



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, 2017, 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 Insurance¹ 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 17th day of September, 2019.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance

¹ Pursuant to Executive Order #19-02, effective August 28, 2019, the department name was changed from the Department of Insurance, Financial Institutions and Professional Registration to the Department of Commerce and Insurance.

REPORT OF THE
FINANCIAL EXAMINATION OF

FARMERS MUTUAL INSURANCE COMPANY OF
NODAWAY COUNTY

AS OF
DECEMBER 31, 2017

FILED

SEP 17 2019

DIRECTOR OF
MISSOURI DEPARTMENT OF
COMMERCE AND INSURANCE



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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June 24, 2019
Maryville, Missouri

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

Director Lindley-Myers:

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

FARMERS MUTUAL INSURANCE COMPANY OF NODAWAY COUNTY

hereinafter referred to as such, or as the Company. The Company's administrative office is located at 311 East Summit Drive, (P.O. Box 394), Maryville, Missouri 64468, telephone number (660) 582-4511. This examination began on April 22, 2019, was 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, 2011, and was conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP). The current full-scope examination covers the period from January 1, 2012, through December 31, 2017, and was conducted by examiners from the 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.

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

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. The Articles of Incorporation do not address quorum requirements at membership meeting. Section 380.381, RSMo requires at least eight members for a quorum. 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 six members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately ten times per year. Directors are compensated \$200 per each meeting attended, and the President receives an additional \$150 per meeting.

Members serving on the Board of Directors as of December 31, 2017, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term Expires</u>
Steven Miller Maryville, Missouri	Farmer/Agent	2020
Robert Hall Maryville, Missouri	Retired Bank Executive/Agent	2020
Terry Nicholas Burlington Junction, Missouri	Farmer/Agent	2018

Patricia Wiederholt Ravenwood, Missouri	Agent	2020
Ron Howard Clearmont, Missouri	Farmer/Agent	2019
Oneida Wolverton Hopkins, Missouri	Agent	2018

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, 2017, were as follows:

Steven Miller	President
Terry Nicholas	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 sign conflict of interest statements on an annual basis. A review of the completed statements noted that all six directors disclosed being agents of the Company

Corporate Records

A review was made of the Articles of Incorporation (Articles) and the Bylaws of the Company. Neither the Articles 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 \$250,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is between \$150,000 and \$175,000 in coverage.

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.

EMPLOYEE BENEFITS

The Company has three full-time employees and one part-time employee. The Company's employee benefit program for full-time employees includes paid time off, life insurance, health insurance, vision insurance, 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 percentage is determined annually by the Board of Directors.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company is licensed by the DIFP 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 writes fire, wind, and liability coverages. The Company's policies are sold by fourteen licensed agents, six of which are directors of the Company.

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

Policy Forms and Underwriting Practices

The Company uses American Association of Insurance Services (AAIS) and 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 AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income	Underwriting Income	Net Income
2017	\$11,179,195	\$3,096,884	\$6,743,914	\$4,453,877	\$273,229	\$(1,097,251)	\$(575,315)
2016	11,434,169	2,769,196	6,452,370	2,097,297	287,048	1,509,165	1,221,503
2015	10,221,367	2,774,347	6,199,350	2,500,828	265,076	1,177,515	990,860
2014	9,036,230	2,555,379	5,914,982	4,354,222	270,001	(607,091)	(241,160)
2013	9,476,994	2,758,330	5,377,208	3,367,205	275,219	65,387	221,623
2012	8,795,814	2,268,660	4,954,040	5,174,200	196,483	1,056,877	816,091

At year-end 2017, 6,219 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:

	2012	2013	2014	2015	2016	2017
Direct	\$4,954,040	\$5,377,208	\$5,914,982	\$6,199,350	\$6,452,370	\$6,743,914
Assumed	14,547	13,942	15,001	14,053	14,835	14,082
Ceded	(937,618)	(1,146,410)	(1,246,349)	(1,433,109)	(1,514,514)	(1,626,239)
Net	\$4,030,969	\$4,244,740	\$4,683,634	\$4,780,294	\$4,952,691	\$5,131,757

Assumed

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

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

The Company has a property reinsurance agreement that includes per risk and aggregate excess of loss coverage. Under the per risk excess of loss section of the agreement, the Company retains \$250,000 per risk, and Grinnell covers 100% of the excess, limited to a maximum reinsurance recovery of \$20 million per risk including Company retention. Under the aggregate excess of loss agreement, Grinnell is liable for all losses in excess of the Company's annual aggregate net retention, or attachment point. The attachment point for 2017 was \$4.5 million.

For liability risks, the Company cedes 100% of the premiums and losses to Grinnell 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 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 CPA firm of Harden, Cummins, Moss and Miller, LLC prepares the Company's annual statement and tax filings.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2017, 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, 2017

Bonds	\$ 7,189,354
Mutual Funds	1,150,253
Real Estate	148,173
Cash on Deposit	2,001,805
Other Investments	217,798
Reinsurance Recoverable on Paid Losses	4,122
Federal Income Tax Recoverable	424,994
Interest Due and Accrued	42,696
	<hr/>
Total Assets	<u>\$ 11,179,195</u>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2017

Net Losses Unpaid	\$ 513,187
Ceded Reinsurance Premium Payable	142,912
Unearned Premium	2,434,930
Premium Taxes Payable	5,855
	<hr/>
Total Liabilities	<u>\$ 3,096,884</u>
Guaranty Fund	\$ 150,000
Other Surplus	7,932,311
	<hr/>
Total Surplus	<u>\$ 8,082,311</u>
	<hr/>
Total Liabilities and Surplus	<u>\$ 11,179,195</u>

STATEMENT OF INCOME
For the Year Ending December 31, 2017

Net Premiums Earned	\$ 5,060,003
Other Insurance Income	4,404
Losses & Loss Adjustment Expenses Incurred	(4,493,666)
Other Underwriting Expenses Incurred	(1,667,992)
	<hr/>
Net Underwriting Income (Loss)	\$ (1,097,251)
Net Investment Income	273,229
Other Income	1,914
	<hr/>
Gross Profit (Loss)	\$ (822,108)
Federal Income Tax	(246,793)
	<hr/>
Net Income (Loss)	<u>\$ (575,315)</u>

RECONCILIATION OF SURPLUS
Changes from January 1, 2012, to December 31, 2017
(\$000's omitted)

	2012	2013	2014	2015	2016	2017
Capital and Surplus, Beginning of Year	\$ 5,715	\$ 6,527	\$ 6,719	\$ 6,482	\$ 7,448	\$ 8,665
Net Income (Loss)	816	222	(241)	991	1,221	(575)
Change in Net Unrealized Gains (Losses)	(3)	(32)	12	(25)	(4)	(8)
Change in Non-Admitted Assets	(2)	2	0	0	0	0
Adjustment – Premium Tax Accrual	0	0	(8)	0	0	0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Change in Capital and Surplus for the Year	<u>\$ 811</u>	<u>\$ 192</u>	<u>\$ (237)</u>	<u>\$ 966</u>	<u>\$ 1,217</u>	<u>\$ (583)</u>
Capital and Surplus, End of Year	<u>\$ 6,527</u>	<u>\$ 6,719</u>	<u>\$ 6,482</u>	<u>\$ 7,448</u>	<u>\$ 8,665</u>	<u>\$ 8,082</u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

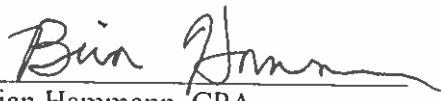
ACKNOWLEDGMENT

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

VERIFICATION

State of Missouri)
)
County of Cole)

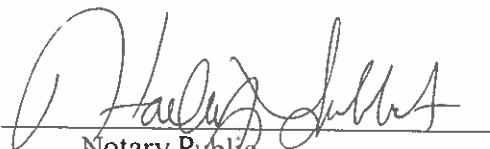
I, Brian Hammann, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only the facts appearing upon the books, records or other documents of the company, its agents or other persons examined or as ascertained from the testimony 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.



Brian Hammann, CPA
Financial Examiner
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 4th day of September, 2019.

My commission expires:
March 30, 2019



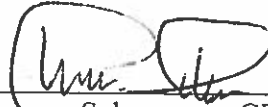
Notary Public



HAILEY LUEBBERT
My Commission Expires
March 30, 2023
Osage County
Commission #15634353

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.



Shannon Schmoeger, CFE, ARe
Chief Financial Examiner
Missouri Department of Insurance, Financial
Institutions and Professional Registration