REPORT OF THE
FINANCIAL EXAMINATION OF

FARMERS MUTUAL REINSURANCE COMPANY OF MISSOURI

AS OF
DECEMBER 31, 2007

FILED
JUN 30 2009
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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March 11, 2009
New Florence, 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 REINSURANCE COMPANY OF MISSOURI

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 733 Highway J, New Florence, Missouri 63363, telephone number (573) 564-2765. This examination began on November 5, 2008, and was concluded on November 6, 2008, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2002, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2003, through December 31, 2007, 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.

Comments-Previous Examination Report

The comments, recommendations, and notes of the previous examination report dated December 31, 2002, are listed below followed by the Company's response and the current examination findings regarding such comments, recommendations and notes.

Accounts and Records

Comment: It was recommended the Company properly complete the premium and reinsurance sections on Page 2 of the Annual Statement.

Company Response: The Company will properly disclose premium and reinsurance transactions on future Annual Statements.

Current Findings: The Company properly completed the premium and reinsurance section of the Annual Statements during the examination period.

HISTORY

General

The Company was originally organized and incorporated on February 22, 1922, solely to provide reinsurance to other Missouri Mutual Insurance Companies. At one time, the Company reinsured more than sixty companies. As of December 31, 2007, the Company reinsured five companies.

The Company operates under Sections 380.011 through 380.151 RSMo. (Missouri Mutual Insurance Companies).

Management

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the fourth Thursday in January, at a place selected by the Board of Directors. Membership consists of companies that have reinsurance contracts with the Company. Special meetings of the members may be called by the Board of Directors at any time. Quorum requirements and proxy voting regarding membership meetings are not addressed in the Articles of Incorporation.

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 nine members, serving staggered, three-year terms. All directors must be members of one of the companies reinsured by the Company. The

Board of Directors meets approximately every quarter, and the directors are compensated $250 per each meeting attended.

Members serving on the Board of Directors as of December 31, 2007, were as follows:

Name and Address	Occupation	Term
Melvin C. Eggerman Lockwood, Missouri	Farmer	2007-2010
John Fry High Hill, Missouri	Retired	2006-2009
Clell L. Furnell Sedalia, Missouri	Insurance Agent	2006-2009
John L. Hall New Florence, Missouri	Insurance Agent/Farmer	2007-2010
Dane L. Kendrick Paris, Missouri	Insurance Agent/Farmer	2006-2009
Garnett M. Peters III Liberty, Missouri	Insurance Agent	2005-2008
Charles A. Rupp Purdy, Missouri	Retired School Principal	2005-2008
James A. Westermier Sedalia, Missouri	Farmer	2005-2008
Artie L. Whelan Monroe City, Missouri	Farmer	2007-2010

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, 2007, were as follows:

Melvin C. Eggerman	President
Dane L. Kendrick	Vice-President
John L. Hall	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 and officers. The Company has its directors and officers sign conflict of interest statements on an annual basis. No significant conflicts were noted.

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 examination period.

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, which provides a limit of liability of $250,000, with a $2,500 per loss deductible. The fidelity bond coverage meets the minimum amount suggested in the guidelines promulgated by the NAIC.

The Company is a named insured on a directors and officers liability policy with an aggregate limit of $2,000,000 and an aggregate deductible of $5,000 per claim.

As a reinsurer, the Company does not have agents and thus does not carry agent errors and omissions coverage.

The insurance coverage appears adequate.

EMPLOYEE BENEFITS

The Company has one part-time employee. The Company does not offer a benefits package to its employee.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the DIFP as a Missouri Mutual Insurance Company operating under Sections 380.011 through 380.151 RSMo. (Missouri Mutual Insurance Companies).

The Company operates as a reinsurer of fire perils for five other Missouri mutual insurance companies. The Company also reinsures the wind perils for one of these mutuals. The Company's territory includes any county in Missouri in which the ceding companies operate.

Policy Forms and Underwriting Practices

The Company writes reinsurance under individual contracts with each of the five mutual insurance companies that it reinsures. Reinsurance rates and retentions are approved annually by the Board of Directors, and reinsurance contracts are amended accordingly.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Underwriting Income	Net Income
2007	$1,984,072	$0	$265,957	$391,828	$ (206,692)	$ (109,562)
2006	2,093,634	0	377,791	302,311	(153,728)	(51,559)
2005	2,145,193	0	171,263	465,175	(363,032)	(263,262)
2004	2,408,455	0	114,630	505,122	(512,924)	(390,262)
2003	2,798,717	0	93,974	337,613	(299,997)	(184,105)

REINSURANCE

General

The Company's reinsurance premium activity on a direct-written, assumed and ceded basis for the period under examination is shown below:

	2003	2004	2005	2006	2007
Direct	$ 0	$ 0	$ 0	$ 0	$ 0
Assumed	93,974	114,630	171,263	377,791	265,957
Ceded	(74,642)	(85,000)	(145,000)	(193,750)	(186,053)
Net	$ 19,332	$ 29,630	$ 26,263	$ 184,041	$ 79,904

Assumed

The Company assumes business from five Missouri mutual insurance companies under five individual per risk excess of loss with annual aggregate limit contracts.

The contract with Farmers Mutual Insurance Company of Clay County, Missouri (FMICC) covers the perils of wind and fire. For fire perils, FMICC retains $35,000 per risk and cedes the excess, limited to $650,000 per risk, to the Company. Under the aggregate excess section of the agreement, the Company is liable for losses in excess of 80% of FMICC's annual fire premium income, limited to $1,000,000 for the contract year. For wind perils, FMICC retains $20,000 per risk and cedes the excess, limited to $500,000 per occurrence, to the Company. The Company's liability for wind peril losses is limited to $1,000,000 for the contract year.

The contract with Farmers' & Laborers' Mutual Insurance Company (FLMIC) covers the peril of fire. FLMIC retains $50,000 per risk and cedes the excess, limited to $650,000 per risk, to the Company. Under the aggregate excess section of the agreement, the Company is liable for losses in excess of 80% of FLMIC's annual fire premium income, limited to $1,000,000 for the contract year.

The contract with Monroe County Farmers Mutual Insurance Company (MCFMIC) covers the peril of fire. MCFMIC retains $35,000 per risk and cedes the excess, limited to $650,000 per risk, to the Company. Under the aggregate excess section of the agreement, the Company is liable for losses in excess of 80% of MCFMIC's annual fire premium income, limited to $1,000,000 for the contract year.

The contract with Pettis County Farmers Mutual Insurance Company (PCFMIC) covers the peril of fire. PCFMIC retains $35,000 per risk and cedes the excess, limited to $650,000 per risk, to the Company. Under the aggregate excess section of the agreement, the Company is liable for losses in excess of 80% of PCFMIC's annual fire premium income, limited to $1,000,000 for the contract year.

The contract with Lutheran Fire and Lightning Insurance Company (LFLIC) covers the peril of fire. LFLIC retains $25,000 per risk and cedes the excess, limited to $650,000 per risk, to the Company. Under the aggregate excess section of the agreement, the Company is liable for losses in excess of 80% of LFLIC's annual fire premium income, limited to $1,000,000 for the contract year.

Ceded

The Company has all of its reinsurance through Cameron Country Mutual Insurance Company (the reinsurer) under separate fire and wind reinsurance agreements.

The fire agreement is a per risk excess of loss agreement consisting of two layers. Under the terms of the contract, the Company retains $125,000 per risk and the reinsurer limit is $250,000 for commercial and confinement risks and $500,000 for all other risks. Risks are limited by the contract to $375,000 for commercial and confinement risks and $625,000 for all other risks. The reinsurers maximum limits are $1,000,000 per occurrence and $2,000,000 per contract year.

The wind agreement is a per risk excess with catastrophe excess of loss agreement, that covers the Company's wind reinsurance assumptions from FMICC (see the "Assumed" section above). Under the per risk excess of loss section of the contract, the Company retains $35,000 per risk and the reinsurer limit is $250,000 for commercial and confinement risks and $500,000 for all other risks. The reinsurers maximum limit is $1,000,000 per occurrence. Under the catastrophe excess of loss section of the contract, the Company retains $50,000 and the reinsurer limit is 95% of $1,000,000. The annual reinsurer limit is 95% of $2,000,000. Risks are limited to $285,000 for commercial and confinement risks and $535,000 for all other risks in both sections of the contract.

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 its records on a cash basis. Steven P. Thurmon, CPA, 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, 2007, 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, 2007

Bonds	$ 1,601,879
Cash on Deposit	382,193
Total Assets	$ 1,984,072

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2007

Total Liabilities	$ 0
Guaranty Fund	$ 0
Other Surplus	1,984,072
Total Surplus	1,984,072
Total Liabilities and Surplus	$ 1,984,072

STATEMENT OF INCOME
For the Year Ending December 31, 2007

Net Premiums Earned	$ 79,904
Net Losses & Loss Adjustment Expenses Incurred	(251,586)
Other Underwriting Expenses Incurred	(35,010)
Net Underwriting Income (Loss)	$ (206,692)
Investment Income	97,130
Gross Profit (Loss)	$ (109,562)
Federal Income Tax	0
Net Income (Loss)	$ (109,562)

CAPITAL AND SURPLUS ACCOUNT
December 31, 2007

Policyholders' Surplus, December 31, 2006	$ 2,093,634
Net Income (Loss)	(109,562)
Policyholders' Surplus, December 31, 2007	$ 1,984,072

NOTES TO THE FINANCIAL STATEMENTS

There were no notes to the financial statements.

EXAMINATION CHANGES

There were no examination changes.

GENERAL COMMENTS AND RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

The Company's reinsurer during 2007, Cameron Country Mutual Insurance Company, ceased offering reinsurance after December 31, 2007. Consequently, the Company placed its 2008 reinsurance program through intermediary Guy Carpenter & Company, LLC with various reinsurers. The coverage afforded under the 2008 reinsurance contracts did not differ significantly from that provided under the 2007 reinsurance program.

The Company's assumption reinsurance agreements were amended for 2008 to increase the per risk retentions for each of the member companies. The increases differed among the companies and ranged from five to fifteen thousand dollars.

ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Shannon W. Schmoeger 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.

Shannon W. Schmoeger, CFE
Financial Examiner
Missouri DIFP

Sworn to and subscribed before me this 12th day of March, 2009.

My commission expires:

May 18, 2012

Notary Public

KIMBERLY LANDERS
MY COMMISSION EXPIRES
May 18, 2012
NOTARY SEAL
CALLAWAY COUNTY
NOTARY PUBLIC STATE OF MISSOURI

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.

Tim Tunks, CFE, CPA
Examiner In Charge
Missouri DIFP