Farmer	2015-2018
Mark McMillin Monett, Missouri	Insurance Agent & Retired Farmer	2016-2019
Bob Moenning Pierce City, Missouri	Farmer	2017-2020

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:

Phil Schad	President
Melvin Eggerman	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 has its directors and officers sign conflict of interest statements on an annual basis. A review of the executed conflict of interest statements noted that two of the directors are also agents of the Company and one of the directors also serves on the Board of one of the Company's reinsurers.

### **Corporate Records**

A review was made of the Articles of Incorporation and the Bylaws of the Company. The Articles of Incorporation and Bylaws were not 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 \$75,000.

The Company carries liability coverage for their directors and officers and the Company purchases errors and omission 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.

## **EMPLOYEE BENEFITS**

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

## INSURANCE PRODUCTS AND RELATED PRACTICES

### Territory and Plan of Operations

The Company is licensed by the DIFP 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 two licensed agents, who receive a 15% commission on premiums written.

### 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 agents and contracted inspector/adjusters as needed.

## GROWTH AND LOSS EXPERIENCE OF THE COMPANY

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Gross Premiums</u>	<u>Gross Losses</u>	<u>Investment Income</u>	<u>Underwriting Income</u>	<u>Net Income</u>
2017	\$1,647,649	\$146,888	\$265,314	\$142,122	\$24,537	\$(68,614)	\$(44,026)
2016	1,649,293	104,506	261,422	76,553	23,108	6,297	29,205
2015	1,617,152	101,770	247,029	141,382	24,524	(77,076)	(52,702)
2014	1,661,188	93,254	233,455	57,014	18,327	3,429	22,335
2013	1,633,759	88,160	229,458	78,273	17,797	(1,010)	17,872
2012	1,609,386	81,660	217,995	34,200	8,769	15,565	25,443

At year-end 2017, there were 225 policies 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:

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Direct	\$265,314	\$261,422	\$247,029	\$233,455	\$229,458	\$216,523
Assumed	-0-	-0-	-0-	-0-	-0-	-0-
Ceded	<u>85,228</u>	<u>67,966</u>	<u>71,439</u>	<u>71,390</u>	<u>53,061</u>	<u>58,875</u>
Net	<u>\$ 180,086</u>	<u>\$ 193,458</u>	<u>\$ 175,590</u>	<u>\$162,065</u>	<u>\$176,397</u>	<u>\$157,648</u>

### Assumed

The Company does not reinsure other companies.

### Ceded

The Company has its reinsurance through two contracts with different reinsurers. The contracts cover the property risks only, with one contract covering the peril of fire and the other covering the peril of wind.

The peril of fire is covered under a per risk excess of loss reinsurance contract with an annual aggregate limit with Farmers Mutual Reinsurance Company of Missouri (FMRC). Under the per risk section of the agreement, the Company retains \$40,000 per risk and cedes the excess to FMRC, limited to \$1,000,000 per risk. Under the aggregate section of the agreement, FMRC is liable for the Company's net losses in excess of 80% of net premium income, limited to \$1,000,000.

The peril of wind is covered under a per risk excess of loss contract and an aggregate excess contract, both with various participating reinsurers (reinsurers) brokered by Guy Carpenter. 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 100% of the Company's earned premium, with no annual loss limit.

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 cash basis. The Company utilizes IMT MIPS system policy maintenance and accounting software. The CPA Group, P.C., of Monett, Missouri performs an annual audit and prepares 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	\$ 275,000
Cash and Short-Term Investments	1,371,397
Other Assets	1,252
Total Assets	<u>\$1,647,649</u>

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

Gross Losses Unpaid	\$ 32,346
Ceded Reinsurance Premium Payable	8,588
Unearned Premiums	105,398
Other Liabilities	556
Total Liabilities	<u>\$ 146,888</u>
Guaranty Fund	\$ 100,000
Other Surplus	1,400,761
Total Surplus	<u>1,500,761</u>
Total Liabilities and Surplus	<u>\$1,647,649</u>

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

Net Premiums Earned	\$ 178,626
Other Insurance Income	480
Net Losses & Loss Adjusting Expenses Incurred	142,122
Other Underwriting Expenses Incurred	105,598
Net Underwriting Income (Loss)	<u>\$ (68,614)</u>
Net Investment Income	24,537
Other Income	51
Gross Profit (Loss)	<u>\$ (44,026)</u>
Federal Income Tax	0
Net Income (Loss)	<u><u>\$ (44,026)</u></u>

**CAPITAL AND SURPLUS ACCOUNT**  
**December 31, 2017**

Policyholders' Surplus, December 31, 2016	\$1,544,787
Net Income (Loss)	(44,026)
Policyholders' Surplus, December 31, 2017	<u><u>\$1,500,761</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

None.

### EXAMINATION CHANGES

None.

### SUMMARY OF RECOMMENDATIONS

#### **Fidelity Bond Coverage (Page 3)**

It is recommended the Company increase its fidelity bond coverage to \$75,000 in order to meet the minimum coverage limits as recommended in the guidelines promulgated by the NAIC.

### SUBSEQUENT EVENTS

None.

**ACKNOWLEDGMENT**

The assistance and cooperation extended by 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 )

County of Greene )

I, Mark Nance 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.



Mark Nance, CFE, CPA  
Senior Examiner-In-Charge  
Missouri Department of Insurance Financial  
Institutions and Professional Registration

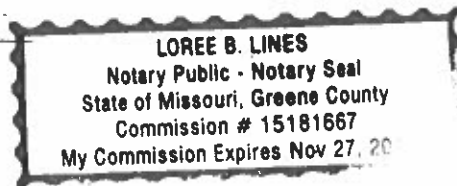
Sworn to and subscribed before me this 21 day of May, 2019.

My commission expires:

11-27-2019

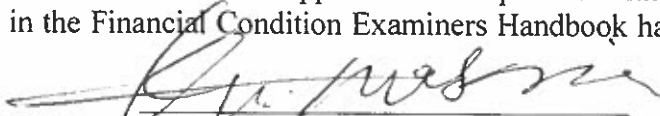


Notary Public



**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.



Levi Nwasoria, CFE, CPA  
Audit Manager  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration

