

# 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 Midwest Public Risk of Missouri for the period ended June 30, 2019, 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 Commerce and Insurance 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 finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

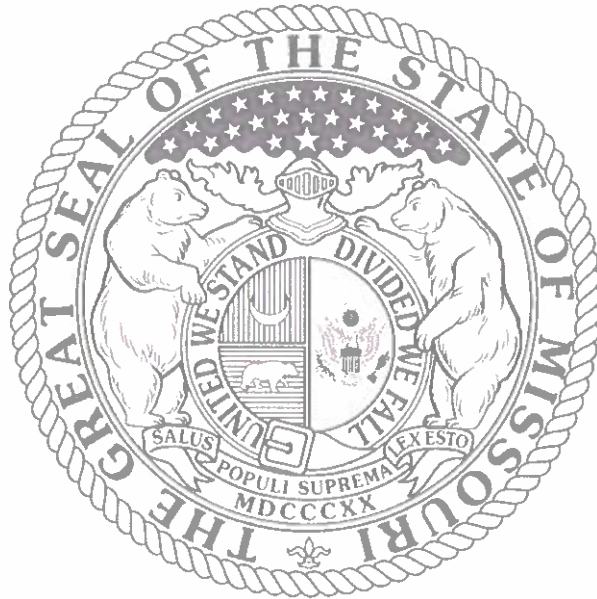
Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Midwest Public Risk of Missouri as of June 30, 2019 be and is hereby ADOPTED as filed and for Midwest Public Risk of Missouri to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed 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 22<sup>nd</sup> day of March, 2021.



*Chlora Lindley-Myers*

Chlora Lindley-Myers, Director  
Department of Commerce and Insurance



REPORT OF THE  
FINANCIAL EXAMINATION OF

# MIDWEST PUBLIC RISK OF MISSOURI

AS OF  
JUNE 30, 2019

STATE OF MISSOURI  
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Jefferson City, MO  
January 6, 2021

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

**Midwest Public Risk of Missouri (NAIC #15240)**

hereinafter referred to as such, as MPR-MO, or as the Company. Its administrative office is located at 19400 East Valley View Parkway, Independence, Missouri, 64055, telephone number 816-292-7500. The fieldwork for this examination began on October 15, 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 MPR-MO. The last examination of the Company by the Department covered the period of July 1, 2009 through June 30, 2014. The current examination covers the period of July 1, 2014 through June 30, 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 also included a review of significant estimates made by management and evaluation of management's compliance with Statutory Accounting Principles (SAP). The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to MPR-MO included Investments, Reinsurance, Claims/Reserves, Underwriting, and Related Party. The examination also included a review and evaluation of information technology general controls.

This examination report includes significant findings of fact, as mentioned in Section 374.205 RSMo (Examination, director may conduct, when...) 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 material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

### **COMPANY HISTORY**

#### **General**

Mid-America Regional Council Insurance Trust (MARCIT) was formed under Chapter 287 RSMo (Workers' Compensation Law) and began providing workers' compensation coverage and health and dental coverage under the provisions of Chapter 355 RSMo (Nonprofit Corporation Law) on July 1, 1983. Mid-America Regional Council Liability Insurance Trust (MARCLIT) was originally formed under the provisions of Section 537.620 – 537.650 RSMo (Political subdivisions may jointly create entity to provide insurance--entity created not deemed an insurance company or insurer) and began providing property, casualty, and liability coverage on December 31, 1984.

On June 6, 1991, the membership of MARCIT and MARCLIT approved the merger of both entities with the surviving entity being MARCLIT. Subsequent to the merger, MARCLIT changed its name to Mid-America Regional Council Insurance Trust and began offering all lines of coverages under Section 537.620 RSMo. Effective July 1997, Mid-America Regional Council Insurance Trust changed its name to MARCIT.

Effective July 1, 2009, MARCIT was reorganized into three separate legal entities: Midwest Public Risk of Missouri (MPR-MO), a public entity risk coverage pool providing coverage to Missouri public entities; Midwest Public Risk of Kansas (MPR-KS), a public entity risk coverage pool providing coverage to Kansas public entities; and Midwest Public Risk (MPR-MGMT), a not-for-profit administrative corporation that provides administrative services to MPR-MO and MPR-KS. Effective with its July 1, 2009 inception, MPR-MO offered employee benefits, workers compensation, and property and liability coverages to its member entities. MPR-KS initially only offered employee benefits coverage for its member entities, but effective December 31, 2011, MPR-KS expanded its services to also offer property and liability coverages.

#### **Mergers, Acquisitions, and Major Corporate Events**

There were no mergers, acquisitions, or other major corporate events during the examination period.

#### **Dividends and Capital Contributions**

As a member-owned Company, MPR-MO does not have stockholders to whom it might pay dividends; but MPR-MO can, as circumstances warrant, pay contribution refunds to its members. No refunds were paid to members of the Employee Benefits Fund during the examination period. The Company paid contribution refunds to members of the Property and Liability Fund in 2015 only, which equaled \$980,946.

**Surplus Notes**

There were no surplus notes issued or outstanding during the examination period.

**MANAGEMENT AND CONTROL****Board of Directors**

The Articles of Incorporation and Bylaws require eleven Directors to be elected to the Board of Directors. Directors serve three-year staggered terms and may not serve more than two consecutive terms. Board service by Directors who are appointed to fill the remainder of an unexpired term does not apply for this limitation. Directors must be full-time employees of an MPR-MO member entity. The Directors elected and serving as of June 30, 2019, were as follows:

<b><u>Name</u></b>	<b><u>Principal Occupation, Business Affiliation</u></b>
Alexa Barton	City Manager Belton, Missouri
David Haugland	City Manager Marshall, Missouri
Erik Holland	Major, Platte County Sheriff's Office Platte County, Missouri
Scott Wingerson	City Manager Gladstone, Missouri
Amy Blake	Human Resources Director Liberty, Missouri
Nancy Weitzel-Burry	Human Resources Director Mid-America Regional Council
Mike Ekey	Assistant City Manager Raymore, Missouri
Michael Bishop	Executive Director, Independence Housing Authority
Damon Hodges	City Administrator Raytown, Missouri
Dr. Steven Meyers	Superintendent Pleasant Hill R-III School District
Mailyn Jeffries	Human Resources Director Greene County, Missouri

**Senior Officers**

The Bylaws state that the Board of Directors shall annually elect from its membership a Chair, a Vice-Chair, a Secretary, and a Treasurer. The Bylaws also state that the Board of Directors shall appoint a President/CEO who is responsible to the Board of Directors for the proper administration and conduct of all programs and services offered by MPR-MO. All agents, employees, and independent contractors shall report to the Board of Directors through the President/CEO and shall be supervised by the President/CEO. The current President/CEO, Terry Norwood, was appointed, and has been serving in that position, since 2005. The officers elected and serving, as of June 30, 2019, were as follows:

<b><u>Name</u></b>	<b><u>Office</u></b>
Alexa Barton	Board Member - Chair
David Haugland	Board Member - Vice Chair
Erik Holland	Board Member - Secretary
Scott Wingerson	Board Member - Treasurer
Terry Norwood	President and CEO

**Committees**

MPR-MO does not have any formal committees, but MPR-MGMT does have several advisory committees comprised of employees of MPR-MO and MPR-KS, as well as member entities. The committees are advisory only and have no power to make decisions on behalf of the organizations. Following are the advisory committees:

- Benefits Advisory Committee
- Finance Advisory Committee
- Law Enforcement Liability Advisory Committee
- Member Engagement Advisory Committee
- Recreation & Parks Advisory Committee
- Public Works Liability Advisory Committee
- Superintendents Advisory Committee
- Cyber Liability Advisory Committee

**Corporate Records**

The Articles of Incorporation and Bylaws were reviewed. The Bylaws were revised effective July 1, 2016. No changes related to the Articles of Incorporation were noted during the examination period. The minutes of the Board of Directors' meetings and membership meetings were reviewed.

**Holding Company, Subsidiaries, and Affiliates**

The Company is member-owned and organized under the provisions of Section 537.620 - 537.650 RSMo (Political subdivisions may jointly create entity to provide insurance--entity created not deemed an insurance company or insurer). As such, MPR-MO is not subject to Chapter 382 RSMo (Insurance Holding Companies).

Two entities appear to be affiliates of MPR-MO as defined by SAP No. 25 (Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties): MPR-KS and MPR-MGMT. MPR-KS is a public entity risk coverage pool providing coverage to Kansas public entities. MPR-KS and MPR-MO have Risk Sharing Agreements under which they pool all contributions and losses of the two entities for common programs. MPR-MGMT is a not-for-profit administrative corporation which provides administrative services to MPR-MO and MPR-KS under two



Management Agreements. MPR-MGMT's Board of Directors is comprised of members of MPR-MO and MPR-KS.

The following agreements represent significant contracts executed with affiliated entities that were in effect as of June 30, 2019. A brief description of these agreements are as follows:

**Risk Sharing Agreement (Employee Benefits Programs - Health and Dental):** Effective December 31, 2011, MPR-MO and MPR-KS operate their separate Employee Benefits Programs in a jointly administered arrangement to obtain a larger risk-sharing base and achieve cost savings from common administration. MPR-MGMT provides the necessary management and administrative services for the programs under the Management Agreement described below.

**Risk Sharing Agreement (Property and Liability Program):** Effective December 31, 2011, MPR-MO and MPR-KS operate their separate Property and Liability Programs in a jointly administered arrangement to obtain a larger risk-sharing base and achieve cost savings from common administration. MPR-MGMT provides the necessary management and administrative services for the programs under the Management Agreement described below.

**Management Agreement (Shared Programs):** Effective December 31, 2011, MPR-MGMT provides full management and administration on a day-to-day basis of the Employee Benefits Program and the Property and Liability Program.

**Management Agreement (Workers' Compensation Program):** Effective December 31, 2011, MPR-MGMT provides full management and administration on a day-to-day basis of MPR-MO's Workers' Compensation Program.

### TERRITORY AND PLAN OF OPERATION

MPR-MO operates as a self-insured pool, providing to its members a variety of coverages under the three individual programs of Employee Benefits, Property and Liability, and Workers' Compensation. MPR-MO's members are Missouri cities, counties, school districts, and other governmental entities. MPR-MO's affiliate, MPR-KS, also operates as a self-insured pool providing coverage to its members, Kansas governmental entities. As of June 30, 2019, participation in the three programs was as follows:

<b>Program</b>	<b>Total Number of Participating Members</b>	<b>Number of Participating MPR-MO Members</b>	<b>Number of Participating MPR-KS Members</b>
Employee Benefits	89	78	11
Property and Liability	111	85	26
Workers Compensation	96	96	0

### GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's contributions, loss and loss adjustment expenses (LAE), and contribution ratios for the period under examination:

(\$000s omitted)

Year	Contributions Earned	Change in Contributions Earned	Loss and LAE Payments	Net Assets	Ratio of Net Contributions to Net Assets
2015	\$ 50,849	\$ 1,242	\$ 38,567	\$ 31,548	161.18%
2016	51,182	333	39,652	31,167	164.22%
2017	55,094	3,912	42,595	27,563	199.88%
2018	59,771	4,677	48,504	24,589	243.08%
2019	63,868	4,097	52,215	21,108	302.58%

The table below summarizes the Company's incurred losses and loss ratios for the period under examination:

(\$000s omitted)

Year	Contributions Earned	Losses and LAE Incurred	Loss Ratio
2015	\$ 50,849	\$ 40,439	79.53%
2016	51,182	41,220	80.54%
2017	55,094	45,991	83.48%
2018	59,771	49,843	83.39%
2019	63,868	56,140	87.90%

The Company experienced an increase in Loss and LAE and loss payments and reserves over the examination period, which can be partly attributed to a trend of increased severity of claims. This resulted in an increasing loss ratio and a reduction in net assets during the examination period.

## REINSURANCE

### General

The Company's contribution activity on a direct, assumed, and ceded basis for the period under examination is detailed below:

(\$000s omitted)

Contribution Type	2015	2016	2017	2018	2019
Contributions Earned	\$ 50,849	\$ 51,182	\$ 55,094	\$ 59,771	\$ 63,868
Reinsurance Ceded:					
Non-Affiliates	3,705	3,556	3,933	4,323	4,754
<b>Net Earned</b>	<b>\$ 47,144</b>	<b>\$ 47,626</b>	<b>\$ 51,161</b>	<b>\$ 55,448</b>	<b>\$ 59,114</b>

### Assumed Reinsurance

MPR-MO does not assume any business. MPR-MO and MPR-KS participate in a Risk Sharing Agreement whereby they pool all contributions and losses of the two entities for the Employee Benefits and Property and Liability Funds.

### Ceded Reinsurance

The Company has property coverage under an excess of loss agreement through the Hartford Fire Insurance Company (The Hartford). The Company's maximum per occurrence retention is \$300,000. The Hartford's maximum per occurrence liability limit is \$250,000,000. The Hartford's maximum liability is subject to various sub-limits based on the specific types of insured properties.

Subsequent to the 2018-2019 fiscal year, the Company did not renew the agreement with Hartford and replaced it with Alliant Insurance Services' Alliant Property Insurance Program (APIP). The Company's self-insured retention increased to \$500,000 under this program. The reinsurer's maximum per occurrence liability limit remained at \$250,000,000 under the APIP program. In addition, the Power Plant Property line was carved out into separate reinsurance coverage with Munich Reinsurance America (Munich Re) during the 2019-2020 fiscal year.

The Company has casualty reinsurance coverage under two reinsurance arrangements. MPR-MO is a member of an association sponsored mutual captive insurance company, Government Entities Mutual, Inc. (GEM). Under a quota share agreement with GEM, the Company retains \$500,000 per casualty loss occurrence, and GEM is liable for losses in excess of the retention, up to \$500,000 per loss occurrence.

The Company has an additional excess of loss agreement with Munich Re. Under the agreement, Munich Re is liable for casualty losses in excess of \$1,000,000 (the Company's retention plus the GEM coverage), limited to the Missouri statutory award limits. Munich Re's aggregate annual limit for the sum of all loss occurrences is \$25,000,000 for the Program. Following the 2018-2019 fiscal year, the Company did not renew the agreement with Munich Re and entered into an agreement with the same terms with Safety National Casualty Corporation (SNCC). The agreement with GEM remains in place.

MPR-MO has workers compensation and employer liability coverage under an excess of loss agreement with Great American Insurance Company (GAIC). MPR-MO retains \$750,000 per occurrence, and GAIC is liable for the excess from the self-insured retention up to \$1,000,000. MPR-MO has an additional excess of loss agreement with SNCC. SNCC provides additional coverage limited to the statutory limit for workers compensation coverage and \$1,000,000 for employer liability. The agreement with GAIC was not renewed after the 2018-2019 fiscal year, which resulted in an increase in self-insured retention to \$1,000,000.

MPR-MO has an excess policy with Berkley Life and Health Insurance Company (Berkley) that covers medical and prescription drug risks of the Employee Benefits Pool. Under the policy, the Company retains \$425,000 per covered person, as well as an additional aggregate annual retention of \$100,000. Berkley's annual maximum benefit in excess of the deductible per covered person is unlimited. The Company's retention increased to \$475,000 for the 2019-2020 fiscal year and to \$500,000 for the 2020-2021 fiscal year.

MPR-MO 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**

### **Independent Auditor**

The certified public accounting (CPA) firm, Conner Ash P.C. of St. Louis, Missouri, performed audits of the Company for the years July 1, 2014 through June 30, 2019. Reliance was placed upon the CPA workpapers as deemed appropriate. Such reliance included, but was not limited to, substantive testing, journal entry testing, and fraud inquiries.

### **Information Systems**

In conjunction with this examination, Kim Dobbs, MBA, CFE, AES, CISA, Information Systems Financial Examiner with the Department, conducted a review of the Company's information systems.

## **FINANCIAL STATEMENTS**

The following financial statements filed by the Company with the Department present the financial condition of MPR-MO on a Generally Accepted Accounting Principles (GAAP) basis for the period ending June 30, 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 June 30, 2019

Current assets:	
Cash & Cash Equivalents	\$ 11,565,465
Investments – Unrestricted	43,452,809
Accrued Interest	195,023
Contributions Due From Members	1,413,107
Excess Insurance Recoverable – Paid Loss	1,870,965
Due From Other Funds	2,880,251
Other Assets	452,243
Current Note Receivable – MPR Campus	194,937
Non-Current Assets:	
Membership deposits	946,190
Non-current note receivable-MPR campus	1,949,377
<b>TOTAL ASSETS</b>	<b><u>\$ 64,920,367</u></b>

**LIABILITIES AND NET ASSETS**

As of June 30, 2019

Current Liabilities:	
Claim Reserves	\$ 17,941,079
Reserves for ULAE	625,791
Accounts Payable	1,091,657
Due to Other Funds	147,354
Loss Control/Wellness Credit Program Liability	1,775,284
Unearned Contributions	14,294,419
Non-Current Liabilities:	
Claim Reserves	7,936,444
<b>TOTAL LIABILITIES</b>	<b><u>\$ 43,812,028</u></b>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 21,108,339</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 64,920,367</u></b>

**STATEMENT OF INCOME**  
For the Year Ended June 30, 2019

Contributions Earned	\$ 63,868,454
DEDUCTIONS:	
Losses & Loss Adjustment Expenses Paid	52,215,054
Change in Reserves	3,925,131
Excess Insurance Premiums	4,754,752
Other Insurance Premiums	53,443
Contributions Taxes	524,417
Claims Administration Fees	2,319,289
Loss Prevention	1,127,787
General & Administrative	4,178,066
Rent Expense (Income)	524,451
Interest Expense (Income)	(94,870)
Total Operating Expenses	<u>\$ 69,527,520</u>
<b>Income From Operations (Loss)</b>	<b>\$ (5,659,066)</b>
Net Investment Income Earned	892,531
Net Increase (Decrease) in Fair Value of Investments	1,282,075
<b>Net Investment Gain (Loss)</b>	<b>\$ 2,174,606</b>
Other Non-Operating Revenue (Expenses)	3,520
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b><u>\$ (3,480,940)</u></b>

**RECONCILIATION OF NET ASSETS**  
Changes from July 1, 2015 to June 30, 2019

(\$000s omitted)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net Assets, Beginning of Year	\$ 33,693	\$ 31,548	\$ 31,167	\$ 27,563	\$ 24,589
Increase (Decrease) in Net Assets	(2,145)	(382)	(3,604)	(2,974)	(3,481)
<b>Net Assets, End of Year</b>	<b><u>\$ 31,548</u></b>	<b><u>\$ 31,167</u></b>	<b><u>\$ 27,563</u></b>	<b><u>\$ 24,589</u></b>	<b><u>\$ 21,108</u></b>

**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 (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 the employees of MPR-MO during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Kim Dobbs, CFE, AES, CISA and Ronald Musopole, CFE, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.

**VERIFICATION**

State of Missouri            )  
  )    ss  
County of Cole             )

I, Marc P. Peterson, 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 MPR-MO, 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.

*Marc Peterson*

\_\_\_\_\_  
Marc Peterson, CFE  
Examiner-In-Charge  
Missouri Department of Commerce and  
Insurance

Sworn to and subscribed before me this 23 day of February, 2021.

My commission expires: May 18, 2024 Kimberly Landers  
Notary Public

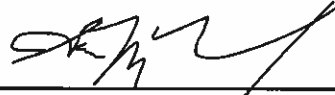


KIMBERLY LANDERS  
My Commission Expires  
May 18, 2024  
Callaway County  
Commission #12558402



**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.



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Sara McNeely, CFE  
Assistant Chief Financial Examiner  
Missouri Department of Commerce and  
Insurance