



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 Linn County for the period ended December 31, 2023, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Angela L. Nelson, 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 Linn 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 16th day of June, 2025.





Angela L. Nelson, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

FARMERS MUTUAL INSURANCE COMPANY OF LINN COUNTY

AS OF
DECEMBER 31, 2023

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

JEFFERSON CITY, MISSOURI

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Meadville, MO
March 5, 2025

Honorable Angela L. Nelson, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Nelson:

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 Linn County

hereinafter referred to as such, as FMICLC, or as the Company. Its administrative office is located at 211 South Macon, Meadville, Missouri 64659, telephone number (660) 938-4415. The fieldwork for this examination began on March 11, 2025, 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 of Linn County. The last examination of the Company by the Department covered the period of January 1, 2014, through December 31, 2018. The current examination covers the period of January 1, 2019, through December 31, 2023, 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 374.205 RSMo (Examination, director may conduct, when...) 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 are separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-complaint issues, or material changes to the financial statements noted during the examination

COMPANY HISTORY

General

The Company was originally established on December 16, 1893, and was incorporated on March 3, 1894, as Farmers Mutual Fire Insurance Company. On March 9, 1979, the Company changed its name to Farmers Mutual Insurance Company of Linn County.

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 AND CONTROL

Board of Directors

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the first Monday in March at the home office of the Company or at such place as may be designated by the management. 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. Ten members shall constitute a quorum at any member's meeting. Proxy voting is not permitted.

The management of the Company is vested in a Board of Directors, who are elected from the general membership. The Board Directs consists of seven members, serving staggered three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every other month. Directors receive \$125 for each meeting attended.

Members serving on the Board of Directors as of December 31, 2023, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>
James Maxwell	Farmer
Garry Amen	Farmer
Alicia Rojas	Farmer/ Speech Therapist
Johnny Anderson	Farmer
Joshua Hawkins	City of Marceline
Danny McIntyre	Farmer, Carpenter
William Brockman	Farmer

Senior Officers

The officers elected and serving as of December 31, 2023, were as follows:

<u>Name</u>	<u>Office</u>
James Maxwell	President
Garry Amen	Vice President
Dean Sayre	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 has its directors and officers sign conflict of interest statements on an annual basis. A review of the completed statements noted no material potential conflicts.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. 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.

EMPLOYEE BENEFITS

The Company has three full time employees. The benefits package offered by the Company to all employees includes contributions to individual retirement accounts, paid holidays, paid 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, RSM0 (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 three licensed agents. Non-employee agents receive a commission of 15%, and the employee-agent receives a commission of 10%.

Policy Forms and Underwriting Practices

The Company utilizes American Association of Insurance Service (AAIS) policy forms. The policies are written on a continuous basis and renewed annually. Property inspections are performed by agents. Adjusting functions are performed by Company Manager and an independent adjuster. 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)
2023	\$5,057	118	\$1,141	\$ 1,146	\$81	\$ (171)	\$ (115)
2022	5,253	49	1,047	608	5	115	108
2021	5,132	37	1,009	862	(4)	(57)	(31)
2020	5,172	47	967	180	41	339	370
2019	4,814	58	960	283	63	215	262

At the end of 2023, there were 848 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	2019	2020	2021	2022	2023
Direct Premiums Written	\$ 952	\$ 962	\$ 995	\$ 1,033	\$ 1,129
Reinsurance Assumed:	6	6	6	6	6
Reinsurance Ceded:	(253)	(256)	(251)	(277)	(312)
Net Premiums Written	\$ 705	\$ 712	\$ 750	\$ 762	\$ 824

Assumed Reinsurance

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. All of the policy risks insured by MAMIC for these two products are pooled and ceded to participating mutual insurance companies. The Company has a 1% share in the interests and liabilities of the pool.

Ceded Reinsurance

The Company has all of its reinsurance through Wisconsin Reinsurance Corporation (the reinsurer) under a single reinsurance agreement for property and casualty risks. The agreement includes per-risk excess of loss and aggregate excess of loss coverages for property risks and quota share coverage for casualty risks.

Under the per-risk excess of loss coverage, the Company retains \$100,000 per property risk, and the reinsurer's limit is \$900,000 per property risk. Under the aggregate excess of loss coverage, the Company's annual aggregate net retention, or attachment point, equals 65% of the net premium. The reinsurer is responsible for 100% of the losses in excess of this attachment. The attachment point for 2023 was \$483,343.

Under the casualty quota share section of the agreement, the Company cedes 100% of the casualty 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 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, 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 FMICLC for the period ending December 31, 2023. 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, 2023

Bonds	\$ 1,190,202
Real Estate	8,241
Cash on Deposit	3,669,537
Other Investments	117,993
Interest Due and Accrued	38,271
Unclaimed Property	55
Funds Held by Reinsurer	8,500
Ceded Reinsurance Receivable	23,804
TOTAL ASSETS	\$ 5,056,603

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2023

Gross Losses Unpaid	\$ 88,165
Unearned Premium	18,129
Borrowed Money	4,993
Accounts Payable (Other)	453
Accrued Sick Leave	6,480
TOTAL LIABILITIES	\$ 118,220
Guaranty Fund	150,000
Other Surplus	4,788,383
TOTAL POLICYHOLDER SURPLUS	\$ 4,938,383
TOTAL LIABILITIES AND SURPLUS	\$ 5,056,603

STATEMENT OF INCOME

For the Year Ended December 31, 2023

Net Earned Assessment/Premium Income	\$	821,955
Other Insurance Income		106,695
Net Losses & Loss Adjustment Expense		(650,635)
Underwriting Expenses		(449,493)
Underwriting Income (Loss)	\$	(171,478)
Investment Income		135,696
Investment Expenses		(54,887)
Net Investment Gain (Loss)	\$	80,809
Other Income		143
Gross Profit or Loss	\$	(90,526)
Federal Income Tax		24,329
NET INCOME (LOSS)	\$	(114,855)

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 31, 2019, to December 31, 2023

(\$000s omitted)

	2019	2020	2021	2022	2023
Capital and Surplus, Beginning of Year	\$ 4,493	\$ 4,755	\$ 5,125	\$ 5,094	\$ 5,202
Net Income (Loss)	261	369	(30)	107	(114)
Stock Market Adjustment (Loss)	0	0	0	0	(149)
Capital and Surplus, End of Year	\$ 4,755	\$ 5,125	\$ 5,094	\$ 5,202	\$ 4,938

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

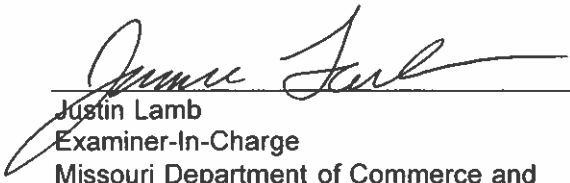
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of FMICLC during the course of this examination is hereby acknowledged and appreciated.


VERIFICATION

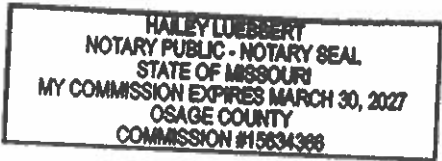
State of Missouri)
) ss
County of Cole)

I, Justin Lamb, 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 FMICLC, 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.


Justin Lamb
Examiner-In-Charge
Missouri Department of Commerce and Insurance

Sworn to and subscribed before me this 7th day of May, 2025.

My commission expires: March 30, 2027

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