Report of Examination of

Farmers Mutual Insurance Company
Winchester, Ohio

As of December 31, 2013

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Columbus, Ohio

October 24, 2014

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance ("Department")
50 West Town Street, 3rd Floor - Suite 300
Columbus, Ohio 43215

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code ("ORC"), an examination was made of

Farmers Mutual Insurance Company

an Ohio domiciled, mutual protective property company, hereinafter referred to as the "Company." The examination was conducted at the Company's home office, located at 1616 Tri County Road, Winchester, Ohio 45697.

A report of this examination is hereby respectfully submitted.

The Department last examined the Company as of December 31, 2010. Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2013.

Scope of Examination

The examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook ("Handbook"). The Handbook requires that the Department plan and perform the examination to evaluate the Company's financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

Name	Principal Occupation
C. Gregory Huff	Mechanic, State of Ohio Department of Transportation
Sam Kincheloe	Retired
Larry McIntire	Owner/operator McIntire Trucking
Larry Purdin	Farmer
Stephen Rockey	Farmer

Officers

As of the examination date, the following officers were elected and serving in accordance with the Company's Bylaws:

Name	Title
Stephen Rockey	President
Larry McIntire	Vice-President
Gregory Pfeffer	Secretary/Treasurer

Insurance Holding Company System

The Company is not a member of a holding company system as defined by ORC 3901.32.

Reinsurance

Ceded

The Company has an individual occurrence excess of loss that provides coverage of $950,000 above the Company's retention of $50,000. An aggregate excess of loss agreement provides unlimited coverage above a retention of $367,111.

All reinsurance agreements appear to transfer risk and have the NAIC required clauses.

Assumed

The Company did not assume any reinsurance.

Territory and Plan of Operations

The Company is licensed to do business in the State of Ohio but writes mostly in Southwestern Ohio. All of the Company's business is produced by the Pfeffer Insurance Agency.

Significant Operating Results

The Company reported the following net underwriting results for the last two years.

	2013	2012
Net Premiums earned	$ 536,180	$ 561,014
Losses incurred	167,956	326,723
Loss expenses incurred	6,487	6,770
Other underwriting expenses incurred	280,179	274,372
Total underwriting deductions	454,622	607,865
Net underwriting gain or (loss)	$ 81,557	$ (46,851)
Pure loss ratio	31.3	58.2
Loss expense ratio	1.2	1.2
Loss ratio	32.5	59.4
Underwriting expense ratio	52.3	48.9
Combined ratio	84.8	108.3

Financial Statements

The financial condition and the results of its operations for the period under examination as reported and filed by the Company with the Department are reflected in the following:

Statement of Assets, Liabilities, Capital and Surplus

Statement of Income

Statement of Changes in the Capital and Surplus Account

Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2013

Stocks	$ 7,251
Real estate	39,741
Cash on deposit and checking	1,535,769
Cash and invested assets	1,582,761
Investment income due and accrued	768
Earned but unbilled premiums	181,707
Total net admitted assets	$1,765,236

Liabilities and Surplus

Unpaid losses	$6,000
Commissions due and payable to agents	3,607
Other expenses	5,268
Taxes, licenses and fees	575
Unearned assessment/premium reserve	19,841
Ceded reinsurance premiums payable	10,109
Amounts withheld or retained for account of other	3,857
Total liabilities	49,256
Surplus	1,715,980
Total liabilities and surplus	$1,765,236

Statement of Income
As of December 31, 2013

Net Premiums earned	$ 536,180
Losses incurred	167,956
Loss expenses incurred	6,488
Other underwriting expenses incurred	280,179
Total underwriting deductions	454,622
Net underwriting gain	81,557
Net investment income earned	23,964
Net investment gain	23,964
Net loss before federal income taxes	105,521
Federal income taxes incurred	6,317
Net income	$ 99,204

Statement of Changes in the Capital and Surplus Account

	2013	2012	2011
Capital and surplus, beginning of the year	$1,654,148	$1,654,928	$1,633,168
Net income (loss)	99,204	(6,387)	20,408
Change in net unrealized gains or losses	492	148	1,136
Change in non-admitted asset	1,036	1,571	2,823
Aggregate write-ins for gains and losses in surplus	(38,900)	3,888	(2,607)
Change in surplus during the year	$ 61,832	$(781)	$21,760
Capital and surplus, end of the year	$1,715,980	$1,654,148	$1,654,928

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2013, and is summarized as follows:

Total Admitted Assets	$ 1,765,236
Liabilities	$ 49,256
Surplus	1,715,980
Total Liabilities and Surplus	$ 1,765,236

Respectfully,

David A. Cook, CFE
Assistant Chief Examiner
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination of Farmers Mutual Insurance Company as of December 31, 2013.

Assistant Chief Examiner 10/27/14
Date

State of Ohio

County of Franklin

Personally appeared before me the above named David A. Cook personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 27 day of October, 2014.

Elizabeth Chase
(Notary Public)

ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2017

My Commission Expires