

# 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 Warren County for the period ended December 31, 2020, 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.

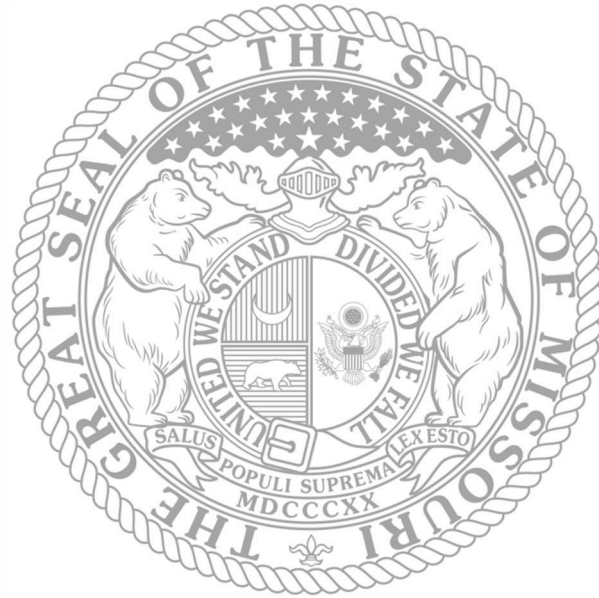
Based on such findings and conclusions, I hereby ORDER Farmers Mutual Insurance Company of Warren County to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition 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 10<sup>th</sup> day of May, 2022.



*Chlora Lindley-Myers*

Chlora Lindley-Myers, Director  
Department of Commerce and Insurance



REPORT OF  
FINANCIAL EXAMINATION OF

# FARMERS MUTUAL INSURANCE COMPANY OF WARREN COUNTY

AS OF  
DECEMBER 31, 2020

STATE OF MISSOURI  
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Jefferson City, MO  
March 14, 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

### **Farmers Mutual Insurance Company of Warren County**

hereinafter referred to as such, as FMICWC, or as the Company. Its administrative office is located at 109 East Booneslick Road, Warrenton, MO 63383, telephone number (636) 456-3629. The fieldwork for this examination began on February 15, 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 Farmers Mutual Insurance Company of Warren County. The last examination of the Company by the Department covered the period of January 1, 2011, through December 31, 2015. The current examination covers the period of January 1, 2016, through December 31, 2020, 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 organized on April 24, 1875, as the Private Benevolent Association No. 2 of Warren County. In 1890, the Company reorganized and changed its name to Farmers Mutual Fire Insurance Company of Warren County, Missouri. On September 7, 1939, the Company reorganized and received a Certificate of Incorporation from the Missouri Secretary of State. The Company subsequently changed its name to Farmers Mutual Insurance Company of Warren County.

The Company has participated in several mergers over the years. The first of the mergers occurred in October 1973, when Femme-Osage Mutual and New Hope Mutual Fire Insurance Company merged with the Company. In November 1977, the Holstein Private Benevolent Association merged with the Company and subsequently, in May 1978, the New Melle-Weldon Springs Company merged with the Company. On December 31, 2001, the Benevolent Association Mutual Insurance Company of Rhineland, Missouri merged with the Company.

On April 9, 1990, the Company amended its Articles of Incorporation to change to an Extended Missouri Mutual Company (Sections 380.201 through 380.591 RSMo). At that time, the Company received a Certificate of Authority from the Department.

**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 third Thursday in February, at the home office of the Company or at such place 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 management of the Company is vested in a Board of Directors, who are elected by the general membership. The Board of Directors consists of nine members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately each month. The Board of Directors elected and serving as of December 31, 2020, were as follows:

<b><u>Name and Address</u></b>	<b><u>Principal Occupation</u></b>	<b><u>Term Expires</u></b>
Bruce Groeper Warrenton, Missouri	Retired Barber	2023
Gerald Schulze Warrenton, Missouri	Farmer	2021
Glenn Ridder Marthasville, Missouri	Farmer	2021
Howard Lauer Rhineland, Missouri	Farmer	2021
Norbert Struckhoff Augusta, Missouri	Farmer	2022

Paul Krieg Troy, Missouri	Retired Banker	2022
Alex Heldt Rhineland, Missouri	Project Manager	2022
Wendell Massmann Wentzville, MO	Retired Farmer	2023
John W. Noltensmeyer Rhineland, MO	Insurance Agent	2023

**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:

<b><u>Name</u></b>	<b><u>Office</u></b>
Norbert Struckhoff	President
Gerald Schulze	Vice-President
Randy Tiefenthaler	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 executed conflict of interest statements noted no potential material conflicts were disclosed.

**Corporate Records**

The Company's Articles of Incorporation and Bylaws were reviewed. The Articles of Incorporation were not amended during the examination period. The Bylaws were amended in 2016 to revise the advance notification requirements for the annual meeting. The minutes of the membership and the Board of Directors meetings were reviewed for the period under examination.

**EMPLOYEE BENEFITS**

The Company has five full-time employees. Employees receive life, health and dental insurance benefits, paid time off, and are eligible for employer matching in a deferred compensation plan.

**FIDELITY BOND AND OTHER INSURANCE**

The Company is a named insured on a fidelity bond providing a limit of liability of \$100,000 with a \$1,000 deductible. The coverage meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$100,000 and \$125,000 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, business liability insurance, workers compensation, and employer’s liability 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 Warren and the immediate surrounding counties. Insurance is provided on a non-assessable basis.

**Policy Forms and Underwriting Practices**

The Company writes one-year renewable policies. Policy rates are approved by the Board of Directors based on internal recommendations. The Company uses a mix of forms from the American Association of Insurance Services (AAIS) supplemented with forms from Grinnell Mutual Insurance Company (the reinsurer) and the Missouri Association of Mutual Insurance Companies (MAMIC).

Insurance products are sold by eleven independent agencies with thirty-one producers. Agents are paid under two commission schedules. Agents either receive 20% for new business and 12% for renewals or a level commission of 15% on all business (new and renewals). Onsite property inspections are made by the Company’s inspector prior to the issuance of policies. Renewals are inspected every third year. The Company contracts with the reinsurer to adjust claims.

**GROWTH OF COMPANY AND LOSS EXPERIENCE**

*(\$000s omitted)*

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2020	\$ 8,401	\$ 1,540	\$ 3,323	\$ 2,347	\$ 252	\$ 49	\$ (495)
2019	8,958	1,602	3,241	1,170	251	7	314
2018	8,578	1,537	3,057	1,624	241	1	(96)
2017	8,610	1,471	2,969	1,071	227	216	448
2016	7,362	1,668	2,750	2,085	239	(1,329)	(1,084)

At year-end 2020, there were 3,880 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	2016	2017	2018	2019	2020
Direct Premiums Written	\$ 2,852	\$ 2,958	\$ 3,046	\$ 3,229	\$ 3,311
Reinsurance Assumed:	7	11	11	11	11
Reinsurance Ceded:	(980)	(1,111)	(1,152)	(1,286)	(1,413)
<b>Net Premiums Written</b>	<b>\$ 1,879</b>	<b>\$ 1,858</b>	<b>\$ 1,905</b>	<b>\$ 1,954</b>	<b>\$ 1,909</b>



**Assumed Reinsurance**

MAMIC Mutual Insurance Company (MMIC) issues direct policies to insure agents' errors and omissions liability and directors' and officers' liability risks for various mutual insurance companies, including the Company. The policy risks insured by MMIC for these two products are pooled and ceded to participating mutual insurance companies. The Company has a 2% share in the interests and liabilities of the pool.

**Ceded Reinsurance**

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (the 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 \$200,000 of property losses per risk, and the reinsurer's maximum limit is \$20 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 \$750,000 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 2020 was \$1,850,000.

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 is reinsured 100% 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 Tochtrop and Associates prepared the financial statements, tax returns and compiled the Company's Annual Statement until 2017. The firm Van De Ven LLC provided services including financial statement, tax return and Annual Statement preparation beginning in 2018.

**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 Warren County for the period ending December 31, 2020. 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, 2020

Bonds	\$	6,737,326
Real Estate-Book Value		177,739
Cash on Deposit		1,314,590
Other Investments		83,924
Reinsurance Recoverable on Paid Losses		35,055
Computer Equipment (Hardware Only)		651
Interest Due and Accrued		51,689
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>8,400,974</b>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

As of December 31, 2020

Gross Losses Unpaid less Reinsurance Recoverable	\$	0
Ceded Reinsurance Premium Payable		116,984
Unearned Premium		1,384,566
Payroll Tax		8,616
Account Payable (Other)		8,427
Accrued Sick Leave		21,171
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b>1,539,764</b>
Guaranty Fund		150,000
Other Surplus		6,711,210
<b>TOTAL CAPITAL AND SURPLUS</b>	<b>\$</b>	<b>6,861,210</b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>\$</b>	<b>8,400,974</b>

**UNDERWRITING AND INVESTMENT EXHIBIT**

For the Year Ended December 31, 2020

Net Earned Assessment/Premium Income	\$ 1,855,188
Other Insurance Income	307,143
Net Losses & Loss Adjustment Expense	2,072,083
Underwriting Expenses	887,241
<b>Net Underwriting Gain (Loss)</b>	<b>\$ (796,993)</b>
Investment Income	258,979
Investment Expenses	6,369
Interest Expenses	19
<b>Net Investment Income</b>	<b>\$ 252,591</b>
Other Income	48,544
<b>Gross Profit or Loss</b>	<b>\$ (495,858)</b>
Federal Income Tax	(1,118)
<b>NET INCOME (LOSS)</b>	<b>\$ (494,740)</b>

**GAIN OR LOSS IN SURPLUS**

Changes from January 1, 2016 to December 31, 2020

*(\$000s omitted)*

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Beginning Policyholder's Surplus	\$ 6,257	\$ 6,696	\$ 7,139	\$ 7,041	\$ 7,356
Net Profit of (Loss)	439	448	(96)	314	(495)
Prior Period Net Book Value of Non- Admitted Assets	0	(5)	0	0	0
Federal Income Taxes	0	0	(2)	0	0
Prior Year Alternative Minimum Tax Credit	0	0	0	1	0
<b>Ending Policyholder's Surplus</b>	<b>\$ 6,696</b>	<b>\$ 7,139</b>	<b>\$ 7,041</b>	<b>\$ 7,356</b>	<b>\$ 6,861</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.

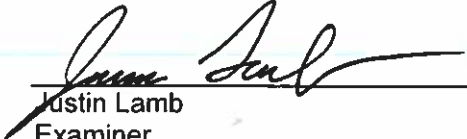
**ACKNOWLEDGMENT**

The assistance and cooperation extended by the officers and the employees of Farmers Mutual Insurance Company of Warren County 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 Farmers Mutual Insurance Company of Warren County, 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 19<sup>th</sup> day of April, 2022.

My commission expires: 3/30/2023  
  
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 R. Shadowens*

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