



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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

RE: Examination Report of Farmers Mutual Protective Association of Benton County for the period ended December 31, 2016

ORDER

After full consideration and review of the report of the financial examination of Farmers Mutual Protective Association of Benton County for the period ended December 31, 2016, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration 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 Protective Association of Benton 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.

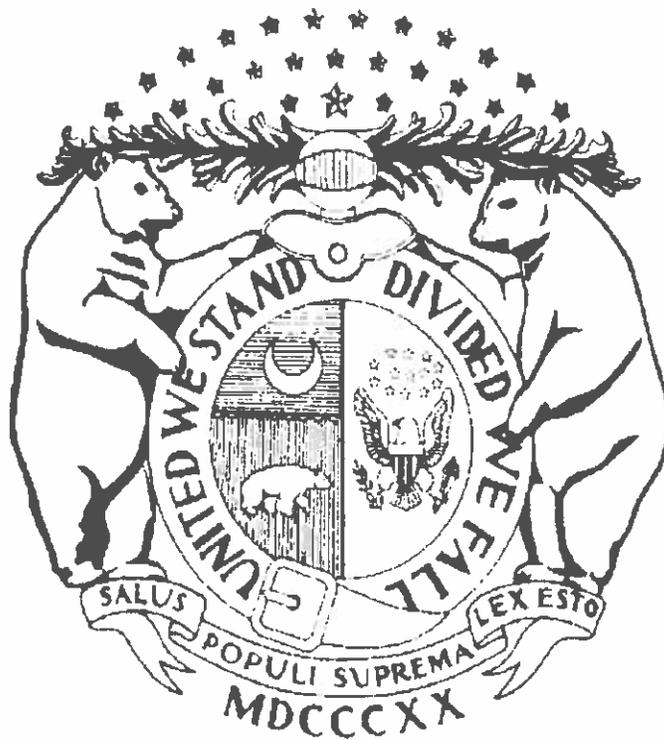
So ordered, signed and official seal affixed this 1st day of October, 2018.



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

**REPORT OF THE
FINANCIAL EXAMINATION OF
FARMERS MUTUAL PROTECTIVE ASSOCIATION OF
BENTON COUNTY**

**AS OF
DECEMBER 31, 2016**



STATE OF MISSOURI

**DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION**

JEFFERSON CITY, MISSOURI

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February 1, 2018
Lincoln, 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

FARMERS MUTUAL PROTECTIVE ASSOCIATION OF BENTON COUNTY

hereinafter referred to as such, or as the Company. The Company's administrative office is located at 445 N Highway 65 (P.O. Box 11), Lincoln, Missouri 65338, telephone number (660) 547-2323. This examination began on January 25, 2018 was concluded on the above date, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2011, 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, 2012 through December 31, 2016 and was also 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 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 on May 20, 1882 and incorporated on November 7, 1935 as Farmers Mutual Protective Association of Benton County.

The Company has a Certificate of Authority dated June 15, 2004, 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 second Wednesday 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 and shall be called upon petition of one-fourth of the members. Eight members shall constitute a quorum at any membership meeting. Proxy voting is permitted.

The corporate powers of the Company are vested in the Board of Directors, who are elected from the general membership. The Board of Directors consists of five members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every other month, and each director is compensated \$75 per meeting attended.

Members serving on the Board of Directors as of December 31, 2016, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term</u>
David Aery Warsaw, Missouri	Farmer/Angling Supply Manufacturer	2016-2019
Ernest Burnett Lincoln, Missouri	Farmer/Insurance Agent	2014-2017
Paul Meyer Warsaw, Missouri	Farmer/Agricultural Exchange Employee	2014-2017
George Keightley Cole Camp, Missouri	Farmer	2015-2018
Marsha Downs Warsaw, Missouri	Banker	2016-2019

The Board of Directors appoints for a term of one year, the officers of the Company. The officers of the Company serving at December 31, 2016, were as follows:

David Aery	President
Ernest Burnett	Vice President
Cathy Burton	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 conflicts disclosed.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company, neither of which 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 \$100,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC.

The Company carries liability coverage for its directors and officers. The Company purchases errors and omissions insurance for each of its two agents. Other insurance coverages carried by the Company include home office and contents property coverage and general liability.

EMPLOYEE BENEFITS

The Company has one full-time and one part-time employee. The full-time employee receives a monthly medical allowance, and all employees receive paid time off.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company is licensed by the Missouri DIFP as an Extended Missouri Mutual Insurance Company operating under Sections 380.201 through 380.611 RSMo (Extended Missouri Mutual Insurance Companies). The Company is authorized to write fire, wind and liability coverages in all counties in the State of Missouri. The Company writes fire, wind and liability coverages. The Company's policies are marketed by two licensed agents, who receive a twelve percent commission on premiums written.

Policy Forms and Underwriting

The Company utilizes AAIS forms. The policies are written for a continuous period with rates determined by the Board of Directors. Renewal billings are mailed directly to the insured. Property inspections are performed by the agents. Claims adjusting is handled by the agents or by independent adjusters, at the discretion of the Company.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income	Underwriting Income	Net Income
2016	\$ 914,584	\$ 245,067	\$ 750,410	\$ 158,299	\$ 2,851	\$ 143,709	\$ 146,030
2015	784,198	260,710	724,929	409,684	3,530	(23,873)	(21,019)
2014	810,919	266,412	739,173	258,872	4,505	25,544	29,531
2013	780,016	265,043	693,239	640,257	3,451	(113,893)	(111,505)
2012	1,001,415	374,936	648,409	239,528	6,046	36,362	42,489

At year-end 2016, there were 840 policies in force.

REINSURANCE

General

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

	2016	2015	2014	2013	2012
Direct	\$ 750,410	\$ 724,929	\$ 739,173	\$ 693,239	\$ 648,409
Assumed	-0-	-0-	-0-	-0-	-0-
Ceded	297,420	307,105	280,197	293,232	228,882
Net	\$ 452,990	\$ 417,824	\$ 458,976	\$ 400,007	\$ 419,527

Assumed

The Company does not reinsure other companies.

Ceded

The Company has all of its reinsurance agreements through intermediary Guy Carpenter.

Under the property per risk excess of loss agreement, the Company retains \$45,000 each loss, each risk, subject to limits of \$500,000 each loss, each risk and \$1,000,000 each loss occurrence. Under the property aggregate excess of loss agreement, the reinsurers are liable for 100% of losses in excess of 75% of gross net earned premium income (approximately \$403,000 for 2016).

The Company cedes 100% of casualty premiums and risks under a casualty quota share agreement and receives a 20% ceding commission.

The reinsurers participating in the agreements described above were as follows:

Hannover Rück SE	7.00%
Swiss Reinsurance America Corporation	20.00%
The Toa Reinsurance Company of America	16.50%
American Agricultural Insurance Company	18.50%
Berkley Insurance Company	14.00%
Employers Mutual Casualty Company	15.25%
Farmers Mutual Hail Insurance Company of Iowa	8.75%

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that any assuming reinsurer should fail to perform its obligations under its reinsurance agreement with the Company.

ACCOUNTS AND RECORDS

The accounting records are maintained by the Company on a cash basis. The Company utilizes IMT Computer Services for accounting and policy maintenance software. The Company prepares its annual statement and statutory filings. Sharon Johnson's Accounting and Tax Service prepares the Company's tax filings.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2016, 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.

ASSETS
December 31, 2016

Real Estate	\$ 169,717
Cash on Deposit	744,867
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Total Assets	\$ 914,584
	<hr/>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2016

Unearned Premium	\$ 267,324
Correction for Reinsurance Premium Adjustment	(22,257)
	<hr/>
Total Liabilities	\$ 245,067
	<hr/>
Guaranty Fund	\$ 150,000
Other Surplus	519,517
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Total Surplus	\$ 669,517
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Total Liabilities and Surplus	\$ 914,584
	<hr/>

STATEMENT OF INCOME
For the Year Ending December 31, 2016

Net Premiums Earned	\$ 446,376
Other Insurance Income	25,964
Net Losses & Loss Adjusting Expenses Incurred	(134,108)
Other Underwriting Expenses Incurred	(194,523)
	<hr/>
Net Underwriting Income (Loss)	\$ 143,709
Net Investment Income	2,851
	<hr/>
Gross Profit (Loss)	\$ 146,560
Federal Income Tax	(530)
	<hr/>
Net Income (Loss)	<u>\$ 146,030</u>

CAPITAL AND SURPLUS ACCOUNT
December 31, 2016

Policyholders' Surplus, December 31, 2015	\$ 523,487
Net Income (Loss)	146,030
	<hr/>
Policyholders' Surplus, December 31, 2016	<u>\$ 669,517</u>

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 Farmers Mutual Protective Association of Benton County during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Brian Hammann, CPA, examiner for the Missouri DIFP also participated in this examination

VERIFICATION

State of Missouri)
)
County of Cole)

I, Shannon W. Schmoeger 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



Shannon W. Schmoeger, CFE
Examiner-In-Charge
Missouri Department of Insurance Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 16th day of August, 2018.

My commission expires
March 30, 2019



Notary Public

HAILEY LUEBBERT
Notary Public - Notary Seal
State of Missouri
Commissioned for Osage County
My Commission Expires: March 30, 2019
Commission Number: 15634366

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.



Mark Nance, CFE, CPA
Senior Examiner-In-Charge
Missouri Department of Insurance Financial
Institutions and Professional Registration