



**Rules of
Department of Insurance,
Financial Institutions and
Professional Registration**

**Division 200—Insurance Solvency and Company Regulation
Chapter 12—Missouri and Extended Missouri
Mutual Companies**

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**Title 20—DEPARTMENT OF
INSURANCE, FINANCIAL
INSTITUTIONS AND
PROFESSIONAL REGISTRATION**
**Division 200—Insurance Solvency and
Company Regulation**
**Chapter 12—Missouri and Extended
Missouri Mutual Companies**

**20 CSR 200-12.010 Custody of Corporate
Records of Extended Missouri Mutuals**

PURPOSE: Since the Department of Insurance does not have the facilities to maintain the actual records of extended Missouri mutual insurance companies, this rule allows the secretary of state's office, which has this capability, to do so on behalf of the Department of Insurance.

(1) The secretary of state is appointed as custodian of all the corporate records and papers of extended Missouri mutuals operating under the provisions of sections 380.201–380.591, RSMo (1986).

(2) Whenever any company operating under the provisions of sections 380.011–380.151, RSMo (1986) shall elect to come under the provisions of sections 380.201–380.591, RSMo (1986), the secretary of state shall transfer to the director of insurance all records and papers filed in the Office of the Secretary of State by the company so that the Department of Insurance may make microfilm copies of the records and papers. Once they have been microfilmed, the director of insurance shall transfer the original records and papers back to the secretary of state so that they may be maintained in the same manner as for any other insurance company.

AUTHORITY: sections 374.045, 380.221 and 380.561, RSMo 1986. This rule was previously filed as 4 CSR 190-23.010. Original rule filed July 29, 1986, effective Dec. 11, 1986.*

**Original authority: 374.045, RSMo 1967, amended 1993, 1995; 380.221, RSMo 1984, amended 1992; and 380.561, RSMo 1984, amended 1993, 1995.*

**20 CSR 200-12.020 Extended Missouri
Mutual Companies' Approved Investments**

PURPOSE: This rule implements the provisions of section 380.471, RSMo (Cum. Supp. 1990) defining the approved investments available to extended Missouri mutual com-

panies organized under the provisions of sections 380.201–380.591, RSMo.

(1) Approved Investments. In addition to the investments expressly permitted under section 380.471, RSMo, the following described investments shall be deemed “approved by the director” under the provisions of section 380.471, RSMo:

(A) Corporate bonds or bonds of any state of the United States other than Missouri or of any county or other political subdivision thereof, with the following ratings:

1. A or higher by Moody's Investors Service;
2. A- or higher by Standard and Poor's Ratings Group; or
3. A or higher by Fitch Ratings;

(B) Commercial paper with the following ratings:

1. P-1 by Moody's Investors Service; and
2. A-1 or higher by Standard and Poor's Ratings Group; and

(C) Home office real estate having an asset value of no more than twenty-five percent (25%) of the surplus in excess of the guaranty fund(s) required by section 380.271.1, RSMo, but an extended Missouri mutual company may invest in home office real estate having an asset value greater than such twenty-five percent (25%) with the prior approval of the director;

(D) Shares of mutual funds, if and to the extent that:

1. With respect to mutual funds other than money market mutual funds, such mutual fund:

- A. Is open-ended; and
- B. Invests by prospectus at least eighty percent (80%) of its funds in bonds described in section 380.471, RSMo, or in bonds described in subsection (1)(A) of this rule and paragraphs 1., 2., or 3. thereunder.

2. With respect to money market mutual funds, including money market deposit accounts of financial institutions:

- A. The shares of such money market mutual fund are insured as to principal and accrued interest by the Federal Deposit Insurance Corporation (FDIC) or an insurance company which is providing coverage for such fund that is substantially the same (other than as to dollar amount) as that provided by the FDIC and is authorized to underwrite financial guarantee insurance in this state; or
- B. Such money market mutual fund is rated as provided in paragraph 1., 2., or 3. of subsection (1)(A) of this rule;

(E) Certificates of deposit and other deposit accounts, if and to the extent that such certificate or deposit account is:

1. Insured as to principal and accrued interest by the FDIC; or

2. Not insured by the FDIC, but only to the extent that the principal and accrued interest of such certificates are insured by an insurance company which is providing coverage for such certificates that is substantially the same (other than as to dollar amount) as that provided by the FDIC and is authorized to underwrite financial guarantee insurance in this state; and

(F) Repurchase agreements from a United States depository secured by such depository's pledge of securities consisting of bonds qualifying under subsection (1)(A) of this rule or section 380.471, RSMo, with a fair market value of at least one hundred two percent (102%) of the value of the repurchase agreement.

(2) Limitations. The approved investments described in section (1) of this rule shall be subject to the following limitations:

(A) No more than five percent (5%) of an extended Missouri mutual's assets may be invested in the bonds or commercial paper described in subsections (1)(A) and (B) in any one (1) issuer;

(B) No more than twenty percent (20%) of an extended Missouri mutual's assets may be invested in the aggregate in all bonds or commercial paper described in subsections (1)(A) and (B);

(C) No more than five percent (5%) of an extended Missouri mutual's total surplus may be invested in any one (1) mutual fund described in paragraph (1)(D)1. of this rule;

(D) No more than ten percent (10%) of an extended Missouri mutual's total surplus may be invested in the aggregate in all mutual funds described in paragraph (1)(D)1. of this rule;

(E) No more than twenty-five percent (25%) of an extended Missouri mutual's assets may be invested in the aggregate in all money market mutual funds described in paragraph (1)(D)2. of this rule, except that in computing such aggregate amount an extended Missouri mutual may exclude amounts it has invested in any money market mutual fund described in subparagraph (1)(D)2.A.

(3) If an extended Missouri mutual makes an investment which was deemed approved under section (1) of this rule when made but such investment subsequently no longer qualifies as an approved investment under section (1) of this rule, the extended Missouri mutual shall either consider such investment as disapproved or make a request in writing to the director for approval within thirty (30) days after the end of the month in which such



investment first no longer qualifies as an approved investment. The director shall approve or disapprove in writing, with or without conditions, such request within thirty (30) days of receipt. If the extended Missouri mutual makes a request for approval, such investment shall be considered an approved investment pending the director's written approval or disapproval.

(4) All extended Missouri mutual companies shall provide at least sixty (60)-days' prior notice to the director of their intent to invest other than in accordance with the provisions of sections (1) through (3) of this rule or section 380.471, RSMo, and obtain the prior approval of the director prior to so investing.

AUTHORITY: section 374.045, RSMo Supp. 2008 and sections 380.471 and 380.561, RSMo 2000. Original rule filed Oct. 24, 1991, effective March 9, 1992. Amended: Filed June 14, 2001, effective Dec. 30, 2001. Amended: Filed Oct. 15, 2008, effective June 30, 2009.*

**Original authority: 374.045, RSMo 1967, amended 1993, 1995, 2008; 380.471, RSMo 1984, amended 1990; and 380.561, RSMo 1984, amended 1993, 1995.*

20 CSR 200-12.030 Extended Missouri Mutual Companies' Financial Reinsurance Requirements

PURPOSE: This rule effectuates and aids in the interpretation of section 380.271, RSMo (1986) relating to the financial reinsurance requirements applicable to extended Missouri mutual companies organized under the provisions of sections 380.201-380.591, RSMo.

(1) The director deems any one (1) of the following minimum levels of reinsurance to be necessary to protect the policyholders of extended Missouri mutual companies:

(A) Reinsurance sufficient to maintain the company's net retention on any one (1) risk at a level equal to or less than ten percent (10%) of surplus; or

(B) Reinsurance sufficient to prevent a greater than twenty percent (20%) decrease in a company's surplus, based on a probable maximum loss (PML) calculated by the company on a reasonable basis, assuming a ninety percent (90%) loss ratio. Ninety percent (90%) shall be calculated by multiplying the earned or written premium by ninety percent (90%); or

(C) Reinsurance sufficient to prevent a greater than fifteen percent (15%) decrease in surplus due to any one (1) occurrence.

(2) Definitions.

(A) Risk, as used in subsection (1)(A) of this rule, shall mean the definition of risk contained in the terms of the reinsurance treaty entered into in compliance with this rule. In no case shall risk be defined more broadly than all insured values on one (1) insured.

(B) Loss ratio, as used in subsection (1)(B) of this rule, shall mean either—

1. Net losses incurred (paid and unpaid) after deducting reinsurance, divided by net premium earned after reinsurance premium, if the company maintains a *pro rata* unearned premium reserve; or

2. Net losses incurred (paid and unpaid) after deducting reinsurance, divided by net written premium after deducting reinsurance premium.

(C) Occurrence, as used in subsection (1)(C) of this rule, shall mean the definition of occurrence contained in the terms of the reinsurance treaty entered into in compliance with this rule.

(D) Surplus, as used in subsections (1)(A)–(C) of this rule, shall mean admitted assets minus liabilities in the amounts reported in the company's annual statement filed with the director each year.

(3) Reference to an unearned premium reserve in this rule is in no way intended to require that an extended Missouri mutual company maintain an unearned premium reserve.

AUTHORITY: sections 374.045, 380.271 and 380.561, RSMo 1986. Original rule filed Oct. 24, 1991, effective March 9, 1992.*

**Original authority: 374.045, RSMo 1967, amended 1993, 1995; 380.271, RSMo 1984, amended 1991; and 380.561, RSMo 1984, amended 1993, 1995.*