



## DEPARTMENT OF COMMERCE & INSURANCE

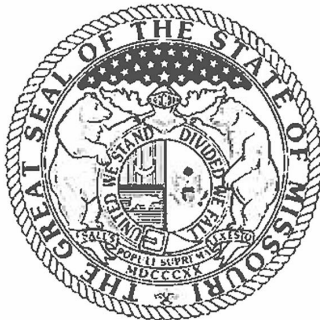
P.O. Box 690, Jefferson City, Mo. 65102-0690

### ORDER

After full consideration and review of the report of the financial examination of Missouri Farm & Home Mutual Insurance Company for the period ended December 31, 2018, 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.

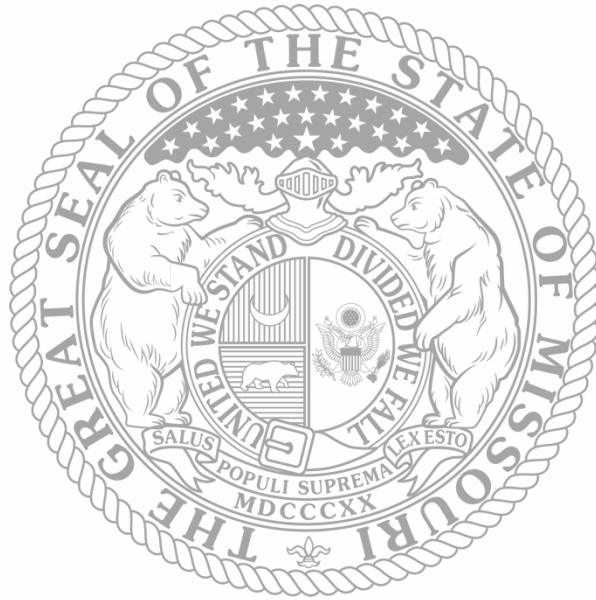
Based on such findings and conclusions, I hereby ORDER Missouri Farm & Home Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition 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 22<sup>nd</sup> day of May, 2020.



*Chlora Lindley-Myers*

Chlora Lindley-Myers, Director  
Department of Commerce and Insurance



REPORT OF THE  
FINANCIAL EXAMINATION OF

# MISSOURI FARM & HOME MUTUAL INSURANCE COMPANY

AS OF  
DECEMBER 31, 2018

STATE OF MISSOURI  
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Richmond, MO  
January 30, 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

### **MISSOURI FARM & HOME MUTUAL INSURANCE COMPANY**

hereinafter referred to as such, as MO Farm & Home, or as the Company. Its administrative office is located at 400 North Spartan Drive, Richmond, Missouri 64085, telephone number (816) 776-3457. The fieldwork for this examination began on January 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 Missouri Farm & Home Mutual Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2009 through December 31, 2013. The current examination covers the period of January 1, 2014 through December 31, 2018, 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, as mentioned in Section 386.061 RSMo (Examination by department, powers and duties – expenses – examination by CPA in lieu of department – refusal to comply, effect) 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 on February 3, 1877, as the Patrons and Farmers Home Protection Company of Ray County and subsequently changed its name to Farmers Home Insurance Company of Ray County. On January 1, 2018, the Company changed its name to Missouri Farm & Home Insurance Company. The Company was incorporated on May 1, 1986.

The Company has a Certificate of Authority dated January 1, 2018, 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 Tuesday 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. Seven members shall constitute a quorum at any membership meeting. Proxy voting is permitted.

The management of the Company is vested in a Board of no more than ten directors and no less than five directors, who are elected by the general membership. At year-end 2018, the Board of Directors consisted of seven members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately six times a year. Directors receive \$250 for each meeting attended.

Members serving on the Board of Directors as of December 31, 2018, were as follows:

<b><u>Name and Address</u></b>	<b><u>Principal Occupation</u></b>	<b><u>Term Expires</u></b>
Wilbur Arnold Brookfield, Missouri	Farmer	2021
Allen Atkins Lawson, Missouri	Farmer	2021
Kenneth Burns Norborne, Missouri	Farmer	2021
James Carter Richmond, Missouri	Mutual Manager	2019
Jarrell Foreman Shelbyville, Missouri	U.S.D.A County Executive Director	2020
Bruce Renfro Richmond, Missouri	Seed House Operator	2020
Dean Wall Richmond, Missouri	Retired Teacher	2021

**Senior Officers**

The Board of Directors appoints for a term of one year, the officers of the Company. The officers serving, as of December 31, 2018, were as follows:

<b><u>Name</u></b>	<b><u>Office</u></b>
Bruce Renfro	President
Dean Wall	Vice-President
James Carter	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. A review of the executed conflict of interest statements noted one director disclosed being an agent for the Company but does not receive commission from the Company.

**Corporate Records**

The Company's Articles of Incorporation (Articles) and Bylaws were reviewed. Effective June 8, 2015, the Articles were amended to change the number of members necessary for a quorum at membership meetings from eight to seven and to change the number of directors required from nine to a minimum of five and a maximum of ten. Effective January 1, 2018, the Articles and Bylaws were amended to change the name of the Company from Farmers Home Insurance Company of Ray County to Missouri Farm & Home Mutual Insurance Company. The Bylaws were amended on December 4, 2018, to change the titles of the officers of the Company.

The minutes of the membership and the Board were reviewed for the period under examination. The minutes and records of the Company appear to properly reflect and approve significant corporate transactions and events.

**EMPLOYEE BENEFITS**

The Company has four full-time employees and one part-time employee. The benefits package offered by the Company to full-time employees includes matching contributions to individual retirement accounts, paid time off, and a monthly stipend for the purchase of health insurance.

**FIDELITY BOND AND OTHER INSURANCE**

The Company is a named insured on a fidelity bond providing a limit of liability of \$75,000 and no 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. The Company requires its agents to carry errors and omissions insurance and provide evidence of such coverage to the Company.

Other coverages carried by the Company include property insurance on its home office and contents, business liability insurance, workers compensation and employer's liability insurance, employment practices liability insurance, and cyber liability and data breach response coverage.

## 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's policies are sold by 32 licensed independent agencies, which receive a commission of 15% on all policies written.

### Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Services (AAIS) and Grinnell Mutual Reinsurance Company policy forms. The policies are written on a continuous basis and renewed annually. Property inspections are performed by independent inspectors. Adjusting functions are 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)
2018	\$ 3,693	\$ 605	\$ 2,328	\$ 1,938	\$ 95	\$ (138)	\$ (24)
2017	3,551	404	2,222	1,090	76	31	122
2016	3,420	399	2,077	1,483	70	(82)	(11)
2015	3,503	460	1,871	566	62	281	278
2014	3,088	316	1,759	1,415	57	(136)	(75)

At year-end 2018, there were 2,155 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	2014	2015	2016	2017	2018
Direct Premiums Written	\$ 1,759	\$ 1,871	\$ 2,077	\$ 2,222	\$ 2,328
Reinsurance Assumed	0	0	0	0	0
Reinsurance Ceded	(791)	(911)	(885)	(948)	(987)
<b>Net Premiums Written</b>	<b>\$ 968</b>	<b>\$ 960</b>	<b>\$ 1,192</b>	<b>\$ 1,274</b>	<b>\$ 1,341</b>

### Assumed Reinsurance

The Company does not reinsure other companies.

### Ceded Reinsurance

The Company cedes business to 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 risks and certain homeowners policies.



Under the per risk excess of loss section of the agreement, the Company retains \$100,000 of property losses per risk, and the reinsurer's maximum limit is \$15,000,000 per risk. Under the aggregate excess 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 2018 was \$840,000.

Under the quota share homeowners section of agreement, the Company cedes to the reinsurer 80% of premiums and losses on all homeowners policies with total insured values between \$150,000 and \$1,000,000. The Company receives a 30% ceding commission.

For the liability coverage, the Company cedes 100% of the premiums and losses to the reinsurer and receives a 20% ceding commission. The reinsurer's maximum limit under the agreement is \$1,000,000 per occurrence.

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 an accrual basis. The CPA firm of Van de Ven, LLC, of Cape Girardeau, Missouri, performs an annual compilation of the Company's financial statements and prepares the Company's 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 Missouri Farm & Home Mutual Insurance Company for the period ending December 31, 2018. 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, 2018

Bonds	\$ 1,759,881
Mutual Funds	501,429
Real Estate – Book Value	329,470
Cash on Deposit	1,045,486
Premium/Assessments/Agent's Balances Uncollected	2,968
Reinsurance Recoverable on Paid Losses	3,488
Federal Income Tax Recoverable	16,560
Interest Due and Accrued	23,181
Prepaid Insurance	4,307
Prepaid Payroll	6,455
<b>TOTAL ASSETS</b>	<b><u>\$ 3,693,225</u></b>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

As of December 31, 2018

Gross Losses Unpaid Less Reinsurance Recoverable	\$ 1,765
Unearned Premium	598,140
Payroll Tax	4,783
<b>TOTAL LIABILITIES</b>	<b><u>\$ 604,688</u></b>
Guaranty Fund	150,000
Other Surplus	2,938,537
<b>TOTAL POLICYHOLDER SURPLUS</b>	<b><u>\$ 3,088,537</u></b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b><u>\$ 3,693,225</u></b>

**UNDERWRITING AND INVESTMENT EXHIBIT**

For the Year Ended December 31, 2018

Net Earned Assessment/Premium Income	\$ 1,144,140
Other Insurance Income	334,298
Net Losses & Loss Adjustment Expense	(770,250)
Underwriting Expenses	(845,940)
<b>Underwriting Income (Loss)</b>	<b>\$ (137,752)</b>
Investment Income	95,612
Investment Expenses	(118)
<b>Net Investment Income</b>	<b>\$ 95,494</b>
Other Income	17,915
<b>Gross Profit or Loss</b>	<b>\$ (24,343)</b>
Federal Income Tax	0
<b>NET PROFIT OR (LOSS)</b>	<b>\$ (24,343)</b>

**GAIN OR LOSS IN SURPLUS**

Changes from January 1, 2014 to December 31, 2018

(\$000s omitted)

	<u>2014</u>		<u>2015</u>		<u>2016</u>		<u>2017</u>		<u>2018</u>
Beginning Policyholder's Surplus	\$ 2,847	\$	2,772	\$	3,043	\$	3,021	\$	3,148
Net Profit or (Loss)	(75)		279		(11)		122		(24)
Change in Unrealized Gains (Losses)	0		(14)		(15)		(3)		(18)
Prior Period Adjustment	0		6		4		8		(17)
<b>Ending Policyholder's Surplus</b>	<b>\$ 2,772</b>	<b>\$</b>	<b>3,043</b>	<b>\$</b>	<b>3,021</b>	<b>\$</b>	<b>3,148</b>	<b>\$</b>	<b>3,089</b>

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None.

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION**

None.

**SUMMARY OF RECOMMENDATIONS**

None.

**SUBSEQUENT EVENTS**

The Department is monitoring the impact of the COVID-19 global pandemic. This pandemic could have a significant financial and operational impact on all insurers, including the Company. As such, the Department will continue to monitor and communicate with the Company to understand the impact of the COVID-19 global pandemic on the Company's operations and financial condition.

**ACKNOWLEDGMENT**

The assistance and cooperation extended by the officers and the employees of Missouri Farm & Home Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated.

**VERIFICATION**

State of Missouri )  
 )  
County of Cole ) ss

I, Brian D. Hammann, CPA, AFE, 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 Missouri Farm & Home 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.

*Brian Hammann*

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

On this 29<sup>th</sup> day of April, 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:

3-4-2024

*Kathryn Latimer*  
Notary Public



KATHRYN LATIMER  
My Commission Expires  
March 4, 2024  
Cole County  
Commission #12418395

**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.



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