



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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

RE: Examination Report of Colfax Farmers Mutual Insurance Company for the period ended December 31, 2016

ORDER

After full consideration and review of the report of the financial examination of Colfax Farmers Mutual Insurance Company for the period ended December 31, 2016, 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 Colfax Farmers Mutual Insurance Company 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 26th day of December, 2018.



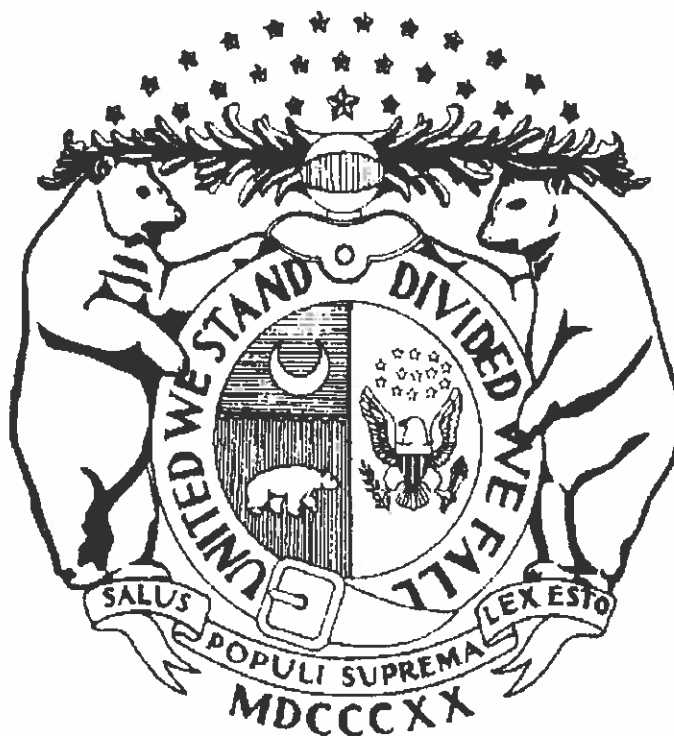
Chlora Lindley-Myers

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

**REPORT OF THE
FINANCIAL EXAMINATION OF
COLFAX FARMERS MUTUAL INSURANCE
COMPANY**

**AS OF
DECEMBER 31, 2016**

FILED
DEC 26 2018
DIRECTOR OF INSURANCE
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI

**DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION**

JEFFERSON CITY, MISSOURI

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May 3, 2018
Tarkio, Missouri

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Madam:

In accordance with your examination warrant, a full-scope examination has been made of the records, affairs and financial condition of

COLFAX FARMERS MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 208 Walnut Street (P.O. Box 248), Tarkio, Missouri 64491, telephone number (660) 736-4919. This examination began on May 2, 2018, was concluded on May 3, 2018, 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 State of Missouri. The current full-scope examination covers the period from January 1, 2012, through December 31, 2016, and was also conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration (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.

Comments-Previous Examination Report

There were no comments, recommendations, and notes made on the previous examination report dated December 31, 2011.

HISTORY

General

The Company was originally incorporated on May 10, 1890, as The Farmers Mutual Protective Association of Colfax Township. In 1985, the Company changed its name to Colfax Farmers Mutual Insurance Company.

The Company has a Certificate of Authority dated January 24, 2003, 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

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the second Saturday in April at the home office of the Company or at such place designated by the Board of Directors. Special meetings 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. Policyholders are permitted to vote by proxy at meetings.

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 seven members that serve staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every quarter in addition to the annual meeting with the directors compensated \$100 per meeting attended.

Members serving on the Board of Directors as of December 31, 2016, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term Expires</u>
Larry Irvine Tarkio, Missouri	Farmer	2019
Tom Boatman, Rock Port, Missouri	Farmer	2018

Kelly Rohlfen, Tarkio, Missouri	Company Manager	2017
Dave Laur Tarkio, MO	Farmer	2018
Craig Martin Tarkio, Missouri	Adjuster-Inspector/Realtor	2017
Cecil DeMott, Rock Port, MO	Farmer	2019
Bill Smith Fairfax, Missouri	Farmer	2018

The Board of Directors appoints the officers of the Company for a term of one year. The officers of the Company serving at December 31, 2016, were as follows:

Cecil DeMott	President
Tom Boatman	Vice-President
Kelly Rohlfen	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. Directors and officers sign conflict of interest statements on an annual basis. Completed conflict of interest statements were reviewed during the examination. Two directors disclosed they were also agents and employees of the Company. No other material conflicts were disclosed.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. There were no amendments to the Bylaws during the examination period. The Company is following the guidelines established in the Articles of Incorporation and Bylaws.

The minutes of the membership and the Board of Directors' meetings were reviewed for the period under examination. A quorum was established at each meeting. The minutes and records of the Company appear to properly reflect the 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 \$100,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC.

The Company carries liability coverage for its directors and officers. The Company requires all agents, including the in-house agency, to purchase errors and omissions coverage and provide evidence of such coverage on an annual basis. The Company also carries property insurance on its home office and contents, as well as business liability and workers' compensation insurance.

EMPLOYEE BENEFITS

The Company has four full-time employees. The Company offers its employees a benefit package which includes life, health, dental and long-term disability insurance, as well as paid vacation, sick leave and 10 paid holidays.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company is licensed by the DIFP as an Extended Missouri Mutual Company operating under Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Insurance Companies). The Company is authorized and writes fire, wind and liability insurance in all counties in the State of Missouri. The Company's policies are sold by seven independent agencies and one in-house agency, which receive commissions on new and renewal business based on the terms of Agent Agreement. The Company's Secretary/Treasurer also receives a 5% commission on a closed book of business that he manages on behalf of the Company.

Policy Forms and Underwriting Practices

The Company uses Grinnell Mutual Reinsurance Company (Grinnell) policy forms. The policies are written for a continuous period with rates determined by the Board of Directors. Renewal billings are mailed directly to the insured. Inspections are performed by the agents or the Company Inspector/Adjuster. Claim adjusting services are usually performed by the Company Inspector/Adjuster, but the Company can utilize Grinnell adjusters under an annual contract that purchases a predetermined number of adjustments for claims that are larger, specialized, in remote locations, or during periods of high claim volume.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Gross Assessments</u>	<u>Gross Losses</u>	<u>Investment Income</u>	<u>Underwriting Income</u>	<u>Net Income</u>
2016	\$1,786,581	\$664,330	\$1,494,081	\$ 716,067	\$20,438	\$ (59,881)	\$ (9,116)
2015	1,870,347	738,980	1,270,934	530,398	24,967	260,579	231,385
2014	1,736,382	837,940	1,537,951	1,423,493	11,803	(138,329)	(102,528)
2013	1,729,278	729,962	1,269,624	468,781	21,450	(4,477)	19,390
2012	1,643,694	660,831	1,148,774	760,332	14,443	137,384	167,990

At year-end 2016, 1,442 policies were 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:

	2012	2013	2014	2015	2016
Direct	\$1,148,744	\$1,269,624	\$1,537,951	\$1,270,934	\$1,494,081
Assumed	0	0	0	0	0
Ceded	(220,375)	(308,071)	(337,723)	(372,816)	(387,732)
Net	\$ 928,399	\$ 961,553	\$1,200,288	\$ 898,118	\$1,106,349

Assumed

The Company does not reinsure other companies.

Ceded

The Company has all of its reinsurance through an agreement with Grinnell Mutual Reinsurance Company (the reinsurer) that provides coverage for both individual occurrence excess of loss and aggregate excess of loss.

The individual occurrence excess of loss section of the agreement covers property risks. The Company retains \$225,000 per occurrence and the reinsurer's limit is \$1,000,000 per exposure. Risks in excess of these limits may be ceded to the reinsurer on a facultative basis per the agreement provisions. Rates and acceptability of risks ceded under the facultative provisions are determined by the reinsurer on an individual basis.

The aggregate excess of loss section of the agreement covers property risks. The reinsurer is liable for 100% of losses in excess of the retention. The attachment point for 2016 was \$810,000.

The agreement also provides coverage for liability risks. Under the terms of the agreement, the Company cedes 100% of the liability premium and risk to the reinsurer. The Company pays 80% of the estimated liability premium monthly.

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 an accrual basis on their internet based system along with hardcopy backups. The CPA firm of Harden, Cummins, Moss & Miller, L.L.C. performs an annual audit of the Company's financial statements and prepares the Company's Annual Statement and tax filings. The Company also receives analysis on the business from their reinsurer.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2016, 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, 2016

Bonds	\$ 680,966
Real Estate	125,557
Cash on Deposit	915,038
Federal Income Tax Recoverable	53,797
Immaterial Assets	<u>11,223</u>
Total Assets	<u>\$1,786,581</u>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2016

Net Losses Unpaid	\$ 33,097
Ceded Reinsurance Premium Payable	31,764
Unearned Premium	575,836
Other Immaterial Liabilities	<u>23,633</u>
Total Liabilities	\$ 664,330
Guaranty Fund	\$ 150,000
Other Surplus	<u>972,251</u>
Total Surplus	<u>1,122,251</u>
Total Liabilities and Surplus	<u>\$1,786,581</u>

STATEMENT OF INCOME
For the Year Ending December 31, 2016

Net Premiums Earned	\$1,117,164
Other Insurance Income	37,542
Net Losses & Loss Adjustment Expenses Incurred	(713,741)
Other Underwriting Expenses Incurred	<u>(500,846)</u>
Net Underwriting Income (Loss)	\$ (59,881)
Investment Income	20,438
Other Income	<u>22,810</u>
Gross Profit (Loss)	\$ (16,633)
Federal Income Tax	<u>7,517</u>
Net Income (Loss)	<u><u>\$ (9,116)</u></u>

CAPITAL AND SURPLUS ACCOUNT
December 31, 2016

Policyholders' Surplus, December 31, 2015	\$1,131,367
Net Income (Loss)	<u>(9,116)</u>
Policyholders' Surplus, December 31, 2011	<u><u>\$1,122,251</u></u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGMENT

The assistance and cooperation extended by the employees Colfax Farmers Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
)
County of Cole)

I, Jeffery (Jay) Buschmann 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.

J. Buschmann

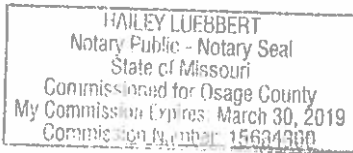
Jeffery (Jay) Buschmann, AFE
Financial Examiner
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 07th day of December, 2018.

My commission expires:

March 30, 2019

Haley Luebbert
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.



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