

Report of Examination of

Farmers' Mutual Insurance Company of Harrison County
Cadiz, Ohio

As of December 31, 2007

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Columbus, Ohio

March 6, 2009

Honorable Mary Jo Hudson
Director
State of Ohio
Department of Insurance (Department)
2100 Stella Court
Columbus, Ohio 43215-1067

Dear Madam:

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

Farmers Mutual Insurance Company of Harrison County

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 148 South Main Street, Cadiz, Ohio 43907.

A report of this examination is hereby respectfully submitted.

The Department last examined the Company as of December 31, 2003. Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2007.

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
Marlene Hines	Retired Bank Teller
Ed Kleski	Retired Farmer
John Parkinson	Retired Bus Driver
J.W. Parkinson	Owner, Financial Services Company
Wayne Slater	Retire Bus Driver

Allen Sparrow

Retired Farmer

Officers

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

Name	Title
John Parkinson	President
Marlene Hines	Vice President
Wayne Slater	Secretary & Treasurer

Insurance Holding Company System

The Company is not a member of a holding company.

Reinsurance

Ceded

A per risk excess of loss agreement provides 100% coverage above \$25,000 and an aggregate excess of loss agreement provides 100% above \$100,000 per event.

All reinsurance agreements appear to transfer risk and have 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.

Scope of Examination

One of the purposes of the examination was to make an assessment of the financial condition of the Company as of December 31, 2007. To substantiate the various items, tests were made either by complete audits of accounts or by sampling methods prescribed by the NAIC Examiner's Handbook. In selecting the examination procedures used, due consideration was given to the importance of each account to overall solvency.

Transactions occurring subsequent to the date of the examination were reviewed to the extent deemed necessary.

In addition, the following items were reviewed during the course of this examination:

1. Company history;
2. fidelity bonds and other insurance;
3. officers', employees', and agents' welfare and pension plans;
4. growth of Company;
5. loss experience; and
6. pending litigation;

Financial Statements

The financial condition as reported and filed by the Company with the Department is reflected in the following:

Statement of Assets, Liabilities, Surplus and Other Funds
Statement of cash receipts and disbursements

Statement of Assets, Liabilities, Surplus and Other Funds

Ledger Assets

Stocks	\$6,191
Cash on deposit and checking	84,116
Certificate of deposits	376,681
Total ledger assets	<u>466,988</u>

Total net admitted assets	<u>\$466,988</u>
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Liabilities and Surplus

Unpaid losses	\$2,500
Unpaid taxes	1,246
Reinsurance premium due and payable	2,196
Total liabilities	<u>5,942</u>

Surplus	<u>461,046</u>
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Total liabilities and surplus	<u>\$466,988</u>
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Statement of Income and Expenses

Income

Net assessment income	\$94,161
Interest on cash and cash equivalents	16,106
Unrecognized loss on stocks	250
Total income receipts	<u>110,517</u>

Expenses

Net losses incurred	38,343
Claims adjustment expenses	4,704
Commissions paid to agents	5,245
Salaries to employees	12,900
Rent and rent items	2,160
Payroll taxes	3,899
Legal fees and auditing	409
Advertising	1,238
Dues and donations	1,600
Insurance and bonds	6,289
Postage, telephone and bank charges	3,136
Miscellaneous expenses	255
Reinsurance	29,574
Penalty	849
Total Disbursements	<u>\$110,601</u>

Subsequent Events

There were no material subsequent events.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2007, and is summarized as follows:

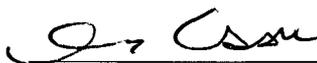
Total Admitted Assets	\$ <u>466,988</u>
Liabilities	\$ 5,942
Surplus	<u>461,046</u>
Total Liabilities and Surplus	\$ <u>466,988</u>

Acknowledgement

Appreciation is expressed for the assistance extended by the officers and employees of the Company during the course of this examination.

In addition to the undersigned, the following representative of the Department participated in this examination: Methuselah E. Nyangoro, CPA.

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 of Harrison County as of December 31, 2007.

[Signature] 5/2/09
Assistant Chief Examiner 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 21 day of May, 2009.

Elizabeth Chase
Notary Public
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2012
My Commission Expires