STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

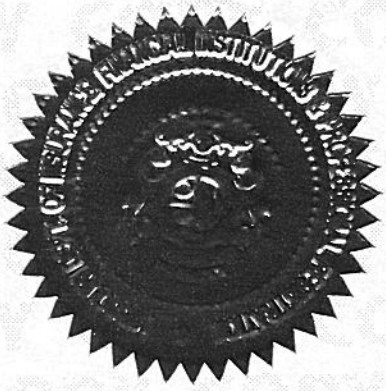
RE: Examination Report of Cedar County Farmers Mutual Insurance Company for the period ended December 31, 2011

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, 2011, 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 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) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations, if any, 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 21st day of March 2013.



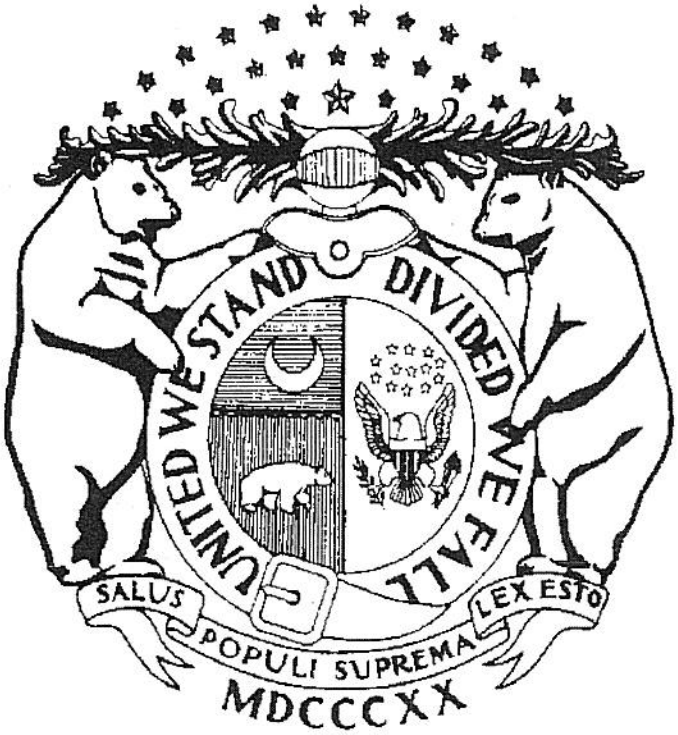
John M. Huff, Director
Department of Insurance, Financial Institutions and Professional Registration

REPORT OF THE
FINANCIAL EXAMINATION OF

CEDAR COUNTY FARMERS MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2011

FILED
MAR 21 2013
DIRECTOR OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

Subject	Page
SALUTATION	1
SCOPE OF EXAMINATION:	
Period Covered	1
Procedures	1
Comments - Previous Examination Report	2
HISTORY:	
General	3
Management	3
Conflict of Interest	4
Corporate Records	4
FIDELITY BOND AND OTHER INSURANCE	5
EMPLOYEE BENEFITS	5
INSURANCE PRODUCTS AND RELATED PRACTICES:	
Territory and Plan of Operation	5
Policy Forms & Underwriting	5
GROWTH AND LOSS EXPERIENCE OF THE COMPANY	6
REINSURANCE:	
General	6
Assumed	6
Ceded	6
ACCOUNTS AND RECORDS	7
FINANCIAL STATEMENTS:	
Analysis of Assets	8
Liabilities, Surplus and Other Funds	8
Statement of Income	9
Capital and Surplus Account	9
NOTES TO THE FINANCIAL STATEMENTS	10
EXAMINATION CHANGES	10
SUMMARY OF RECOMMENDATIONS	10
SUBSEQUENT EVENTS	10
ACKNOWLEDGMENT, VERIFICATION AND SUPERVISION	11

November 26, 2012
Stockton, 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

CEDAR COUNTY FARMERS MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 207 West Street (P.O. Box 499), Stockton, Missouri 64785, telephone number (417) 276-4617. This examination began on November 7, 2012, was concluded on November 26, 2012, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2006, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2007, through December 31, 2011, 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 Missouri Department of Insurance 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, 2006, are listed below followed by the Company's response and the current examination findings regarding such comments, recommendations and notes.

Conflict of Interest

Comment: It was recommended that members of the Board of Directors disclose all potential conflicts of interest in future conflict of interest statements.

Company Response: We are going to revise our current conflict of interest statement to accommodate the agents that write for other Companies. This new Conflict Statement will be implemented in 2008.

Current Findings: Potential conflicts of interest were not adequately disclosed on the conflict of interest statements during the examination period (see the "Conflict of Interest" section of this report).

Corporate Records

Comment: It was recommended the Company document membership meeting attendance in the meeting minutes.

Company Response: We will have a sign in sheet at our annual meeting that will have the names of the members that attended the meeting. This will become a part of our permanent records. We will start this at the annual meeting in 2008.

Current Findings: The Company adequately documented attendance at the annual membership meetings.

Territory and Plan of Operation

Comment: It was recommended the Company amend its agent agreements to require that all applications and forms be completed in full prior to submission to the home office and to add provisions which address the responsibility for obtaining errors and omissions insurance.

Company Response: We are revising the agent agreements to clarify that the applications and forms need to be completed in full and to address the errors and omissions insurance. We will have the new agent contracts ready for the 2008 year.

Current Findings: The current agent agreements adequately address the need for completed policy applications and the responsibility for errors and omissions insurance.

HISTORY

General

The Company was originally organized on August 7, 1897, as Cedar County Farmers Mutual Fire Insurance Association. The Company subsequently operated 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

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the first Monday in February in Stockton, Missouri. Special meetings of the members may be called at any time and shall be called upon petition of one-fourth of the members. Quorum requirements and proxy voting are not addressed by the Articles of Incorporation.

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 meet approximately every other month. Directors who are also agents of the Company receive $80 per each meeting attended, while directors who are not also agents of the Company receive $160 per each meeting attended.

Members serving on the Board of Directors as of December 31, 2011, were as follows:

Name and Address	Occupation	Term
Maurice Fugate El Dorado Springs, MO	Farmer/Insurance Agent	2009 - 2012
Harold Burmester Jerico Springs, MO	Farmer/Insurance Agent	2008 - 2011
Donald B. Davis Stockton, MO	Farmer/Insurance Agent	2008 - 2011
Leo Lady El Dorado Springs, MO	Insurance Agent	2009 - 2012

James R. Lower Stockton, MO	Farmer	2010 - 2013
Kathy Crain Stockton, MO	Insurance Agent	2009 - 2012
Alicia Chism Stockton, MO	CPA Firm Employee	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, 2011, were as follows:

Maurice Fugate	President
Harold Burmester	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 has its directors and officers sign conflict of interest statements on an annual basis. No conflicts of interest were disclosed in the statements; however, it was noted that some directors are agents for the Company as well as agents for other companies.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. On May 25, 2007, the Articles of Incorporation were amended to change the required number of Board members to seven. The Bylaws were not amended during the examination period and do not currently reflect the the correct number of required directors or date of the annual membership meeting.

The minutes of the membership and the Board of Directors' meetings were reviewed for the period under examination. During the February 2, 2009 annual membership meeting, three directors were elected which was not documented in the meeting minutes. It was also noted that the board meeting minutes did not consistently document the corporate actions of the Company including the annual approval of employee salaries, employee benefits, and reinsurance contracts. At the February 1, 2010, board meeting, James R. Lower was reappointed to the board without a vote by the membership as required by the Articles of Incorporation.

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 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 directors and officers liability coverage with an aggregate limit of $750,000 and a $5,000 deductible in aggregate for each claim.

The Company purchases errors and omissions coverage for its exclusive agents with limits of $500,000 per agent. The Company reimburses its non-exclusive agents a portion of the cost of their errors and omissions coverage.

The Company carries property insurance on its home office and contents and business liability insurance coverage.

The insurance coverage appears adequate.

EMPLOYEE BENEFITS

The Company has three full-time employees. The Company provides the employees with paid vacation and sick leave, and reimburses a portion of each employee's health insurance coverage cost.

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 five licensed agents, who are also directors and/or officers of the Company. The agents receive a commission of 15%.

Policy Forms and Underwriting Practices

The Company uses MAMIC, AAIS and Grinnell Mutual Reinsurance Company policy forms. The

policies are written on a continuous period with rates determined by the Board of Directors. Renewal billings are mailed directly to the insured. Inspections are performed by the agents and adjusting services are performed by independent adjusters.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

	Admitted Assets	Liabilities	Gross Assessments	Gross Losses	Investment Income	Underwriting Income	Net Income
2011	$1,725,340	$492,864	$882,357	$670,057	$49,244	($149,724)	($104,377)
2010	1,832,220	495,371	904,471	597,678	50,081	(38,353)	5,272
2009	1,868,422	536,841	828,259	1,213,768	60,735	(105,685)	(50,117)
2008	1,810,687	428,988	788,871	743,288	66,914	(120,125)	(62,391)
2007	1,925,565	481,472	803,409	412,696	77,862	(96,977)	(31,334)

At year-end 2011, 1,541 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:

	2007	2008	2009	2010	2011
Direct	$803,409	$788,871	$828,259	$904,471	$882,357
Assumed	0	0	0	0	0
Ceded	(292,959)	(327,021)	(296,999)	(323,243)	(352,356)
Net	$510,450	$461,850	$531,260	$581,228	$530,001

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 individual occurrence of loss excess with aggregate excess plan reinsurance agreement.

The individual occurrence of loss section of the agreement covers property risks. The Company retains $50,000 per occurrence and the reinsurer's limits are $1,000,000 per exposure. Risks in excess of these limits may be ceded to the reinsurer on a facultative basis per the agreement provisions. Rates and acceptability of risks ceded under the facultative provisions are determined by the reinsurer on an individual basis.

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 2011 was $390,075.

The Company also has agreements to market liability, earthquake, and mechanical breakdown coverage for the reinsurer. Under the terms of the agreements, the Company receives a 20% 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 Daniel, Schell, Wolfe & Associates, P.C. prepares the 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, 2011, 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, 2011

Bonds	$ 1,045,151
Real Estate	221,470
Cash on Deposit	452,362
Computer Equipment	225
Federal Income Tax Recoverable	2,502
Interest Due and Accrued	3,630
Total Assets	$ 1,725,340

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2011

Ceded Reinsurance Premium Payable	$ 30,260
Unearned Premium	460,740
Other Liabilities	1,864
Total Liabilities	$ 492,864
Guaranty Fund	$ 150,000
Other Surplus	1,082,476
Total Surplus	1,232,476
Total Liabilities and Surplus	$ 1,725,340

STATEMENT OF INCOME
For the Year Ending December 31, 2011

Premiums Earned	$ 517,801
Other Insurance Income	14,024
Net Losses & Loss Adjustment Expenses Incurred	(414,102)
Other Underwriting Expenses Incurred	(267,447)
Net Underwriting Income (Loss)	$ (149,724)
Investment Income	$ 49,244
Gross Profit (Loss)	$ (100,480)
Federal Income Tax	(3,897)
Net Income (Loss)	$ (104,377)

CAPITAL AND SURPLUS ACCOUNT
December 31, 2011

Policyholders' Surplus, December 31, 2010	$ 1,336,849
Net Income (Loss)	(104,377)
Rounding	4
Policyholders' Surplus, December 31, 2011	$ 1,232,476

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUMMARY OF RECOMMENDATIONS

Conflict of Interest (Page 4)

It is recommended that the conflict disclosure form be amended to include a section for the disclosure of potential conflicts of interest and that the Board of Directors and officers disclose all potential conflicts of interest in future conflict of interest statements.

Corporate Records (Page 4)

It is recommended the Company amend its Bylaws to agree with the Articles of Incorporation and the Company's current business practices.

It is recommended the Company ensure its Board members are elected in a manner consistent with its Articles of Incorporation.

It is recommended the Company maintain accurate and detailed records regarding the minutes to the board and membership meetings that properly reflect corporate transactions and events.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGMENT

The assistance and cooperation extended by the employees of Cedar County Farmers Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
)
County of Jackson)

I, Scott L. Rennick, 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.

Scott L. Rennick
Scott L. Rennick MBA, CFE
Financial Examiner
Missouri DIFP

Sworn to and subscribed before me this 23rd day of January, 2013

My commission expires:

04-14-2016

Beverly M. Webb
Notary Public

BEVERLY M. WEBB
My Commission Expires
April 14, 2016
Clay County
Commission #12464070

NOTARY PUBLIC NOTARY SEAL 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.

Mark Nance
Mark Nance CPA, CFE
Audit Manager – Kansas City
Missouri DIFP

CEDAR COUNTY FARMERS MUTUAL INSURANCE COMPANY

207 WEST STREET
P. O. BOX 499
Stockton, MO 65785
PH. 417-276-4617 Fax 417-276-6540

March 15, 2013

Mr. Frederick G Heese, CPA CFE
Chief Financial Examiner
Missouri Department of Insurance
P. O. Box 690
Jefferson City, MO 65102

Dear Mr. Heese:

This letter is to provide the Department of Insurance with a response/rebuttal to your recent comments regarding our examination. We do approve that the response be included in the report of a public document.

Our conflict of interest statement has been revised to add lines for the agents, directors and employees to record any conflicts of interest that they have. We have attached a copy for your files.

Please see the attached amendments to the Articles of Incorporation. We had amendments done in 1972 that states that the Article of Incorporation and the Constitution and By-laws were therefore amended to change the annual membership meeting to the first Monday in February.

In 2004 our Articles of Incorporation were again changed which also included changing The Constitution and By-Laws. This amendment changed the number of directors from 9 to 7. We have attached a copy for your convenience.

We will review our Articles of Incorporation to make sure that our Board members are elected consistent with the Articles. We will also make sure that our minutes are reviewed for accuracy.

We will review the Mamic Mutual Assistance Manual to ensure that our minutes to the Board meetings are accurate and detailed and properly reflect the corporate transactions and events.

We have not distributed any copies of the Examination Report and will not do so until the Department of Insurance authorizes the release.

Please let me know if you need any additional information.

Sincerely,

Gail Hufferd

Gail Hufferd
Office Manager

Enclosures