

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

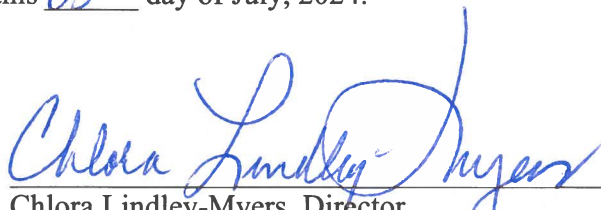
ORDER

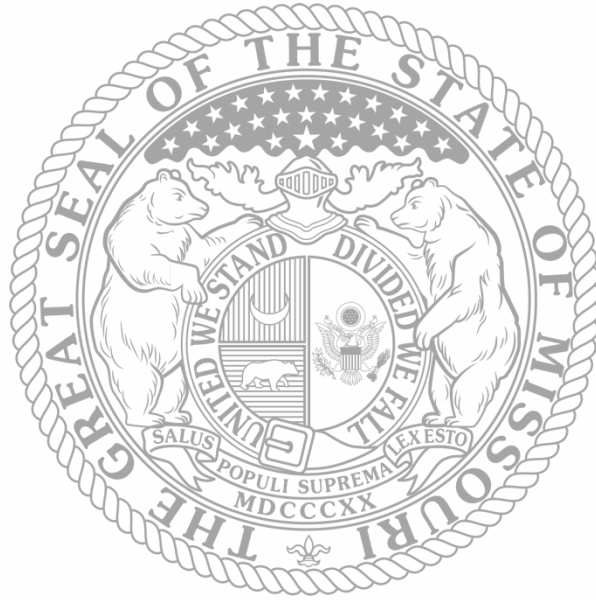
After full consideration and review of the report of the financial examination of Farmers Mutual Insurance Company of Nodaway County for the period ended December 31, 2022, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, Missouri Department of Commerce and Insurance 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 Farmers Mutual Insurance Company of Nodaway County 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 03rd day of July, 2024.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

FARMERS MUTUAL INSURANCE COMPANY OF NODAWAY COUNTY

AS OF
DECEMBER 31, 2022

**STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

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Jefferson City, MO
April 17, 2024

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

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

FARMERS MUTUAL INSURANCE COMPANY OF NODAWAY COUNTY

hereinafter referred to as such, as FMICNC, or as the Company. Its administrative office is located at 311 East Summit Drive (P.O. Box 394), Maryville, Missouri 64468, telephone number (660) 582-4511. The fieldwork for this examination began on January 15, 2024, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a single-state financial examination of Farmers Mutual Insurance Company of Nodaway County. The last examination of the Company by the Department covered the period of January 1, 2013, through December 31, 2017. The current examination covers the period of January 1, 2018, through December 31, 2022, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department or statutes of the state of Missouri prevailed. The *Handbook* requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

COMPANY HISTORY

General

The Company was organized on May 15, 1891, and incorporated on April 1, 1895, as The Farmers Mutual Fire and Lightning Insurance Company of Nodaway County. The Company subsequently changed its name to Farmers Mutual Insurance Company of Nodaway County. On January 1, 2007, Barry County Mutual Insurance Company merged with the Company, with Farmers Mutual Insurance Company of Nodaway County being the surviving entity.

The Company has a Certificate of Authority dated July 1, 1991, 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 AND CONTROL

Board of Directors

In accordance with the Articles of Incorporation, the annual meeting of the Company’s members is held on the second Saturday in April at the home office of the Company or at such place designated by the Board of Directors. Special meetings may be called by the Board of Directors at any time and shall be called upon petition of one-fourth of the members. Proxy voting is not permitted.

Members serving on the Board of Directors as of December 31, 2022, were as follows:

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
Steve Miller	Farmer/Agent
Patricia Wiederholt	Agent
Onedia Wolverton	Agent
Connor Nicholas	Farmer/Agent
Daron Hall	Agent
Eric Henry	Banker

Senior Officers

The officers elected and serving, as of December 31, 2022, were as follows:

<u>Name</u>	<u>Office</u>
Steve Miller	President
Patricia Wiederholt	Vice President
Pam Spire	Secretary/Treasurer

Conflict of Interest

The Company completes annual conflict of interest statements for the disclosure of material conflicts of interest or affiliations by its directors and officers. The Company has its directors and officers complete conflict of interest disclosure statements on an annual basis.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. Neither the Articles of Incorporation nor the Bylaws were amended during the examination period. The minutes of the Annual Membership meetings and Board of Directors meetings were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has five full-time employees. The Company's employee benefit program for full-time employees includes paid time off, and life, health, vision, and short and long-term disability insurance. In addition, the Company contributes a percentage of each employee's annual salary into a Simplified Employee Pension account on behalf of each employee. The contribution percentages are determined annually by the Board of Directors.

FIDELITY BOND AND OTHER INSURANCE

The Company is the named insured on a fidelity bond providing a limit of liability of \$250,000. The fidelity bond coverage meets the minimum amount suggested in the guidelines promulgated by the NAIC.

The Company carries liability coverage for its directors and officers. The Company requires agents to purchase their own errors and omissions coverage and provide evidence of such coverage to the Company. The Company carries property insurance coverage on its home office and contents, as well as business liability insurance.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company is licensed by the Missouri Department of Commerce and Insurance as an Extended Missouri Mutual Insurance Company operating under Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Companies). The Company is authorized to write fire, wind, and liability insurance in all counties in the state of Missouri. The Company writes fire, wind and liability insurance coverages. The Company's policies are sold by eighteen licensed agents, five of which are directors of the Company.

The Company has three different agent agreements, which allow for various levels of claims adjusting authority and commissions levels. Agent commission rates range from 12% to 18% of premium, depending on the agent agreement and insurance product.

Policy Forms and Underwriting Practices

The Company uses custom policy forms. The policies are written on a continuous period and renewed annually, with rates determined by the Board of Directors. Renewal billings are mailed directly to the insured. Inspections are performed by agents and contracted inspectors. Loss adjusting is primarily performed by adjusters contracted through the Company's reinsurer, with some claims being adjusted by agents, depending upon the type of claim and agent agreement.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company’s premium writings and writing ratios for the period under examination:

(\$000s omitted)

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2022	\$12,003	\$4,889	\$9,461	\$8,141	\$282	\$(543)	\$(262)
2021	11,627	3,926	8,549	4,849	276	(704)	(329)
2020	11,729	3,688	7,887	4,706	291	(807)	(346)
2019	11,414	3,051	7,508	6,462	282	(666)	(305)
2018	11,724	3,128	7,312	3,742	304	250	556

At year-end 2022, there were 6,753 policies in force.

REINSURANCE

General

The Company’s premium activity on a direct written, assumed, and ceded basis for the period under examination is detailed below:

(\$000s omitted)

	2018	2019	2020	2021	2022
Direct Premiums Written	\$ 7,155	\$ 7,332	\$ 7,715	\$ 8,298	\$ 9,198
Reinsurance Assumed:	15	15	15	15	15
Reinsurance Ceded:	(1,771)	(1,829)	(1,852)	(2,015)	(2,127)
Net Premiums Written	\$ 5,399	\$ 5,518	\$ 5,878	\$ 6,298	\$ 7,086

Assumed Reinsurance

MAMIC Mutual Insurance Company (MAMIC) issues direct policies to insure agents’ errors and omissions liability and directors’ and officers’ liability risks for various mutual insurance companies, including the Company. The policy risks insured by MAMIC for these two products are pooled and ceded to participating mutual insurance companies. The Company assumes a 4% share of the interests and liabilities of the MAMIC pooled risks.

Ceded Reinsurance

The Company cedes business to Grinnell Mutual Reinsurance Company (the Reinsurer) through separate property and liability reinsurance agreements.

The property reinsurance agreement includes per risk excess, catastrophe, and aggregate excess of loss coverages. Under the per risk excess of loss coverage, the Company retains \$225,000 of losses per risk, and the Reinsurer’s limit is \$20,000,000 per risk. Under the catastrophe excess of loss coverage, the Company retains \$1,600,000 per occurrence, and the Reinsurer is responsible for 100% of the excess losses. Under the aggregate excess of loss coverage, the Company’s annual aggregate retention is \$5,000,000, and the Reinsurer is responsible for 100% of losses in excess of the retention.

Under the liability reinsurance agreement, the Company cedes 100% of the premiums and losses and receives a 39% 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 an assuming reinsurer fails to perform its obligations under the reinsurance contract.

ACCOUNTS AND RECORDS

The accounting records are maintained by the Company on a modified cash basis. The CPA firm of Harden, Cummins, Moss & Miller, LLC prepares the Company's annual statements and tax filings.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2022. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of 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 additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items." These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual key activity.

ASSETS

As of December 31, 2022

Bonds	\$ 6,689,160
Mutual Funds	2,522,694
Real Estate	194,732
Cash on Deposit	1,428,161
Other Investments	329,732
Reinsurance Recoverable on Paid Losses	401,137
Computer Equipment (Hardware Only)	13,530
Federal Income Tax Recoverable	319,022
Interest Due and Accrued	38,391
Short-Term Notes Receivable	66,703
TOTAL ASSETS	<u><u>\$ 12,003,262</u></u>

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2022

Unpaid Losses	\$ 1,211,239
Ceded Reinsurance Premium Payable	175,131
Unearned Premium	3,394,719
MO Premium Tax Payable	18,083
Short-Term Notes Payable	89,633
TOTAL LIABILITIES	<u>4,888,805</u>
Guaranty Fund	150,000
Other Surplus	6,964,457
TOTAL POLICYHOLDER SURPLUS	<u>\$ 7,114,457</u>
TOTAL LIABILITIES AND SURPLUS	<u><u>\$ 12,003,262</u></u>

STATEMENT OF INCOME
For the Year Ended December 31, 2022

Net Earned Assessment/Premium Income	\$	6,787,840
Other Insurance Income		0
Net Losses & Loss Adjustment Expense		(5,143,830)
Underwriting Expenses		(2,186,784)
Underwriting Income (Loss)	\$	(542,774)
Investment Income		281,504
Investment Expenses		(1,552)
Net Investment Gain (Loss)	\$	279,952
Other Income		1,003
Gross Profit or Loss	\$	(261,819)
Federal Income Tax		0
NET INCOME (LOSS)	\$	(261,819)

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from January 1, 2018 to December 31, 2022

(\$000s omitted)

	2018	2019	2020	2021	2022
Beginning Policyholder's Surplus	\$8,082	\$8,597	\$8,363	\$8,041	\$7,702
Net Income (Loss)	556	(305)	(346)	(329)	(262)
Change in Non-Admitted Assets	(42)	72	47	(11)	(326)
Ending Policyholder's Surplus	\$8,596	\$8,364	\$8,064	\$7,701	\$7,114

The 2020 ending policyholder surplus reported by the Company exceed the 2021 beginning policyholder surplus by approximately \$22,763, due to an accounting error. This issue was resolved in the subsequent year of reporting.

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Farmers Mutual Insurance Company of Nodaway County during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

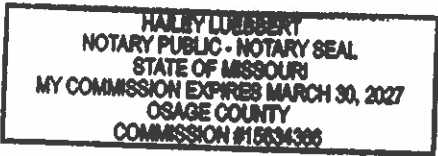
State of Missouri)
) ss
County of Cole)

I, Justin Lamb, 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 facts appearing upon the books, records, or other documents of Farmers Mutual Insurance Company of Nodaway County, 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.

Justin Lamb
Justin Lamb
Examiner
Missouri Department of Commerce and
Insurance

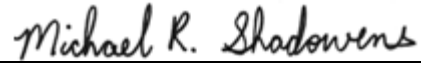
Sworn to and subscribed before me this 12th day of June, 2024.

My commission expires: March 30, 2027
Hailey Schubert
Notary Public



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, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.



Michael Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance