



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 Monroe County Farmers Mutual Insurance Company for the period ended December 31, 2017, 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 Insurance¹ 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 Monroe County Farmers 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 30th day of August, 2019.



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

¹ Pursuant to Executive Order #19-02, effective August 28, 2019, the department name was changed from the Department of Insurance, Financial Institutions and Professional Registration to the Department of Commerce and Insurance.

REPORT OF THE
FINANCIAL EXAMINATION OF
MONROE COUNTY FARMERS MUTUAL
INSURANCE COMPANY

AS OF
DECEMBER 31, 2017



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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April 2, 2019
Paris, Missouri

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
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

MONROE COUNTY FARMERS MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the Company. The Company's administrative office is located at 125 West Monroe (P.O. Box 267), Paris, MO 65275, telephone number (660) 327-5203. This examination began on February 27, 2019 and was concluded on April 2, 2019, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2012, and was conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP). The current full-scope examination covers the period from January 1, 2013, through December 31, 2017, and was conducted by examiners from the DIFP.

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 Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the DIFP and statutes of the State of Missouri prevailed.

HISTORY

General

The Company was originally organized and incorporated on April 22, 1892, as the Farmers' and Laborers' Co-operative Insurance Association of Monroe County, Missouri. In 1972, the Company changed its name to Monroe County Farmers Mutual Insurance Company.

The Company has a Certificate of Authority dated June 24, 2005, 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 fourth Tuesday in February 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. Ten members constitute a quorum, and proxy voting is permitted.

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 that serve staggered three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every quarter, and directors are compensated \$100 plus mileage reimbursement for each meeting attended.

Members serving on the Board of Directors, as of December 31, 2017, were as follows:

| <u>Name and Address</u> | <u>Occupation</u> | <u>Term Expires</u> |
|----------------------------------|-------------------|---------------------|
| Artie Whelan Monroe City, MO | Farmer/Retired | 2019 |
| Robert Decker Shelbina, MO | Retired | 2019 |
| Dane Kendrick Paris, Missouri | Farmer | 2020 |
| Danny Tanzey Paris, MO | Retired | 2020 |
| Jason Dodge Paris, MO | Pharmacist | 2018 |
| Tully Tonsor Monroe City, MO | Mechanic | 2018 |
| Marvin Wood Shelbina, MO | Retired | 2018 |

The Board of Directors appoints the officers of the Company for a term of one year. The officers of the Company serving at December 31, 2017, were as follows:

| | |
|---------------|---------------------|
| Artie Whelan | President |
| Robert Decker | Vice-President |
| Dane Kendrick | Secretary/Treasurer |

Conflict of Interest

The Company's directors and officers complete annual conflict of interest statements for the disclosure of material conflicts of interest or affiliations. A review of the completed statements noted no material conflicts disclosed.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. Neither the Articles of Incorporation 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. The minutes and records of the Company appear to properly reflect 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 \$50,000.

The Company carries directors and officers liability coverage. The Company utilizes an independent agent, who is required to obtain errors and omissions coverage and provide evidence of such coverage to the Company.

The Company carries a business owner's policy, which provides property coverage for the home office building and contents, as well as general liability protection.

EMPLOYEE BENEFITS

The Company has two full-time employees and one part-time employee. The Company provides health and life insurance, as well as paid time off to its full-time employees.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company is licensed by the Missouri Department of Insurance 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's policies are sold exclusively by one licensed agent, who receives a 14% commission.

Policy Forms and Underwriting Practices

The Company utilizes AAIS policy forms. Policies are written on a five year term. Renewal billings are mailed directly to the insured. Property inspections are performed by the Company's Manager. The Company's claims adjusting is performed by an outside company. Rates are determined by the Board of Directors.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

| | Admitted Assets | Liabilities | Gross Premiums | Gross Losses | Investment Income | Underwriting Income | Net Income |
|------|--------------------|-------------|-------------------|-----------------|----------------------|------------------------|---------------|
| 2017 | \$3,575,227 | \$ 55,077 | \$949,870 | \$425,985 | \$ 91,807 | \$ (8,707) | \$ 75,929 |
| 2016 | 3,645,863 | 75,103 | 951,174 | 230,710 | 101,714 | 68,495 | 128,191 |
| 2015 | 3,549,195 | 117,784 | 892,277 | 519,751 | 113,700 | 95,815 | 163,231 |
| 2014 | 3,151,460 | 90,226 | 823,817 | 337,387 | 112,353 | 35,891 | 143,247 |
| 2013 | 3,011,582 | 56,324 | 670,956 | 461,072 | 105,821 | (103,646) | 2,175 |

At year-end 2017, 1,361 policies were in force.

REINSURANCE

General

The Company's written premium activity on a direct, assumed and ceded basis for the period under examination is shown below:

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------|-----------|-----------|-----------|-----------|-----------|
| Direct | \$670,956 | \$823,817 | \$892,277 | \$951,174 | \$949,870 |
| Assumed | 0 | 0 | 0 | 0 | 0 |
| Ceded | (184,542) | (225,870) | (214,004) | (232,963) | (221,692) |
| Net | \$486,414 | \$597,947 | \$678,273 | \$718,211 | \$728,178 |

Assumed

The Company does not assume any reinsurance from other companies.

Ceded

The Company has a reinsurance contract with Wisconsin Reinsurance Corporation (WRC) that includes per risk, aggregate excess of loss, earthquake, and casualty quota share coverage. Under the per risk section of the agreement, the Company retains \$50,000 for each property loss, and WRC is liable for the excess of up to \$1 million in total loss per exposure. The aggregate excess section covers 100% of losses incurred during the year, which exceed the Company's aggregate attachment point that is equal to 70% of their net written premium. The Company cedes 100% of the risk and premiums to WRC under the earthquake coverage and receives a 15% ceding commission. The Company cedes 100% of the risk and premiums to WRC under the casualty quota share coverage and receives a 25% ceding commission.

ACCOUNTS AND RECORDS

The accounting records are maintained by the Company on a modified cash basis. The CPA firm of Van de Ven, LLC performs an annual compilation of the Company's financial statements and prepares the annual statement and federal tax filings.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2017, 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.

ANALYSIS OF ASSETS
December 31, 2017

| | |
|----------------------------------------|---------------------|
| Bonds | \$ 664,593 |
| Stocks | 23,488 |
| Mutual Funds | 730,772 |
| Real Estate | 10,148 |
| Cash on Deposit | 2,079,354 |
| Reinsurance Recoverable on Paid Losses | 16,200 |
| Federal Income Tax Recoverable | 35,269 |
| Interest Due and Accrued | 15,403 |
| | <hr/> |
| Total Assets | <u>\$ 3,575,227</u> |

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2017

| | |
|---------------------------------------------|---------------------|
| Net Losses & Loss Adjustment Expense Unpaid | \$ 32,650 |
| Ceded Reinsurance Premium Payable | 20,826 |
| Payroll Tax | 1,601 |
| | <hr/> |
| Total Liabilities | \$ 55,077 |
| Guaranty Fund | \$ 150,000 |
| Other Surplus | 3,370,150 |
| | <hr/> |
| Total Surplus | \$ 3,520,150 |
| | <hr/> |
| Total Liabilities and Surplus | <u>\$ 3,575,227</u> |

STATEMENT OF INCOME
For the Year Ending December 31, 2017

| | |
|------------------------------------------------|------------------|
| Net Premiums Earned | \$ 666,963 |
| Other Insurance Income | 22,737 |
| Net Losses & Loss Adjustment Expenses Incurred | (425,261) |
| Other Underwriting Expenses Incurred | (273,146) |
| | <hr/> |
| Net Underwriting Income (Loss) | \$ (8,707) |
| Investment Income | 91,807 |
| | <hr/> |
| Gross Profit (Loss) | \$ 83,100 |
| Federal Income Tax | (7,171) |
| | <hr/> |
| Net Income (Loss) | <u>\$ 75,929</u> |

RECONCILIATION OF SURPLUS
Changes from January 1, 2013 to December 31, 2017
(\$000's omitted)

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Capital and Surplus, Beginning of Year | \$3,041 | \$2,955 | \$3,061 | \$3,431 | \$3,571 |
| Net Income | 2 | 143 | 163 | 128 | 76 |
| Change in Net Unrealized Gains (Losses) | 7 | (9) | (66) | 35 | 11 |
| Change in Non-Admitted Assets | (95) | (29) | 273 | (24) | (138) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Change in Capital and Surplus for the Year | (86) | 106 | 370 | 139 | (51) |
| Capital and Surplus, End of Year | \$2,955 | \$3,061 | \$3,431 | \$3,571 | \$3,520 |

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 Monroe County Farmers Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
)
County of Cole)

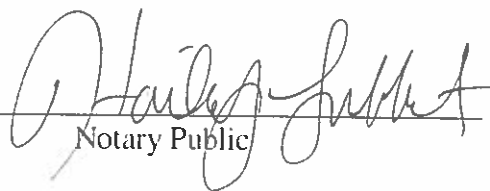
I, Joshua Nash, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only the facts appearing upon the books, records or other documents of the company, its agents or other persons examined or as ascertained from the testimony 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.



Joshua Nash, CPA
Financial Examiner
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 5th day of August, 2019.

My commission expires:
March 30, 2023

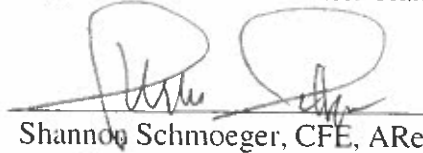


Notary Public



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.



Shannoe Schmoeger, CFE, ARe
Chief Financial Examiner
Missouri Department of Insurance, Financial
Institutions and Professional Registration