

# 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 Cedar County 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.

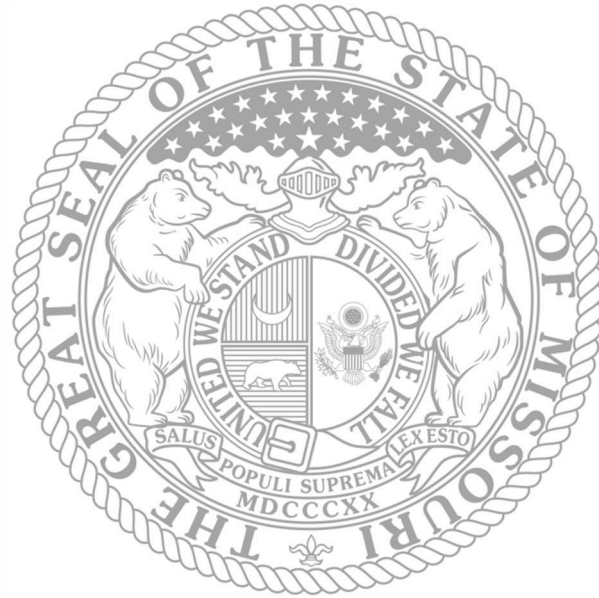
Based on such findings and conclusions, I hereby ORDER Cedar County Farmers Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition 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 21<sup>st</sup> day of December, 2022.



*Chlora Lindley-Myers*

Chlora Lindley-Myers, Director  
Department of Commerce and Insurance



REPORT OF  
FINANCIAL EXAMINATION OF

# **CEDAR COUNTY FARMERS MUTUAL INSURANCE COMPANY**

AS OF  
DECEMBER 31, 2021

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

JEFFERSON CITY, MISSOURI

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Stockton, Missouri  
September 28, 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

**Cedar County Farmers Mutual Insurance Company**

hereinafter referred to as such, or as the Company. Its administrative office is located at 207 West Street, Stockton, Missouri 65785, telephone number (417) 276-4617. The fieldwork for this examination began on September 12, 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 Cedar County Farmers Mutual Insurance Company (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 organized on August 7, 1897, as Farmers Mutual Fire Insurance Company of Cedar County. On February 6, 2006, the Company amended its Articles of Incorporation, changing its official name to Cedar County Farmers Mutual Insurance Company.

The Company has a Certificate of Authority dated May 18, 2006, 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

The management of the Company is vested in a Board of Directors that are elected by the policyholders. The Board of Directors elected and serving as of December 31, 2021, was as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Brent Rutledge Stockton, Missouri	Farmer/Agent	2023
Rod Hendricks Jerico Springs, Missouri	Agent	2023
Kathy Crain Stockton, Missouri	Agent	2024
Amber Fidler Stockton, Missouri	Banker	2023
Alicia Chism Fair Play, Missouri	Bookkeeper	2023
Ryan Ankrom Stockton, Missouri	Self-employed	2022
Gary Benham El Dorado Springs, Missouri	Plant Manager	2024
Brent Wallen Stockton, Missouri	Paramedic	2024

**Senior Officers**

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

<b><u>Name</u></b>	<b><u>Office</u></b>
Brent Rutledge	President
Rod Hendricks	Vice President
Lila Starbuck	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.

**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 had two full-time employees as of the examination date. The Company provides health insurance and paid time off for all full-time employees.

**FIDELITY BOND AND OTHER INSURANCE**

The Company is a named insured on a fidelity bond providing a limit of liability of \$75,000. 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 provides errors and omissions insurance to its captive agents and carries a business owner's policy.

**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 five licensed agents, who receive a 14% commission on property policies and 15% on liability policies.

**Policy Forms and Underwriting Practices**

The Company utilizes American Association of Insurance Services (AAIS) and Missouri Association of Mutual Insurance Companies (MAMIC) forms. Policies are written on a 3-year renewal and continuous basis. Property inspections and claim adjusting services are performed by third parties.

**GROWTH OF COMPANY AND LOSS EXPERIENCE**

*(\$000s omitted)*

<b>Year</b>	<b>Admitted Assets</b>	<b>Liabilities</b>	<b>Gross Premiums</b>	<b>Gross Losses</b>	<b>Investment Income (Loss)</b>	<b>Underwriting Income (Loss)</b>	<b>Net Income (Loss)</b>
2021	\$1,702	\$381	\$668	\$275	\$ 5	\$ (11)	\$ (4)
2020	1,732	407	652	177	22	21	57
2019	1,652	383	680	292	36	128	163
2018	1,525	420	697	488	30	(152)	(118)
2017	1,632	409	720	219	28	19	47

At year-end 2021, there were 733 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)*

<b>Premium Type</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Direct	\$ 720	\$ 697	\$ 680	\$ 652	\$ 668
Assumed	0	0	0	0	0
Ceded	(224)	(248)	(206)	(257)	(253)
<b>Net Written</b>	<b>\$ 496</b>	<b>\$ 449</b>	<b>\$ 475</b>	<b>\$ 396</b>	<b>\$ 416</b>

**Assumed Reinsurance**

The Company does not reinsure other companies.

**Ceded Reinsurance**

The Company has property and casualty reinsurance through the Wisconsin Reinsurance Corporation (Wisconsin Re). Under the per risk excess of loss agreement, the Company retains \$75,000 per risk, and Wisconsin Re covers up to \$525,000 of the remaining losses per risk. Under the aggregate excess of loss agreement, Wisconsin Re is liable for all losses in excess of the Company’s annual aggregate net retention, or attachment point. The attachment point for 2021 was 70% of the Company’s net written premiums. Under the casualty quota share reinsurance agreement, the Company cedes 100% of its net written premiums and receives a 25% ceding commission.

The Company also cedes 100% of the liability related to business equipment breakdown, employment practices liability, farm owners equipment breakdown, home systems protection, identity recovery, service line, cyber suite, and home cyber coverage to Hartford Steam Boiler Inspection and Insurance Company.

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 CPA firm of DSWA Certified Public Accountants, P.C. 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 Cedar County 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	\$ 207,687
Mutual Funds	198,528
Real Estate	173,725
Cash	1,117,493
Interest Due and Accrued	933
Reinsurance Premiums Receivable	1,670
Prepaid Income Taxes	1,714
<b>TOTAL ASSETS</b>	<b><u>\$ 1,701,750</u></b>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

As of December 31, 2021

Unpaid Losses	\$ 28,363
Unearned Premium	351,003
Payroll Tax	1,264
<b>TOTAL LIABILITIES</b>	<b><u>\$ 380,630</u></b>
Guaranty Fund	150,000
Other Surplus	1,171,120
<b>TOTAL POLICYHOLDER SURPLUS</b>	<b><u>\$ 1,321,120</u></b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b><u>\$ 1,701,750</u></b>

**STATEMENT OF INCOME**

For the Year Ended December 31, 2021

Net Earned Assessment/Premium Income	\$ 402,171
Other Insurance Income	43,014
Net Losses & Loss Adjustment Expense	(201,053)
Underwriting Expenses	(254,851)
<b>Underwriting Income (Loss)</b>	<b>\$ (10,719)</b>
Investment Income	7,781
Investment Expenses	(2,476)
<b>Net Investment Gain (Loss)</b>	<b>\$ 5,305</b>
Other Income	2,378
<b>Gross Profit or Loss</b>	<b>\$ (3,036)</b>
Federal Income Tax	(1,337)
<b>NET INCOME (LOSS)</b>	<b>\$ (4,373)</b>

**RECONCILIATION OF CAPITAL AND SURPLUS**

Changes from January 1, 2017 to December 31, 2021

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Beginning Policyholder's Surplus	\$ 1,176,317	\$ 1,223,584	\$ 1,105,231	\$ 1,268,269	\$ 1,325,494
Net Income (Loss)	47,267	(118,353)	163,035	57,226	(4,373)
Rounding	0	0	3	(1)	(1)
<b>Ending Policyholder's Surplus</b>	<b>\$ 1,223,584</b>	<b>\$ 1,105,231</b>	<b>\$ 1,268,269</b>	<b>\$ 1,325,494</b>	<b>\$ 1,321,120</b>

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None.

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION**

None.

**SUMMARY OF RECOMMENDATIONS**

None.

**SUBSEQUENT EVENTS**

The COVID-19 pandemic has continued to develop, with significant 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 Cedar County Farmers Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated.

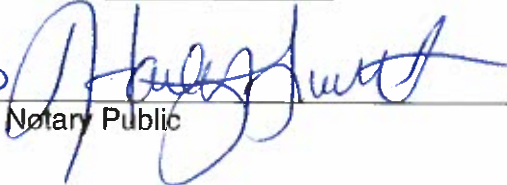
**VERIFICATION**

State of Missouri            )  
  )    ss  
County of Cole                )

I, Joshua Nash, 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 Cedar County 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.

  
\_\_\_\_\_  
Joshua Nash, CPA, CFE  
Examiner  
Missouri Department of Commerce and  
Insurance

Sworn to and subscribed before me this 28<sup>th</sup> day of November, 2022.

My commission expires: March 30, 2023   
\_\_\_\_\_  
Notary Public



HAILEY LUEBBERT  
My Commission Expires  
March 30, 2023  
Osage County  
Commission #15634368

**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 R. Shadowens*

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