



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

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

RE: Examination Report of Farmers Mutual Fire Insurance Company of Platte County for the period ended December 31, 2014

ORDER

After full consideration and review of the report of the financial examination of Farmers Mutual Fire Insurance Company of Platte County for the period ended December 31, 2014, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, 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 Farmers Mutual Fire Insurance Company of Platte 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 15th day of August, 2016.




John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

**REPORT OF THE
FINANCIAL EXAMINATION OF**

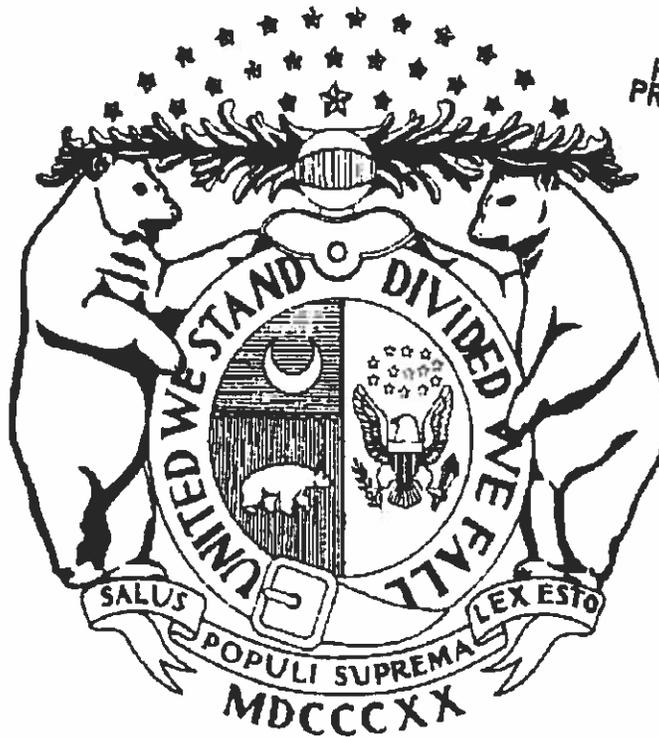
Farmers Mutual Fire Insurance Company of Platte County

**AS OF
DECEMBER 31, 2014**

FILED

AUG 15 2016

**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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February 19, 2016
Platte City, 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 FIRE INSURANCE COMPANY OF PLATTE COUNTY

hereinafter referred to as such, or as the "Company." The Company's administrative office is located at 257 Main Street (P.O. Box 2480), Platte City, Missouri 64079. The telephone number is (816) 858-2521. This examination began on February 18, 2016, concluded on the above date, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2009, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2010, through December 31, 2014, 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, 2009, are listed below followed by the Company's response and the current examination findings regarding such comments, recommendations and notes.

Fidelity Bond and Other Insurance

Comment: It was recommended the Company increase its fidelity coverage to a minimum of \$75,000.

Company Response: The Company responded by providing a copy of its fidelity bond indicating coverage of \$100,000.

Current Findings: The Company provided a copy of its current fidelity bond coverage which remained at \$100,000 in 2014.

Territory and Plan of Operation

Comment: It was recommended that the Company enter into a written agreement with its agency, which addressed the duties and responsibilities of each party under the arrangement. Terms to be addressed were to include, but were not limited to, management fees, any cost sharing arrangements, time limits for delivery of fully completed insurance applications to the home office, responsibility for errors and omissions insurance and commission rates.

Company Response: The Company responded by filing a management contract with the DIFP, which was subsequently approved on April 23, 2012.

Current Findings: The Company is operating under the filed management contract with no changes filed as of year-end 2014. The management contract and its terms and conditions are reviewed and approved annually by the Board of Directors.

Notes to the Financial Statements

Comment: It was recommended the Company report United States Treasury Bill investment balances on Schedule D, Part 1- Bonds and as "Bonds" on the balance sheet in future Annual Statement filings. It was further recommended that the Company should ensure the beginning policyholder surplus value reported in the "Gain or Loss in Surplus" reconciliation on Page 5 of the Annual Statement be equal to the ending policyholder surplus per the balance sheet of the prior year Annual Statement in future filings.

Company Response: The Company stated it would correctly report all treasury instruments on the Schedule D, Part 1 and would reconcile the reported policyholder surplus amounts annually.

Current Findings: The Company reported treasury instruments on the correct schedule and reconciled policyholder surplus in each of the periods under review.

HISTORY

General

The Company was originally organized and incorporated on March 24, 1892, as Farmers Mutual Fire Insurance Company of Platte County. Effective September 22, 2005, the Company converted to an Extended Missouri Mutual Company operating under Sections 380.201 through 380.611 RSMo (Extended Missouri Mutual Insurance Companies). The Company has a Certificate of Authority dated September 22, 2005, which is renewed annually.

Management

In accordance with the Articles of Incorporation, the annual meeting of the Company's membership is held on the last Saturday in February at the home office of the Company or at such other place and time as may be designated by the Board of Directors. Special meetings of the members may be called at any time by the Board of Directors, and shall be called upon petition of one-fourth of the members. Eight members shall constitute a quorum at any membership meeting. Proxy voting is not permitted.

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 policyholders of the Company. The Board of Directors meets at least annually, and the directors are compensated \$495 annually with an additional \$100 for attending the annual meeting and \$100 for serving on the Investment Committee. One director receives \$300 per year for overseeing the scholarship program of the Company.

Due to the death of Director and Company President Kenneth Kisker during 2014, there was one vacancy on the Board, and Vice-President Larry Furbeck served as Acting President at December 31, 2014. Members serving on the Board of Directors as of December 31, 2014, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term Expires</u>
Larry Furbeck Dearborn, Missouri	Farmer	2016
Michael Roberts Weston, Missouri	Farmer	2016
Grundy Newton Platte City, Missouri	Retired Educator	2017
John Cozad Platte City, Missouri	Lobbyist	2015
Carl M. Meyers Weatherby Lake, Missouri	Physician	2015
Bartlett F. Ball Camden Point, Missouri	Farmer	2017
Jack Coots Platte City, Missouri	Banker	2016
Gary Anderson Weston, Missouri	Farmer	2016

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, 2014, were as follows:

Larry Furbeck	Acting President & Vice President
Chris Donnelly	Secretary-Manager
Theodore Wilson	Treasurer
Dorothy Donnelly	Assistant Secretary

Conflict of Interest

The Company has written conflict of interest procedures for the disclosure of material conflicts of interest or affiliations by its directors. The Company has its directors sign conflict of interest statements on an annual basis. A review of the executed conflict of interest statements noted no material potential conflicts being disclosed.

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 providing a limit of liability of \$100,000. The fidelity bond coverage of the Company meets the minimum amount of \$75,000 suggested in the guidelines promulgated by the NAIC.

The Company carries liability coverage for its directors and officers and errors and omissions coverage. Additionally, the management contract requires its exclusive agency to secure errors and omissions coverage for its agents.

Other insurance coverages carried by the Company include property insurance on the home office and its contents. The policy also provides commercial liability insurance.

EMPLOYEE BENEFITS

The Company has no employees and operates under a management contract with the Miller-Donnelli Agency. The Company offers no employee benefits under the management contract.

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. The Company is authorized to write fire, wind and liability insurance in all counties in the State of Missouri. The Company writes fire and wind, but is not currently writing liability coverages.

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The Company's policies are sold by the Miller-Donnelli Agency, as the exclusive agency, through a management contract. Under the provisions of the contract, the agency receives a monthly management fee in addition to a 15% commission on all new and renewal business.

Policy Forms and Underwriting Practices

The Company mainly utilizes AAIS forms. The policies are written for a five-year term and assessments are paid annually. Renewal billings are mailed directly to the insured. Property inspections are completed by an outside inspector, and a majority of the claims adjusting is performed by independent adjusters, which are chosen based on claim type and severity. Rates are determined by the Board of Directors.

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>
2014	\$4,837,492	\$ 309,574	\$ 600,214	\$ 179,478	\$ 74,848	\$ 128,890	\$ 201,140
2013	4,648,512	319,358	596,151	161,578	120,640	116,373	237,013
2012	4,453,773	311,857	596,531	55,514	111,044	274,441	385,485
2011	4,022,032	281,068	542,474	342,478	121,042	43,944	164,986
2010	3,889,911	277,007	549,730	279,658	96,883	77,745	174,628

At year-end 2014, 723 policies were 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:

	2010	2011	2012	2013	2014
Direct	\$ 549,730	\$ 542,474	\$ 596,531	\$ 596,151	\$ 600,214
Assumed	0	0	0	0	0
Ceded	(92,478)	(114,630)	(105,284)	(140,833)	(126,537)
Net	\$ 457,252	\$ 427,844	\$ 491,247	\$ 455,318	\$ 473,677

Assumed

The Company has no assumed reinsurance business.

Ceded

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (the reinsurer) under an individual occurrence of loss with aggregate excess plan reinsurance agreement.

The individual occurrence section of the agreement covers property risks. The Company retains \$100,000 for each individual loss occurrence, and the reinsurer is liable for losses in excess of the retention.

The aggregate excess section of the agreement also covers property risks. Under the aggregate excess section of the agreement, the Company's annual aggregate net retention, or attachment point, is based upon the Company's five-year average loss ratio, plus a negotiated load and 10 year gross fire loss ratio factor, less a credit for the individual occurrence of loss premium rate. The reinsurer is liable for 100% of losses in excess of this retention. The attachment point for 2014 was \$321,490.

The contract has a liability quota share section for liability risks, whereby the Company may cede 100% of the liability risks and premium to the reinsurer and receive a 20% ceding commission. The Company is not currently writing liability insurance which could be ceded under this agreement.

The contract also has an earthquake reinsurance section. The Company cedes 100% of earthquake risks to the reinsurer.

Under the facultative reinsurance portion of the agreement, the Company may cede risks to the reinsurer that exceed the individual risk limits outlined in the individual occurrence of loss section of the agreement. Rates are determined by the reinsurer on an individual basis.

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 a modified-cash-basis. The Company utilizes a customized database for their general ledger, declaration pages, invoices, claims reports, renewal reports and policy maintenance. The Company also maintains paper files for each policyholder including the application and any modifications. Paper files are also kept for accounting and other policy records. R. Scott Stephens, CPA, P.C, performs an annual audit of the Company's financial statements and prepares the Company's federal tax filing. The Company prepares the Annual Statement submitted to the DIFP.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2014, 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.

ASSETS
December 31, 2014

Bonds	\$ 1,697,598
Stocks	1,500
Mutual Funds	264,380
Real Estate	5,000
Cash on Deposit	2,831,312
Assessments Uncollected	7,712
Federal Income Tax Recoverable	8,802
Interest Due and Accrued	18,608
Computer Equipment	1,640
Other Assets	940
	<hr/>
Total Assets	<u>\$ 2,555,697</u>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2014

Ceded Reinsurance Premium Payable	\$ 10,750
Unearned Premium	298,516
Accounts Payable	<u>308</u>
 Total Liabilities	 <u>\$ 309,574</u>
 Guaranty Fund	 \$ 150,000
Other Surplus	<u>4,377,918</u>
 Total Surplus	 <u>\$ 4,527,918</u>
 Total Liabilities and Surplus	 <u>\$ 4,837,492</u>

STATEMENT OF INCOME
For the Year Ending December 31, 2014

Net Assessment/Premiums Earned	\$ 470,024
Net Losses & Loss Adjusting Expenses Incurred	(172,303)
Other Underwriting Expenses Incurred	<u>(168,831)</u>
Net Underwriting Income (Loss)	\$ 128,890
Net Investment Income	74,848
Other Income	<u>0</u>
Gross Profit (Loss)	\$ 203,738
Federal Income Tax	<u>(2,598)</u>
Net Income (Loss)	<u>\$ 201,140</u>

CAPITAL AND SURPLUS ACCOUNT
December 31, 2014

Policyholders' Surplus, December 31, 2013	\$ 4,329,154
Net Income (Loss)	201,140
Current Year Decrease in Admitted Mutual Funds	(383)
2013 Income Tax Adjustment	<u>(1,993)</u>
Policyholders' Surplus, December 31, 2014	<u>\$ 4,527,918</u>

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 Farmers Mutual Fire Insurance Company of Platte County during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Shannon Schmoege, CFE, examiner for the Missouri DIFP reviewed this examination.

VERIFICATION

State of Missouri)
)
County of Cole)

I, Jay Buschmann 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.



Jay Buschmann, AFE
Financial Examiner/Analyst
Missouri DIFP

BEVERLY M. WEBB
My Commission Expires
April 14, 2020
Clay County
Commission #12464070

Sworn to and subscribed before me this 21st day of June, 2016.

My commission expires:

04-14-2020


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.



Mark Nance, CFE, CPA
Audit Manager – Kansas City
Missouri DIFP