



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

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

RE: Examination Report of Cedar County Farmers Mutual Insurance Company for the period ended December 31, 2016

ORDER

After full consideration and review of the report of the financial examination of Cedar County Farmers Mutual Insurance Company for the period ended December 31, 2016, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, 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 Cedar County Farmers Mutual Insurance Company 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 20th day of September, 2018.

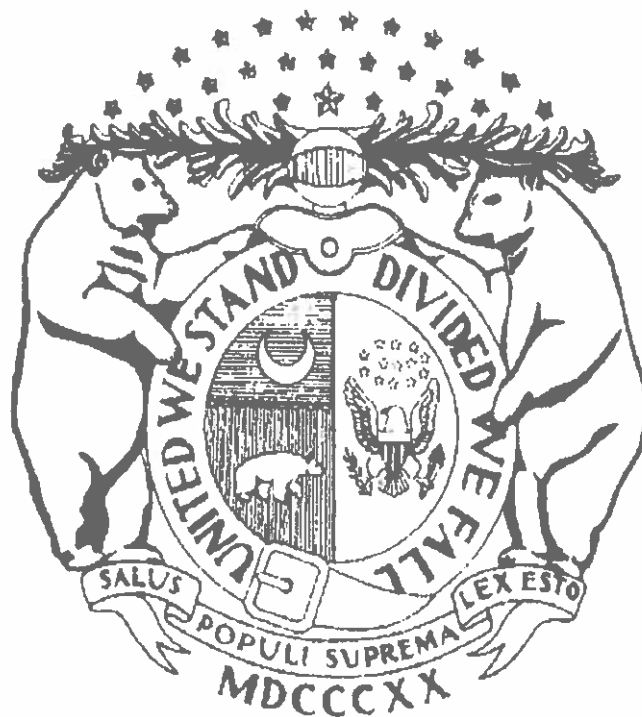


Chlora Lindley-Myers

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

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

AS OF
DECEMBER 31, 2016



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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January 17, 2018
Stockton, Missouri

Honorable Clora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

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

CEDAR COUNTY FARMERS MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 207 West Street (P.O. Box 499), Stockton, Missouri 65785, telephone number (417) 276-4617. This examination began on January 16, 2018, concluded on January 17, 2018 and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2011 and was conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP). The current full-scope examination covers the period from January 1, 2012 through December 31, 2016, and was also conducted by examiners from the 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 August 7, 1897 as Farmers Mutual Fire Insurance Company of Cedar County. On February 6, 2006, the Company amended its Articles of Incorporation, changing its official name to Cedar County Farmers Mutual Insurance Company.

The Company has a Certificate of Authority dated May 18, 2006, 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 first Monday in February in Stockton, Missouri. Special meetings of the members may be called at any time and shall be called upon petition of one-fourth of the members. Quorum requirements and proxy voting 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 seven members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every other month. Directors who are also agents of the Company receive \$80 per each meeting attended, while directors who are not agents of the Company receive \$160 per each meeting attended.

Members serving on the Board of Directors as of December 31, 2016, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term Expires</u>
Brent Rutledge Stockton, Missouri	Farmer/Agent	2017
Maurice Fugate El Dorado Springs, Missouri	Farmer/Agent	2018
James R. Lower Stockton, Missouri	Farmer	2019
Alicia Chism Stockton, Missouri	Bookeeper/Agent	2017

Rod Hendricks Jericho Springs, Missouri	Corps Manager	2017
Kathy Crain Stockton, Missouri	Director/Agent	2018
Harold Burmester Jericho Springs, Missouri	Farmer/Agent	2017
Amber Fidler Stockton, Missouri	Banker	2017

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, 2016, were as follows:

Brent Rutledge	President
Harold Burmester	Vice-President
Lila Starbuck	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. A review of the executed conflict of interest statements noted that all Board members completed the conflict of interest forms.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. The Articles of Incorporation and Bylaws were not 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 providing a limit of liability of \$75,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$50,000 and \$75,000 in coverage.

The Company carries directors and officers liability with an aggregate limit of \$750,000 and a \$5,000 deductible in aggregate for each claim.

The Company purchases errors and omissions coverage for its exclusive agents with limits of \$500,000 per agent. The Company reimburses its non-exclusive agents a portion of the cost of their errors and omissions coverage.

The Company carries property insurance on its home office and contents and business liability insurance coverage.

EMPLOYEE BENEFITS

The Company has three full-time employees. The Company provides the employees with paid vacation and sick leave, and reimburses a portion of each employee's health insurance coverage cost.

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 writes fire, wind and liability insurance. The Company's policies are sold by five licensed agents, who are also directors and/or officers of the Company. The agents receive a commission of 13% on property policies and 15% on liability policies.

Policy Forms and Underwriting Practices

The Company uses Missouri Association of Mutual Insurance Company and American Association of Insurance Services policy forms. The policies are written on a continuous basis with rates determined by the Board of Directors. Renewal billings are mailed directly to the insured. Inspections are performed by the agents and adjusting services are performed by independent 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>
2016	\$1,581,715	\$405,398	\$731,713	\$524,462	\$33,906	\$79,477	\$125,143
2015	1,495,559	460,565	833,178	268,857	32,511	145,350	174,259
2014	1,443,853	566,940	1,008,743	1,040,005	37,887	(198,136)	(162,754)
2013	1,584,906	545,237	960,036	781,028	40,075	(156,833)	(116,470)
2012	1,741,075	584,934	992,332	384,936	45,310	(118,895)	(76,335)

At year-end 2016, there were 854 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:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Direct	\$992,332	\$960,036	\$1,008,743	\$833,178	\$731,713
Assumed	-0-	-0-	-0-	-0-	-0-
Ceded	<u>398,137</u>	<u>360,038</u>	<u>370,756</u>	<u>297,602</u>	<u>239,193</u>
Net	<u>\$594,195</u>	<u>\$599,998</u>	<u>\$ 637,987</u>	<u>\$535,576</u>	<u>\$492,520</u>

Assumed

The Company does not reinsure other companies.

Ceded

The Company has all of its reinsurance through Wisconsin Reinsurance Company (WRC) 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 \$75,000 per risk and WRC is responsible for the excess, limited to \$525,000 per risk. Under the aggregate excess of loss agreement, WRC is liable for 100% of losses which exceed 75% of the Company's gross net earned premium income during the year.

Under the casualty quota share section of the agreement, the Company cedes 100% of the casualty premiums and receives a 25% 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 CPA firm of DWSA, Certified Public Accountants, prepares the 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, 2016, 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, 2016

Bonds	\$ 461,985
Mutual Funds	76,522
Real Estate	221,126
Cash and Short-Term Investments	819,303
Federal Income Tax Recoverable	558
Interest Due and Accrued	2,221
Total Assets	<u>\$ 1,581,715</u>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2016

Unpaid Losses	\$ 3,026
Ceded Reinsurance Premium Payable	14,025
Unearned Premiums	386,318
Payroll Taxes Payable	1,692
Accounts Payable	337
Total Liabilities	<u>\$ 405,398</u>
Guaranty Fund	\$ 150,000
Other Surplus	1,026,317
Total Surplus	<u>1,176,317</u>
Total Liabilities and Surplus	<u>\$ 1,581,715</u>

STATEMENT OF INCOME
For the Year Ending December 31, 2016

Net Premiums Earned	\$ 528,922
Other Insurance Income	48,551
Net Losses & Loss Adjusting Expenses Incurred	(254,233)
Other Underwriting Expenses Incurred	(243,763)
Net Underwriting Income (Loss)	\$ 79,477
Net Investment Income	33,906
Other Income	11,760
Gross Profit (Loss)	\$ 125,143
Federal Income Tax	-0-
Net Income (Loss)	\$ 125,143

CAPITAL AND SURPLUS ACCOUNT
December 31, 2016

Policyholders' Surplus, December 31, 2015	\$ 1,034,994
Net Income (Loss)	125,143
Adjustment to Beginning Policyholder's Surplus	16,180
Policyholders' Surplus, December 31, 2016	\$ 1,176,317

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 Cedar County Farmers Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Brad Burton, CPA, examiner for the DIFP also participated in the examination.

VERIFICATION

State of Missouri)

County of Jackson)

I, Mark Nance 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.

[Handwritten Signature]

Mark Nance, CFE, CPA
Senior Examiner-In-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 22nd day of August, 2018.

My commission expires:
04/14/2020

[Handwritten Signature]
Notary Public



BEVERLY M. WEBB
My Commission Expires
April 14, 2020
Clay County
Commission #12484070

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.

[Handwritten Signature]

Levi Nwasoria, CFE, CPA
Audit Manager
Missouri Department of Insurance, Financial
Institutions and Professional Registration