



NC DEPARTMENT
of INSURANCE
MIKE CAUSEY, COMMISSIONER

COMPANY SERVICES GROUP
FINANCIAL EXAMINATION DIVISION

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I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina, do hereby certify that: I have caused to Carolina Farmers Mutual Insurance Company, as of December 31, 2020, with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 20th day October 2021.



Mike Causey
Commissioner of Insurance

Ke Xu, CPA, CFE
Chief Financial Examiner
Financial Examination Division

Carolina Farmers Mutual Insurance Company

Asheboro, North Carolina

Report on Examination

As of December 31, 2020

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October 12, 2021

Honorable Mike Causey
Commissioner of Insurance
State of North Carolina
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

Carolina Farmers Mutual Insurance Company

(hereinafter referred to as the “Company”), at its main administrative and statutory home office located at 515A West Salisbury Street, Asheboro, North Carolina 27203. The following report on examination is respectfully submitted.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of the Company. This examination covers the period from January 1, 2016, to December 31, 2020, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s most recent prior examination of the Company was as of December 31, 2015.

The purpose of this examination is to assess the financial condition and controls of the Company and set forth findings of fact (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

We conducted our examination in accordance with auditing standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). 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 identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process and the following key functional activities were identified:

Underwriting
Claims and Reserves
Capital and Surplus
Reinsurance-Ceding
Investments

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58 and evaluating management's compliance with statutory accounting principles. This examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately from the Company's financial statements.

This examination report includes significant findings of fact and general information about the insurer 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 the Company.

The Company's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. A trial balance reconciliation of the Annual Statement was performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the Company's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from Company management.

The books and records of the Company are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a). Strickland Hardee, PLLC of Lexington, North Carolina, the designated independent public accountant of the Company, issued an unmodified opinion for each year subsequent to the Department's prior examination through, and including, the year ended December 31, 2020.

SUMMARY OF SIGNIFICANT FINDINGS

COMMENTS, RECOMMENDATIONS AND DIRECTIVES

- a. The Company did not properly execute conflict of interest statements for all directors and officers for the year of 2019. Pursuant to North Carolina Administrative Code Title 11 Chapter 11C.0117, the Company is directed to execute conflict of interest forms annually for all directors and officers.
- b. The Company did not maintain adequate fidelity bond coverage from January 1, 2016, through December 31, 2020. The Company’s fidelity policy contains a rider which limits coverage for the Company to \$100,000. The NAIC’s recommended minimum range for the Company’s fidelity bond coverage is \$150,000 to \$175,000. We recommend that the Company maintain fidelity bond coverage for no less than the minimum recommended by the NAIC.
- c. The Company improperly excluded policy fees from gross premiums reported in column 2 of its Annual Statement Schedule T – Exhibit of Premiums Written and from direct business written reported in column 1 of its Underwriting and Investment Exhibit Part 1B – Premiums Written for the years 2016 through 2020. The exclusion of policy fees from gross premiums does not comply with the Annual Statement Instructions and the Statement of Statutory Accounting Principles (“SSAP”) No. 53 — Property Casualty Contracts—Premiums. This financial reporting error resulted in inaccurate premium tax calculations and remittances for those years. The Company’s gross premiums reported excluded the following amounts for policy fees:

2016	\$ 55,550
2017	\$143,875
2018	\$137,595
2019	\$128,875
2020	\$129,724

The Company is directed to comply with the Annual Statement Instructions, SSAP 53, and GS § 58-2-165(c).

COMPANY HISTORY

The Company, formerly Farmers Mutual Businessmen’s Insurance Company of Randolph County, was organized in 1893 as an authorized and licensed county farm mutual branch office of the Farmers Mutual Fire Insurance Association of North Carolina (“Association”). The Company operated as an individual entity, and the Association had no governing authority over the Company. In 1996, the Company was incorporated as an independently chartered branch of the Association in accordance with GS § 58-8-60. Effective on October 31, 1996, the Company’s name was changed to Carolina Farmers Mutual Insurance Company. During the same year, the Company amended its articles of incorporation to become a limited assessable mutual multiple line insurance company.

On January 1, 2000, Mecklenburg Farmers Mutual Fire Insurance Company merged with and into the Company. On November 1, 2019, Central Farmers Mutual Insurance Company merged with and into the Company. The Company was the surviving entity in both mergers.

DIVIDENDS TO POLICYHOLDERS

Dividends are paid as declared by the Board of Directors (“Board”) of the Company. Under the insurance regulations of North Carolina, the maximum amount of ordinary dividends which the Company may pay to policyholders is limited to the greater of 10% of the most recent year-end policyholders' surplus or net income (excluding realized capital gains) earned for that same year-end. Any amounts in excess of this are considered extraordinary. Dividends totaling \$1,200,000 were paid to policyholders of Central Farmers Mutual Insurance Company on October 31, 2019.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

Members

The bylaws of the Company provide that an annual meeting of the members be held at such time and place as the Board may appoint. Special meetings of the members may be called at any time by the chairman of the Board, the president or secretary.

Board of Directors

The business of the Company is conducted by its management team, and subject to review by the Board. The bylaws specify that the number of directors shall be not less than seven and no more than seventeen. Directors are elected annually, at the annual meeting of shareholders or by the written consent of the members, and each director elected shall hold office until a successor is elected and qualified.

The following individuals served as directors as of December 31, 2020:

Name	Location	Principal Occupation
John R. Woodell	Randleman, North Carolina	Retired
Deborah Maness	Asheboro, North Carolina	Senior Financial Service Officer
Scott Eggleston	Randleman, North Carolina	Attorney
J. Kemp Davis	Randleman, North Carolina	Chairman of the Board
Thomas Hussey	Star, North Carolina	Retired
Harold J. Brubaker	Asheboro, North Carolina	Appraiser, Tax Advisor
Larry Blackburn	Troy, North Carolina	Retired
Thomas P. Frazier	Asheboro, North Carolina	President and Chief Executive Officer
Art Meadows	Fairmont, West Virginia	Retired

The Board established several committees including an Executive Committee, a Nominating Committee, and an Audit Committee to act on behalf of the Company.

The following individuals served on committees as of December 31, 2020:

Executive and Nominating Committees

Thomas P. Frazier, Chair
 J. Kemp Davis
 Harold J. Brubaker
 John R. Woodell

Audit Committee

J. Kemp Davis, Chair
 Thomas P. Frazier
 Harold J. Brubaker
 John R. Woodell
 Deborah Maness
 Scott Eggleston
 Thomas Hussey
 Larry Blackburn
 Art Meadows

Officers

The bylaws provide that the Board will elect the officers of the Company which consist of a president, a secretary, a treasurer and any other officers deemed necessary by the Board. All officers shall hold office, subject to removal at any time by the Board, until their successors are elected and qualified. Any two offices may be held by the same person.

The following individuals served as officers of the Company as of December 31, 2020:

Name	Title
Thomas P. Frazier	President
Cheryl M. Isley	Secretary
Brook F. Farlow	Treasurer
Harold J. Brubaker	Vice President
J. Kemp Davis	Chairman of the Board
Laura Welch	Assistant Secretary/Treasurer
John R. Woodell	Vice-Chairman

CODE OF CONDUCT AND CONFLICT OF INTEREST

The Company has an established policy and procedure to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the Company requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the examination period revealed that the Company did not act in accordance with its policies and procedures for disclosure of conflicts of interest. (See Summary of Significant Findings)

CORPORATE RECORDS

We reviewed the minutes of the meetings of the Board and its committees for the period under examination. Based on our review, it appears that the minutes documented the Company's significant transactions and events and that the Board approved these transactions and events.

The Company's articles of incorporation and bylaws were reviewed for the period under examination. On December 5, 2016, the Company amended its bylaws to increase the minimum number of directors from five to seven. On May 7, 2019, the Company amended its bylaws again to change the number of directors to no less than seven and no more than seventeen.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The Company's 2020 Annual Statement Schedule E, Part 3 contains a complete description and listing of the Company's statutory deposits by state. The Company only maintains a North Carolina statutory deposit.

FIDELITY BONDS AND OTHER INSURANCE

The Company has fidelity bond coverage totaling \$100,000, which does not meet the minimum amount of fidelity bond coverage recommended by the Handbook. (Refer to the Summary of Significant findings.)

In addition, the Company is a named insured on various corporate property and liability policies issued to the Company, which appeared to be adequate to cover risks in the normal course of business.

EMPLOYEE BENEFITS AND PENSION PLANS

All eligible employees of the Company may participate in the Simplified Employee Pension Plan-IRA, which is a defined contribution plan. The Company contributes a percentage of each employees' compensation determined by the Board at the end of each year. In 2020 and 2019, the Company incurred expenses totaling \$71,759 and \$58,928, respectively, as a result of its contribution obligation.

TERRITORY AND PLAN OF OPERATION

At December 31, 2020, the Company is authorized to provide insurance coverage to residents of the State of North Carolina only.

The Company underwrites property and casualty insurance with a primary focus on farm owners' and homeowners' multi-peril lines of business. The Company operates through independent agents and affinity partners to write lines of business.

TRENDS OF THE COMPANY

The following data, obtained from annual statements filed with the Department, illustrates the trends of the Company for the five-year period ended 2020:

Year	Net Admitted Assets	Surplus	Gross Premiums Written	Net Earned Premiums	Net Income(loss)
2020	\$15,213,924	\$12,516,475	\$3,605,301	\$3,133,309	\$846,882
2019	\$14,518,303	\$11,650,499	\$4,070,587	\$3,334,648	(\$733,598)
2018	\$14,147,667	\$10,927,477	\$4,233,987	\$3,039,744	\$350,503
2017	\$14,629,386	\$11,586,537	\$4,439,739	\$3,207,670	\$1,442,828
2016	\$13,517,974	\$9,494,981	\$4,515,081	\$3,292,917	(\$173,758)

ACTUARIAL OPINION

Every property and casualty insurance company doing business in this State, unless otherwise exempted by the Commissioner, shall annually submit the opinion of an appointed actuary and an actuarial opinion summary in accordance with GS § 58-10-150 and GS § 58-10-155.

The statutory reserves and related items for 2020 were reviewed and certified by the Company's Appointed Actuary, Daniel A. Reppert, FCAS, MAAA of The Actuarial Advantage, Inc. Actuarial opinions regarding the Company's reserves for losses and loss adjustment expenses were issued by an appointed actuary for all years in the examination period. The appointed actuary evaluated the data provided by the Company for reasonableness and consistency of the losses and loss adjustment expense reserves. According to the actuarial opinions, the Company's reserve on the losses and loss adjustment expenses met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all unpaid losses and loss expense obligations of the Company.

REINSURANCE PROGRAM OVERVIEW

REINSURANCE CEDED

Excess of Loss Coverage

The Company has an excess of loss contract with various reinsurers, effective January 1, 2020, which provides two layers of excess coverage for all lines of business that the Company writes. The first layer provides property and casualty coverage of up to \$235,000 each loss occurrence in excess of \$115,000 and \$705,000 in aggregate for property coverage; the second layer covers up to \$650,000 in excess of \$350,000 each loss occurrence for property and casualty business and \$1,950,000 in aggregate for property coverage. The Company ceded written premiums totaling \$363,218 and \$349,015 in 2020 and 2019, respectively, under this contract.

The Company has an excess loss contract with Renaissance Reinsurance U.S. Inc. ("Renaissance Re"), effective November 1, 2019, which covers business from January 1, 2019, through January 1, 2021,

acquired during the merger with Central Farmers Mutual Insurance Company. The contract covers losses in excess of \$25,000 for each loss occurrence and will not exceed \$975,000 for each loss and subject to an occurrence limitation of \$1,950,000, including loss expense. The Company ceded written premiums totaling \$64,545 and \$109,151 in 2020 and 2019, respectively.

Property Catastrophe Coverage

The Company has a property catastrophe excess of loss reinsurance contract with various reinsurers, effective January 1, 2020, which provides three layers of excess coverage for all business that the Company writes. The first layer provides coverage of up to \$500,000 of the net loss in excess of \$500,000 per occurrence; the second layer covers up to \$2,000,000 of the net loss in excess of \$1,000,000 per occurrence; the third layer covers up to \$2,000,000 of the net loss in excess of \$3,000,000 per occurrence. The Company ceded written premiums totaling \$181,097 and \$193,801 in 2020 and 2019, respectively.

The Company has a catastrophe reinsurance contract with Renaissance Re, effective November 1, 2019, which covers business from January 1, 2019, through January 1, 2021, acquired during the merger with Central Farmers Mutual Insurance Company. The contract provides coverage in excess of \$150,000 for each loss occurrence up to \$850,000 for any one loss. The Company ceded written premiums totaling \$18,620 and \$31,486 in 2020 and 2019, respectively.

Property Aggregate Excess of Loss

The Company has an aggregate excess of loss reinsurance contract with Renaissance Re, effective November 1, 2019, which covers business from January 1, 2019, through January 1, 2021, acquired during the merger with Central Farmers Mutual Insurance Company. The reinsurer will be liable for \$1,000,000 excess of an amount of aggregate ultimate net loss of 80% of the net earned premium. The Company ceded written premiums totaling \$10,942 and \$18,504 in 2020 and 2019, respectively.

Quota Share – Equipment Breakdown

The Company has an equipment breakdown quota share contract with Factory Mutual Insurance Company, effective July 1, 2015, which provides 100% of coverage for its equipment breakdown insurance of homeowners' policies. The Company ceded premiums totaling \$99,320 and \$100,672 in 2020 and 2019, respectively, under this contract.

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 the Company for the period ending December 31, 2020. The supporting exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statements and supporting schedules as of December 31, 2019, are unexamined and are presented for comparative purposes only.

Carolina Farmers Mutual Insurance Company
Statutory Statement of Admitted Assets
December 31, 2020

	2020	2019 <i>(unexamined)</i>
Bonds	\$1,049,897	\$1,549,597
Common stocks	9,082,783	9,326,148
Mortgage loans first liens	76,938	88,938
Properties held for production of income	965,476	976,206
Properties held for sale	750,188	750,188
Cash and short-term investments	3,140,451	1,620,592
Total cash and invested assets	15,065,733	14,311,669
Investment income due and accrued	5,245	7,417
Premiums and agents' balances in course of collection	16,267	148,073
Premiums and agents' balances booked but deferred and not yet due	126,091	-
Reinsurance recoverable	-	45,757
Electronic data processing equipment and software	588	946
Section II profit sharing	-	4,441
Total admitted assets	\$15,213,924	\$14,518,303

Carolina Farmers Mutual Insurance Company
Statutory Statement of Liabilities, Surplus
December 31, 2020

	2020	2019 <i>(unexamined)</i>
Losses	\$275,203	\$324,296
Loss adjustment expenses	142,788	180,912
Commissions payable, contingent commissions and other similar charges	35,357	28,732
Other expenses	68,766	50,723
Taxes, licenses and fees	(37,664)	(9,340)
Net deferred tax liability	366,038	196,639
Borrowed money	108,900	-
Unearned premiums	1,741,372	2,015,387
Advance premium	106,949	111,889
Ceded reinsurance premiums payable	(110,906)	(36,357)
Amounts withheld or retained by Company for account of others	646	463
Premiums Payable	-	4,460
Total Liabilities	2,697,449	2,867,804
Unassigned funds	12,516,475	11,650,499
Total Surplus	12,516,475	11,650,499
Total Liabilities, Surplus	\$15,213,924	\$14,518,303

Carolina Farmers Mutual Insurance Company
Statutory Statement of Operations
December 31, 2020

	2020	2019 <i>(unexamined)</i>
Underwriting Income		
Premiums Earned	\$3,133,309	\$3,334,648
Deductions		
Losses incurred	1,229,712	1,256,997
Loss adjustment expenses incurred	524,073	608,765
Other underwriting expenses incurred	1,125,723	1,210,731
Total underwriting deductions	2,879,508	3,076,493
Net underwriting gain	253,801	258,155
Investment Income		
Net investment income earned	(131,154)	(90,094)
Net realized capital gains	468,751	112,825
Net investment gain	337,597	22,731
Other Income		
Finance and service charges not included in premiums	132,886	133,981
Commissions on section II liability premiums	-	20,019
Other income	-	10,441
Total other income	132,886	164,441
Federal income taxes incurred	(122,598)	(21,075)
Net Income (Loss)	\$846,882	(\$733,598)

Carolina Farmers Mutual Insurance Company
Statutory Statement of Capital and Surplus
December 31, 2020

	2020	2019 <i>(unexamined)</i>
Surplus as regards policyholders, beginning of year	\$11,650,499	\$10,927,477*
Surplus increases (decreases):		
Net Income (Loss)	846,882	(733,598)
Change in net unrealized capital gains	148,483	1,116,798
Change in net deferred income tax	(129,930)	137,738
Change in non-admitted assets	541	202,177
Prior year surplus for Central Farmers Mutual Insurance Co.	-	(93)
Change in surplus as regards policyholders for the year	865,976	723,022
Surplus as regards policyholders, end of year	\$12,516,475	\$11,650,499

*Surplus after the merger with Central Farmers Mutual Insurance Company on November 1, 2019.

Carolina Farmers Mutual Insurance Company
Statutory Statement of Cash Flow
December 31, 2020

	2020	2019 <i>(unexamined)</i>
Cash From (Used By) Operations		
Premiums collected net of reinsurance	\$ 2,785,520	\$3,134,210
Net investment income	(102,071)	(58,263)
Miscellaneous income	132,886	164,441
Total	2,816,335	3,240,388
Benefit and loss related payments	1,233,048	1,187,665
Commissions, expenses paid and aggregate write-ins	1,691,577	1,847,177
Dividends to policyholders	-	1,200,000
Federal income taxes paid	2,007	23,806
Total	2,926,632	4,258,648
Net cash from (used by) operations	(110,297)	(1,018,260)
Cash From (Used By) Investments		
Proceeds from investments sold, matured, or repaid	4,927,426	3,680,699
Cost of investments acquired	3,407,233	2,841,189
Net cash from investments	1,520,193	839,510
Cash From (Used By) Financing and Miscellaneous Sources		
Borrowed funds	108,900	-
Other cash provided	1,063	10,335
Net cash from financing and miscellaneous sources	109,963	10,335
Reconciliation of Cash and Short-Term Investments		
Net change in cash and short-term investments	1,519,859	(168,415)
Cash and short-term investments, beginning of year	1,620,592	1,789,007
Cash and short-term investments, end of year	\$3,140,451	\$1,620,592

COMMENTS ON FINANCIAL STATEMENTS

Basis of Presentation and Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

The more significant accounting policies followed by the Company are as follows:

Bonds: Carried at amortized cost using the scientific method. Bonds with lower credit ratings are carried at the lower of amortized cost or NAIC market value.

Common stocks: Carried at fair value.

Properties held for the production of income: Properties held for the production of income are carried at depreciated cost less encumbrances.

Properties held for sale: Properties that the Company has the intent to sell are classified as properties held for sale and carried at the lower of depreciated cost or fair value less encumbrances and estimated costs to sell the property.

Cash and short-term investments: Carried at amortized cost (which approximates fair value) and includes money market instruments and debt securities with maturities of less than one year.

Premiums: Insurance premiums, net of premiums ceded to reinsurers, are earned over the terms of the policies. The portion of direct premiums written applicable to the unexpired terms of the policies is recorded as unearned premium. Premiums are earned on a daily pro rata basis.

Reinsurance: Premiums, commissions, expense reimbursements, and reserves are accounted on a basis consistent with the original policies issued and the terms of the reinsurance agreements. Premiums ceded are reported as a reduction of premium income. Losses and loss adjustment expenses are reported as reductions of those items.

Non-admitted assets: Certain assets, such as premiums over 90 days past due, excess of book value over market value for securities, and prepaid expenses, are “non-admitted” and are charges against surplus.

Unpaid loss and loss adjustment expense: Includes amounts determined from individual case estimates and loss reports and amounts, based on experience, for losses incurred but not reported. Estimated amounts of salvage and subrogation and reinsurance recoverable are deducted from the reserve for losses and loss adjustment expenses.

Analysis of Assets:

The Company reported the following asset as non-admitted at December 31, 2020: furniture and equipment totaling \$3,793.

Reinsurance Activity:

The Company has excess of loss and catastrophe reinsurance contracts to minimize its exposure to losses. Reinsurance contracts do not relieve the Company of its primary obligation to members. Failure of the reinsurers to discharge their obligations could result in losses to the Company. The Company utilizes Acrisure Re US Limited (formerly Beach Re) as a reinsurance intermediary to negotiate and obtain reinsurance contracts on its behalf for specifically identified risks.

Direct and ceded premiums written and earned are as follows:

	2020	2019
Direct and written	\$3,605,301	\$4,070,587
Ceded written	746,007	803,102
Net written	2,859,294	3,267,485
Direct and earned	3,880,751	4,139,988
Ceded earned	747,442	805,340
Net earned	\$3,133,309	\$3,334,648

The reinsurers share in the risks at different levels as specified in the reinsurance contracts. The types of contracts and retention limits are described under the Reinsurance Program Overview.

Summary of Reserves:

The following provides a reconciliation of the Company's reserves for losses and loss adjustment expenses:

	Current Year	Prior Year
Reserve for losses and loss adjustment expenses, beginning of year	\$ 505,211	\$554,966
Add:		
Provision for losses and loss adjustment expenses, current year	1,714,419	1,719,244
Change in estimated losses and loss adjustment expenses, prior years	39,366	146,518
Total incurred	1,753,785	1,865,762
Deduct:		
Losses and loss adjustment expenses paid, current year	1,503,068	1,239,735
Losses and loss adjustment expenses paid, prior year	337,937	675,782
Total paid	1,841,005	1,915,517
Reserve for losses and loss adjustment expenses, end of year	417,991	505,211
Increase in reserve for losses and loss adjustment expenses	\$87,220	\$49,755

Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under the Company's reinsurance contracts. At December 31, 2020, and 2019, the liability for losses and loss adjustment expenses was reduced by \$261,195 and \$436,717, respectively, for amounts to be recovered from reinsurers.

Surplus:

The following, in conjunction with the Statutory Statement of Surplus, represents the changes in the Company's surplus since the Department's last examination as of December 31, 2015:

	2018	2017	2016
Surplus as regards policyholders, beginning of year	\$7,618,399	\$6,156,690	\$6,194,656
Surplus increases (decreases):			
Net income(loss)	255,503	1,348,987	(389,540)
Change in net unrealized capital gain (loss)	(598,223)	90,550	267,853
Change in net deferred income tax	(27,639)	(274,118)	7,584
Change in non-admitted assets	(118,271)	296,290	76,137
Change in surplus as regards policyholders for the year	(488,630)	1,461,709	(37,966)
Surplus as regards policyholders, end of year	\$7,129,769*	\$7,618,399	\$6,156,690

*Surplus before the merger with Central Farmers Mutual Insurance Company on November 1, 2019.

Contingencies and Commitments:

The Company is involved in routine legal and administrative proceedings incidental to the conduct of its business. While the outcome of these matters cannot be estimated with certainty, it is the opinion of management that the resolution of these matters will not have a material effect on the financial position of the Company.

SUBSEQUENT EVENTS

On January 13, 2021, the Company's Paycheck Protection Program loan in the amount of \$108,900 was forgiven in full by the federal government.

Carolina Farmers Mutual Insurance Company
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2020

Thomas P. Frazier, President
515A West Salisbury Street
Asheboro, North Carolina 27203

Brook F. Farlow, Treasurer
515A West Salisbury Street
Asheboro, North Carolina 27203

CONCLUSION

The examination procedures, described, herein, revealed no material adverse findings or adjustments to surplus.

We conclude that the Company complies with the minimum capital and surplus requirements of GS § 58-7-75 for the kinds of insurance that the Company has been authorized to write, which is \$700,000.

The courteous cooperation and assistance extended by the officers and employees of the Company during the examination is hereby acknowledged.

Respectfully submitted,



Ke Xu, CPA, CFE
Chief Financial Examiner
North Carolina Department of Insurance

October 12, 2021

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Keith Greene, Insurance Company Manager, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this report on examination, subscribed by him, is true and correct to the best of his knowledge and belief.

Signature: Keith Greene Date: 10/12/2021

Sworn and subscribed before me this 12th day of October, 2021.

Notary Public Signature: Jennifer Ishihara Notary Public Seal:

