

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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


ORDER

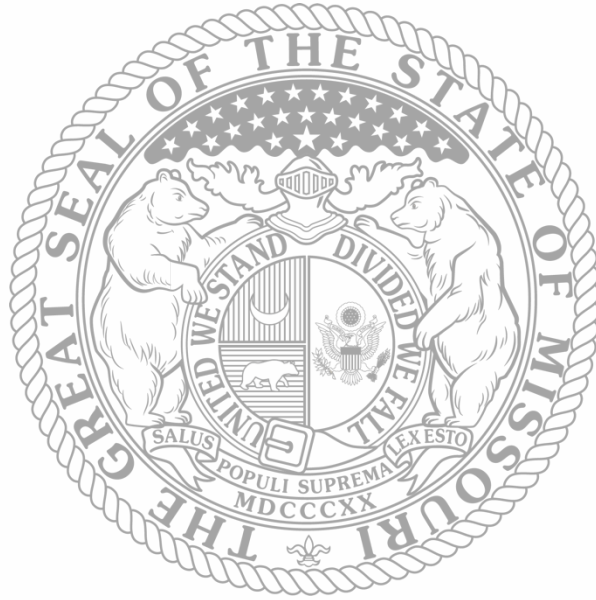
After full consideration and review of the report of the financial examination of Farmers Mutual Protective Association of Benton County for the period ended December 31, 2021, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, 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 Farmers Mutual Protective Association of Benton 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 21st day of December, 2022.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

FARMERS MUTUAL PROTECTIVE ASSOCIATION OF BENTON COUNTY

AS OF
DECEMBER 31, 2021

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

JEFFERSON CITY, MISSOURI

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Jefferson City, MO
November 15, 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 Protective Association of Benton County

hereinafter referred to as such, as FMPABC, or as the Company. Its administrative office is located at 445 N Highway 65, Lincoln, Missouri 65338. telephone number (660) 547-2323. The fieldwork for this examination began on August 31, 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 Protective Association of Benton County. 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 May 20, 1882, and was incorporated on November 7, 1935, as Farmers Mutual Protective Association of Benton County.

The Company has a Certificate of Authority dated June 15, 2004, 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 Wednesday 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 at any time by the Board of Directors 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 five 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>
David Aery Warsaw, Missouri	Farmer/Angling Supply Manufacturer	2022
Ernest Burnett Lincoln, Missouri	Farmer/Insurance Agent	2023
Paul Meyer Warsaw, Missouri	Farmer/Agricultural Exchange Employee	2023
George Keightley Cole Camp, Missouri	Farmer	2024
Marsha Downs Warsaw, Missouri	Banker	2022

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>
David Aery	President
Ernest Burnett	Vice-President
Cathy Burton	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 of which were amended during the examination period. The minutes of the membership and the Board of Directors meetings were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has one full-time employee and one part-time employee. The Company's full time employee receives health insurance, and both employees receive ten sick days and vacation days each year

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$50,000 with a \$1,000 deductible. The 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 its agents with errors and omissions insurance. Other insurance coverages carried by the Company includes property and 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 Company's policies are sold by three licensed agents, who receive a 12% commission on new and renewal policies.

Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Service, Inc. (AAIS) policy forms. Policies are written on a continuous period, and rates are determined by the Board of Directors. Renewal billings are mailed directly to insureds. Property inspections are performed by the Company's agents. Claims adjusting is performed by the Company's agents or by independent adjusters, at the discretion of the Company.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's premium writings and other financial results 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	\$ 1,300	\$ 284	\$ 798	\$ 264	\$ 5	\$ 139	\$ 140
2020	1,140	264	782	354	16	(54)	(42)
2019	1,175	257	748	308	21	(56)	(35)
2018	1,202	246	764	101	10	236	246
2017	981	271	740	278	7	57	63

At year-end 2021, there were 773 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	\$ 728	\$ 755	\$ 739	\$ 766	\$ 780
Reinsurance Assumed:	0	0	0	0	0
Reinsurance Ceded:	(124)	(122)	(114)	(105)	(105)
Net Premiums Written	\$ 604	\$ 633	\$ 625	\$ 661	\$ 675

Assumed Reinsurance

The Company does not reinsure other companies.

Ceded Reinsurance

The Company has per risk excess of loss and unlimited aggregate excess of loss coverage for property risks and quota share coverage for casualty risks through the intermediary, Guy Carpenter & Company, LLC. There are nine reinsurers participating in the agreements. Those reinsurers with the largest participation include American Agricultural Insurance Company, Employers Mutual Casualty Company, Renaissance Reinsurance U.S. Inc., and Swiss Reinsurance America Corporation, which collectively account for over 75% of the participation in the contracts.

Under the property per risk excess of loss coverage, the Company retains \$45,000 each loss, each risk, subject to limits of liability of \$500,000 each loss, each risk, and \$1,000,000 each loss occurrence. Under the unlimited aggregate excess of loss coverage, the reinsurers are liable for 100% of losses in excess of 70% of gross net earned premium income, which was approximately \$412,172 in 2021. Under the casualty quota share coverage, the Company cedes a 100% share of all casualty business, limited to a maximum cession of \$1,000,000 per policy.

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 a cash basis. The company prepares its annual statement and statutory filings. Johnson Tax Service prepares the Company's 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 Farmers Mutual Protective Association of Benton County 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

Real Estate	\$ 152,872
Cash on Deposit	1,147,500
TOTAL ASSETS	\$ 1,300,372

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2021

Unearned Premium	284,224
TOTAL LIABILITIES	\$ 284,224
Guaranty Fund	150,000
Other Surplus	866,148
TOTAL CAPITAL AND SURPLUS	\$ 1,016,148
TOTAL LIABILITIES AND SURPLUS	\$ 1,300,372

UNDERWRITING AND INVESTMENT EXHIBIT

For the Year Ended December 31, 2021

Net Earned Assessment/Premium Income	\$ 482,253
Other Insurance Income	22,531
Net Losses & Loss Adjustment Expense	(153,989)
Underwriting Expenses	(212,159)
Net Underwriting Gain (Loss)	\$ 138,636
Investment Income	4,584
Net Investment Income	\$ 4,584
Other Income	0
Gross Profit or Loss	\$ 143,220
Federal Income Tax	3,345
NET INCOME (LOSS)	\$ 139,875

GAIN OR LOSS IN SURPLUS

Changes from January 1, 2017 to December 31, 2021

(\$000s omitted)

	2017	2018	2019	2020	2021
Beginning Policyholder's Surplus	\$ 647	\$ 710	\$ 956	\$ 919	\$ 876
Net Profit of (Loss)	63	246	(37)	(42)	140
Ending Policyholder's Surplus	\$ 710	\$ 956	\$ 919	\$ 876	\$ 1,016

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.

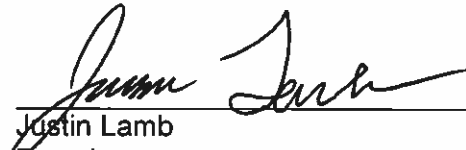
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Farmers Mutual Protective Association of Benton 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 Protective Association of Benton 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 5th day of December, 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 R. Shadowens

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