



DEPARTMENT OF COMMERCE & INSURANCE

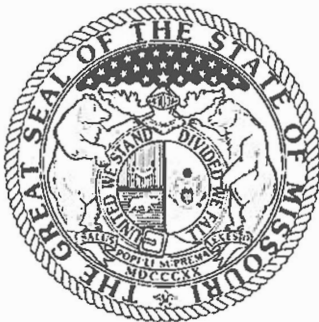
P.O. Box 690, Jefferson City, Mo. 65102-0690

ORDER

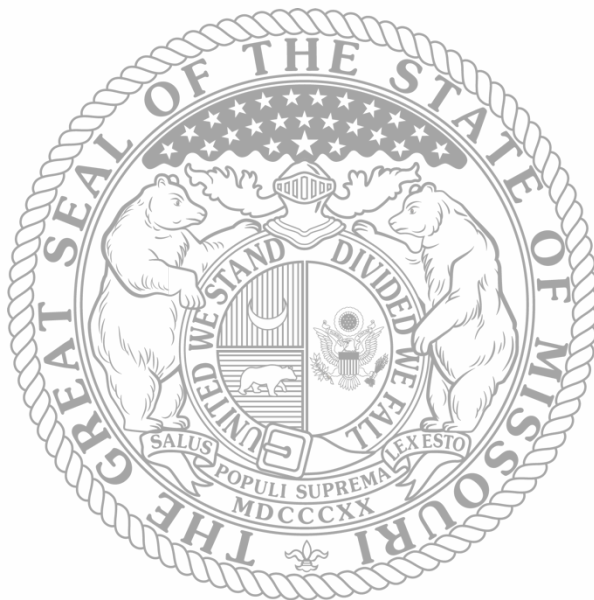
After full consideration and review of the report of the financial examination of Patrons and Farmers Mutual of Missouri for the period ended December 31, 2018, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, 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 Patrons and Farmers Mutual of Missouri 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 22nd day of May, 2020.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF THE
FINANCIAL EXAMINATION OF

PATRONS AND FARMERS MUTUAL OF MISSOURI

AS OF
DECEMBER 31, 2018

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

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January 2, 2020
Harrisonville, Missouri

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

PATRONS AND FARMERS MUTUAL OF MISSOURI

hereinafter referred to as such, or as the Company. The Company's administrative office is located at 1003 West Mechanic, (P.O. Box 236), Harrisonville, Missouri 64701, telephone number (816) 380-4241. This examination began on December 18, 2020, 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, 2013, and was conducted by examiners from the Missouri Department of Commerce and Insurance (Department). The current full-scope examination covers the period from January 1, 2014, through December 31, 2018, and was conducted by examiners from the Department.

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 Department and statutes of the State of Missouri prevailed.

HISTORY

General

The Company was originally organized in 1877 and incorporated on January 30, 1896, as Patrons and Farmers Mutual Fire Insurance Company of Cass County. Effective August 21, 2006, the Company merged with Farmer's Mutual Insurance Company of Lee's Summit. The surviving Company's name was changed to Patrons and Farmers Mutual of Missouri.

The Company has a Certificate of Authority dated June 9, 2008, 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 first Wednesday in April at the home office of the Company or at such other place as may be designated by the Board of Directors. Eight members shall constitute a quorum at any membership meeting.

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 nine members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every month. Directors are compensated \$225 per each meeting attended. Officers of the Company receive additional compensation.

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

<u>Name and Address</u>	<u>Occupation</u>	<u>Term Expires</u>
Ronald J. Dean Lee's Summit, Missouri	Retired	2019
Victor A. Shipley Drexel, Missouri	Insurance/Real Estate Agent	2019
Gary G. Kerby Raymore, Missouri	Retired	2021
Larry W. Duncan Freeman, Missouri	Insurance Agent/Farmer	2020

Everett L. Helms Creighton, Missouri	Insurance Agent/Farmer	2020
April McGurgan Archie, Missouri	Massage Therapist	2021
James Craig Jones Pleasant Hill, Missouri	Insurance Agent	2020
Kevin Buerge Garden City, Missouri	Deputy Sheriff	2021
John T. Southard Raymore, Missouri	Insurance Agent	2019

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, 2018, were as follows:

Ronald J. Dean	Chairman
Larry W. Duncan	President
James Craig Jones	Vice-President
Kevin L. Buerge	Treasurer
Spencer Morriss	Secretary

Conflict of Interest

The Company has a written conflict of interest procedure 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 five directors disclosed having financial interests in an insurance agency or other business enterprise which could potentially conflict with official duties as a director.

Corporate Records

A review was made of the Articles of Incorporation (Articles) and the Bylaws of the Company. The Articles were not amended during the examination period. At the August 8, 2018, Board of Directors' meeting, the Board approved the amended and restated the Bylaws. The Bylaws were revised to remove outdated provisions and to simplify the document. Significant additions to the Bylaws include adding officer position of Chairman of Board of Directors, a mechanism to amend the Bylaws, agent limit for new directors, and director and officer removal procedures.

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 and approve 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 \$100,000 and \$1,000 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. The Company requires agents to purchase their own errors and omissions coverage and provide evidence of such coverage to the Company.

Other insurance coverages carried by the Company include property insurance on its home office and contents, business liability, workers compensation and employers liability, and cyber and privacy liability insurance.

EMPLOYEE BENEFITS

The Company has four full-time employees and one part-time employee. Employee benefits provided by the Company consists of health insurance and paid time off.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company is licensed by the Department 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 35 licensed agencies. Agents receive a 15% commission on all new and renewal business written, except for commercial liability and inland marine lines, which have a 6% commission rate.

Policy Forms and Underwriting Practices

The Company primarily uses American Association of Insurance Services (AAIS) policy forms, as well as some approved forms developed by the Company. 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. Property inspections and loss adjusting are performed by independent inspectors and adjusters.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income	Underwriting Income	Net Income
2018	\$ 1,947,032	\$ 1,204,233	\$ 2,367,035	\$ 1,281,068	\$ 9,501	\$ (12,509)	\$ (3,008)
2017	2,245,944	1,490,111	2,333,609	1,246,531	50,071	(98,896)	(48,825)
2016	2,508,048	1,488,147	2,347,510	1,206,987	38,705	352,026	390,761
2015	2,335,805	1,695,647	2,355,104	1,390,324	27,363	(100,031)	(72,578)
2014	2,639,690	1,597,503	2,383,374	959,252	46,694	90,199	136,918

At year-end 2018, 2,433 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:

	2014	2015	2016	2017	2018
Direct	\$ 2,383,374	\$ 2,355,104	\$ 2,347,510	\$ 2,333,609	\$ 2,367,035
Assumed	0	0	0	0	0
Ceded	(1,199,664)	(977,052)	(938,215)	(752,643)	(990,679)
Net	\$ 1,183,710	\$ 1,378,052	\$ 1,409,295	\$ 1,580,966	\$ 1,376,356

Assumed

The Company does not reinsure other companies.

Ceded

The Company's property and liability reinsurance program is placed by broker Guy Carpenter & Company, LLC with various reinsurers (the reinsurer) under property per risk excess of loss, unlimited aggregate excess of loss, and casualty quota share contracts. The lead reinsurer under the program is Swiss Reinsurance America Corporation, with 20% share in the interests and liabilities of the contracts.

Under the property per risk excess of loss contract, the Company retains \$65,000 per risk, and the reinsurer's limit is \$500,000 each loss, each risk, and \$1,000,000 per occurrence.

Under the aggregate excess of loss contract, the Company's annual aggregate net retention, or attachment point, is equal to 75% of the Company's gross net earned premium income. The reinsurer is responsible for 100% of losses in excess of this attachment point.

Under the casualty quota share contract, the Company cedes 100% of the liability risks and premium to the reinsurer and receives a 25% 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 an accrual basis. The Company utilizes packaged software systems for policy maintenance and to maintain accounting records. The CPA firm of Marr and Company, P.C., of Kansas City, Missouri, performs quarterly and annual financial statement compilations and prepares the 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, 2018, 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, 2018

Bonds	\$ 1,475,121
Real Estate	53,207
Cash on Deposit	284,264
Reinsurance Recoverable on Paid Losses	120,403
Computer Equipment	3,755
Interest Due and Accrued	<u>10,282</u>
Total Assets	<u><u>\$ 1,947,032</u></u>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2018

Net Losses Unpaid	\$ 87,245
Ceded Reinsurance Premium Payable	14,869
Unearned Assessment	1,085,758
Premium Tax Payable	<u>16,361</u>
Total Liabilities	<u>\$ 1,204,233</u>
Guaranty Fund	\$ 150,000
Other Surplus	<u>592,799</u>
Total Surplus	<u>\$ 742,799</u>
Total Liabilities and Surplus	<u><u>\$ 1,947,032</u></u>

STATEMENT OF INCOME
For the Year Ending December 31, 2018

Net Premiums Earned	\$ 1,373,421
Other Insurance Income	269,034
Losses & Loss Adjustment Expenses Incurred	(896,581)
Other Underwriting Expenses Incurred	<u>(758,383)</u>
Net Underwriting Income (Loss)	\$ (12,509)
Net Investment Income	<u>9,501</u>
Gross Profit (Loss)	\$ (3,008)
Federal Income Tax	<u>0</u>
Net Income (Loss)	<u><u>\$ (3,008)</u></u>

RECONCILIATION OF SURPLUS
Changes from January 1, 2014, to December 31, 2018
(\$000's omitted)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Capital and Surplus, Beginning of Year	\$ 1,278	\$ 1,042	\$ 640	\$ 1,020	\$ 756
Net Income (Loss)	137	(73)	391	(49)	(3)
Change in Net Unrealized Gains (Losses)	1	(14)	(1)		12
Change in Nonadmitted Assets	0	0	(10)		(22)
Prior Period Adjustment	<u>(374)</u>	<u>(315)</u>	<u>0</u>	<u>(215)</u>	<u>0</u>
Change in Capital and Surplus for the Year	<u>\$ (236)</u>	<u>\$ (402)</u>	<u>\$ 380</u>	<u>\$ (264)</u>	<u>\$ (13)</u>
Capital and Surplus, End of Year	<u>\$ 1,042</u>	<u>\$ 640</u>	<u>\$ 1,020</u>	<u>\$ 756</u>	<u>\$ 743</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 Patrons and Farmers Mutual of Missouri during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Brian D. 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

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

On this 27th 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.

A handwritten signature in blue ink, appearing to read "Levi N. Nwasoria", is positioned above a horizontal line.

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