



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 Livingston County for the period ended December 31, 2017, 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 Insurance¹ 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 Livingston 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 06th day of September, 2019.



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

¹ Pursuant to Executive Order #19-02, effective August 28, 2019, the department name was changed from the Department of Insurance, Financial Institutions and Professional Registration to the Department of Commerce and Insurance.

**REPORT OF THE
FINANCIAL EXAMINATION OF**

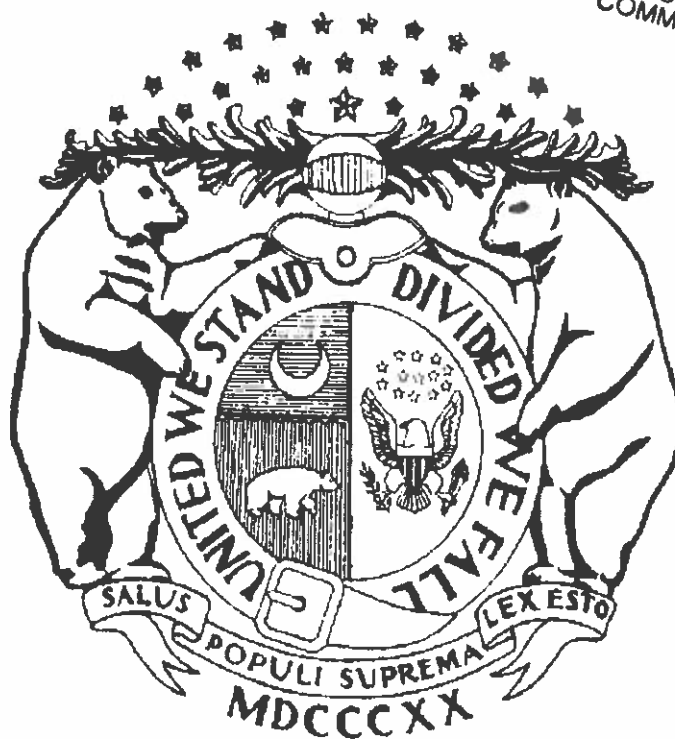
**FARMERS MUTUAL INSURANCE COMPANY OF
LIVINGSTON COUNTY**

**AS OF
DECEMBER 31, 2017**

FILED

SEP 6 2019

**DIRECTOR OF
MISSOURI DEPARTMENT OF
COMMERCE AND INSURANCE**



STATE OF MISSOURI

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

JEFFERSON CITY, MISSOURI

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May 15, 2019
Chillicothe, 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 LIVINGSTON COUNTY

hereinafter referred to as such, or as the Company. The Company's administrative office is located at 821 Washington Street (P.O. Box 735), Chillicothe, Missouri 64601, telephone number (660) 646-1700. This examination began on May 9, 2019, was concluded on the above date, 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 Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP). The current full-scope examination covers the period from January 1, 2012, through December 31, 2017, and was conducted by examiners from the 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.

HISTORY

General

The Company was originally established in 1889 and incorporated on July 1, 1891. The Company has a Certificate of Authority dated April 15, 2005, and is covered by Sections 380.201 through 380.611, RSMo (Extended Missouri Mutual Companies). The Company's Certificate of Authority is renewed annually.

In 1997, the Company formed the Farmers Mutual Agency of Livingston County, Inc. ("Agency"), a wholly owned subsidiary. The Agency provides members access to lines of coverage not available through the Company.

Management

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the fourth Tuesday in February at the home office of the Company or at such place and time 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. Eight members shall constitute a quorum at any membership meeting. Proxy voting is permitted.

The corporate powers of the Company are 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 every quarter. The President is compensated \$325 per meeting and the Secretary/Treasurer is compensated \$375 per meeting, while other Board members receive \$130 per meeting. All Directors are compensated \$50 per special meeting attended and \$100 per annual meeting attended.

Members serving on the Board of Directors as of December 31, 2017, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term Expires</u>
Gordon Jones Dawn, Missouri	Retired County Employee/ Farmer	2019
Deane Jacobs Chula, Missouri	Farmer	2020
Mark Miller Chillicothe, Missouri	Business Owner	2020
Stephen Douglass Chillicothe, Missouri	Retired Business Owner/ Pastor	2020
Jim Figg Hale, Missouri	City Employee	2018
Mike Wright Utica, Missouri	City Employee	2019
David March Hale, Missouri	Retired IRS Employee	2018

The Board of Directors appoints for a term of one year, the officers of the Company. The officers of the Company serving at December 31, 2017, were as follows:

Gordon Jones	President
Deane Jacobs	Vice-President
Mark Miller	Secretary/Treasurer

Conflict of Interest

The Company completes annual conflict of interest statements for the disclosure of material conflicts of interest or affiliations by its directors and officers. The Company has its directors and officers sign conflict of interest statements on an annual basis. A review of the completed statements noted no material conflicts disclosed.

Corporate Records

A review was made of the Articles of Incorporation (Articles) and the Bylaws of the Company. Neither the Articles nor the Bylaws were amended during the examination period. The minutes of the membership and the Board of Directors' meetings were reviewed for the period under examination. The minutes and records of the Company appear to properly reflect 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 \$50,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$50,000 and \$75,000 in coverage.

The Company carries liability coverage for its directors and officers. The Company requires agents to purchase their own errors and omissions coverage and provide evidence of such coverage to the Company. The Company carries property insurance coverage on its home office and contents, as well as business liability and workers compensation insurance.

EMPLOYEE BENEFITS

The Company has two full-time employees. Both employees receive paid vacation and sick leave, and the Manager receives health insurance.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company is licensed by the Missouri Department of 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 writes fire, wind, and liability coverages. The Company's policies are sold by one captive agent and two independent agencies. Agents receive a 15% commission on new and renewal business.

Policy Forms and Underwriting Practices

The Company primarily uses American Association of Insurance Services (AAIS) forms and some approved MAMIC Mutual Insurance Company and Cameron Mutual Insurance Company forms. The policies are written on a continuous period and renewed annually, with rates determined by the Board of Directors. Renewal billings are mailed directly to the insured. Inspections are performed by the Company Manager. The Company utilizes three independent adjusters for claims adjusting.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income	Underwriting Income	Net Income
2017	\$1,878,555	\$248,487	\$541,395	\$354,463	\$39,177	\$(121,253)	\$(63,476)
2016	1,881,785	185,465	483,944	92,718	49,176	(9,804)	58,426
2015	1,813,632	173,621	436,080	110,685	40,232	49,847	108,679
2014	1,689,109	157,475	354,401	93,449	36,843	(35,023)	19,000
2013	1,648,541	139,552	337,281	114,488	43,708	(23,053)	37,657
2012	1,615,557	135,350	317,702	48,418	45,868	(5,234)	56,762

At year-end 2017, 794 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	2017
Direct	\$317,702	\$337,281	\$354,401	\$436,080	\$483,944	\$541,395
Assumed	0	0	0	0	0	0
Ceded	(92,331)	(131,753)	(103,035)	(110,452)	(167,305)	(153,756)
Net	\$225,371	\$205,528	\$251,366	\$325,628	\$316,639	\$387,639

Assumed

The Company does not reinsure other companies.

Ceded

The Company has all of its reinsurance through Wisconsin Reinsurance Corporation (reinsurer) under a single reinsurance agreement for property and liability risks.

The Company's property reinsurance includes per risk excess of loss and aggregate excess of loss coverages. The per risk excess of loss section of the agreement has three layers of coverage. In total, the Company retains \$40,000 per risk and the reinsurer's limit is \$960,000 each loss occurrence. Under the aggregate excess of loss section of the agreement, the Company's retention is equal to 75% of net written premium income, and the reinsurer is liable for 100% of all losses in excess of this retention.

The Company has casualty quota share reinsurance coverage for liability risks. The Company cedes 100% of the liability premiums and losses to the reinsurer and receives a 25% 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 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. The CPA firm of Harden, Cummins, Moss & Miller, LLC performs an annual audit of the financial statements, prepares the Company's annual statement, and prepares tax preparation services for the Company.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2017, 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.

ASSETS
December 31, 2017

Bonds	\$ 1,090,881
Stocks	1,500
Mutual Funds	337,369
Real Estate	61,615
Cash on Deposit	369,760
Interest Due and Accrued	9,862
Prepaid Insurance	7,568
	<hr/>
Total Assets	\$ 1,878,555

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2017

Losses Unpaid	\$ 42,049
Ceded Reinsurance Premium Payable	6,214
Unearned Premium	190,777
Payroll Tax Payable	2,771
Accounts Payable	4,656
Accrued Compensated Absences	2,020
	<hr/>
Total Liabilities	\$ 248,487
	<hr/>
Guaranty Fund	\$ 150,000
Other Surplus	1,480,068
	<hr/>
Total Surplus	\$ 1,630,068
	<hr/>
Total Liabilities and Surplus	\$ 1,878,555

STATEMENT OF INCOME
For the Year Ending December 31, 2017

Net Premiums Earned	\$ 366,731
Other Insurance Income	50,544
Net Losses & Loss Adjustment Expenses Incurred	(281,221)
Other Underwriting Expenses Incurred	<u>(257,307)</u>
Net Underwriting Income (Loss)	\$ (121,253)
Net Investment Income	39,177
Other Income	<u>18,600</u>
Gross Profit (Loss)	\$ (63,476)
Federal Income Tax	<u>0</u>
Net Income (Loss)	<u>\$ (63,476)</u>

RECONCILIATION OF SURPLUS
Changes from January 1, 2012, to December 31, 2017
(000's omitted)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Capital and Surplus, Beginning of Year	\$ 1,423	\$ 1,481	\$ 1,509	\$ 1,532	\$ 1,640	\$ 1,696
Net Income (Loss)	57	37	19	108	58	(63)
Change in Net Unrealized Gains (Losses)	1	(9)	4	0	(2)	(3)
Change in Capital and Surplus for the Year	<u>\$ 58</u>	<u>\$ 28</u>	<u>\$ 23</u>	<u>\$ 108</u>	<u>\$ 56</u>	<u>\$ (66)</u>
Capital and Surplus, End of Year	<u>\$ 1,481</u>	<u>\$ 1,509</u>	<u>\$ 1,532</u>	<u>\$ 1,640</u>	<u>\$ 1,696</u>	<u>\$ 1,630</u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
)
County of Cole)

I, Brian Hammann, 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.

Brian Hammann
Brian Hammann, CPA
Financial Examiner
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 19th day of August, 2019.

My commission expires:
March 30, 2023

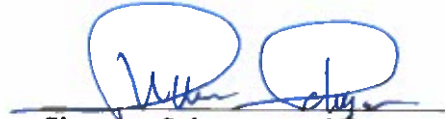
Hailey Luebbert
Notary Public



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.



Shannon Schmoeger, CFE, ARe
Chief Financial Examiner
Missouri Department of Insurance, Financial
Institutions and Professional Registration