

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

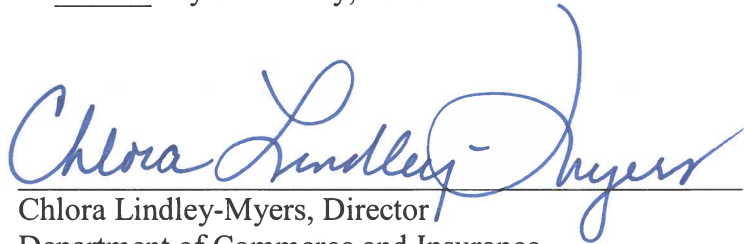
ORDER

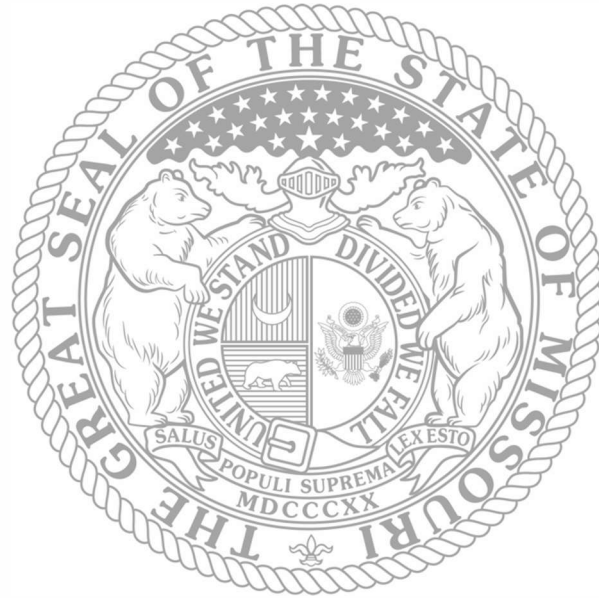
After full consideration and review of the report of the financial examination of Farm Mutual Insurance of St. Francois County for the period ended December 31, 2021, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, 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 Farm Mutual Insurance of St. Francois 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 23rd day of January, 2023.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

FARM MUTUAL INSURANCE OF ST. FRANCOIS COUNTY

AS OF
DECEMBER 31, 2021

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Farmington, Missouri
November 18, 2022

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

Farm Mutual Insurance of St. Francois County

hereinafter referred to as such, or as the Company. Its administrative office is located at 1109A Sainte Genevieve Avenue, Farmington, Missouri 63640, telephone number (573) 756-1510. The fieldwork for this examination began on October 31, 2022, 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 Farm Mutual Insurance of St. Francois County (Company). The last examination of the Company by the Department covered the period of January 1, 2012, through December 31, 2016. The current examination covers the period of January 1, 2017, through December 31, 2021, 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 organized in 1895 as the Farmers Mutual Fire Insurance Company of St. Francois County, Missouri, and received a Certificate of Incorporation from the Missouri Secretary of State on November 21, 1895. The Company's name was changed to Farm Mutual Insurance of St. Francois County in 1998.

The Company has an amended Certificate of Authority dated November 2, 1998, 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 the first Friday in March, at the home office of the Company or at such other 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 or upon petition by one-fourth of the members. Eight members shall constitute a quorum at any membership meeting. Proxy voting is not allowed.

The management of the Company is vested in a Board of Directors that are elected by the policyholders. The Board of Directors currently consists of seven members serving three-year terms. The Board of Directors elected and serving as of December 31, 2021, was as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Kenneth Graham Farmington, Missouri	Retired	2024
Dennis Norris Bonne Terre, Missouri	Retired	2023
Thomas Heberlie Bonne Terre, Missouri	Retired	2024
Warren Shelley Bonne Terre, Missouri	Retired	2023
Larry Peterson Bonne Terre, Missouri	Retired	2024
John Bieser Farmington, Missouri	Retired	2022
Timothy Mattingly Farmington, Missouri	Retired	2024

Senior Officers

The Board of Directors appoints for a term of one year, the officers of the Company. The officers elected and serving, as of December 31, 2021, were as follows:

<u>Name</u>	<u>Office</u>
Kenneth Graham	President
Dennis Norris	Vice President
Brian Graham	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.

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 four full-time employees, two of which are agents, and four part-time employees, three of which are agents. The agent employees receive errors & omissions coverage from the Company and the Company’s non-agent full-time employee receives paid time off.

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. The Company provides errors and omissions insurance to its captive agents. The Company also carries a workers compensation and commercial line’s policy.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the Missouri Department of Commerce and Insurance as an Extended Missouri Mutual Insurance 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 six licensed agents, who receive a 12% commission on new and renewal business. Additional agent bonuses are provided as approved by the Board of Directors.

Policy Forms and Underwriting Practices

The Company utilizes its reinsurer’s policy forms. Policies are written on a continuous basis. Property inspections are performed by Company employees and its agents. Claim adjusting services are performed by third parties and the Company.

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)
2021	\$5,153	\$ 0	\$1,774	\$1,633	\$60	\$ 83	\$146
2020	5,007	68	1,726	556	82	279	350
2019	4,535	0	1,696	403	79	408	490
2018	4,045	0	1,590	163	56	558	616
2017	3,428	0	1,461	314	35	362	396

At year-end 2021, there were 1,828 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	2017	2018	2019	2020	2021
Direct	\$ 1,461	\$ 1,590	\$ 1,696	\$ 1,726	\$ 1,774
Assumed	0	0	0	0	0
Ceded	(447)	(483)	(497)	(506)	(510)
Net Written	\$ 1,015	\$ 1,106	\$ 1,199	\$ 1,220	\$ 1,264

Assumed Reinsurance

The Company does not reinsure other companies.

Ceded Reinsurance

The Company has property reinsurance through Grinnell Mutual Reinsurance Company (Grinnell). Under the per risk excess of loss agreement, the Company retains \$100,000 per risk, and Grinnell’s limit is \$20 million per risk. Under the catastrophe excess of loss agreement, the Company retains the first \$400,000 per loss occurrence, and Grinnell is responsible 100% of losses in excess of the retention, per occurrence. Under the aggregate excess of loss agreement, Grinnell is liable for all losses in excess of the Company’s annual aggregate net retention, or attachment point. The attachment point for 2021 was \$950,000 of ultimate net losses.

The Company also cedes to Grinnell 100% of its liability related to earthquake and liability coverage. For the liability coverage, the Company receives a 20% 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 a cash basis. The CPA firm of Crouch, Farley, & Heuring PC prepares the Company's 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 Farm Mutual Insurance of St. Francois County for the period ending December 31, 2021. 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.

Farm Mutual Insurance of St. Francois County – 12/31/21 Exam

ASSETS

As of December 31, 2021

Real Estate	\$ 126,078
Cash	5,026,890
TOTAL ASSETS	\$ 5,152,968

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2021

TOTAL LIABILITIES	\$ 0
Guaranty Fund	150,000
Other Surplus	5,002,968
TOTAL POLICYHOLDER SURPLUS	\$ 5,152,968
TOTAL LIABILITIES AND SURPLUS	\$ 5,152,968

STATEMENT OF INCOME

For the Year Ended December 31, 2021

Net Earned Assessment/Premium Income	\$ 1,264,212
Other Insurance Income	24,445
Net Losses & Loss Adjustment Expense	(784,196)
Underwriting Expenses	(421,295)
Underwriting Income (Loss)	\$ 83,166
Investment Income	69,486
Interest Expenses	(9,393)
Net Investment Gain (Loss)	\$ 60,093
Other Income	21,169
Gross Profit or Loss	\$ 164,428
Federal Income Tax	(18,347)
NET INCOME (LOSS)	\$ 146,081

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 1, 2017 to December 31, 2021

	2017	2018	2019	2020	2021
Beginning Policyholder's Surplus	\$ 3,032,391	\$ 3,428,215	\$ 4,044,670	\$ 4,534,710	\$ 4,939,109
Net Income (Loss)	395,825	616,458	490,039	349,956	146,081
Building Improvement	0	0	0	54,440	0
Loan Forgiveness	0	0	0	0	66,065
Accrual to Cash Basis Adjustment	0	0	0	0	1,715
Rounding Adjustment	(1)	(3)	1	3	(2)
Ending Policyholder's Surplus	\$ 3,428,215	\$ 4,044,670	\$ 4,534,710	\$ 4,939,109	\$ 5,152,968

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

The COVID-19 pandemic is ongoing, with uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.


ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Farm Mutual Insurance of St. Francois County during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

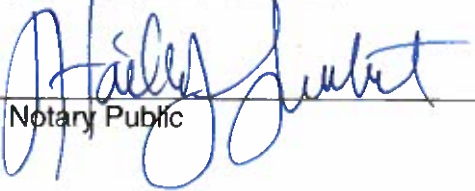
State of Missouri)
) ss
County of Cole)

I, Joshua Nash, CPA, 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 Farm Mutual Insurance of St. Francois County, 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.



Joshua Nash, CPA, CFE
Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 14th day of December, 2022.

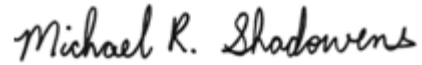
My commission expires: March 30, 2023


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