



**DEPARTMENT OF INSURANCE, FINANCIAL  
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

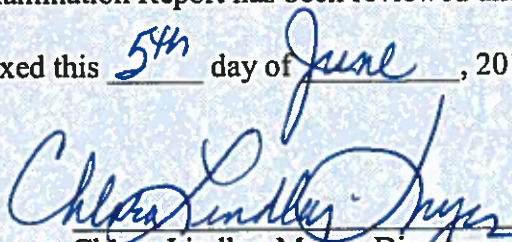
P.O. Box 690, Jefferson City, Mo. 65102-0690

**ORDER**

After full consideration and review of the report of the financial examination of Farmers Mutual Insurance Company of Clinton County for the period ended December 31, 2015, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration 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 Insurance Company of Clinton 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 5<sup>th</sup> day of June, 2017.

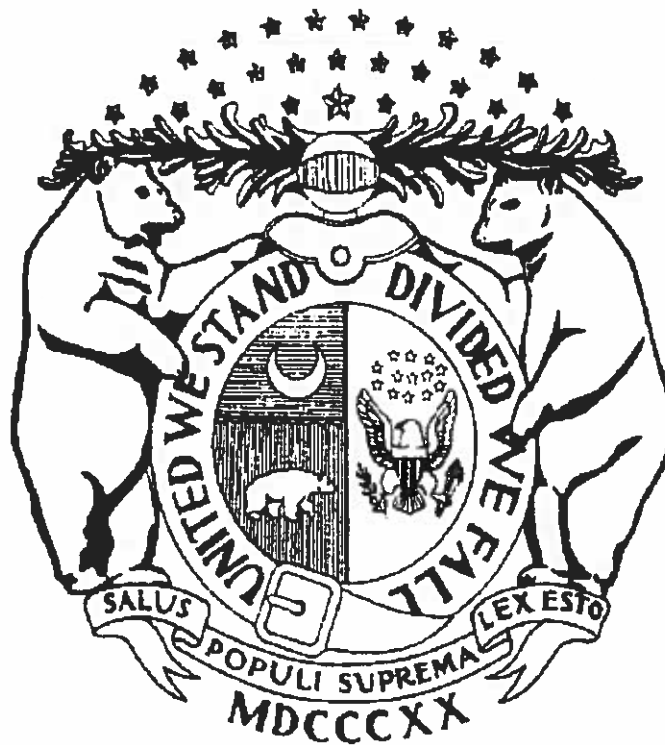
  
Chlora Lindley-Myers, Director  
Department of Insurance, Financial Institutions  
and Professional Registration





**REPORT OF THE  
FINANCIAL EXAMINATION OF  
FARMERS MUTUAL INSURANCE COMPANY OF  
CLINTON COUNTY**

**AS OF  
DECEMBER 31, 2015**



**STATE OF MISSOURI**

**DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS  
AND PROFESSIONAL REGISTRATION**

**JEFFERSON CITY, MISSOURI**

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February 2, 2017  
Plattsburg, 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

Director Huff:

In accordance the examination warrant, a full-scope examination has been made of the records, affairs and financial condition of

**FARMERS MUTUAL INSURANCE COMPANY OF CLINTON COUNTY**

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 202 West Maple, Plattsburg, Missouri, telephone number (816) 539-2104. This examination began on January 31, 2017, was concluded on the above date and is respectfully submitted.

**SCOPE OF EXAMINATION**

**Period Covered**

The prior full-scope examination of the Company was made as of December 31, 2010 and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2011 through December 31, 2015 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.

## HISTORY

### General

The Company was originally organized in December 1891 and incorporated on January 13, 1892 as The Farmers Mutual Fire Insurance Company of Clinton County. On February 28, 1984, the Company's name was changed to Farmers Mutual Insurance Company of Clinton County.

The Company has a Certificate of Authority dated July 1, 1991, 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 third Thursday in February at the home office of the Company or at such other place and time as may be designated by the Board of Directors. Special meetings of the members may be called at any time 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 not permitted.

The corporate powers of the Company are vested in the Board of Directors, who are elected from the general membership. The Board of Directors consists of eight members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every month. Each director is compensated \$150 per meeting attended.

Members serving on the Board of Directors as of December 31, 2015, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term</u>
Vance G. Bodenhausen Gower, Missouri	Farmer/Insurance Agent	2013-2016
Brant Downey Lathrop, Missouri	Insurance Agent	2014-2017
Robert W. Moore Lathrop, Missouri	Retired	2014-2017
Ralph C. Schmude Holt, Missouri	Insurance Agent	2015-2018

Holly McCauley Stewartsville, Missouri	Retired	2015-2018
James R. McKinley Cameron, Missouri	CPA	2013-2016
James A. Ocker Cameron, Missouri	Insurance Agent	2014-2017
Lyle Grafton Plattsburg, Missouri	Self-Employed	2015-2018

The Board of Directors appoints for a term of one year, a President, a Vice President, and a Secretary/Treasurer. The officers of the Company serving at December 31, 2015, were as follows:

James A. Ocker	President
Brant Downey	Vice-President
Holly McCauley	Secretary/Treasurer

### **Conflict of Interest**

The Company requires its directors to complete conflict of interest disclosures on an annual basis. The completed conflict of interest statements are reviewed by the Board of Directors for any possible conflicts requiring resolutions. A review of the signed statements noted four of the eight directors disclosed they are also agents for the Company.

### **Corporate Records**

A review was made of the Articles of Incorporation and the Bylaws of the Company. Neither the Articles of Incorporation nor the Bylaws were 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 fidelity bond providing a limit of liability of \$100,000. The fidelity bond coverage of the Company meets the minimum coverage of \$75,000 suggested in the guidelines promulgated by the NAIC.

The Company carries liability coverage for their directors and officers. The Company's agents are responsible for purchasing errors and omissions coverage. The Company also carries property insurance coverage on its home office and equipment, general liability insurance and workers' compensation coverage.

## **EMPLOYEE BENEFITS**

The Company has two full-time employees. The Company provides its employees a benefits package, which includes life insurance, long term disability 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 coverage. The Company's policies are sold by thirteen licensed producers, four of which are also directors of the Company. Agents receive a 14% commission on all business written.

### **Policy Forms and Underwriting Practices**

The Company utilizes AAIS policy forms. The policies are written for one year and are continuous. Rates are determined by the Board of Directors, and renewal billings are mailed directly to the insured or mortgagee, as applicable.

Property inspections are performed by the writing agent prior to the issuance of a policy, and underwriting is supervised by the Company's office manager. Renewals are inspected every third year by a third party inspector. Small claims are adjusted by the Company's agents, and other claims are handled by contracted adjusters.

## GROWTH AND LOSS EXPERIENCE OF THE COMPANY

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Gross Premiums</u>	<u>Gross Losses</u>	<u>Investment Income</u>	<u>Underwriting Income</u>	<u>Net Income</u>
2015	\$1,981,063	\$602,308	\$1,468,680	\$485,995	\$40,921	\$212,709	\$178,379
2014	1,831,777	631,401	1,521,565	829,102	33,614	28,362	52,028
2013	1,817,710	669,362	1,485,703	456,708	38,465	332,398	246,251
2012	1,572,797	670,700	1,405,388	622,903	34,162	228,413	175,625
2011	1,285,841	559,369	1,213,735	581,124	40,685	(43,215)	(5,012)

At year-end 2015, there were 1,698 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:

	2015	2014	2013	2012	2011
Direct	\$1,468,680	\$1,521,565	\$1,485,703	\$1,405,388	\$1,213,735
Assumed	5,405	5,770	5,362	5,595	5,278
Ceded	493,166	476,165	430,566	407,551	359,810
Net	\$ 980,919	\$1,051,170	\$1,060,499	\$1,003,432	\$ 859,203

### Assumed

The Company participates in a reinsurance pool with MAMIC Mutual Insurance Company (MMIC). The agreement pertains to errors and omissions policies and director and officer liability policies written by MMIC. MMIC cedes to the pool 84% of the premiums and losses applicable to the first \$2,000,000 each claim and in aggregate on all insurance agent and broker errors and omissions policies to the first \$3,000,000 each claim and in aggregate on all officer and director liability policies. MMIC receives a 35% ceding commission of net written premium ceded to the pool. The Company has a 1% share in the interests and liabilities of the pool.



## **Ceded**

The Company has all of its reinsurance through Wisconsin Reinsurance Company (the reinsurer) under a single contract with multiple sections covering property and liability risks.

Under the two-layer property per risk section of the agreement, the Company retains \$60,000 per risk and the reinsurer is responsible for the excess, limited to \$540,000 per risk. Under the aggregate excess of loss agreement, the reinsurer is liable for 100% of losses which exceed 70% of the Company's gross net earned premium income during the year.

Under the casualty quota share agreement, the Company cedes 100% of the casualty premiums and losses to the reinsurer, and receives a 25% 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 Company maintains financial records in both electronic and manual systems. Accounting records for premiums, claims and financial reporting are kept on a mutual insurance company software package from Rural Computer Mutual Insurance Processing System. Cash transactions, including premium receipts and checks written, are also manually recorded.

A public accounting firm, Van de Ven, LLC, prepares the Company's financial statements, tax returns and annual statement. The annual statement is prepared on an accrual basis.

## **FINANCIAL STATEMENTS**

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2015 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.

**ASSETS**  
**December 31, 2015**

Bonds	\$ 695,575
Stocks	1,500
Real Estate	9,015
Cash on Deposit	1,131,861
Other Investments	73,240
Computer Equipment	2,757
Interest Due and Accrued	12,610
Prepaid Insurance	944
Ceded Reinsurance Premium Receivable	53,561
Total Assets	<u>\$ 1,981,063</u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**  
**December 31, 2015**

Net Losses Unpaid	\$ 1,380
Unearned Premium	548,987
Federal Tax Payable	19,488
Payroll Tax	1,788
Accounts Payable - Other	29,647
Accrued Vacation	<u>1,018</u>
 Total Liabilities	 <u>\$ 602,308</u>
 Guaranty Fund	 \$ 150,000
Other Surplus	<u>1,228,755</u>
 Total Surplus	 <u>1,378,755</u>
 Total Liabilities and Surplus	 <u>\$ 1,981,063</u>

**STATEMENT OF INCOME**  
**For the Year Ending December 31, 2015**

Net Premiums Earned	\$ 995,790
Other Insurance Income	112,743
Net Losses & Loss Adjusting Expenses Incurred	(410,290)
Other Underwriting Expenses Incurred	<u>(485,534)</u>
Net Underwriting Income (Loss)	212,709
Net Investment Income	40,921
Other Income	<u>4,187</u>
Gross Profit (Loss)	\$ 257,817
Federal Income Tax	<u>79,438</u>
Net Income (Loss)	<u>\$ 178,379</u>

**CAPITAL AND SURPLUS ACCOUNT**  
**December 31, 2015**

Policyholders' Surplus, December 31, 2014	\$ 1,200,376
Net Income (Loss)	<u>178,379</u>
Policyholders' Surplus, December 31, 2015	<u>\$ 1,378,755</u>



**NOTES TO THE FINANCIAL STATEMENTS**

None.

**EXAMINATION CHANGES**

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None.

**SUMMARY OF RECOMMENDATIONS**

None.

**SUBSEQUENT EVENTS**

None.

**ACKNOWLEDGMENT**

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

**VERIFICATION**

State of Missouri )  
 )  
County of Cole )

I, Marc Peterson 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.

Marc Peterson  
Marc Peterson, CFE  
Financial Examiner  
Missouri DIFP

Sworn to and subscribed before me this 23rd day of February, 2017.

My commission expires:

March 30, 2019

Hailey Luebbert  
Notary Public

HAILEY LUEBBERT  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Osage County  
My Commission Expires: March 30, 2019  
Commission Number: 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.



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Mark Nance, CFE, CPA  
Senior Examiner-In-Charge  
Missouri DIFP