STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Farmers Mutual Insurance Company of Cole Camp, Inc as of December 31, 2008

ORDER

After full consideration and review of the report of the financial examination of Farmers Mutual Insurance Company of Cole Camp, Inc for the period ended December 31, 2008, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 380.061, RSMo [if Part I], or 380.491, RSMo [if Part II], adopt such report. After my consideration and review of such report are incorporated by reference and deemed to be my findings and conclusions to accompany this order.

Based on such findings and conclusions, I hereby ORDER Farmers Mutual Insurance Company of Cole Camp, Inc, 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) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions; and (3) 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 December 22, 2009

John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF THE
FINANCIAL EXAMINATION OF

FARMERS MUTUAL INSURANCE COMPANY
OF
COLE CAMP, INC.

AS OF
DECEMBER 31, 2008

FILED
DEC 22 2009
DIRECTOR OF INSURANCE
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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June 10, 2009
Jefferson City, Missouri

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Sir:

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 COLE CAMP, INC.

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 206 West Main Street (P.O. Box 157), Cole Camp, Missouri 65325, telephone number (660) 668-2445. This examination began on April 20, 2009, and concluded on April 22, 2009, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2003, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2004, through December 31, 2008, and was conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration (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.

Comments-Previous Examination Report

The comments, recommendations, and notes of the previous examination report dated December 31, 2003, are listed below followed by the Company's response and the current examination findings regarding such comments, recommendations and notes.

Fidelity Bond and Other Insurance

Comment: It was recommended the Company increase its fidelity bond coverage to a minimum of $75,000.

Company Response: The Company increased its fidelity bond coverage to $75,000.

Current Findings: The Company's increased its fidelity bond coverage as recommended.

Policy Forms and Underwriting Practices

Comment: It was recommended the Company execute a written agreement with its inspector/adjuster, which clearly outlines the duties and responsibilities of both parties.

Company Response: The Company executed a written agreement with its inspector/adjuster.

Current Findings: The Company entered into a written agreement with its inspector/adjuster, as recommended. Prior to the current examination date the arrangement and agreement with the inspector/adjuster were terminated.

Comment: It was recommended the Company take the necessary measures to ensure that all insured properties are formally inspected.

Company Response: The Company currently requires inspections to be performed by its agents and remitted to the Company prior to paying commissions on the policies.

Current Findings: The Company has taken the necessary measures to ensure timely inspections of insured properties.

HISTORY

General

The Company was originally organized on October 8, 1878, as Farmer's Home Association of Morgan, Benton and Adjoining Counties and was incorporated on August 4, 1953. On July 1, 1990, the Company changed its name to Farmers Mutual Insurance Company of Cole Camp, Inc.

The Company has a Certificate of Authority dated December 19, 1984, 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 second Saturday in March at the home office of the Company or at such other 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. 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 every quarter, and the directors are compensated $50 per each meeting attended.

Members serving on the Board of Directors as of December 31, 2008, were as follows:

Name and Address	Occupation	Term
Harold Steffens Ionia, Missouri	Retired	2006-2009
Elmer Dieckman Cole Camp, Missouri	Retired	2006-2009
Gary Viebrock Cole Camp, Missouri	Technician	2008-2011
Larry Gerken Lincoln, Missouri	Farmer/Self-Employed	2007-2010

Matt Tinney Mora, Missouri	Teacher	2007-2010
Jean Hesse Cole Camp, Missouri	Loan Officer	2007-2010
Chester Schlesselman Cole Camp, Missouri	Technician	2008-2011

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, 2008, were as follows:

Harold Steffens	President
Jean Hesse	Vice-President
Joyce Mahnken	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 has its directors and officers sign conflict of interest statements on an annual basis. A review of the signed statements noted no significant conflict disclosures.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. On April 30, 2007, the Articles of Incorporation were amended to increase the number of directors from six to seven and to change the annual membership meeting date from the second Saturday in February to the second Saturday in March. The Bylaws were not amended during the period under examination.

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 commercial crime policy that provides employee dishonesty coverage with a limit of liability of $75,000. This policy provides the minimum fidelity insurance recommended by the NAIC.

The Company carries liability coverage for their directors and officers and purchases errors and omissions insurance coverage for its agents.

The Company self-insures its home office and adjacent properties owned by the Company. The Company purchases commercial liability and workers compensation coverage from an outside carrier.

The insurance coverage appears adequate.

EMPLOYEE BENEFITS

The Company has four full-time employees. The benefits package offered by the Company to its employees includes group health insurance, term life insurance and paid time off.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the DIFP 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 counties in the State of Missouri. The Company writes fire, wind and liability coverages. The Company's policies are sold by four licensed agents, who receive a 15% commission.

Policy Forms and Underwriting Practices

The Company utilizes Grinnell Mutual Reinsurance Company and custom policy forms. The policies are renewed annually. Property inspections are performed by the agents and adjusting functions are performed primarily by independent adjusters. Rates are determined by the Board of Directors. Renewal billings are mailed directly to the insured.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income	Underwriting Income	Net Income
2008	$4,468,718	$540,022	$1,194,091	$1,188,215	$147,132	$(131,837)	$ (3,199)
2007	4,469,163	537,268	1,212,251	768,344	170,940	(165,329)	(23,444)
2006	4,445,134	489,795	1,190,018	586,419	136,901	6,071	129,743
2005	4,314,174	488,578	1,140,310	156,488	90,910	388,876	485,075
2004	3,816,291	453,487	945,400	411,397	66,641	(113,161)	(28,926)

At year-end 2008, 2,034 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:

	2004	2005	2006	2007	2008
Direct	$ 945,400	$1,140,310	$1,190,018	$1,212,251	$1,194,091
Assumed	0	0	0	0	0
Ceded	(157,071)	(179,157)	(204,239)	(220,681)	(236,926)
Net	$ 788,329	$ 961,153	$ 985,779	$ 991,570	$ 957,165

Assumed

The Company does not reinsure other companies.

Ceded

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (the reinsurer) under an aggregate excess of loss reinsurance agreement. The aggregate excess section of the agreement covers property risks. The Company's annual aggregate net retention, or attachment point, is based upon the Company's ten-year average fire loss ratio plus a load, which is mutually agreed upon. The reinsurer is liable for 100% of losses in excess of this retention. The attachment point for 2008 was $713,771.

The agreement also provides quota share reinsurance coverage for liability risks. Under the terms of the agreement, the Company cedes 100% of the liability premiums and losses to the reinsurer and receives a 20% 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 Company's financial statements and prepares the Company's annual statement and tax filings.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2008, 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.

ANALYSIS OF ASSETS
December 31, 2008

Real Estate	$ 147,503
Cash on Deposit	4,289,122
Computer Equipment	1,842
Federal Income Tax Recoverable	9,414
Interest Due and Accrued	16,214
Inventory	4,623
Total Assets	$ 4,468,718

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2008

Unpaid Losses	$ 106,437
Ceded Reinsurance Premium Payable	14,933
Unearned Premium	401,536
Liability Write-Ins	17,116
Total Liabilities	$ 540,022
Guaranty Fund	$ 150,000
Other Surplus	3,778,696
Total Surplus	3,928,696
Total Liabilities and Surplus	$ 4,468,718

STATEMENT OF INCOME
For the Year Ending December 31, 2008

Net Assessments Earned	$ 966,739
Other Insurance Income	19,136
Net Losses & Loss Adjustment Expenses Incurred	(698,750)
Other Underwriting Expenses Incurred	(418,962)
Net Underwriting Income (Loss)	$ (131,837)
Investment Income	147,132
Other Income	19,193
Gross Profit (Loss)	$ 34,488
Federal Income Tax	(37,687)
Net Income (Loss)	$ (3,199)

CAPITAL AND SURPLUS ACCOUNT
December 31, 2008

Policyholders' Surplus, December 31, 2007	$ 3,931,895
Net Income (Loss)	(3,199)
Policyholders' Surplus, December 31, 2008	$ 3,928,696

NOTES TO THE FINANCIAL STATEMENTS

There were no notes to the financial statements.

EXAMINATION CHANGES

There were no examination changes.

GENERAL COMMENTS AND RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGMENT

The assistance and cooperation extended by the employees of Farmers Mutual Insurance Company of Cole Camp, Inc. during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Shannon W. Schmoeger 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.

Shannon W. Schmoeger, CFE
Financial Examiner
Missouri DIFP

Sworn to and subscribed before me this 14th day of October, 2009.

My commission expires:

Feb 10, 2013

Tammy S Rodieck
Notary Public

TAMMY S. RODIECK
MY COMMISSION EXPIRES
February 10, 2013
NOTARY SEAL
#07516917
COLE COUNTY
NOTARY PUBLIC STATE OF MISSOURI

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.

Tim Tunks, CFE, CPA
Examiner In Charge
Missouri DIFP