

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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


ORDER

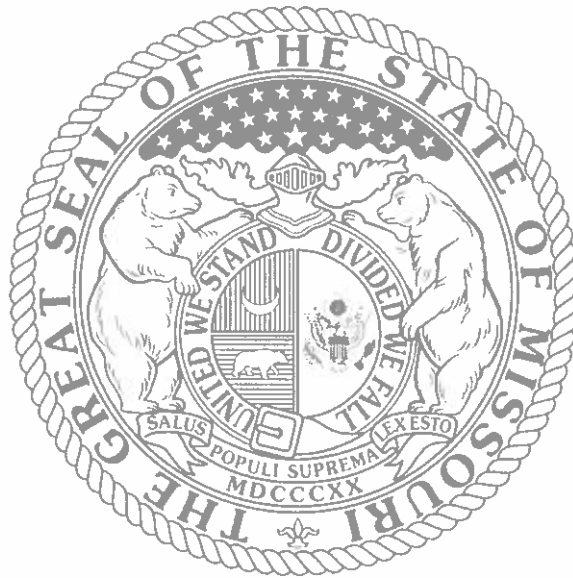
After full consideration and review of the report of the financial examination of Farmers Mutual Insurance Company of Dade County for the period ended December 31, 2019, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, Missouri Department of Commerce and Insurance 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 Dade 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 27th day of September, 2021.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF THE
FINANCIAL EXAMINATION OF

FARMERS MUTUAL INSURANCE COMPANY OF DADE COUNTY

AS OF
DECEMBER 31, 2019

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Lockwood, MO
August 16, 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

FARMERS MUTUAL INSURANCE COMPANY OF DADE COUNTY

hereinafter referred to as such, as FMIC of Dade County, or as the Company. Its administrative office is located at 810 Main Street, Lockwood, Missouri 65682, telephone number (417) 232-4593. The fieldwork for this examination began on March 11, 2021, 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 Farmers Mutual Insurance Company of Dade County. The last examination of the Company by the Department covered the period of January 1, 2010 through December 31, 2014. The current examination covers the period of January 1, 2015 through December 31, 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 report includes significant findings of fact 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 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

The Company was originally organized and incorporated on May 9, 1892, as Farmers Mutual Insurance Company of Dade County. In 1975, the Company was merged with Farmers Mutual Insurance Company of Wright County, with Farmers Mutual Insurance Company of Dade County being the surviving entity.

The Company has a Certificate of Authority dated July 1, 1991, 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 AND CONTROL

Board of Directors

In accordance with the Articles of Incorporation (Articles), the annual meeting of the Company's members is held on the first Friday in February at the home office of the Company or at such place as may be designated by the Board of Directors. Special meetings of the members may be called by the Board of Directors at any time and shall be called upon petition of one-fourth of the members. Ten members shall constitute a quorum at any membership meeting. Proxy voting is not permitted.

The management of the Company is vested in a Board of Directors, who are elected by the general membership. The Board of Directors consists of seven members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets monthly.

Members serving on the Board of Directors as of December 31, 2019, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Larry Kenney Everton, Missouri	Business Owner	2021
Helen Shouse Lockwood, Missouri	Retired Manager	2020
Larry Witt Dadeville, Missouri	Farmer	2020
Sherri Wise Greenfield, Missouri	Company Manager	2022
Jerry Glenn Everton, Missouri	Farmer	2022
Stephen Richter Greenfield, Missouri	Farmer	2021
Dale Grisham Lockwood, Missouri	Farmer	2022

Officers

The Board of Directors appoints the officers of the Company, who serve a term of one year. The officers serving, as of December 31, 2019, were as follows:

<u>Name</u>	<u>Office</u>
Larry Kenney	President
Helen Shouse	Vice-President
Sherri Wise	Secretary
Larry Witt	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. The Company's directors and officers sign conflict of interest statements on an annual basis. A review of the executed conflict of interest statements noted four directors disclosed being agents of the Company, and one director disclosed their spouse as being a Company employee.

Corporate Records

The Company's Articles and Bylaws were reviewed. There were no revisions to either document during the examination period. The minutes of the membership and the Board of Directors' meetings were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has three full-time employees and two part-time employees. The benefits package offered to full-time employees includes health insurance, life insurance, dental insurance, vision insurance, and matching contributions to retirement accounts. Both full-time employees and part-time employees receive paid time off.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$100,000 and no deductible. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$100,000 and \$125,000 in coverage.

The Company carries liability coverage for its directors and officers. The Company requires its agents to carry errors and omissions insurance and provide evidence of such coverage to the Company.

Other insurance coverages carried by the Company include property insurance on its home office and contents, business liability insurance, and workers compensation and employer's liability insurance.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the Missouri Department of Commerce and Insurance as an Extended Missouri Mutual Company operating under Sections 380.201 through 380.611, RSMo (Extended Missouri Mutual Companies). The Company is authorized to write fire, wind, and liability insurance in all counties in the State of Missouri. The Company's policies are sold by sixteen independent agents, who receive a 15% commission on all new and renewal policies written.

Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Services (AAIS) policy forms as well as custom forms approved by the Department. The policies are written for one year and are continuous. Property inspections are performed by an employee inspector and by a contracted inspector. Claims adjusting is performed by an employee adjuster. Rates are determined by the Board of Directors.

GROWTH OF COMPANY AND LOSS EXPERIENCE

(\$000s omitted)

Year	Admitted Assets	Liabilities	Gross Written Premiums	Gross Paid Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2019	\$ 3,948	\$ 1,557	\$ 3,551	\$ 1,844	\$ 102	\$ (61)	\$ 42
2018	3,896	1,547	3,632	1,755	81	211	293
2017	3,483	1,427	3,599	2,585	74	(465)	(391)
2016	3,969	1,522	3,586	1,252	76	705	782
2015	3,028	1,363	3,541	2,213	80	(19)	61

At year-end 2019, there were 3,592 policies in force.

REINSURANCE

General

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

(\$000s omitted)

Premium Type	2015	2016	2017	2018	2019
Direct Premiums Written	\$ 3,514	\$ 3,558	\$ 3,572	\$ 3,604	\$ 3,523
Reinsurance Assumed	27	29	27	28	28
Reinsurance Ceded	(851)	(881)	(850)	(915)	(847)
Net Premiums Written	\$ 2,690	\$ 2,705	\$ 2,750	\$ 2,717	\$ 2,704

Assumed Reinsurance

MAMIC Mutual Insurance Company (MAMIC) issues direct policies to insure agents' errors and omissions liability and directors' and officers' liability risks for various mutual insurance companies, including the FMIC of Dade County. All of the policy risks insured by MAMIC for these two products are pooled and ceded to participating mutual insurance companies. The Company has a 5% share in the interests and liabilities of the pool.

Ceded Reinsurance

The Company's property and casualty reinsurance is placed with multiple participating reinsurers (reinsurer) through intermediary Guy Carpenter & Company, Inc. Coverage includes per risk excess of loss and aggregate excess of loss agreements for property risks and a quota share agreement for casualty risks.

Under the per risk excess of loss agreement, the Company retains \$125,000 per property risk and the reinsurer covers 100% of the excess, limited to \$500,000 each loss and further limited to \$1 million per occurrence.

Under the aggregate excess of loss agreement, the Company's annual aggregate net retention, or attachment point, is equal to 75% of Company's gross net earned premium. The reinsurer is responsible for 100% of losses in excess of this attachment. The attachment point for 2019 was \$2,286,674.

Under the casualty quota share reinsurance agreement, the Company cedes 100% of the casualty risks and premium to the reinsurer and receives a 30% ceding commission.

The Company 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

The accounting records are maintained by the Company on a cash basis. The accounting firm of Williams & Associates, of Lamar, Missouri, compiles the Company's financial statements and prepares the Company's annual statement and tax filings. The Certified Public Accounting firm of Troutt, Beeman & Co., P.C. of Harrisonville, Missouri, performs an annual audit of the Company's financial statements.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of Farmers Mutual Insurance Company of Dade County for the period ending December 31, 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 examination workpapers.

ASSETS

As of December 31, 2019

Bonds	\$ 2,361,130
Real Estate – Book Value	12,162
Cash on Deposit	1,059,247
Other Investments	339,595
Reinsurance Recoverable on Paid Losses	90,728
Interest Due and Accrued	9,031
Prepaid Insurance	7,788
Prepaid Reinsurance Premium	67,783
Prepaid Taxes	918
TOTAL ASSETS	<u>\$ 3,948,382</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2019

Gross Losses Unpaid Less Reinsurance Recoverable	\$ 173,778
Ceded Reinsurance Premium Payable	12,842
Unearned Premium	1,307,958
Payroll Tax	4,490
Accounts Payable to Agents	54,935
Accounts Payable (Other)	3,232
TOTAL LIABILITIES	<u>\$ 1,557,235</u>
Guaranty Fund	150,000
Other Surplus	2,241,147
TOTAL POLICYHOLDER SURPLUS	<u>\$ 2,391,147</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$ 3,948,382</u>

UNDERWRITING AND INVESTMENT EXHIBIT

For the Year Ended December 31, 2019

Net Earned Assessment/Premium Income	\$	2,662,453
Other Insurance Income		211,843
Net Losses & Loss Adjustment Expense		(1,910,592)
Underwriting Expenses		(1,024,399)
Underwriting Income (Loss)	\$	(60,695)
Investment Income		101,888
Investment Expenses		-
Net Investment Income	\$	101,888
Other Income		720
Gross Profit or Loss	\$	41,913
Federal Income Tax		-
NET PROFIT OR (LOSS)	\$	41,913

GAIN OR LOSS IN SURPLUS

Changes from January 1, 2015 to December 31, 2019

(\$000s omitted)

	2015	2016	2017	2018	2019
Beginning Policyholder's Surplus	\$ 1,604	\$ 1,665	\$ 2,447	\$ 2,056	\$ 2,349
Net Profit or (Loss)	61	782	(391)	293	42
Ending Policyholder's Surplus	\$ 1,665	\$ 2,447	\$ 2,056	\$ 2,349	\$ 2,391

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. As of the date of this report, significant uncertainty remains regarding the effect that the pandemic will have on the economy and insurance industry at large, and on FMIC of Dade County, specifically. The examination team considered the potential impact of COVID-19 on the Company throughout examination testing and procedures. At this point, it does not appear that COVID-19 has had a significant impact on the Company. The Department is monitoring the impact of the pandemic on the Company and will take necessary actions if a solvency concern arises.

ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Brian D. Hammann, CPA, 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 Farmers Mutual Insurance Company of Dade County, 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.

Brian D. Hammann

Brian D. Hammann, CPA, CFE
Financial Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 1st day of September, 2021.

My commission expires: March 4, 2024 *Kathryn Latimer*
Notary Public



KATHRYN LATIMER
My Commission Expires
March 4, 2024
Cole County
Commission #12418395

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.



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