STATE OF MISSOURI

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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 Ste. Genevieve County for the period ended December 31, 2011

ORDER

After full consideration and review of the report of the financial examination of Farmers Mutual Insurance Company of Ste. Genevieve County 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 Farmers Mutual Insurance Company of Ste. Genevieve 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) 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 23rd day of January 2013.

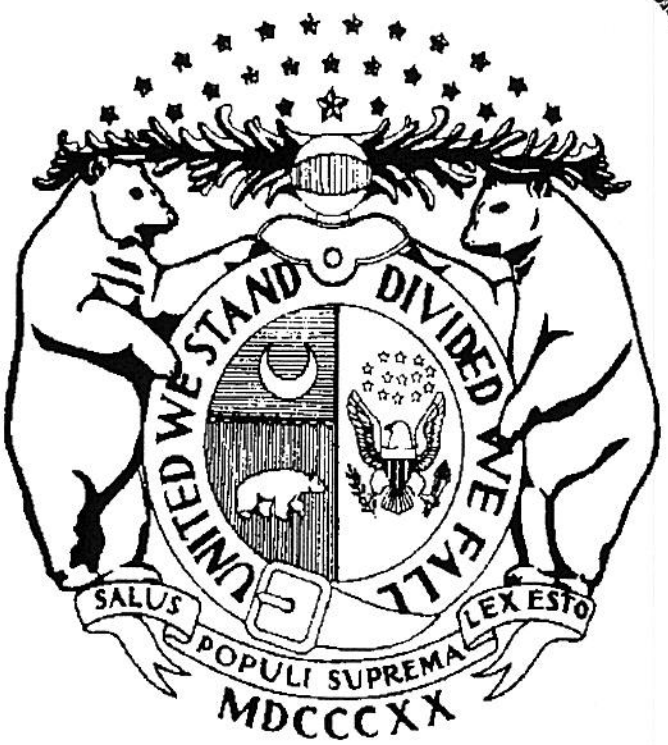
John M. Huff, Director
Department of Insurance, Financial Institutions and Professional Registration

REPORT OF THE
FINANCIAL EXAMINATION OF

Farmers Mutual Insurance Company of Ste. Genevieve County

AS OF
DECEMBER 31, 2011

FILED
JAN 23 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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November 8, 2012
Ste. Genevieve, 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 Ste. Genevieve County

hereinafter referred to as such, or as the "Company". The Company's home office and principal place of business is located at 395 Ste. Genevieve Drive, Ste. Genevieve, Mo. 63670; telephone number (573)883-3520. This examination began November 5, 2012, and concluded on November 7, 2012, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination was made as of December 31, 2006, and was conducted by an examiner 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 an examiner from the Missouri Department of Insurance, Financial Institutions and Professional Registration.

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 by 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

Below is a summary of the General Comments and/or Recommendations included in the previous examination report and the current status of each.

1. **Comment:** Signed conflict of interest statements have not been obtained annually from all directors. The Company should ensure that conflict of interest statements are prepared each year by every director.
   Company Response: Conflict of interest statements will be signed annually by all board members.
   Current Finding: Conflict of interest statements were signed by all board members for each year in the examination period.

2. **Comment**: The Company has a fidelity bond totaling $40,000 from Western Surety Company. This falls short of the $50,000 minimum amount of coverage recommended by the National Association of Insurance Commissioners (NAIC) for a company of this size and complexity. The Company should increase its fidelity bond coverage to at least $50,000.
   Company Response: The fidelity bond has been increased to $50,000.
   Current Finding: The Company's current fidelity bond of $50,000 from Western Surety Company meets the minimum amount recommended by the NAIC.

HISTORY

General

The Company was organized February 16, 1890 as The Farmers Mutual Fire Insurance Company of Ste. Genevieve County. The Company changed its name to Farmers Mutual Insurance Company of Ste. Genevieve County in May 1985.

Management

The Company is managed by a board of seven directors, serving staggered, three-year terms. Directors are elected at annual membership meetings held on the second Thursday of every March. Special meetings of the members may be called by the Board of Directors or upon petition of one-fourth of the members. The board meets quarterly. Directors receive $100 per meeting plus mileage. All directors are also policyholders.

The Board consisted of the following members as of December 31, 2011:

Name / Address	Occupation	Term
John Adams 13503 New Church Road Ste. Genevieve, MO 63670	Agent and MFA Employee	2012-2015
Robert Arnold 11510 State Route M Ste. Genevieve, MO 63670	Retired Masonry Company Owner	2011-2014
Catherine Coffman 21764 State Route N St. Mary, MO 63673	Agent	2012-2015
Milton Donze 23635 Donze Lake Road St. Mary, MO 63673	Agent	2010-2013
John Flieg 11070 State Route A Ste. Genevieve, MO 63673	Agent	2011-2014
Kim Fischer 19157 Eisenbeis Bottom Road Ste. Genevieve, MO 63670	Secretary/Treasurer/Manager	2010-2013
Mariana Huck 10600 Roth Quarry Road Ste. Genevieve, MO 63670	Office Assistant	2012-2015

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:

John Flieg	President
Catherine Coffman	Vice President
Kim Fischer	Secretary/Treasurer

Conflict of Interest

Signed conflict of interest statements are obtained annually from all officers and directors. No potential material conflicts were disclosed during the examination period.

Corporate Records

The Articles of Incorporation, Bylaws, and minutes from the annual member meetings and Board of Directors meetings were reviewed. The Company is following the guidelines established in the Articles of Incorporation and Bylaws. The Articles of Incorporation were amended in March 2011 reflect a change in the date of the Annual Membership Meeting from the second Saturday in March to the second Thursday in March. The amendment to the Articles of Incorporation was properly filed with the Missouri Secretary of State.

Board meeting minutes indicated that the Board is adequately informed regarding the Company's operations. Attendance at the Board and annual meetings appeared satisfactory. The Board formally acknowledged the previous examination report during its September 14, 2007 meeting.

FIDELITY BOND AND OTHER INSURANCE

The Company has fidelity bond coverage providing a liability limit of $50,000 from Western Surety Company. This coverage meets the minimum amount recommended in the NAIC Financial Examiners Handbook for the Company's level of exposure.

The Company carries directors' and officers' liability coverage through MAMIC Mutual Insurance Company with an aggregate limit of liability of $1 million.

Each of the Company's agents carries Errors and Omissions Liability insurance with a minimum limit of liability of $1 million. The Company purchases the coverage for the agents.

The Company has property and liability insurance coverage for its office building through Grinnell Mutual Reinsurance Company. The property coverage has limits of liability of $157,931 on the office building and $30,000 on business personal property and includes earthquake coverage. The liability coverage has limits of $500,000 per occurrence and $1 million aggregate.

The Company has a workers compensation and employers liability policy with Missouri Employers Mutual Insurance Company. The workers compensation insurance applies to the workers compensation laws of the state of Missouri. The employers liability insurance has a limit of liability for bodily injury by accident of $100,000 each accident and bodily injury by disease of $100,000 per employee and a policy limit of $500,000.

The Company's insurance coverage appears adequate.

EMPLOYEE BENEFITS

The Company currently has two part-time employees, the Secretary/Treasurer/Manager and an Office Assistant. In addition, the Company President performs various duties as needed. Employees receive paid holidays and personal days and are eligible for participation in an IRA plan with a company match after one year of service.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company has a Certificate of Authority dated March 25, 2002 and is operating under Sections 380.201 through 380.601 RSMo (Extended Missouri Mutual Companies). The Company is authorized to write fire, windstorm and liability coverage in all Missouri counties. The majority of the Company's business is concentrated in Ste. Genevieve and surrounding counties. Insurance is provided on an assessable basis. Advertising is done through the local newspaper, at various community activities and giveaways of promotional items.

Policy Forms and Underwriting Practices

The Company writes continuous policies. The Company uses policy forms supplied by the American Association of Insurance Services and from its reinsurer, Grinnell Mutual. Insurance products are sold by six captive agents who receive a 12% commission on all new and renewal business.

Onsite inspections are performed by the agents upon policy issuance and every three years thereafter. Claims adjusting is also performed by the agents.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income	Underwriting Income	Net Income
2011	$2,522,015	$ 16,136	$ 838,069	$ 142,271	$ 49,550	$ 109,078	$159,353
2010	2,370,806	30,923	774,144	444,166	56,884	102,463	155,482
2009	2,209,657	20,825	759,409	479,405	71,590	(13,813)	49,386
2008	2,150,227	22,462	722,696	376,523	79,369	78,049	145,086
2007	2,059,838	64,190	703,347	196,569	134,689	111,204	244,297

At year-end 2011, there were 1,227 policies 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	$ 703,347	$ 722,696	$ 759,409	$ 774,144	$ 838,069
Assumed	0	0	0	0	0
Ceded	(231,326)	(243,583)	(256,125)	(290,873)	(343,611)
Net	$ 472,021	$ 479,113	$ 503,284	$ 483,271	$ 494,458

Assumed

None.

Ceded

The Company has a reinsurance agreement with Grinnell Mutual Reinsurance Company (the reinsurer). The following coverage is provided under this agreement.

First Occurrence of Loss Excess
The Company retains $37,500 per occurrence and the reinsurer's limit is also $37,500 per occurrence.

Individual Occurrence of Loss Excess
The Company retains $75,000 per occurrence. The reinsurer covers 100% of losses above the retention.

Aggregate Excess
This provides unlimited aggregate excess coverage above an attachment point that is calculated yearly. The attachment point for the 2011 contract year was $264,414.

The premium for the First Occurrence of Loss Excess, Individual Occurrence of Loss Excess and Aggregate Excess coverage is charged at a monthly rate based on the adjusted gross fire and wind risk in force per $1,000 at the end of each month during the contract year.

Facultative Reinsurance
The Company has the option to cede all or part of each specific risk to the reinsurer by means of facultative reinsurance. Rates are determined by the reinsurer on a case-by-case basis, and the reinsurer determines which risks are acceptable for facultative coverage.

Earthquake Reinsurance
Under this section the Company cedes all earthquake premiums to the reinsurer, who in turn is responsible for all earthquake losses. The ceding commission is built into the premium formula.

Liability Reinsurance
Under this section the Company cedes all liability premiums to the reinsurer, who in turn pays all liability losses. The Company receives a ceding commission equal to 20% of the subject net written premiums.

The Company's reinsurance program appears to be adequate and complies with Missouri Regulation 20 CSR 200-12.030.

ACCOUNTS AND RECORDS

The Company's accounting records are maintained on a cash basis. Policyholder and financial records are maintained on the MIPS (Mutual Insurance Processing System) software package from Rural Computer Consultants, Inc. The CPA firm of Van de Ven, LLC prepares financial statements and tax returns and compiles the Company's Annual Statement.

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	$ 558,620
Stocks	700
Mutual Funds	193,490
Real Estate	119,637
Cash on Deposit	1,638,018
Computer Equipment	812
Federal Income Tax Recoverable	2,585
Interest Due and Accrued	6,957
Prepaid Expenses	1,196
Total Assets	$2,522,015

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2011

Unpaid Losses	$ 11,300
Payroll Tax Payable	730
Accounts Payable	4,106
Total Liabilities	$ 16,136
Guaranty Fund	$ 150,000
Other Surplus	2,355,879
Total Surplus	2,505,879
Total Liabilities and Surplus	$2,522,015

STATEMENT OF INCOME
For the Year Ending December 31, 2011

Net Premiums Earned	$ 494,458
Other Insurance Income	27,621
Net Losses & Loss Adjustment Expenses Incurred	(150,512)
Other Underwriting Expenses Incurred	(262,489)

Net Underwriting Income (Loss)	$ 109,078

Investment Income	$ 49,550
Other Income	5,340

Gross Profit (Loss)	$ 163,968
Federal Income Tax	4,615

Net Income (Loss)	$ 159,353
	========

CAPITAL AND SURPLUS ACCOUNT
December 31, 2011

Policyholders' Surplus, December 31, 2010	$ 2,339,883
Net Income (Loss)	159,353
Market Adjustment on Stocks Held	6,643

Policyholders' Surplus, December 31, 2011	$ 2,505,879
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NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, John M. Boczkiewicz 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.

John M. Boczkiewicz, CPA, CFE
Financial Examiner
Missouri DIFP

Sworn to and subscribed before me this 19th day of Nov., 2012.

My commission expires:

5/11/2016

Notary Public

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.

ANDREA V. MOFFATT
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis County
My Commission Expires: May 11, 2016
Commission Number: 12552590

Michael Shadowens, CFE
Audit Manager-St. Louis
Missouri DIFP