

# 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 Newton County 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.

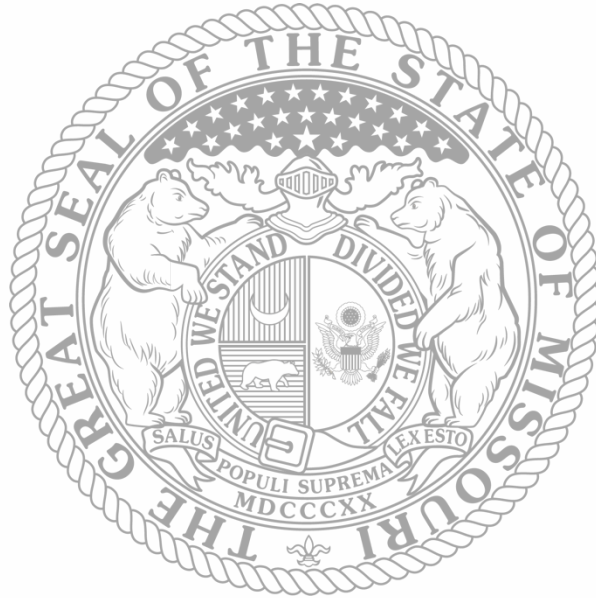
Based on such findings and conclusions, I hereby ORDER Farmers Mutual Insurance Company of Newton County to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition 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 16<sup>th</sup> day of August, 2024.



A handwritten signature in blue ink that reads "Chlora Lindley-Myers". The signature is written in a cursive style and is positioned above a horizontal line.

Chlora Lindley-Myers, Director  
Department of Commerce and Insurance



REPORT OF  
FINANCIAL EXAMINATION OF

# **FARMERS MUTUAL INSURANCE COMPANY OF NEWTON COUNTY**

AS OF  
DECEMBER 31, 2022

**STATE OF MISSOURI  
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

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Jefferson City, MO  
July 3, 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

**Farmers Mutual Insurance Company of Newton County**

hereinafter referred to as such, as FMICNC, or as the Company. Its administrative office is located at 9904 Farm Road 1085, Purdy, Missouri 65708, telephone number (417) 442-7364. The fieldwork for this examination began on May 15, 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 Farmers Mutual Insurance Company of Newton County. 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 also included a review of significant estimates made by management and evaluation of management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

**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 period.

**COMPANY HISTORY**

**General**

The Company was originally organized in 1895 and subsequently incorporated on January 4, 1909, as Farmer’s Mutual Fire and Lightning Insurance Company of Newton County, Missouri. In 1958, the Company changed its name to Farmers Mutual Insurance Company of Newton County, Missouri.

**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 last Saturday in January of each year 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. 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 consist of six members, serving staggered three-year terms. All directors must be policyholders of the Company.

Members serving on the board of Directors as of December 31, 2022, were as follows.

| <b><u>Name and Address</u></b>          | <b><u>Principal Occupation and Business Affiliation</u></b> |
|---|---|
| Jerry White<br>Purdy, Missouri          | Insurance Agent   |
| Jerry Harvey<br>Rocky Comfort, Missouri | Insurance Agent   |
| Kenneth Dodson<br>Purdy, Missouri       | Retired Postal Worker                                       |
| Terry Brake<br>Carthage, Missouri       | Factory Owner/Retired                                       |
| Kevin Johnson<br>Neosho, Missouri       | Manager at Granby Telephone                                 |
| Lisa Scott<br>Purdy, Missouri           | Officer Manager   |

**Senior Officers**

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

| <b><u>Name</u></b> | <b><u>Office</u></b> |
|--------------------|----------------------|
| Jerry Harvey       | President            |
| Kenneth Dodson     | Vice President       |
| Lisa Scott         | 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 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 two full-time employees and two part-time employees. The Company's employee benefit program for full-time employees includes paid time off.

**FIDELITY BOND AND OTHER INSURANCE**

The Company is named insured on a fidelity bond providing a limit of liability of \$100,000. 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. 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.

**INSURANCE PRODUCTS AND RELATED PRACTICES**

**Territory and Plan of Operation**

The Company is licensed by the Missouri Department of Commerce and Insurance as a Missouri Mutual Insurance Company operating under Sections 380.011 through 380.151 RSMo. (Missouri Mutual Companies). The Company is authorized to write fire and wind insurance in Newton County and adjoining counties in the state of Missouri. The Company writes fire and wind coverages. The Company's policies are sold by eighteen licensed agents/agencies, who receive commissions ranging from 15% to 17% on new and renewal business, depending on the product sold.

**Policy Forms and Underwriting Practices**

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.

**GROWTH OF COMPANY AND LOSS EXPERIENCE**

The table below summarizes the Company’s premium writings and writing ratios 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 | \$5,865         | \$0         | \$2,825        | \$948        | \$44                     | \$294                      | \$330             |
| 2021 | 5,535           | 0           | 2,673          | 1,033        | 72                       | 76                         | 133               |
| 2020 | 5,401           | 0           | 2,401          | 919          | 92                       | 229                        | 299               |
| 2019 | 5,103           | 0           | 2,262          | 2,194        | 86                       | (78)                       | (5)               |
| 2018 | 5,108           | 0           | 2,196          | 1,179        | 60                       | (12)                       | 42                |

At the end of 2022, there were 2,472 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 Premiums Written     | \$ 2,147        | \$ 2,219        | \$ 2,369        | \$ 2,616        | \$ 2,775        |
| Reinsurance Assumed:        | 0               | 0               | 0               | 0               | 0               |
| Reinsurance Ceded:          | (758)           | (774)           | (829)           | (938)           | (958)           |
| <b>Net Premiums Written</b> | <b>\$ 1,389</b> | <b>\$ 1,445</b> | <b>\$ 1,540</b> | <b>\$ 1,678</b> | <b>\$ 1,817</b> |

**Assumed Reinsurance**

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

**Ceded Reinsurance**

The Company cedes business to Grinnell Mutual Reinsurance Company (the Reinsurer) through a property reinsurance agreement.

The property reinsurance agreement includes per risk excess of loss and aggregate excess of loss coverages. Under the per risk excess of loss section of the property reinsurance agreement, the Company retains \$100,000 of losses per risk, and the Reinsurer’s limit is \$15,000,000 per risk. Under the aggregate excess of loss coverage, the Reinsurer pays 100% of the losses in excess of the attachment point, and the reinsurance coverage is unlimited.

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 a cash basis. The CPA Group, P.C., prepares the Company's annual statements and tax filings and performs an annual audit.

## **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 the 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               | \$ 3,892,399        |
| Cash on Deposit     | 1,972,279           |
| <b>TOTAL ASSETS</b> | <b>\$ 5,864,678</b> |

**LIABILITIES, SURPLUS AND OTHER FUNDS**

As of December 31, 2022

|                                      |                     |
|--------------------------------------|---------------------|
| Unpaid Losses                        | \$ 0                |
| <b>TOTAL LIABILITIES</b>             | <b>\$ 0</b>         |
| Other Surplus                        | 5,864,678           |
| <b>TOTAL POLICYHOLDER SURPLUS</b>    | <b>\$ 5,864,678</b> |
| <b>TOTAL LIABILITIES AND SURPLUS</b> | <b>\$ 5,864,678</b> |

**STATEMENT OF INCOME**

For the Year Ended December 31, 2022

|                                      |                   |
|--------------------------------------|-------------------|
| Net Earned Assessment/Premium Income | \$ 1,816,859      |
| Other Insurance Income               | 7,635             |
| Net Losses & Loss Adjustment Expense | (671,517)         |
| Underwriting Expenses                | (858,590)         |
| <b>Underwriting Income (Loss)</b>    | <b>\$ 294,387</b> |
| Investment Income                    | 44,316            |
| Investment Expenses                  | -                 |
| <b>Net Investment Gain (Loss)</b>    | <b>\$ 44,316</b>  |
| Other Income                         | -                 |
| <b>Gross Profit or Loss</b>          | <b>\$ 338,703</b> |
| Federal Income Tax                   | (9,106)           |
| <b>NET INCOME (LOSS)</b>             | <b>\$ 329,597</b> |

**RECONCILIATION OF CAPITAL AND SURPLUS**

Changes from January 1, 2018, to December 31, 2022

*(\$000s omitted)*

|                                      | <b>2018</b>     | <b>2019</b>     | <b>2020</b>     | <b>2021</b>     | <b>2022</b>     |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Beginning Policyholder's Surplus     | \$ 5,066        | \$ 5,108        | \$ 5,103        | \$ 5,402        | \$ 5,535        |
| Net Income (Loss)                    | 42              | (5)             | 299             | 133             | 330             |
| <b>Ending Policyholder's Surplus</b> | <b>\$ 5,108</b> | <b>\$ 5,103</b> | <b>\$ 5,402</b> | <b>\$ 5,535</b> | <b>\$ 5,865</b> |

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None.

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION**

None.

**SUMMARY OF RECOMMENDATIONS**

None.

**SUBSEQUENT EVENTS**

None.



**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 R. Shadowens*

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Michael Shadowens, CFE  
Assistant Chief Financial Examiner  
Missouri Department of Commerce and  
Insurance