



**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. for the period ended December 31, 2013

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, 2013, 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 Summary 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 26th day of June, 2015.



A handwritten signature in blue ink, appearing to read "John M. Huff", is written over a horizontal line.

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, 2013

FILED
JUN 26 2015
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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January 30, 2015
Cole Camp, 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, Cole Camp, Missouri 65325, telephone number (660) 668-2445. This examination began on November 17, 2014 and was concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2008, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2009, through December 31, 2013, 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 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 and absentee ballots are 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 meet approximately every quarter and one additional time in conjunction with the annual membership meeting to reorganize and elect Board officers. The directors and management attendees are compensated \$100 per each meeting attended.

Members serving on the Board of Directors as of December 31, 2013, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term</u>
Darryl Grandfield Sedalia, Missouri	Propane Delivery	2012-2015
Linda Hesse Cole Camp, Missouri	Feed Service Owner	2014-2017
Barbara Pope Cole Camp, Missouri	Motel Owner	2012-2015
Matthew Tinney Mora, Missouri	Math Teacher	2013-2016

Storm Walker Cole Camp, Missouri	Police Chief	2014-2017
Rusty Harms Cole Camp, Missouri	Electrician	2013-2016
Kristi Craig Ionia, Missouri	Bank Customer Service Representative	2013-2016

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, 2013, were as follows:

Matthew Tinney	President
Linda Hesse	Vice-President
Jennifer Taylor	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. The Company has its directors 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 June 18, 2009, 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 theft 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 requires its agents to obtain errors and omissions coverage.

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

EMPLOYEE BENEFITS

The Company has three full-time employees. The benefits package offered by the Company to its employees includes health and life insurance, a SIMPLE IRA retirement plan with employer matching, 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. The Company is authorized to write fire, wind and liability insurance in all counties in the State of Missouri. The Company writes fire, wind, liability and equipment breakdown coverages. The equipment breakdown coverage is 100% reinsured by Grinnell Mutual Reinsurance Company. The Company's policies are sold by three licensed agents, who receive a commission of 15% on new property business and 13% on renewal property business. Liability and equipment breakdown commission is 10% on both a new and renewal basis.

Policy Forms and Underwriting Practices

The Company utilizes Grinnell Mutual Reinsurance Company and custom policy forms, and the policies are renewed annually. Rates are determined by the Board of Directors, and renewal billings are mailed directly to the insured. All property inspection and claims adjusting functions are performed by independent adjusters.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income	Underwriting Income	Net Income
2013	\$4,309,656	\$592,371	\$1,548,888	\$917,652	\$ 38,153	\$(329,166)	\$(191,298)
2012	4,495,010	547,807	1,498,794	642,704	51,879	(77,873)	(6,955)
2011	4,514,952	565,522	1,404,972	353,939	73,901	211,683	224,477
2010	4,225,644	491,886	1,293,670	576,895	81,792	(180,273)	(78,616)
2009	4,341,739	529,365	1,207,587	643,528	106,385	(207,678)	(116,322)

At year-end 2013, 1,989 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Direct	\$ 1,515,893	\$ 1,481,877	\$ 1,386,327	\$ 1,280,599	\$ 1,190,966
Assumed	0	0	0	0	0
Ceded	<u>(356,615)</u>	<u>(352,231)</u>	<u>(310,379)</u>	<u>(264,130)</u>	<u>(255,918)</u>
Net	<u>\$ 1,159,278</u>	<u>\$ 1,129,646</u>	<u>\$ 1,075,948</u>	<u>\$ 1,016,469</u>	<u>\$ 935,048</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 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 2013 was \$987,920.

The agreement also provides quota share reinsurance coverage for liability and equipment breakdown risks. Under the terms of the agreement, the Company cedes 100% of the liability and equipment breakdown 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 Company utilizes the RCC/IMT policy maintenance software with web-based electronic storage and Quickbooks accounting software. 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, 2013, 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, 2013

Mutual Funds	\$ 378,062
Real Estate	174,659
Cash on Deposit	3,652,710
Computer Equipment	1,852
Federal Income Tax Recoverable	83,806
Interest Due and Accrued	3,280
Contingent Commission from Reinsurer	10,664
Inventory	4,623
	<hr/>
Total Assets	\$ 4,309,656

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2013

Net Losses Unpaid	\$ 63,335
Ceded Reinsurance Premium Payable	27,362
Unearned Premium	481,573
Payroll Tax	1,428
Commissions Payable	17,719
Other Liabilities	954
	<hr/>
Total Liabilities	\$ 592,371
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Guaranty Fund	\$ 150,000
Other Surplus	3,567,285
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Total Surplus	\$ 3,717,285
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Total Liabilities and Surplus	\$ 4,309,656

STATEMENT OF INCOME
For the Year Ending December 31, 2013

Net Premiums Earned	\$ 1,156,055
Other Insurance Income	26,868
Net Losses & Loss Adjusting Expenses Incurred	(1,003,763)
Other Underwriting Expenses Incurred	(508,326)
	<hr/>
Net Underwriting Income (Loss)	\$ (329,166)
Net Investment Income	38,153
Other Income	15,989
	<hr/>
Gross Profit (Loss)	\$ (275,024)
Federal Income Tax	83,726
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Net Income (Loss)	<u>\$ (191,298)</u>

CAPITAL AND SURPLUS ACCOUNT
December 31, 2013

Policyholders' Surplus, December 31, 2012	\$ 3,947,203
Net Income (Loss)	(191,298)
Unrealized Loss on Investments	(38,620)
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Policyholders' Surplus, December 31, 2013	<u>\$ 3,717,285</u>

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 Cole Camp during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
)
County of Cole)

I, Jay Buschmann 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.

J. Buschmann
Jay Buschmann, AFE
Financial Examiner/Analyst
Missouri DIFP

Sworn to and subscribed before me this 19th day of May, 2015.

My commission expires:

04-14-2016

B. 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, CFE, CPA
Audit Manager – Kansas City
Missouri DIFP