

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

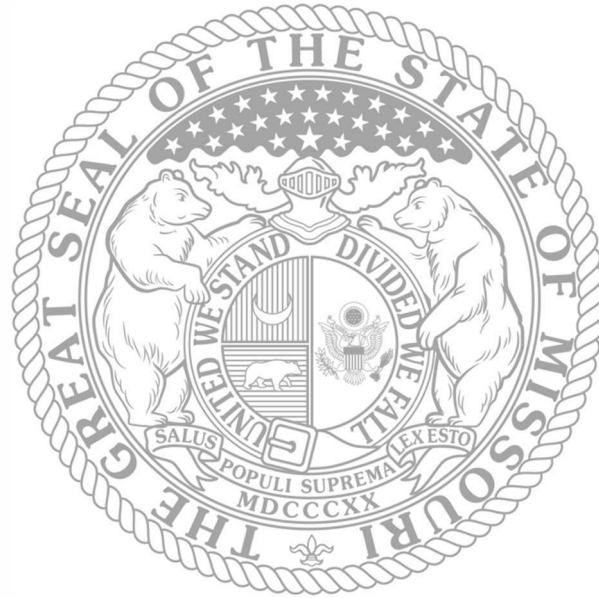
After full consideration and review of the report of the financial examination of Lincoln County Farmer's Mutual Insurance Company for the period ended December 31, 2022, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, 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 Lincoln County Farmer's 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 29th day of May, 2024.



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



REPORT OF
FINANCIAL EXAMINATION OF

LINCOLN COUNTY FARMER'S MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2022

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Troy, Missouri
May 9, 2024

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

Lincoln County Farmer's Mutual Insurance Company

hereinafter referred to as such, or as the Company. Its administrative office is located at 320 Main Street, Troy, Missouri 63379, telephone number (636) 528-8242. The fieldwork for this examination began on March 19, 2024, 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 Lincoln County Farmer's Mutual Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2013, through December 31, 2017. The current examination covers the period of January 1, 2018, through December 31, 2022, 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 on October 6, 1900, and incorporated on November 22, 1900, as Lincoln County Farmers Mutual Fire and Lightning Insurance Company. On January 22, 2000, the Company changed its name to Lincoln County Farmer's Mutual Insurance Company.

The Company has a Certificate of Authority dated December 1, 1988, 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 third Saturday in March at the home office of the Company or at such other place and time as may be designated by management. Special meetings of the members may be called at any time, and shall be called upon petition of one-fourth of the members.

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 seven members, serving staggered three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every month.

Members serving on the Board of Directors as of December 31, 2022, were as follows:

<u>Name and Address</u>	<u>Occupation</u>
Paul Lovell Silex, Missouri	Retired
Charles Henebry Troy, Missouri	Retired/Farmer
Charles Watson Troy, Missouri	Retired/Farmer
Daniel Gooding Silex, Missouri	Retired/Farmer
Alfred Gibson Silex, Missouri	Retired/Farmer
Bobbi Kadlex Troy, Missouri	Retired
Sean O'Brien Elsberry, Missouri	Retired/Farmer

Officers

The officers elected and serving, as of December 31, 2022, were as follows:

<u>Name</u>	<u>Office</u>
Paul Lovell	President
Charles Henebry	Vice President
Charles Watson	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 complete conflict of interest disclosure statements on an annual basis.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. Neither the Articles of Incorporation nor the Bylaws were amended during the examination period. The minutes of the annual membership meetings and Board of Directors meetings were reviewed for the period under examination.

EMPLOYEE BENEFITS

The Company has three full-time employees and one part-time employee. Full-time employee benefits include group health, dental, vision, and life insurance, as well as short-term disability benefits. All employees are eligible to participate in the Simple IRA with employer matching contributions. The Company also provides paid time-off to its employees.

FIDELITY BOND AND OTHER INSURANCE

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

The Company carries liability coverage for its directors and officers and errors and omissions coverage for its agents.

The Company also carries property coverage on its home office and contents, as well as general liability insurance and workers' compensation 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.

The Company is authorized to write fire, wind, and liability insurance in all counties in the State of Missouri. The Company's policies are marketed by two captive agents and multiple independent agencies across the state. The captive agents receive 20% commission while all independent agents receive 13% commission for all new and renewal business.

Policy Forms and Underwriting Practices

The Company utilizes AAIS, MAMIC Mutual Insurance Company, and its reinsurer's policy forms. The policies are continuously renewed on an annual basis. Property inspections are completed by the Company's employees and adjusting functions are performed by a third-party. Rates are determined by the Board of Directors.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's growth and loss experience for the period under examination:

(\$000s omitted)

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income (Loss)	Underwriting Income (Loss)	Net Income (Loss)
2022	\$3,551	\$1,155	\$2,096	\$434	\$48	\$388	\$304
2021	2,932	837	1,711	744	39	(70)	(47)
2020	2,778	639	1,346	593	63	(200)	(88)
2019	2,751	525	1,150	703	64	(34)	38
2018	2,808	620	1,108	326	42	(120)	(71)

At year-end 2022, there were 2,087 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	2018	2019	2020	2021	2022
Direct	\$1,108	\$1,150	\$1,346	\$1,711	\$2,096
Assumed	-	-	-	-	-
Ceded	(370)	(371)	(377)	(402)	(438)
Net Written	\$ 738	\$ 779	\$ 969	\$1,309	\$1,658

Assumed Reinsurance

MAMIC Mutual Insurance Company (MAMIC Mutual) had direct policies to insure agents' errors and omissions liability and directors' and officers' liability risks for various mutual insurance companies, including the Company. All of the policy risks insured by MAMIC Mutual for these two products are pooled and ceded to participating mutual insurance companies. The Company assumes a 2% share of the interests and liabilities of the MAMIC Mutual pooled risks.

Although the Company assumed business through the reinsurance pool with MAMIC Mutual, the Company did not properly report the amounts as assumed premiums in the Annual Statements during the examination period.

Ceded Reinsurance

The Company has property reinsurance through Grinnell Mutual Reinsurance Company (the reinsurer). Under the per risk excess of loss provisions of the agreement, the Company retains \$100,000 of property losses per risk, and the reinsurer's maximum limit is \$20 million per risk. Under the catastrophe excess of loss provisions of the agreement, the Company retains \$300,000 per occurrence, and the reinsurer is liable for 100% of the excess losses. Under the aggregate excess of loss provisions of the agreement, the reinsurer is liable for 100% of the property losses in excess of the aggregate attachment point, which was \$800,000 for 2022. The Company also cedes 100% of earthquake risks to the reinsurer under the agreement.

The Company cedes 100% of liability risks to the reinsurer, limited to \$2 million for farm liability policies and \$1 million for all other policies, per loss occurrence.

The Company cedes 100% of the liability associated with equipment breakdown coverage to the reinsurer and receives a 20% ceding commission.

ACCOUNTS AND RECORDS

The accounting records are maintained by the Company on an income tax basis. Sara Burkemper, CPA, compiles the Annual Statement and prepares 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 Lincoln County Farmer's Mutual Insurance Company for the period ending December 31, 2022. 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, 2022

Bonds	\$ 1,240,391
Mutual Funds	127,799
Real Estate	24,840
Cash on Deposit	1,955,427
Other Investments	183,871
Interest Due and Accrued	12,698
Asset Write-ins	5,882
TOTAL ASSETS	<u>\$ 3,550,908</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2022

Gross Losses Unpaid	\$ 73,078
Gross Loss Adjustment Expense Unpaid	2,100
Ceded Reinsurance Premium Payable	35,202
Unearned Premium	935,478
Federal Income Tax Payable	106,791
Payroll Tax	1,854
TOTAL LIABILITIES	<u>\$ 1,154,503</u>
Guaranty Fund	150,000
Other Surplus	2,246,405
TOTAL POLICYHOLDER SURPLUS	<u>\$ 2,396,405</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$ 3,550,908</u>

STATEMENT OF INCOME
For the Year Ended December 31, 2022

Net Earned Assessment/Premium Income	\$	1,489,189
Other Insurance Income		100,859
Net Losses & Loss Adjustment Expense		(498,498)
Underwriting Expenses		(703,274)
Underwriting Income (Loss)	\$	388,276
Investment Income		40,472
Investment Expenses		-
Net Investment Gain (Loss)	\$	40,472
Other Income		22,395
Gross Profit or Loss	\$	451,143
Federal Income Tax		(147,191)
NET INCOME (LOSS)	\$	303,952

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from January 1, 2018 to December 31, 2022

(\$000s omitted)

		<u>2018</u>		<u>2019</u>		<u>2020</u>		<u>2021</u>		<u>2022</u>
Beginning Policyholder's Surplus	\$	2,262	\$	2,188	\$	2,226	\$	2,138	\$	2,095
Net Income (Loss)		(71)		38		(88)		(47)		304
Unrealized Gain (Loss)		(3)						4		(3)
Ending Policyholder's Surplus	\$	2,188	\$	2,226	\$	2,138	\$	2,095	\$	2,396

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

The Company assumes premiums for agents' errors and omissions liability and director and officer liability policies written by MAMIC Mutual. However, these premiums were not reported as assumed premiums in the Company's Annual Statements. In the future, these premiums should be properly reported.

SUBSEQUENT EVENTS

None.


ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Lincoln County Farmer's Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
) ss
County of Cole)

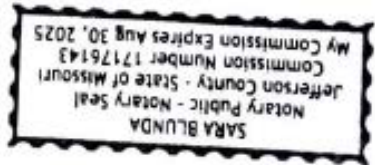
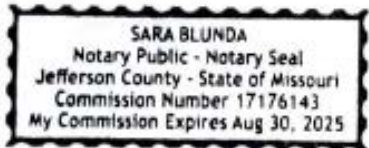
I, Ken Tang, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records, or other documents of Lincoln County Farmer's Mutual Insurance Company, its agents or other persons examined, 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.



Ken Tang, CFE
Certified Examiner
Missouri Department of Commerce and
Insurance

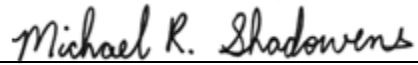
Sworn to and subscribed before me this 9th day of May, 2024.

My commission expires: 08/30/2024 Sara Blunda
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