



DEPARTMENT OF COMMERCE & INSURANCE

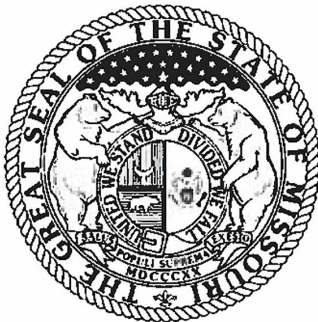
P.O. Box 690, Jefferson City, Mo. 65102-0690

ORDER

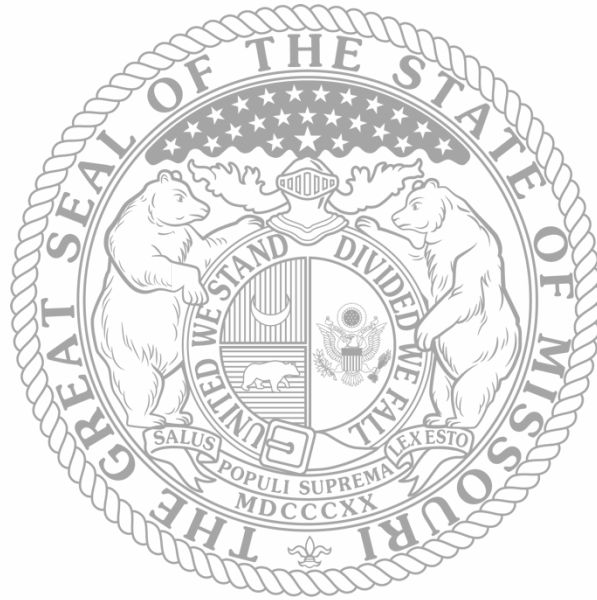
After full consideration and review of the report of the financial examination of Farmers Mutual Fire Insurance Company of Platte County for the period ended December 31, 2019, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, 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 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 25th day of November, 2020.



Chlora Lindley-Myers
Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF THE
FINANCIAL EXAMINATION OF

FARMERS MUTUAL FIRE INSURANCE COMPANY OF PLATTE COUNTY

AS OF
DECEMBER 31, 2019

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Platte City, MO
September 21, 2020

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 FIRE INSURANCE COMPANY OF PLATTE COUNTY

hereinafter referred to as such, as FMFIC of Platte County, or as the Company. Its administrative office is located at 257 Main Street (P.O. Box 2480), Platte City, Missouri 64079, telephone number (816) 858-2521. The fieldwork for this examination began on May 27, 2020, 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 Fire Insurance Company of Platte County. The last examination of the Company by the Department covered the period of January 1, 2010 through December 31, 2014. The current examination covers the period of January 1, 2015 through December 31, 2019, 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 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 AND CONTROL

Board of Directors

In accordance with the Articles of Incorporation, the annual meeting of the Company’s members is held on the last Saturday in February 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 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 a Board of Directors, who are elected by the general membership. According to the Company’s Articles of Incorporation, 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.

Members serving on the Board of Directors as of December 31, 2019, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
John C. Cozad Platte City, Missouri	Lobbyist	2021
Carl M. Meyers Weatherby Lake, Missouri	Physician	2021
Bartlett F. Ball Camden Point, Missouri	Farmer	2020
Larry Furbeck Dearborn, Missouri	Farmer	2022
Michael Roberts Weston, Missouri	Farmers	2022
Gary Anderson Weston, Missouri	Farmer	2022
Gary Oberdiek Platte City, Missouri	Farmer	2021
Grundy Newton Platte City, Missouri	Retired Educator	2020

The Board of Directors consisted of only eight members as of December 31, 2019, due to the resignation of a board member in 2019.

Officers

The Board of Directors appoints for a term of one year, the officers of the Company. The officers serving, as of December 31, 2019, were as follows:

<u>Name</u>	<u>Office</u>
Larry Furbeck	President
Michael Roberts	Vice-President
Chris Donnelly	Secretary
Theodore Wilson	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. A review of the executed conflict of interest statements noted no significant potential conflicts of interest disclosed.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. There were no revisions to either document 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 no employees and operates under a management contract with the Miller-Donnelly Agency. The Company offers no employee benefits under the management contract.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$100,000 and a \$5,000 deductible. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$75,000 and \$100,000 in coverage.

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

Other coverages carried by the Company include property insurance on its home office and contents, and commercial liability insurance.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the Department of Commerce and Insurance as an Extended Missouri Mutual 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 currently writes only fire and wind coverages.

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, agency receives a monthly management fee and receives a 15% commission on all new and renewal policies written.

Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Services (AAIS) policy forms. The policies are written on a continuous basis and renewed annually. Property inspections are performed by the management agency and independent inspectors. Claims adjusting is performed by independent adjusters. Rates are determined by the Board of Directors.

GROWTH OF COMPANY AND LOSS EXPERIENCE

(\$000s omitted)

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2019	\$5,724	\$323	\$615	\$ 112	\$129	\$175	\$289
2018	5,419	321	599	129	122	182	285
2017	5,132	303	589	1,406	82	(79)	1
2016	5,164	338	611	286	87	0	86
2015	5,088	347	604	126	92	120	209

At year-end 2019, there were 610 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	2015	2016	2017	2018	2019
Direct Premiums Written	\$ 604	\$ 611	\$ 589	\$ 599	\$ 614
Reinsurance Assumed	0	0	0	0	0
Reinsurance Ceded	(130)	(136)	(141)	(142)	(150)
Net Premiums Written	\$ 474	\$ 475	\$ 448	\$ 457	\$ 464

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) under a single reinsurance agreement for property risks. The agreement includes per risk excess of loss and aggregate excess of loss coverages.

Under the per risk excess of loss coverage, the Company retains \$100,000 per property risk, and the reinsurer's limit is \$15 million per property risk. The aggregate excess of loss section covers 100% of losses incurred during the year which exceed the Company's aggregate attachment point of \$385,000.

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, of Maryville, Missouri, performs an annual compilation of the Company's financial statements and prepares the Company's 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 Farmers Mutual Fire Insurance Company of Platte County for the period ending December 31, 2019. 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, 2019

Bonds	\$ 1,860,163
Stocks	1,500
Mutual Funds	254,621
Real Estate – Book Value	5,000
Cash on Deposit	3,567,163
Premium/Assessments/Agent’s Balances Uncollected	4,737
Computer Equipment (Hardware Only)	335
Interest Due and Accrued	28,705
Prepaid Insurance	1,971
TOTAL ASSETS	<u>\$ 5,724,195</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2019

Gross Losses Unpaid Less Reinsurance Recoverable	\$ 7,334
Ceded Reinsurance Premium Payable	16,281
Unearned Premium	297,016
Federal Income Tax Payable	2,149
Accounts Payable (Other)	517
TOTAL LIABILITIES	<u>\$ 323,297</u>
Guaranty Fund	150,000
Other Surplus	5,250,898
TOTAL POLICYHOLDER SURPLUS	<u>\$ 5,400,898</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$ 5,724,195</u>

UNDERWRITING AND INVESTMENT EXHIBIT

For the Year Ended December 31, 2019

Net Earned Assessment/Premium Income	\$ 457,053
Other Insurance Income	0
Net Losses & Loss Adjustment Expense	(105,731)
Underwriting Expenses	(176,734)
Underwriting Income (Loss)	\$ 174,588
Investment Income	129,246
Investment Expenses	0
Net Investment Income	\$ 129,246
Gross Profit or Loss	\$ 303,834
Federal Income Tax	14,709
NET PROFIT OR (LOSS)	\$ 289,125

GAIN OR LOSS IN SURPLUS

Changes from January 1, 2015 to December 31, 2019

(\$000s omitted)

	2015	2016	2017	2018	2019
Beginning Policyholder's Surplus	\$ 4,528	\$ 4,741	\$ 4,827	\$ 4,829	\$ 5,098
Net Profit or (Loss)	209	86	1	285	289
Change in Net Unrealized Gains (Losses)	4	0	1	(16)	14
Ending Policyholder's Surplus	\$ 4,741	\$ 4,827	\$ 4,829	\$ 5,098	\$ 5,401

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

On March 11, 2020, The World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, United States President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the United States and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators with the assistance of the NAIC are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers.

ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
)
County of Cole) ss

I, Brian D. Hammann, CPA, CFE, 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 Fire Insurance Company of Platte 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.

Brian Hammann
Brian D. Hammann, CPA, CFE
Financial Examiner
Missouri Department of Commerce and Insurance

On this 22nd day of October, 2020, before me, the undersigned notary, appeared remotely pursuant to Executive Order 20-08 Brian D. Hammann proved to me through identification documents, and acknowledged to me that he signed the forgoing instrument voluntarily for its stated purpose and acknowledged that he executed the same for the purposes therein contained.

In witness thereof, I hereunto set my signature and official seal.

My commission expires: May 18 2024 Kimberly Landers
Notary Public



KIMBERLY LANDERS
My Commission Expires
May 18, 2024
Callaway County
Commission #12558402

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.



Levi N. Nwasoria, CPA, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance