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**Rules of  
Department of Insurance  
Division 200—Financial Examination  
Chapter 12—Missouri and Extended Missouri  
Mutual Companies**

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## Title 20—DEPARTMENT OF INSURANCE

### Division 200—Financial Examination 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.

*Auth: 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.*

#### 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 companies organized under the provisions of sections 380.201—380.591, RSMo.*

(1) Approved Investments. The following described investments shall be deemed approved investments under the provisions of section 380.471, RSMo:

(A) Corporate bonds with the following ratings:

1. Aa3 or higher by Moody's Investors Service; and

2. AA minus or higher by Standard and Poor's Ratings Group;

(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 thirty thousand dollars (\$30,000) or less.

(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); and

(C) Home office real estate investment described in subsection (1)(C) shall not exceed twenty percent (20%) of an extended Missouri mutual's surplus without prior approval of the director.

(3) For purposes of this rule, commercial paper shall mean bills of exchange, promissory notes, bank-checks and other negotiable instruments.

(4) All extended Missouri mutual companies shall provide prior notice to the director of their intent to invest in accordance with the provisions of this rule.

*Auth: sections 374.045 and 380.561, RSMo (1986) and 380.471, RSMo (Cum. Supp. 1990). Original rule filed Oct. 24, 1991, effective March 9, 1992.*

#### 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.

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