

# 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 Farmers Mutual Insurance Company of Pettis 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 Pettis 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 22<sup>nd</sup> day of May, 2025.



A handwritten signature in blue ink that reads "Angela L. Nelson".

Angela L. Nelson, Director  
Department of Commerce and Insurance



REPORT OF  
FINANCIAL EXAMINATION OF

# FARMERS MUTUAL INSURANCE COMPANY OF PETTIS COUNTY

AS OF  
DECEMBER 31, 2023

STATE OF MISSOURI  
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Sedalia, Missouri  
April 9, 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 PETTIS COUNTY**

hereinafter referred to as such, or as the Company. Its administrative office is located at 622 South Ohio Avenue, Sedalia, Missouri 65301, telephone number (660) 826-6964. The fieldwork for this examination began on November 1, 2024, 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 the Farmers Mutual Insurance Company of Pettis 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 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 originally organized on March 23, 1894, as Farmers Mutual Fire Insurance Company of Pettis County. The Company currently operates as Farmers Mutual Insurance Company of Pettis County.

The Company has a Certificate of Authority dated August 23, 2019, and is covered by Sections 380.201 through 380.591 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 fourth Tuesday in February at the home office of the Company. Special meetings of the members shall be called by the Board of Directors or by one fourth of the members. Eight members represented shall constitute a quorum at any membership meeting.

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 up to nine members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately six times per year.

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

| <b><u>Name and Address</u></b>        | <b><u>Occupation</u></b>                     |
|---------------------------------------|--|
| John Meehan<br>Sedalia, Missouri      | Retired Banker                               |
| Scott Matz<br>Sedalia, Missouri       | Self Employed                                |
| Wesley Broyles<br>Sedalia, Missouri   | Agent  |
| Craig Matz<br>Sedalia, Missouri       | Self Employed                                |
| William Imhauser<br>Sedalia, Missouri | Retired Farmer/Manufacturing Plant Executive |

**Officers**

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

| <b><u>Name</u></b> | <b><u>Office</u></b>  |
|--------------------|-----------------------|
| John Meehan        | President             |
| Scott Matz         | Vice President        |
| Wesley Broyles     | 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. Effective April 29, 2021, the Articles were amended to change the number of directors required from twelve to up to nine. The minutes of the annual membership meetings and Board of Directors meetings were reviewed for the period under examination.

**EMPLOYEE BENEFITS**

The Company has one part-time employee. The Company does not provide any benefits or paid time-off to the employees.

**INSURANCE PRODUCTS AND RELATED PRACTICES**

**Territory and Plan of Operations**

The Company is licensed by the Department as an Extended Missouri Mutual Insurance Company operating under Sections 380.201 through 380.591 RSMo.

The Company is authorized to write fire, wind, and liability in all counties in the State of Missouri. The Company writes fire, wind, and liability coverages. The Company’s policies are sold by four licensed agents, who receive a 15% commission.

**Policy Forms and Underwriting Practices**

The Company uses Grinnell Mutual Reinsurance Company (Grinnell) insurance forms. The policies are written on a continuous period and renewed annually, with rates determined by the Board of Directors. Renewal billings are mailed directly to the insured. Inspections are performed by either Scott Matz or John Meehan, who are also directors. The Company contracts Grinnell to perform the claims adjusting.

**GROWTH OF COMPANY AND LOSS EXPERIENCE**

The table below summarizes the Company’s growth and loss experience for the period under examination:

| <b>Year</b> | <b>Admitted Assets</b> | <b>Liabilities</b> | <b>Gross Premiums</b> | <b>Gross Losses</b> | <b>Investment Income (Loss)</b> | <b>Underwriting Income (Loss)</b> | <b>Net Income (Loss)</b> |
|-------------|------------------------|--------------------|-----------------------|---------------------|---------------------------------|-----------------------------------|--------------------------|
| 2023        | \$758,698              | \$63,395           | \$351,255             | \$305,883           | \$9,400                         | \$10,989                          | \$20,389                 |
| 2022        | 684,073                | 9,159              | 296,453               | 108,844             | 5,022                           | 59,775                            | 64,797                   |
| 2021        | 614,049                | 3,932              | 229,238               | 102,662             | 6,243                           | 13,504                            | 19,747                   |
| 2020        | 595,399                | 5,029              | 185,371               | 35,929              | 8,153                           | (7,560)                           | 593                      |
| 2019        | 596,071                | 2,238              | 178,850               | 31,838              | 11,709                          | (10,779)                          | 930                      |

At year-end 2023, there were 380 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:

| <b>Premium Type</b> | <b>2019</b>      | <b>2020</b>      | <b>2021</b>       | <b>2022</b>       | <b>2023</b>       |
|---------------------|------------------|------------------|-------------------|-------------------|-------------------|
| Direct              | \$ 178,850       | \$ 185,371       | \$ 229,238        | \$ 296,453        | \$ 351,255        |
| Assumed             | -                | -                | -                 | -                 | -                 |
| Ceded               | (82,371)         | (88,259)         | (77,502)          | (83,836)          | (139,718)         |
| <b>Net Written</b>  | <b>\$ 96,479</b> | <b>\$ 97,112</b> | <b>\$ 151,736</b> | <b>\$ 212,617</b> | <b>\$ 211,537</b> |

**Assumed Reinsurance**

The Company does not reinsure other companies.

**Ceded Reinsurance**

The Company cedes business to Grinnell Mutual Reinsurance Company (the Reinsurer) through separate property and liability reinsurance agreements.

The property reinsurance agreement includes an aggregate excess of loss coverage. Under the aggregate excess of loss section of the agreement, the Reinsurer pays 100% of the losses in excess of the annual attachment point, and the reinsurance coverage is unlimited. The attachment point for 2023 was \$100,000.

Under the liability reinsurance agreement, the Company cedes 100% of losses in excess of the Company’s retention. The Reinsurer’s maximum per occurrence limit for these policies is \$2,000,000 for farmowners liability and \$1,000,000 for all other liability coverages. 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 modified cash basis. The CPA firm of Hood & Associates, prepares the Company’s payroll 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 Farmers Mutual Insurance Company of Pettis County 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

|  |                          |
|--|--------------------------|
| Cash on Deposit                        | \$ 742,337               |
| Reinsurance Recoverable on Paid Losses | 13,303                   |
| Computer Equipment                     | 500                      |
| Prepaid Insurance                      | 2,558                    |
| <b>TOTAL ASSETS</b>                    | <b><u>\$ 758,698</u></b> |

**LIABILITIES, SURPLUS AND OTHER FUNDS**

As of December 31, 2023

|                                      |                          |
|--------------------------------------|--------------------------|
| Ceded Reinsurance Premium Payable    | \$ 55,672                |
| Payroll Tax                          | 317                      |
| Accounts Payable to Agents           | 5,383                    |
| City Fire Tax                        | 2,023                    |
| <b>TOTAL LIABILITIES</b>             | <b><u>\$ 63,395</u></b>  |
| Guaranty Fund                        | 150,000                  |
| Other Surplus                        | 545,303                  |
| <b>TOTAL POLICYHOLDER SURPLUS</b>    | <b><u>\$ 695,303</u></b> |
| <b>TOTAL LIABILITIES AND SURPLUS</b> | <b><u>\$ 758,698</u></b> |

**STATEMENT OF INCOME**  
For the Year Ended December 31, 2023

|                                      |           |               |
|--------------------------------------|-----------|---------------|
| Net Earned Assessment/Premium Income | \$        | 211,537       |
| Other Insurance Income               |           | 16,725        |
| Net Losses & Loss Adjustment Expense |           | (116,057)     |
| Underwriting Expenses                |           | (101,216)     |
| <b>Underwriting Income (Loss)</b>    | <b>\$</b> | <b>10,989</b> |
| Investment Income                    |           | 13,647        |
| Investment Expenses                  |           | -             |
| Interest Expenses                    |           | (4,247)       |
| <b>Net Investment Gain (Loss)</b>    | <b>\$</b> | <b>9,400</b>  |
| Other Income                         |           | -             |
| <b>Gross Profit or Loss</b>          | <b>\$</b> | <b>20,389</b> |
| Federal Income Tax                   |           | -             |
| <b>NET INCOME (LOSS)</b>             | <b>\$</b> | <b>20,389</b> |

**RECONCILIATION OF CAPITAL AND SURPLUS**  
Changes from January 1, 2019, to December 31, 2023

|                                      | <u>2019</u>       | <u>2020</u>       | <u>2021</u>       | <u>2022</u>       | <u>2023</u>       |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning Policyholder's Surplus     | \$ 592,904        | \$ 593,834        | \$ 590,370        | \$ 610,117        | \$ 674,914        |
| Net Income (Loss)                    | 930               | (3,464)           | 19,747            | 64,797            | 20,389            |
| <b>Ending Policyholder's Surplus</b> | <b>\$ 593,833</b> | <b>\$ 590,370</b> | <b>\$ 610,117</b> | <b>\$ 674,914</b> | <b>\$ 695,303</b> |

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None.

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION**

None.

**SUMMARY OF RECOMMENDATIONS**

None.

**SUBSEQUENT EVENTS**

None.

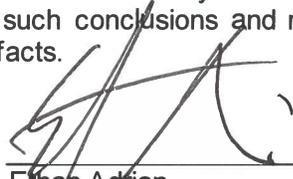
**ACKNOWLEDGMENT**

The assistance and cooperation extended by the officers and the employees of Farmers Mutual Insurance Company of Pettis County during the course of this examination is hereby acknowledged and appreciated.

**VERIFICATION**

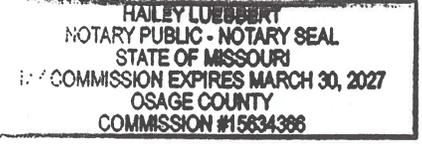
State of Missouri            )  
  )    ss  
County of Cole             )

I, Ethan Adrian, 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 Farmers Mutual Insurance Company of Pettis 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.

  
\_\_\_\_\_  
Ethan Adrian  
Financial Examiner  
Missouri Department of Commerce and  
Insurance

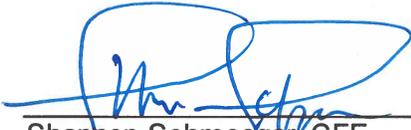
Sworn to and subscribed before me this 9<sup>th</sup> day of April, 2025.

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.



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Shannon Schmoeger, CFE  
Chief Examiner  
Missouri Department of Commerce and  
Insurance