Matt Blunt Governor State of Missouri



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

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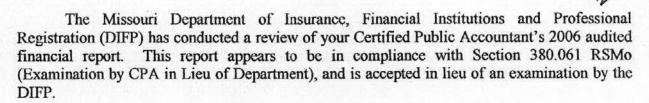
INSURANCE SOLVENCY & COMPANY REGULATION DIVISION

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

Dear Directors:



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.

Frederick G. Heese, CPA, CFE Chief Financial Examiner

cc: Vicki Denton, Acting Audit Manager