



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

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

RE: Examination Report of Farmers Mutual Insurance Company of Ste. Genevieve County  
for the period ended December 31, 2016

**ORDER**

After full consideration and review of the report of the financial examination of Farmers Mutual Insurance Company of Ste. Genevieve County 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 Farmers Mutual Insurance Company of Ste. Genevieve County 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 29<sup>th</sup> day of AUGUST, 2018.



*Chlora Lindley-Myers*

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

**REPORT OF THE  
FINANCIAL EXAMINATION OF**

**Farmers Mutual Insurance Company of  
Ste. Genevieve County**

**AS OF  
DECEMBER 31, 2016**



**STATE OF MISSOURI**

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

**JEFFERSON CITY, MISSOURI**

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April 9, 2018  
Ste. Genevieve, 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

Director Lindley-Myers:

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

**Farmers Mutual Insurance Company of Ste. Genevieve County**

hereinafter referred to as such, or as the "Company." The Company's home office and principal place of business was located at 395 Ste. Genevieve Drive, Ste. Genevieve, MO, 63670; telephone number (573)883-3520. This examination began March 28, and concluded on the above date, and is respectfully submitted.

**SCOPE OF EXAMINATION**

**Period Covered**

The prior full-scope examination was made as of December 31, 2011, and was conducted by an examiner from the State of Missouri. The current full-scope examination covers the period from January 1, 2012 through December 31, 2016, and was conducted by an examiner 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 by 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 in the previous examination report.

## **HISTORY**

### General

The Company was organized February 16, 1890 as The Farmers Mutual Fire Insurance Company of Ste. Genevieve County. The Company changed its name to Farmers Mutual Insurance Company of Ste. Genevieve County in May 1985.

On August 16, 2016, Perry County Mutual Insurance Company filed a Plan of Merger with the Department for a merger between Perry County Mutual Insurance Company and the Company. The merger was approved and took effect on January 1, 2017. Perry County Mutual became the surviving entity and later changed its' name to Missouri Alliance Mutual Insurance Company.

### Management

The Company was managed by a board of seven directors, serving staggered, three-year terms. Directors were elected at annual member meetings held on the second Thursday of every March. Special meetings of the members may be called by the Board of Directors or upon petition of one-fourth of the members. The board met quarterly and directors received \$125 per meeting. All directors were also policyholders.

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

<u>Name / Address</u>	<u>Occupation</u>	<u>Term</u>
Mike Flieg Ste. Genevieve, MO	Salesman	2016-2019
John Flieg Ste. Genevieve, MO	Agent	2014-2017
John Adams Ste. Genevieve, MO	Agent and MFA Employee	2015-2018
Cathy Coffman St. Mary, MO	Agent	2015-2018
Gary Koller Ste. Genevieve, MO	Agent	2014-2017

Kim Fischer Ste. Genevieve, MO	Secretary/Treasurer/Manager	2016-2019
Dena Brenstetter Ste. Genevieve, MO	Banker	2015-2018

The officers of the Company serving at December 31, 2016 were as follows:

John Flieg	President
Catherine Coffman	Vice President
Kim Fischer	Secretary/Treasurer

**Conflict of Interest**

Signed conflict of interest statements are obtained annually from all officers and directors. No potential material conflicts were disclosed during the examination period.

**Corporate Records**

The Articles of Incorporation, Bylaws, and minutes from the annual member meetings and Board of Directors meetings were reviewed. The Company was following the guidelines established in the Articles of Incorporation and Bylaws. A review of the minutes of the Company show on October 24, 2016, a special policyholder meeting was held and the Plan of Merger was approved.

**INSURANCE PRODUCTS AND RELATED PRACTICES**

**Territory and Plan of Operations**

The Company had a Certificate of Authority dated March 25, 2002 and was operating under Sections 380.201 through 380.601 RSMo (Extended Missouri Mutual Companies). The Company was authorized to write fire, windstorm and liability coverage in all Missouri counties. The majority of the Company's business was concentrated in Ste. Genevieve and surrounding counties. Insurance was provided on an assessable basis. Advertising was done through local newspaper, schools and chamber of commerce.

**Policy Forms and Underwriting**

The Company used policy forms supplied by American Association of Insurance Services (AAIS) and its reinsurer, Grinnell Mutual Reinsurance Company. Policies were written for continuous one-year terms. Insurance products were sold by seven captive agents. Agents received a 12% commissions on all new and renewal business.

An onsite inspection was made prior to the issuance of policies. Renewals were inspected every third year. Inspections and claim adjusting was performed by the agents. The Company requires each agent to carry at least \$1 million in E&O coverage. The Company pays for the E&O coverage.

### GROWTH AND LOSS EXPERIENCE OF THE COMPANY

	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Gross Premiums</u>	<u>Gross Losses</u>	<u>Investment Income</u>	<u>Underwriting Income</u>
2016	\$ 3,161,274	\$ 47,283	\$ 899,241	\$ 568,919	\$ 36,463	\$ 154,801
2015	2,921,117	615	926,227	917,601	37,946	(37,895)
2014	2,988,079	76,434	919,654	423,912	39,227	64,600
2013	2,844,362	64,842	895,627	377,028	40,174	133,355
2012	2,679,269	71,232	851,924	437,330	49,908	39,397

The Company had 1,045 policies in-force at year-end 2016.

### 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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Direct	\$ 851,924	\$ 895,627	\$ 919,654	\$ 926,227	\$ 899,241
Assumed	0	0	0	0	0
Ceded	(335,334)	(375,794)	(320,926)	(314,494)	(301,186)
Net	<u>\$ 516,590</u>	<u>\$ 519,833</u>	<u>\$ 598,728</u>	<u>\$ 611,733</u>	<u>\$ 598,055</u>

#### Assumed

None.

### **Ceded**

The Company reinsured 100% of its Mechanical Breakdown coverage to Hartford Steam Boiler Inspection and Insurance Company.

The Company also had a reinsurance agreement with Grinnell Mutual Reinsurance Company (the reinsurer). The following coverage is provided under this agreement.

#### **Property Per Risk Excess of Loss**

This coverage provided 100% coverage for each risk above \$100,000, up to \$15 million. The monthly premiums was \$3,690 in 2016.

#### **Aggregate Property Excess of Loss**

This coverage provided 100% coverage for Ultimate Net Less above \$430,000. The monthly premium was \$12,025 in 2016.

### **ACCOUNTS AND RECORDS**

The Company used the accrual basis method of accounting. Policyholder and financial records are maintained on a software package from IMT Computer Sales of Des Moines, Iowa. The CPA firm of Van de Ven, LLC prepared financial statements and tax returns and compiles the Company's Annual Statement.

### **FINANCIAL STATEMENTS**

The following financial statements as filed with the DIFP, 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 "Comments to the Financial Statements," which follow the Financial Statements.

There may have been differences found in the course of this examination, which are not shown in the "Comments 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 work papers for each individual annual statement item.



**ASSETS**  
**December 31, 2016**

Bonds	\$ 856,266
Stocks	700
Mutual Funds	601,918
Real Estate	104,867
Cash on Deposit	1,582,311
Computer Equipment	85
Federal Income Tax Recoverable	87
Interest Due and Accrued	8,737
Accounts Receivable	6,303
Total Assets	<u>\$ 3,161,274</u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**  
**December 31, 2016**

Gross Losses Unpaid	\$ 46,545
Payroll Tax	738
Total Liabilities	<u>47,283</u>
Guaranty Fund	150,000
Other Surplus	2,963,991
Total Surplus	<u>3,113,991</u>
Total Liabilities and Surplus	<u>\$ 3,161,274</u>

**STATEMENT OF INCOME**  
**For the Year Ending December 31, 2016**

Net Premiums Earned	\$ 598,055
Other Insurance Income	27,504
Net Losses & Loss Adjustment Expenses Incurred	(208,571)
Other Underwriting Expenses Incurred	<u>(262,187)</u>
 Net Underwriting Income (Loss)	 \$ 154,801
Investment Income	36,463
Other Income	<u>0</u>
 Gross Profit (Loss)	 \$ 206,000
Federal Income Tax	<u>953</u>
 Net Income (Loss)	 <u>\$ 205,047</u>

**CAPITAL AND SURPLUS ACCOUNT**  
**December 31, 2016**

Policyholders' Surplus, December 31, 2015	\$ 2,920,502
Net Income (Loss)	205,047
Market Value Change in Mutual Funds Held	<u>(11,558)</u>
 Policyholders' Surplus, December 31, 2016	 <u>\$ 3,113,991</u>

## **COMMENTS TO THE FINANCIAL STATEMENTS**

None.

## **EXAMINATION CHANGES**

None.

## **SUMMARY OF RECOMMENDATIONS**

None.

## **SUBSEQUENT EVENTS**

The Company merged with Perry County Mutual Insurance Company effective January 1, 2017, with Perry County Mutual Insurance Company as the surviving entity. As such, the Company no longer exists. The surviving entity has been renamed to Missouri Alliance Mutual Insurance Company.


**ACKNOWLEDGMENT**

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

**VERIFICATION**

State of Missouri )  
                                  ) ss  
County of Cole    )

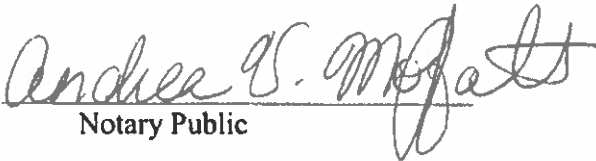
I, Scott A. Reeves on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only the facts appearing upon the books, records or other documents of the company, its agents or other persons examined or as ascertained from the testimony 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.

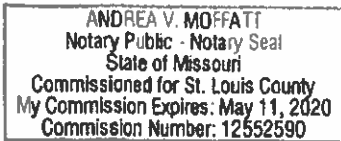
  
\_\_\_\_\_  
Scott A. Reeves, CPA, CFE  
Financial Examine  
Missouri DIFP

Sworn to and subscribed before me this 19th day of April, 2018.

My commission expires:


5-11-2020

  
\_\_\_\_\_  
Andrea V. Moffatt  
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.

  
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Michael Shadowens, CFE  
Audit Manager-St. Louis  
Missouri DIFP