

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 Marion County 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.

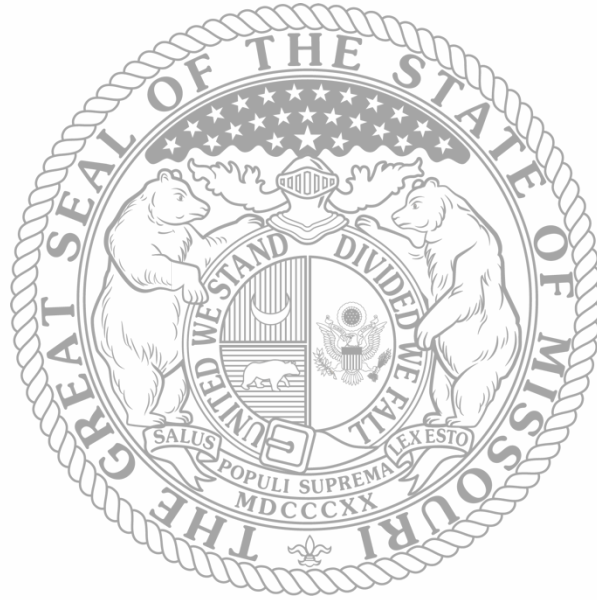
Based on such findings and conclusions, I hereby ORDER Farmers Mutual Insurance Company of Marion County to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition 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 01st day of September, 2023.



Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

FARMERS MUTUAL INSURANCE COMPANY OF MARION COUNTY

AS OF
DECEMBER 31, 2021

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Jefferson City, MO
June 7, 2023

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 Marion County

hereinafter referred to as such, as FMICMC, or as the Company. Its administrative office is located at 621 South Main Street, Palmyra, Missouri 63461, telephone number (573) 769-4615. The fieldwork for this examination began on December 1, 2021, 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 Marion County. 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 are 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 organized on October 1, 1907, as the Farmers Mutual Insurance Association of Marion County. On November 19, 1917, the Company filed for incorporation. The Company changed its name to Farmers Mutual Insurance Company of Marion County on January 15, 1981.

The Company has a Certificate of Authority dated December 1, 2003, and is operating under section 380.201 through 380.601 RSMo (Extended Missouri Mutual Companies).

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 third Tuesday in March, at the home office of the Company or at such place designated by the Board of Directors. Special meetings of the members may be called by the Board of Directors at any time 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 that are elected by 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 meet approximately every month.

The Board of Directors elected and serving as of December 31, 2021, were as follows:

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
Brian Obert Palmyra, MO	Retired & FMICMC Agent
Jason Plunkett Philadelphia, MO	Farmer & FMICMC Agent
David Moss Monroe City, MO	Farmer & FMICMC Agent
Tina Bridgman Ewing, MO	Administrative Assistant & FMICMC Agent
Dennis Keim Hannibal, MO	Farmer Agent & FMICMA Agent
James Behring Palmyra, MO	Retired
Ken Disselhorst Hannibal, MO	Farmer

Officers

The officers elected and serving, as of December 31, 2021, were as follows:

<u>Name</u>	<u>Office</u>
Brian Obert	President
Jason Plunkett	Vice President
David Moss	Secretary/Treasurer

Conflict of Interest

The Company has written conflict of interest procedures for the disclosure of material conflicts of interest of affiliations by its directors and officers. The Company’s directors and officers sign a conflict of interest statement on an annual basis. In the executed conflict of interest statements, five directors disclosed there were also agents and employees of the Company. No other potential conflict disclosures were noted.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. There were no amendments to the Articles of Incorporation or Bylaws 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 four full-time employees and one part-time employee. The Company offers its full-time employees a benefits package which includes life insurance, paid time off, and contributions to retirement accounts.

FIDELITY BOND AND OTHER INSURANCE

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

The Company carries liability coverage for its directors and officers. The Company provides its agents errors and omissions insurance. Other insurance coverages carried by the Company include property and liability insurance.

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 Marion County and the immediate surrounding counties. The Company’s policies are sold by twelve licensed agents, who receive a 13% commission on new and renewal business.

Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Services, Grinnell Mutual Reinsurance Company (the Reinsurer), and custom policy forms. Policies are written on a continuous period. Property inspections are performed by the agents and/or the internal company inspectors. Claim adjusting services are performed internally.

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	\$ 7,702	\$ 1,460	\$ 2,072	\$ 1,286	\$ 268	\$ (433)	\$ (124)
2020	7,640	1,186	1,946	501	205	294	526
2019	7,433	1,083	1,891	431	202	74	332
2018	6,763	805	1,913	386	163	430	617
2017	6,210	869	1,948	567	144	273	454

At year-end 2021, there were 2,217 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	\$ 1,948	\$ 1,913	\$ 1,891	\$ 1,946	\$ 2,072
Reinsurance Assumed:	0	0	0	0	0
Reinsurance Ceded:	560	568	610	547	574
Net Premiums Written	\$ 1,388	\$ 1,345	\$ 1,281	\$ 1,399	\$ 1,498

Assumed Reinsurance

The company did not assume any premiums during the period under examination.

Ceded Reinsurance

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company.

Property risks are covered by a property per risk excess of loss agreement and a property aggregate excess of loss agreement. Under the property per risk excess of loss agreement, the Company retains \$200,000 per risk, and the Reinsurer covers 100% of the excess. Under the property aggregate excess of loss agreement, the Reinsurer is liable for all losses in excess of the Company’s annual aggregate net retention, or attachment point. The attachment point for 2021 was \$1,300,000.

For liability risks, the Company cedes 100% of the premiums and losses related to these risks to the Reinsurer and receives a 20% 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 Company maintains its accounting records on a cash basis. The firm of Wade Stables P.C. performs an annual audit of the Company's financial statements and prepares the Annual Statement and tax filings.

FINANCIAL STATEMENTS

The following financial statements are based on the financial statements filed by the Company with the Department and present the financial condition of the 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	\$	5,803,123
Real Estate		106,953
Cash on Deposit		1,730,071
Computer Equipment		12,502
Prepaid Insurance		2,643
Other Receivable		41,289
Prepaid Income Taxes		5,800
TOTAL ASSETS	\$	<u>7,702,381</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2021

Gross Losses Unpaid	\$	296,951
Ceded Reinsurance Premium Payable		47,740
Unearned Premium		1,089,444
Payroll Tax		1,166
Accounts Payable to Agents		20,795
Accounts Payable (Other)		3,439
TOTAL LIABILITIES	\$	<u>1,459,535</u>
Guaranty Fund		150,000
Other Surplus		6,092,846
TOTAL CAPITAL AND SURPLUS	\$	<u>6,242,846</u>
TOTAL LIABILITIES AND SURPLUS	\$	<u>7,702,381</u>

UNDERWRITING AND INVESTMENT EXHIBIT

For the Year Ended December 31, 2021

Net Earned Assessment/Premium Income	\$ 1,498,151
Other Insurance Income	4,810
Net Losses & Loss Adjustment Expense	1,325,065
Underwriting Expenses	610,592
Net Underwriting Gain (Loss)	\$ (432,696)
Investment Income	268,014
Net Investment Income	\$ 268,014
Other Income	40,481
Gross Profit or Loss	\$ (124,201)
Federal Income Tax	0
NET INCOME (LOSS)	\$ (124,201)

GAIN OR LOSS IN SURPLUS

Changes from January 1, 2017 to December 31, 2021

(\$000s omitted)

	2017	2018	2019	2020	2021
Beginning Policyholder's Surplus	\$ 4,886	\$ 5,341	\$ 6,013	\$ 6,350	\$ 6,700
Net Profit of (Loss)	454	617	332	526	(124)
Prior Period Adjustment	0	0	5	(422)	(333)
Ending Policyholder's Surplus	\$ 5,341	\$ 5,958	\$ 6,350	6,454	\$ 6,243

COMMENTS ON FINANCIAL STATEMENT ITEMS

Gain or Loss In Surplus – Page 7

In certain years of the Company’s reconciliations of capital and surplus in the Gain or Loss In Surplus section of the Annual Statement, beginning surplus of the current year did not match ending surplus for the previous year. These differences are detailed below:

(\$000s omitted)

	2017	2018	2019	2020	2021
Difference	\$ 0	\$ 0	\$ 55	\$ 0	\$ 246

The reporting issues appear to be related to the Company’s failure to properly account for various adjustments in the Gain or Loss in Surplus section on Page 5 of the Annual Statement. The errors did not appear to affect reported policyholder surplus on Page 1 of the respective Annual Statements. The Company indicated the issue has been resolved, and it was observed that the error was not present in the subsequently filed 2022 statement.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

Gain or Loss in Surplus – Page 8

The Company should ensure the current year beginning policyholder’s surplus agrees to the prior year ending policyholder surplus in the Gain or Loss in Surplus section in all future Annual Statement filings.

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 Farmers Mutual Insurance Company of Marion County during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

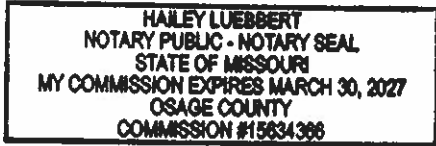
State of Missouri)
) ss
County of Cole)

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 Marion 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-In-Charge
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 7th day of August, 2023.

My commission expires: March 30, 2027
Hailey Luebbert
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