

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Forest Green 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 Forest Green 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 Forrest Green 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 18th day of April 2013.



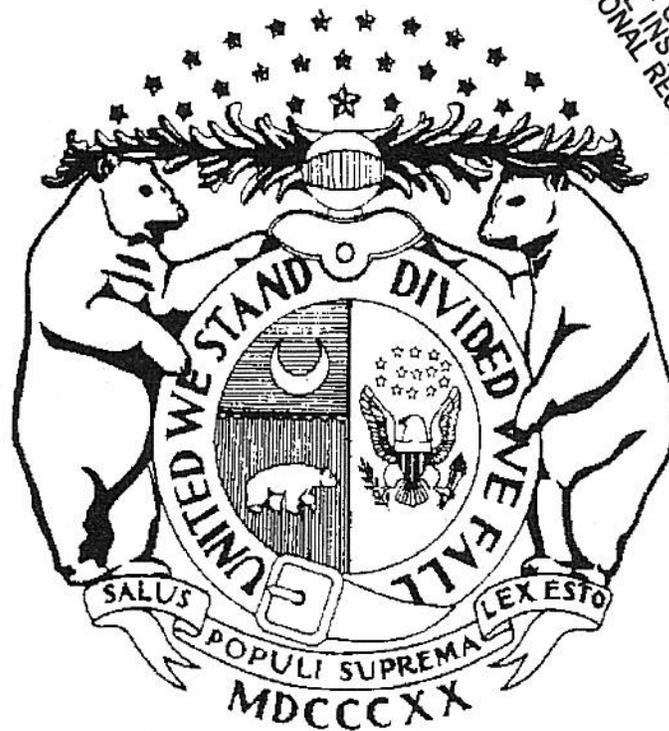
A handwritten signature in black ink, reading "John M. Huff".

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

REPORT OF THE
FINANCIAL EXAMINATION OF
FOREST GREEN FARMERS MUTUAL INSURANCE
COMPANY

AS OF
DECEMBER 31, 2011

FILED
APR 18 2013
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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October 10, 2012
Salisbury, 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

FOREST GREEN FARMERS MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 32478 Brummal Road, Salisbury, Missouri 65281, telephone number (660) 388-5540. This examination began on October 8, 2012, was concluded on October 10, 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 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, 2006, are listed below followed by the Company's response and the current examination findings regarding such comments, recommendations and notes.

Cash on Deposit and Other Investments

Comment: It was recommended the Company report certificates of deposit and money market fund balances as "Cash on Deposit" in future Annual Statement filings.

Company Response: The Company will comply with the recommendation going forward.

Current Findings: The Company properly reported certificates of deposit and money market fund balances as "Cash on Deposit".

Federal Income Tax and Other Liabilities

Comment: It was recommended the Company report payroll taxes payable in the liability write-in lines of future Annual Statement filings.

Company Response: The Company will comply with the recommendation going forward.

Current Findings: The Company properly reported payroll taxes payable as a liability write-in.

Accounts & Records – Investments

Comment: The Company was directed to bring its investment portfolio into compliance with 20 CSR 200-12.020 (Approved Investments) in regard to corporate bond investments.

Company Response: The corporate bonds mentioned were redeemed in February and July of 2007.

Current Findings: The Company is compliant with the bond limitations outlined in 20 CSR 200-12.020.

HISTORY

General

The Company was originally organized in 1897 and was incorporated on December 5, 1927, as Forest Green Farmers Mutual Insurance Company.

The Company has a Certificate of Authority dated January 14, 1996, 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 previous membership meetings or by the Board of Directors. Eight members shall constitute a quorum at any membership meeting. Proxy voting is not addressed in the Articles of Incorporation or Bylaws.

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 five members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every quarter, and directors are compensated \$120 per each meeting attended.

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

<u>Name and Address</u>	<u>Occupation</u>	<u>Term</u>
Todd Linneman Salisbury, Missouri	Farmer	2011-2014
Dale Aholt Glasgow, Missouri	Farmer	2009-2012
Don Sanders Fayette, Missouri	Farmer	2010-2013
Clifford Imgarten Salisbury, Missouri	Farmer/Agent	2011-2014
Norbert Gebhardt Salisbury, Missouri	Farmer	2009-2012

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:

Clifford Imgarten	President
Donald Sanders	Vice-President
Debbie Imgarten	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 potentially material conflicts of interest were noted in the statements.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. 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 \$25,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$25,000 and \$50,000 in coverage.

The Company carries directors and officers liability coverage with an aggregate limit of \$3,000,000 and a \$5,000 deductible in aggregate for each claim.

The Company's agents are required to obtain errors and omissions coverage and provide evidence of such coverage to the Company.

The Company does not have a home office and has limited business property, and therefore does not carry property insurance. The Company does carry commercial general liability and workers' compensation insurance coverage.

The insurance coverage appears adequate.

EMPLOYEE BENEFITS

The Company has three part-time employees. Other than salary and an annual allowance for health insurance reimbursement, the Company does not provide employee benefits.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company is licensed by the DIFP 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 three licensed producers, who receive a 15% commission.

Policy Forms and Underwriting Practices

The Company uses AAIS, MAMIC, and Grinnell Mutual Reinsurance Company policy forms. The policies are written on a continuous period. Rates are 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 the Company President, while independent adjusters may be utilized at the discretion of management.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Gross Assessments</u>	<u>Gross Losses</u>	<u>Investment Income</u>	<u>Underwriting Income</u>	<u>Net Income</u>
2011	\$1,209,345	\$184,356	\$336,734	\$62,859	\$33,819	\$106,561	\$140,380
2010	1,091,025	206,416	313,038	89,392	33,471	(6,640)	26,831
2009	1,025,001	167,223	319,374	43,155	30,822	98,794	129,616
2008	894,358	166,196	301,564	102,946	39,230	37,013	76,243
2007	821,730	169,811	279,380	99,033	28,580	18,041	46,621

At year-end 2011, 437 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:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Direct	\$279,380	\$301,564	\$319,374	\$313,038	\$336,734
Assumed	0	0	0	0	0
Ceded	<u>(75,233)</u>	<u>(76,948)</u>	<u>(76,583)</u>	<u>(78,052)</u>	<u>(80,667)</u>
Net	<u>\$204,147</u>	<u>\$224,616</u>	<u>\$242,791</u>	<u>\$234,986</u>	<u>\$256,067</u>

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 fire and wind risks. The Company retains \$100,000 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 fire and wind 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 \$145,257.

The agreement also provides coverage for liability risks. Under the terms of the agreement, the Company cedes 100% of the liability premium and risk to the reinsurer. The Company 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 for Annual Statement reporting. The Company 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	\$ 300,271
Stocks (Note 1)	120,149
Cash on Deposit	782,857
Interest Due and Accrued	6,068

Total Assets	\$ 1,209,345
	=====

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2011

Losses Unpaid	\$ 30,500
Ceded Reinsurance Premium Payable	7,100
Unearned Premium	142,895
Other Liabilities	3,861

Total Liabilities	\$ 184,356

Guaranty Fund	\$ 150,000
Other Surplus	874,989

Total Surplus	1,024,989

Total Liabilities and Surplus	\$ 1,209,345
	=====

STATEMENT OF INCOME
For the Year Ending December 31, 2011

Net Premiums Earned	\$ 248,388
Other Insurance Income	1,966
Net Losses & Loss Adjustment Expenses Incurred	(36,654)
Other Underwriting Expenses Incurred	(107,139)

Net Underwriting Income (Loss)	\$ 106,561
Investment Income	33,819

Gross Profit (Loss)	\$ 140,380
Federal Income Tax	0

Net Income (Loss)	\$ 140,380
	=====

CAPITAL AND SURPLUS ACCOUNT
December 31, 2011

Policyholders' Surplus, December 31, 2010	\$ 884,609
Net Income (Loss)	140,380

Policyholders' Surplus, December 31, 2011	\$ 1,024,989
	=====

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Stocks

The Company classified nine stocks as bonds on the 2011 Annual Statement. An examination change was made to decrease Bonds by \$120,149 with a corresponding increase of \$120,149 to stocks. The examination change had no affect on the total policyholder surplus.

EXAMINATION CHANGES

As discussed above in Note 1, the examination change related to the classification of stocks resulted in no change to total policyholder surplus.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGMENT

The assistance and cooperation extended by the employees of Forest Green 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



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