



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 Fire & Lightning Insurance Company 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 Fire & Lightning 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 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.

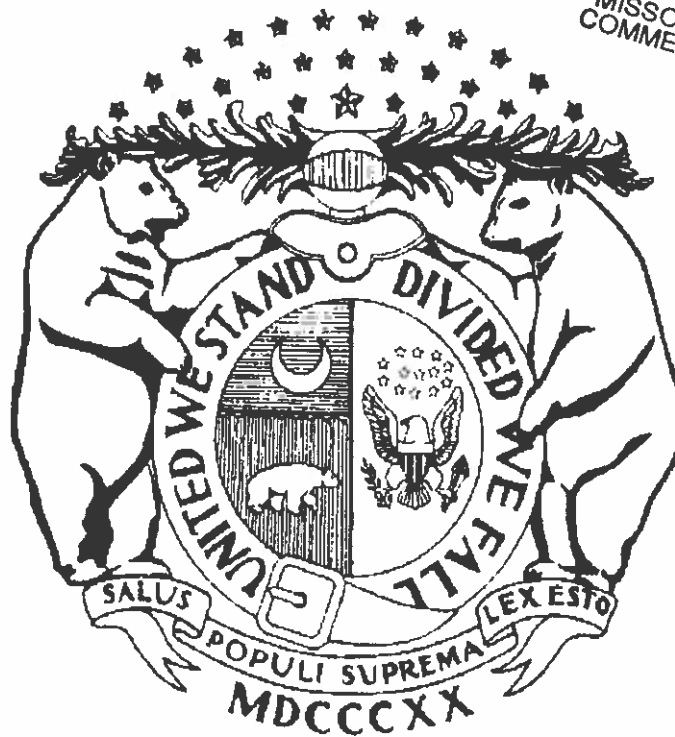
REPORT OF THE
FINANCIAL EXAMINATION OF
FARMERS MUTUAL FIRE & LIGHTNING
INSURANCE COMPANY

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 14, 2019
Mound City, 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 FIRE & LIGHTNING INSURANCE COMPANY

hereinafter referred to as such, or as the Company. The Company's administrative office is located at 1411 State Street (P.O. Box 206), Mound City, Missouri 64470, telephone number (660) 442-5445. This examination began on April 17, 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 1891 and was incorporated on September 8, 1896, as Farmers Mutual Fire and Lightning Insurance Company of Holt County, Missouri. In 1979, the Company changed its name to Farmers Mutual Fire and Lightning Insurance Company.

The Company has a Certificate of Authority dated August 28, 2001, 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

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the first Tuesday after the first Monday in March 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 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 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 four times per year, and directors are compensated \$115 per each 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>
Thomas Hare Savannah, Missouri	Water District Employee	2020
Garold Kurtz Mound City, Missouri	Business Owner	2020
James Loucks Mound City, Missouri	Farmer	2018
Phillip Morris Oregon, Missouri	Farmer	2020
Kelton Noland Oregon, Missouri	Farmer	2020
Kirby Rosier Mound City, Missouri	Farmer	2019
Hugh Wallace Mound City, Missouri	Farmer	2019

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:

Phillip Morris	President
Hugh Wallace	Vice-President
Jayson Johnson	Secretary
Jeremy Johnson	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 \$100,000. 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 on its home office and contents, as well as business liability insurance.

EMPLOYEE BENEFITS

The Company has three part-time employees. The General Manager/Treasurer receives a monthly salary along with dental, health and life insurance and paid time off. The President receives a monthly stipend only, and the Secretary's only compensation is Company-paid dental and 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 two licensed agents, who receive a 15% commission. Agents are eligible for a contingent commission if certain loss ratio requirements are met.

Policy Forms and Underwriting Practices

The Company uses American Association of Insurance Services (AAIS) policy 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. Properties are inspected every three years, and inspections are performed by the Company's Manager. Loss adjusting is performed by independent adjusters under the supervision of the Company's Manager.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Assessments	Gross Losses	Investment Income	Underwriting Income	Net Income
2017	\$2,943,099	\$28,158	\$725,321	\$364,745	\$34,593	\$60,397	\$88,218
2016	2,842,307	15,584	743,057	378,290	45,079	(67,628)	(29,311)
2015	2,886,508	30,158	706,776	151,508	36,177	64,041	95,855
2014	2,794,319	33,824	676,296	227,533	31,681	15,911	41,772
2013	2,762,239	43,516	669,408	605,493	34,604	139,307	169,874
2012	2,574,181	25,332	587,311	133,296	15,804	60,004	71,827

At year-end 2017, 610 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	\$587,311	\$669,408	\$676,296	\$706,776	\$743,057	\$725,321
Assumed	0	0	0	0	0	0
Ceded	(166,137)	(144,945)	(171,697)	(201,323)	(162,551)	(193,506)
Net	\$421,174	\$524,463	\$504,599	\$505,453	\$580,506	\$531,815

Assumed

The Company does not reinsure other companies.

Ceded

The Company's property reinsurance program is placed by broker Guy Carpenter & Company, LLC with various reinsurers (the reinsurer) under property per risk excess of loss and unlimited aggregate excess of loss contracts. The lead reinsurer under the program is Swiss Reinsurance America Corporation, with 20% share in the interest and liabilities of the contracts.

Under the property per risk excess of loss reinsurance contract, the Company retains \$40,000 per risk, and the reinsurer's limit is \$500,000 each loss, each risk and \$1,000,000 per occurrence.

Under the aggregate excess of loss agreement, the Company's annual aggregate net retention, or attachment point, is equal to 75% of the Company's gross net earned premium income. The reinsurer is liable for 100% of losses in excess of this retention.

The Company has a liability quota share contract with Cameron Mutual Insurance Company for liability risks. The Company cedes 100% of the liability risks and premiums to Cameron Mutual Insurance Company and receives a 22% 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 Harden, Cummins, Moss & Miller, LLC prepares the Company's annual statement and federal tax filings.

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	\$ 550,508
Real Estate	388,141
Cash on Deposit	1,845,981
Assessment Balances Uncollected	8,705
Reinsurance Recoverable on Paid Losses	143,228
Interest Due and Accrued	6,536
	<hr/>
Total Assets	\$ 2,943,099

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2017

Net Losses Unpaid	\$ 3,000
Ceded Reinsurance Premium Payable	15,298
Payroll Tax	1,145
Accounts Payable to Agents	8,715
	<hr/>
Total Liabilities	\$ 28,158
	<hr/>
Guaranty Fund	\$ 150,000
Other Surplus	2,764,941
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Total Surplus	\$ 2,914,941
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Total Liabilities and Surplus	\$ 2,943,099

STATEMENT OF INCOME
For the Year Ending December 31, 2017

Net Premiums Earned	\$ 531,815
Net Losses & Loss Adjustment Expenses Incurred	(184,379)
Other Underwriting Expenses Incurred	<u>(287,039)</u>
Net Underwriting Income (Loss)	\$ 60,397
Net Investment Income	34,593
Other Income	<u>28</u>
Gross Profit (Loss)	\$ 95,018
Federal Income Tax	<u>6,800</u>
Net Income (Loss)	<u>\$ 88,218</u>

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

	2012	2013	2014	2015	2016	2017
Capital and Surplus, Beginning of Year	\$ 2,477	\$ 2,549	\$ 2,719	\$ 2,761	\$ 2,857	\$ 2,827
Net Income (Loss)	<u>72</u>	<u>170</u>	<u>42</u>	<u>96</u>	<u>(30)</u>	<u>88</u>
Capital and Surplus, End of Year	<u>\$ 2,549</u>	<u>\$ 2,719</u>	<u>\$ 2,761</u>	<u>\$ 2,857</u>	<u>\$ 2,827</u>	<u>\$ 2,915</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 Famers Mutual Fire & Lightning Insurance Company 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 19 day of August, 2019.

My commission expires:
March 30, 2023

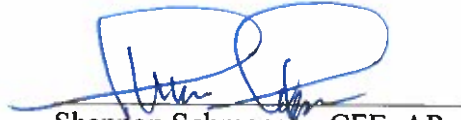
Hailey Luebbert
Notary Public



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