



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 Forest Green Farmers Mutual Insurance Company for the period ended December 31, 2021, 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.

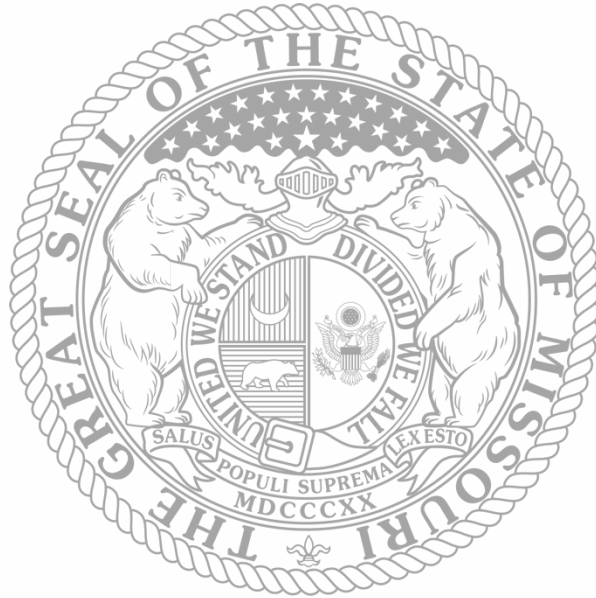
Based on such findings and conclusions, I hereby ORDER Forest Green Farmers Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition 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 23rd day of November, 2022.



A handwritten signature in blue ink that reads "Chlora Lindley-Myers". The signature is written in a cursive style and is positioned above a horizontal line.

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

FOREST GREEN FARMERS MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2021

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Jefferson City, MO
September 15, 2022

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

Forest Green Farmers Mutual Insurance Company

hereinafter referred to as such, as FGFMIC, or as the Company. Its administrative office is located at 1217 South Maple Avenue. Salisbury, MO 65281, telephone number (660) 676-6177. The fieldwork for this examination began on August 30, 2022, 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 Forest Green Farmers Mutual Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2012, through December 31, 2016. The current examination covers the period of January 1, 2017, through December 31, 2021, 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 report includes significant findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

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 originally organized in 1897 and was incorporated on December 5, 1927, as Forest Green Farmers Mutual Insurance Company.

The Company has a Certificate of Authority dated June 14, 1996, 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 March, at the home office of the Company or at such place as may be designated by the Board of Directors. Special meetings of the members may be called by the Board of Directors at any time with a simple majority. Eight members shall constitute a quorum at any membership meeting. Proxy voting is not permitted.

The management of the Company is vested in a Board of Directors, who are elected by the general membership. The Board of Directors consists of five members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every quarter. The Board of Directors elected and serving as of December 31, 2021, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Brian Linneman Marshall, Missouri	Farmer	2023
Dale Aholt Glasgow, Missouri	Farmer	2024
Matthew Linneman Brunswick, Missouri	Farmer	2022
Jeffrey Gebhardt Salisbury, Missouri	Farmer	2024
Curtis Sanders Armstrong, Missouri	Farmer	2023

Officers

The Board of Directors appoints for a term of one year, the officers of the Company. The officers elected and serving, as of December 31, 2021, were as follows:

<u>Name</u>	<u>Office</u>
Brian Linneman	President
Dale Aholt	Vice-President
Debbie Imgarten	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’s directors and officers sign conflict of interest statements on an annual basis.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. The Articles of Incorporation were amended in 2018 resulting in some administrative changes. The 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.

EMPLOYEE BENEFITS

The company has three part-time employees. The Company does not provide any employee benefits other than salary.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$50,000 with a \$1,000 deductible. The 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 its agents to carry errors and omissions insurance and provide evidence of such coverage to the Company. Other insurance coverages carried by the Company include general liability & cyber liability and workers compensation.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the Department as an Extended Missouri Mutual Insurance Company operating under Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Insurance Companies). The Company is authorized to write fire, wind and liability insurance in all Missouri counties. The majority of the Company’s business is concentrated in Chariton County and the immediate surrounding counties. The Company’s policies are sold by two licensed agents, who receive a 15% commission.

Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Service, Inc. (AAIS), Missouri Association of Mutual Insurance Companies (MAMIC) and Grinnell Mutual Reinsurance Company (the Reinsurer) policy forms. Policies are written on a continuous period, and rates are determined by the Board. Renewal billings are mailed directly to the insured. Property inspections are performed by the two agents, and claims adjusting is performed by the Reinsurer.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's premium writings and other financial results for the period under examination:

(\$000s omitted)

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2021	\$ 2,086	\$ 257	\$ 551	\$ 124	\$ 46	\$ 90	\$ 136
2020	1,930	236	488	237	51	(6)	45
2019	1,925	277	479	46	49	70	120
2018	1,748	219	473	191	46	48	94
2017	1,647	213	473	320	49	(31)	18

At year-end 2021, there were 474 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)

Premium Type	2017	2018	2019	2020	2021
Direct Premiums Written	\$ 467	\$ 467	\$ 475	\$ 482	\$ 545
Reinsurance Assumed:	0	0	0	0	0
Reinsurance Ceded:	(119)	(124)	(128)	(126)	(129)
Net Premiums Written	\$ 348	\$ 343	\$ 347	\$ 356	\$ 416

Assumed Reinsurance

The Company does not reinsure other companies.

Ceded Reinsurance

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (the Reinsurer) through a reinsurance agreement that provides per risk excess of loss and aggregate excess of loss coverage for property risks, as well as quota share coverage for liability and earthquake risks.

Under the per risk excess of loss section of the agreement, the Company retains \$125,000 of property losses per risk, and the Reinsurer's maximum limit is \$15 million per property risk. Risks in excess of \$20 million require facultative coverage and must be submitted to the Reinsurer on an individual basis.

Under the catastrophe excess of loss coverage, the Company retains \$275,000 per loss occurrence, and the Reinsurer is responsible for 100% of the excess losses.

Under the aggregate excess of loss section of the agreement, the Reinsurer is liable for 100% of the property losses in excess of the Company's annual aggregate net retention, or attachment point. The attachment point for 2021 was \$275,000.

For liability coverage, the Company cedes 100% of liability premiums and losses to the reinsurer and receives a 20% ceding commission. The reinsurance coverage limit per occurrence is \$2 million for farmowners liability policies and \$1 million for all other policies. Earthquake coverage is ceded 100% to the Reinsurer.

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 Company maintains its accounting records on an accrual basis. The Company Secretary/Treasurer prepares the Annual Statement 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 Forest Green Farmers Mutual Insurance Company for the period ending December 31, 2021. 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, 2021

Bonds	\$	999,652
Stocks		15,000
Cash on Deposit		1,059,392
Computer Equipment		1,600
Interest Due and Accrued		10,583
TOTAL ASSETS	\$	<u>2,086,277</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2021

Gross Losses Unpaid less Reinsurance Recoverable	\$	13,500
Ceded Reinsurance Premium Payable		10,809
Unearned Premium		228,492
Payroll Tax		3,889
TOTAL LIABILITIES	\$	<u>256,690</u>
Guaranty Fund		150,000
Other Surplus		1,679,537
TOTAL CAPITAL AND SURPLUS	\$	<u>1,829,537</u>
TOTAL LIABILITIES AND SURPLUS	\$	<u>2,086,277</u>

UNDERWRITING AND INVESTMENT EXHIBIT

For the Year Ended December 31, 2021

Net Earned Assessment/Premium Income	\$ 389,269
Other Insurance Income	3,933
Net Losses & Loss Adjustment Expense	(124,680)
Underwriting Expenses	(178,472)
Net Underwriting Gain (Loss)	\$ 90,050
Investment Income	46,098
Net Investment Income	\$ 46,098
Other Income	0
Gross Profit or Loss	\$ 136,148
Federal Income Tax	0
NET INCOME (LOSS)	\$ 136,148

GAIN OR LOSS IN SURPLUS

Changes from January 1, 2017 to December 31, 2021

(\$000s omitted)

	<u>2017</u>		<u>2018</u>		<u>2019</u>		<u>2020</u>		<u>2021</u>
Beginning Policyholder's Surplus	\$ 1,416	\$	1,434	\$	1,528	\$	1,648	\$	1,693
Net Profit of (Loss)	18		94		120		45		136
Prior Year Alternative Minimum Tax Credit	0		0		0		1		0
Ending Policyholder's Surplus	\$ 1,434	\$	1,528	\$	1,648	\$	1,693	\$	1,830

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

The COVID-19 pandemic has continued to develop, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

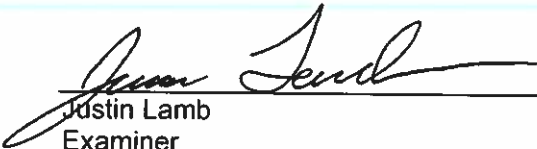
ACKNOWLEDGMENT

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

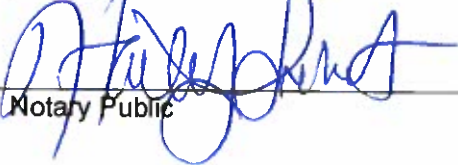
VERIFICATION

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 Forest Green Farmers Mutual Insurance 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.


Justin Lamb
Examiner
Missouri Department of Commerce and Insurance

Sworn to and subscribed before me this 3rd day of November, 2022.

My commission expires: March 30, 2023 
Notary Public



HAILEY LUEBBERT
My Commission Expires
March 30, 2023
Osage County
Commission #15634366

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 R. Shadowens

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