

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

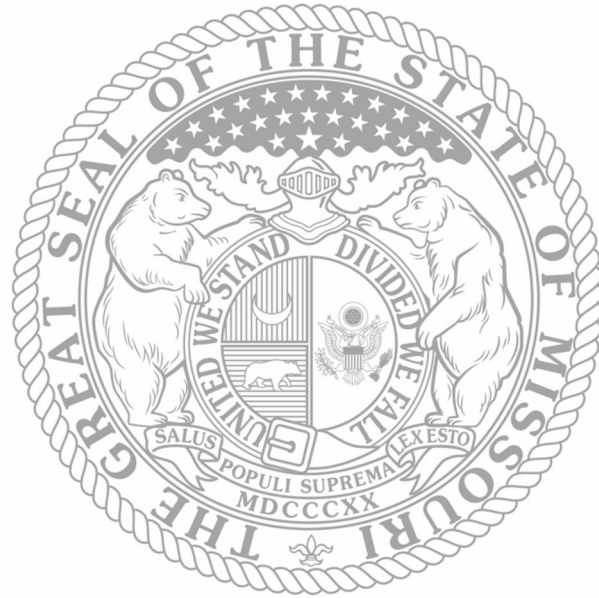
After full consideration and review of the report of the financial examination of Colfax Farmers Mutual Insurance Company for the period ended December 31, 2021, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, 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 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 15th day of December, 2022.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

COLFAX FARMERS MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2021

**STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

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Jefferson City, MO
October 17, 2022

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

Colfax Farmers Mutual Insurance Company

hereinafter referred to as such, as CFMIC, or as the Company. Its administrative office is located at 208 Walnut Street, Tarkio, MO 64491, telephone number (660) 739-4919. The fieldwork for this examination began on July 20, 2022, 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 Colfax Farmers Mutual Insurance Company. 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 incorporated on May 10, 1890, as the Farmers Mutual Protective Association of the 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 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 Saturday in April, at the home office of the Company or at such place designated by the Board of Directors. Special meetings of the members may be called by the Board of Directors at any time upon petition of one-fourth of the members. Eight members shall constitute a quorum at any membership meeting. Proxy voting is 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 approximately every quarter. The Board of Directors elected and serving as of December 31, 2021, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Larry Irvine Tarkio, Missouri	Farmer	2022
Tom Boatman Rock Port, Missouri	Farmer	2024
Kelly Rohlfen Tarkio, Missouri	Company Manager	2023
David Laur Tarkio, Missouri	Farmer	2024
Craig Martin Tarkio, Missouri	Adjuster-Inspector/ Realtor	2024
Cecil DeMott Rock Port, Missouri	Farmer	2022
Bill Smith Fairfax, Missouri	Farmer	2024

Officers

The Board of Directors appoints for a term of one year, the officers of the Company. The officers elected and serving, as of December 31, 2021, were as follows:

<u>Name</u>	<u>Office</u>
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. The Company’s directors and officers sign conflict of interest statements on an annual basis. In the executed conflict of interest statements, two directors disclosed they were also agents and employees of the Company. No other potential conflicts were noted.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. There were no amendments to the Articles of Incorporation or Bylaws during the examination period. The minutes of the membership and the Board of Directors’ meeting were reviewed for the period under examination.

EMPLOYEE BENEFITS

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

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$100,000. The coverage meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is \$75,000 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, as well as business liability and workers’ compensation insurance.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

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

Policy Forms and Underwriting Practices

The Company utilizes Grinnell Mutual Reinsurance Company (Reinsurer) policy forms. Policies are written on a continuous basis, and rates are determined by the Board of Directors. Renewal billings are mailed directly to the insured. Property inspections are performed by the Company Inspector/Adjuster. The Company also has a contract with the Reinsurer to perform adjustments for claims that are larger, specialized, remote, or during a period of high claim volume.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's premium writings and writing ratios 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	\$ 2,179	\$ 861	\$ 1,635	\$ 315	\$ 30	\$ 178	\$ 265
2020	1,751	696	1,626	1,166	27	(101)	(52)
2019	1,807	701	1,616	989	31	(158)	(106)
2018	2,003	791	1,563	813	27	(245)	6
2017	2,114	708	1,533	388	26	244	284

At year-end 2021, there were 1,474 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 Premiums Written	\$ 1,533	\$ 1,563	\$ 1,617	\$ 1,626	\$ 1,634
Reinsurance Assumed:	0	0	0	0	0
Reinsurance Ceded:	(390)	(398)	(428)	(423)	(444)
Net Premiums Written	\$ 1,143	\$ 1,165	\$ 1,189	\$ 1,203	\$ 1,190

Assumed Reinsurance

The Company does not assume any reinsures for other companies.

Ceded Reinsurance

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (Reinsurer) through a reinsurance agreement that provides per risk excess of loss and aggregate excess of loss coverage for property risks, as well as quota share coverage for liability and earthquake risks.

Under the per risk excess of loss section of the agreement, the Company retains \$225,000 of property losses per risk, and the Reinsurer's maximum limit is \$15 million per property risk. Risks in excess of \$20 million require facultative coverage and must be submitted to the Reinsurer on an individual basis.

Under the catastrophe excess of loss coverage, the Company retains \$335,000 per loss occurrence, and the Reinsurer is responsible for 100% of the excess losses.

Under the aggregate excess of loss section of the agreement, the Reinsurer is liable for 100% of the property losses in excess of the Company's annual aggregate net retention, or attachment point. The attachment point for 2021 was \$810,000.

For liability coverage, the Company cedes 100% of liability premiums and losses to the reinsurer and receives a 20% ceding commission. The reinsurance coverage limit per occurrence is \$2 million for farmowners liability policies and \$1 million for all other policies. Earthquake coverage 100% reinsured by the Reinsurer.

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 Company maintains its accounting records on an accrual basis. 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.

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 Colfax Farmers Mutual Insurance Company 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	\$	506,034
Mutual Funds		84,023
Real Estate – Book Value		106,127
Cash on Deposit		1,474,898
Reinsurance Recoverable on Paid losses		1,000
Interest Due and Accrued		6,692
Prepaid Insurance		334
TOTAL ASSETS	\$	<u>2,179,108</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2021

Gross Loses Unpaid less Reinsurance Recoverable	\$	157,275
Ceded Reinsurance Premium Payable		37,518
Unearned Premium		641,388
Accounts Payable to Agents		18,321
Accounts Payable (Other)		6,487
TOTAL LIABILITIES	\$	<u>860,989</u>
Guaranty Fund		150,000
Other Surplus		1,168,119
TOTAL CAPITAL AND SURPLUS	\$	<u>1,318,119</u>
TOTAL LIABILITIES AND SURPLUS	\$	<u>2,179,108</u>

UNDERWRITING AND INVESTMENT EXHIBIT

For the Year Ended December 31, 2021

Net Earned Assessment/Premium Income	\$ 1,186,006
Other Insurance Income	34,250
Net Losses & Loss Adjustment Expense	(463,726)
Underwriting Expenses	(578,061)
Net Underwriting Gain (Loss)	\$ 178,469
Investment Income	30,218
Investment Expenses	0
Interest Expenses	0
Net Investment Income	\$ 30,218
Other Income	65,403
Gross Profit or Loss	\$ 274,090
Federal Income Tax	(9,482)
NET INCOME (LOSS)	\$ 264,608

GAIN OR LOSS IN SURPLUS

Changes from January 1, 2017 to December 31, 2021

(\$000s omitted)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Beginning Policyholder's Surplus	\$ 1,122	\$ 1,406	\$ 1,213	\$ 1,107	\$ 1,055
Net Profit of (Loss)	284	(193)	(106)	(52)	264
Prior Period Net Book Value of Non- Admitted Assets	0	0	0	0	(1)
Ending Policyholder's Surplus	\$ 1,406	\$ 1,213	\$ 1,107	1,055	\$ 1,318

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 Colfax Farmers Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated.

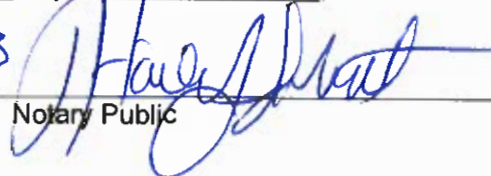
VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Justin Lamb, 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 Colfax Farmers Mutual Insurance 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.


Justin Lamb
Examiner
Missouri Department of Commerce and Insurance

Sworn to and subscribed before me this 28th day of November, 2022.


My commission expires: March 30, 2023

Notary Public



HAILEY LUEBBERT
My Commission Expires
March 30, 2023
Osage County
Commission #15634366

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