



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

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

RE: Examination Report of Forest Green Farmers Mutual Insurance Company for the period ended December 31, 2016

ORDER

After full consideration and review of the report of the financial examination of Forest Green Farmers Mutual Insurance Company 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 Forest Green 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 2nd day of October, 2018.

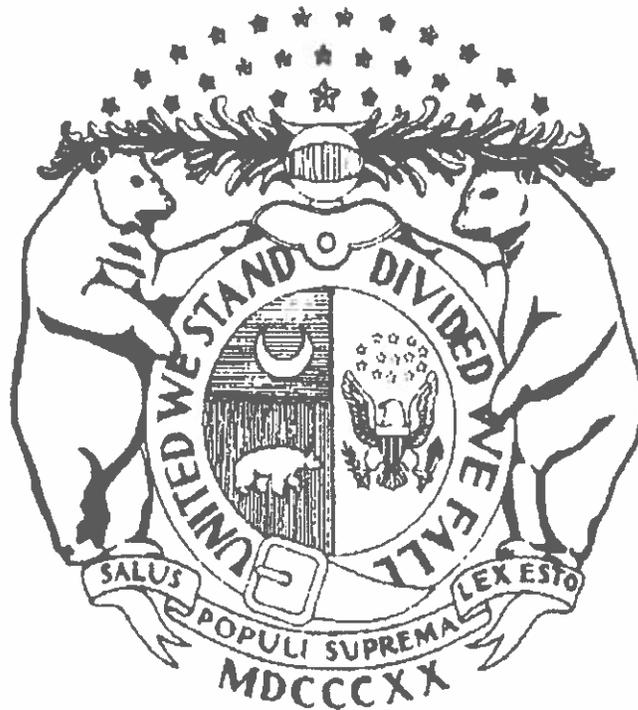


Chlora Lindley-Myers

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

**REPORT OF THE
FINANCIAL EXAMINATION OF
FOREST GREEN FARMERS MUTUAL INSURANCE
COMPANY**

**AS OF
DECEMBER 31, 2016**



STATE OF MISSOURI

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

JEFFERSON CITY, MISSOURI

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February 9, 2018
Salisbury, 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

FOREST GREEN FARMERS MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the Company. The Company's administrative office is located at 1217 South Maple Avenue, Salisbury, Missouri 65281, telephone number (660) 676-6177. This examination began on February 6, 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 in 1897 and was incorporated on December 5, 1927 as Forest Green Farmers Mutual Insurance Company.

The Company has a Certificate of Authority dated June 14, 1996, 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 Saturday in March at the home office of the Company, or at such other place as may be designated by previous membership meetings or by the Board of Directors (Board). Eight members shall constitute a quorum at any membership meeting. Proxy voting is not addressed in the Articles of Incorporation or Bylaws.

The corporate powers of the Company are vested in the Board, who are elected from the general membership. The Board consists of five members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board meets approximately every quarter, and each director is compensated \$135 per meeting attended.

Members serving on the Board as of December 31, 2016, were as follows¹:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term</u>
Brian Linneman Salisbury, Missouri	Farmer	2014-2017
Clifford Imgarten Salisbury, Missouri	Farmer/Insurance Agent	2014-2017
Dale Aholt Glasgow, Missouri	Farmer	2015-2018
Matthew Linneman Salisbury, Missouri	Mechanic	2016-2019

¹ There was a vacancy on the Board at December 31, 2016 due to the death of Director Norbert Gebhardt in November 2016. In March 2017, the Board appointed Jeff Gebhardt as director to fill the vacancy.

The Board 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:

Brian Linneman	President
Clifford Imgarten	Vice President
Debbie Imgarten	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 \$25,000. The coverage does not meet the minimum coverage as recommended in the guidelines promulgated by the NAIC, which is between \$50,000 and \$75,000.

The Company carries liability coverage for its directors and officers. The Company requires its agents to obtain errors and omissions insurance and monitors for compliance. Other insurance coverages carried by the Company include commercial general liability and workers' compensation insurance coverage.

EMPLOYEE BENEFITS

The Company has three part-time employees. The Company does not provide any employee benefits other than salary.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company is licensed by the 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 insurance in all counties in the State of Missouri. The Company writes fire, wind and liability coverages. The Company's policies are sold by three licensed agents, who receive a 15% commission.

Policy Forms and Underwriting

The Company utilizes American Association of Insurance Services, Inc. (AAIS), Missouri Association of Mutual Insurance Companies (MAMIC), and Grinnell Mutual Reinsurance Company (Grinnell) policy forms. Policies are written on a continuous period, and rates are determined by the Board. Renewal billings are mailed directly to the insured. Property inspections are performed by the two captive agents, and claims adjusting is performed by the Company Vice President and Grinnell.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income	Underwriting Income	Net Income
2016	\$1,640,256	\$ 223,801	\$ 431,808	\$ 87,915	\$ 37,764	\$ 112,307	\$ 150,071
2015	1,495,689	229,305	440,151	181,165	38,455	38,635	77,090
2014	1,372,009	182,715	408,761	232,402	35,686	(48,658)	(12,972)
2013	1,403,430	201,164	377,539	105,941	32,307	55,036	87,343
2012	1,331,799	216,876	358,502	69,743	33,616	56,318	89,934

At year-end 2016, there were 436 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	\$ 431,808	\$ 440,151	\$ 408,761	\$ 377,539	\$ 358,502
Assumed	0	0	0	0	0
Ceded	114,187	113,402	102,240	103,226	84,365
Net	\$ 317,621	\$ 326,749	\$ 306,521	\$ 274,313	\$ 274,137

Assumed

The Company does not reinsure other companies.

Ceded

The Company has all of its reinsurance through Grinnell. Property risks are covered by a per risk and aggregate excess of loss agreement. Under the per risk excess of loss provisions, the Company retains \$125,000 per risk and the reinsurer covers 100% of the excess. Under the aggregate excess of loss provisions, Grinnell is liable for all losses in excess of the Company's annual aggregate net retention, or attachment point. The attachment point for 2016 was \$230,000.

For liability risks, the Company cedes 100% of the premiums and losses related to these risks and 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 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 an accrual basis. The Company utilizes IMT Computer Services for accounting and policy maintenance software. The Company Secretary/Treasurer prepares the Annual Statement and 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

Bonds	\$ 1,157,356
Stocks	14,856
Cash on Deposit	454,888
Interest Due and Accrued	<u>13,156</u>
Total Assets	<u>\$ 1,640,256</u>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2016

Net Losses Unpaid	\$ 15,000
Ceded Reinsurance Premium Payable	9,408
Unearned Premium	190,108
Payroll Tax Payable	5,273
Accounts Payable - Other	<u>4,012</u>
Total Liabilities	<u>\$ 233,801</u>
Guaranty Fund	\$ 150,000
Other Surplus	<u>1,266,455</u>
Total Surplus	<u>\$ 1,416,455</u>
Total Liabilities and Surplus	<u>\$ 1,640,256</u>

STATEMENT OF INCOME
For the Year Ending December 31, 2016

Net Premiums Earned	\$ 308,453
Other Insurance Income	3,210
Net Losses & Loss Adjusting Expenses Incurred	(66,812)
Other Underwriting Expenses Incurred	<u>(132,544)</u>
Net Underwriting Income (Loss)	\$ 112,307
Net Investment Income	<u>37,764</u>
Gross Profit (Loss)	\$ 150,071
Federal Income Tax	<u>0</u>
Net Income (Loss)	<u>\$ 150,071</u>

CAPITAL AND SURPLUS ACCOUNT
December 31, 2016

Policyholders' Surplus, December 31, 2015	\$ 1,266,384
Net Income (Loss)	<u>150,071</u>
Policyholders' Surplus, December 31, 2016	<u>\$ 1,416,455</u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUMMARY OF RECOMMENDATIONS

The Company should increase its fidelity bond coverage to at least the NAIC recommended minimum of \$50,000.

SUBSEQUENT EVENTS

None.

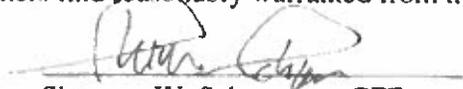
ACKNOWLEDGMENT

The assistance and cooperation extended by the employees of Forest Green Farmers Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Brian Hammann, CPA, examiner for the 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.

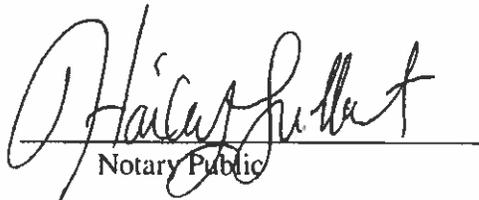


Shannon W. Schmoeger, CFE
Examiner-In-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 12th day of September 2018.

My commission expires:

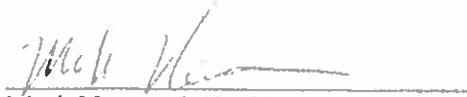
March 30, 2019


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