

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

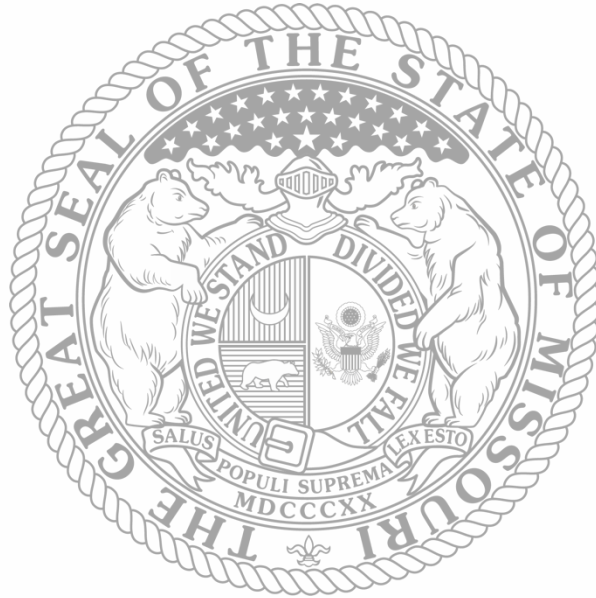
After full consideration and review of the report of the financial examination of Farmers Mutual Insurance Company of Macon, Missouri for the period ended December 31, 2021, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, 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 Macon, Missouri 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 02nd day of May, 2023.



Chlora Lindley-Myers
Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

FARMERS MUTUAL INSURANCE COMPANY OF MACON, MISSOURI

AS OF
DECEMBER 31, 2021

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Macon, Missouri
February 8, 2023

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 Macon, Missouri

hereinafter referred to as such, or as the Company. Its administrative office is located at 32362 U.S. Highway 63 (P.O. Box 36), Macon, Missouri 63552, telephone number (660) 385-3171. The fieldwork for this examination began on January 27, 2023, 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 Macon, Missouri. The last examination of the Company by the Department covered the period of January 1, 2012, through December 31, 2016. The current examination covers the period of January 1, 2017, through December 31, 2021, 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 in 1894 as the Farmers Fire and Lightning Mutual Insurance Company of Macon County. In November 1954, the Company merged with Missouri Farmers Mutual Tornado Insurance Company under the name of Farmers Mutual Insurance Company of Macon, Missouri. In November 1962, the Company merged with Farmers Mutual Fire and Lightning Insurance Company of Chariton.

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, the annual meeting of the Company's members is held on the second Tuesday in February at the home office of the Company or at such other place as may be designated by the Board of Directors. Ten members shall constitute a quorum at any membership meeting. Proxy voting is not permitted.

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, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately six times per year.

The Board of Directors elected and serving as of December 31, 2021, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>
Chris Ahern Hallsville, Missouri	Retired School Administrator
Dean Hale Green City, Missouri	Real Estate Agent
Kelvin Land Sunrise Beach, Missouri	Farmer
Charles McKeown Moberly, Missouri	Real Estate Broker
Craig Miller Edina, Missouri	Bank Vice President
Ricky Shoemaker Bevier, Missouri	Business Owner
J.D. Wright Keytesville, Missouri	Farmer

Officers

The officers elected and serving, as of December 31, 2021, were as follows:

<u>Name</u>	<u>Office</u>
Kevin Mosley	President
J.D. Wright	Chairman of the Board
Chris Ahern	Vice Chairman
Brad Jaecques	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. The Company’s directors and officers sign conflict of interest statements on an annual basis. A review of the statements noted no significant disclosures.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. Neither the Articles of Incorporation nor the Bylaws were amended during the examination period. The minutes of the annual membership meetings and Board of Directors meetings were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has seven full-time employees. The benefits package offered to the employees includes health, dental, life and long-term disability insurance, a defined benefit retirement plan, and paid time off.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$250,000. The fidelity bond coverage 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 its agents to obtain errors and omissions insurance and monitors for compliance. Other insurance coverages carried by the Company include business property and liability, cyber liability, and workers compensation.

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 Insurance 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 writes fire, wind, and liability coverages. The Company’s policies are sold by 40 licensed agencies, who receive an 18% commission on property coverages and a 12% commission on other coverages for both new and renewal business.

Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Services, Grinnell Mutual Reinsurance Company (the Reinsurer), and custom policy forms. Policies are written on a continuous period. Property inspections are performed by the agents and/or the internal company inspectors. Claim adjusting services are performed internally.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's premium writings and other financial results for the period under examination:

(\$000s omitted)

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2021	\$13,340	\$1,865	\$4,272	\$1,442	\$409	\$401	\$ 664
2020	12,376	1,565	4,028	1,145	428	576	941
2019	11,460	1,589	3,701	1,421	387	327	639
2018	10,830	1,599	3,511	2,048	383	(490)	(91)
2017	10,731	1,408	3,288	1,311	399	58	339

At year-end 2021, there were 3,943 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	2017	2018	2019	2020	2021
Direct	\$ 3,288	\$ 3,511	\$ 3,701	\$ 4,028	\$ 4,272
Assumed	-	-	-	-	-
Ceded	(655)	(753)	(726)	(839)	(850)
Net Written	\$ 2,633	\$ 2,758	\$ 2,975	\$ 3,189	\$ 3,422

Assumed Reinsurance

The Company does not reinsure other companies.

Ceded Reinsurance

The Company has its reinsurance through Grinnell Mutual Reinsurance Company in a contract with multiple sections covering property and liability risks.

Under the per risk excess of loss section of the agreement, the Company retains \$150,000 per property risk, and the Reinsurer is responsible for the excess.

Under the property catastrophe excess of loss agreement, the Company retains \$600,000 per loss occurrence, and the Reinsurer covers 100% of the excess.

Under the aggregate excess of loss section of the agreement, the Reinsurer is liable for 100% of the Company's net losses in excess of the annual net retention of \$1,875,000.

Under the liability agreement, the Company cedes 100% to the Reinsurer and receives a 20% ceding commission.

Equipment breakdown coverage is reinsured through Liberty Mutual Insurance. The Company cedes 100% to Liberty Mutual Insurance and receives a 20% 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 an accrual basis. The firm of Harden, Cummins, Moss & Miller, LLC, CPAs performs an annual audit of the Company's financial statements and prepares the annual statement and tax filings.

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 Macon, Missouri for the period ending December 31, 2021. 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 workpapers for each individual key activity.

ASSETS

As of December 31, 2021

Bonds	\$ 12,009,255
Mutual Funds	777,733
Real Estate	113,521
Cash on Deposit	222,724
Computer Equipment	1,166
Federal Income Tax Recoverable	48,000
Interest Due and Accrued	94,863
Prepaid Insurance	23,414
Vehicles	49,492
TOTAL ASSETS	<u><u>\$ 13,340,168</u></u>

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2021

Gross Losses Unpaid	\$ 158,897
Ceded Reinsurance Premium Payable	59,857
Unearned Premium	1,495,882
Federal Income Tax Payable	7,297
Payroll Tax	3,887
Accounts Payable (Other)	139,160
TOTAL LIABILITIES	<u><u>\$ 1,864,980</u></u>
Guaranty Fund	\$ 150,000
Other Surplus	11,325,188
TOTAL POLICYHOLDER SURPLUS	<u><u>\$ 11,475,188</u></u>
TOTAL LIABILITIES AND SURPLUS	<u><u>\$ 13,340,168</u></u>

STATEMENT OF INCOME

For the Year Ended December 31, 2021

Net Earned Assessment/Premium Income	\$ 3,290,517
Other Insurance Income	322,580
Net Losses & Loss Adjustment Expense	(1,440,085)
Underwriting Expenses	(1,772,334)
Underwriting Income (Loss)	\$ 400,678
Investment Income	\$ 409,424
Net Investment Gain (Loss)	\$ 409,424
Other Income	\$ 7,238
Gross Profit or Loss	\$ 817,340
Federal Income Tax	\$(153,245)
NET INCOME (LOSS)	\$ 664,095

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 1, 2017 to December 31, 2021

(\$000s omitted)

	2017	2018	2019	2020	2021
Beginning Policyholder's Surplus	\$ 8,984	\$ 9,323	\$ 9,231	\$ 9,870	\$ 10,811
Net Profit or (Loss)	339	(91)	639	941	664
Ending Policyholder's Surplus	\$ 9,323	\$ 9,232	\$ 9,870	\$ 10,811	\$ 11,475

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

The COVID-19 pandemic is ongoing, with uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Conner Nilges, 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 Macon, Missouri, 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.

Conner Nilges
Conner Nilges, CFE
Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 12 day of April, 2023.

My commission expires: March 30, 2027 Hailey Schubert
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, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.



Michael Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance