

Matt Blunt
Governor
State of Missouri



Department of Insurance
Financial Institutions
and Professional Registration
Douglas M. Ommen, Director

INSURANCE SOLVENCY & COMPANY REGULATION DIVISION

Frederick G. Heese, Chief Financial Examiner & Acting Division Director

December 17, 2007

Board of Directors
Farmers Mutual Insurance Company
of Newton County
Jerry Harvey, President
P.O. Box 14
Monett, MO 65708

FILED
JAN 25 2008
DIRECTOR OF INSURANCE &
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

Dear Directors:

The Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) has conducted a review of your Certified Public Accountant's 2006 audited financial report. This report appears to be in compliance with Section 380.061 RSMo (Examination by CPA in Lieu of Department), and is accepted in lieu of an examination by the DIFP.

In addition to the acceptance of the Certified Public Accountant's report, the DIFP's examiner has the following recommendations:

1. The Company has a fidelity bond with a coverage limit of \$50,000. This limit is less than the minimum suggested by NAIC guidelines, which is between \$75,000 and \$100,000. It is recommended the Company increase its fidelity bond to a minimum of \$75,000.
2. The Company has a verbal arrangement under which the Company Manager's compensation is based on a percentage net assessments, and the Manager pays the Company employees from this compensation amount. It is recommended the Company place the terms of the arrangement in a written agreement and file the agreement with the DIFP for approval.

Please be reminded that you are responsible to address each item mentioned above. Verification of compliance with these recommendations needs to be received by the DIFP within 90 days of receipt of this letter.

Sincerely,

A handwritten signature in black ink that reads "Frederick G. Heese".

Frederick G. Heese, CPA, CFE
Chief Financial Examiner

cc: Vicki Denton, Acting Audit Manager