



# Living In A Land of Giants

The Farm Mutual System



Using  
Gross  
Written  
Premium  
as the  
metric  
what size  
insurance  
company  
do you  
work for?

>\$1B

\$500M-1B

\$100M-500M

\$25M-100M

<\$25M

I don't work for an ins. co.

**How many insurance companies\* are domiciled in Iowa to write property-casualty lines of business?**

- A. >150
- B. 125-149
- C. 100-124
- D. 75-99
- E. 50-74
- F. <50

The answer is ...

**158**

Source: <https://data.iowa.gov/> as of 9/25/19

\* (Each individual company counts if they are in an insurance group)

# Breakdown of P-C Companies

Three main charters in Iowa to be a domiciliary P-C insurance company

Property Casualty  
(Chapter 515)

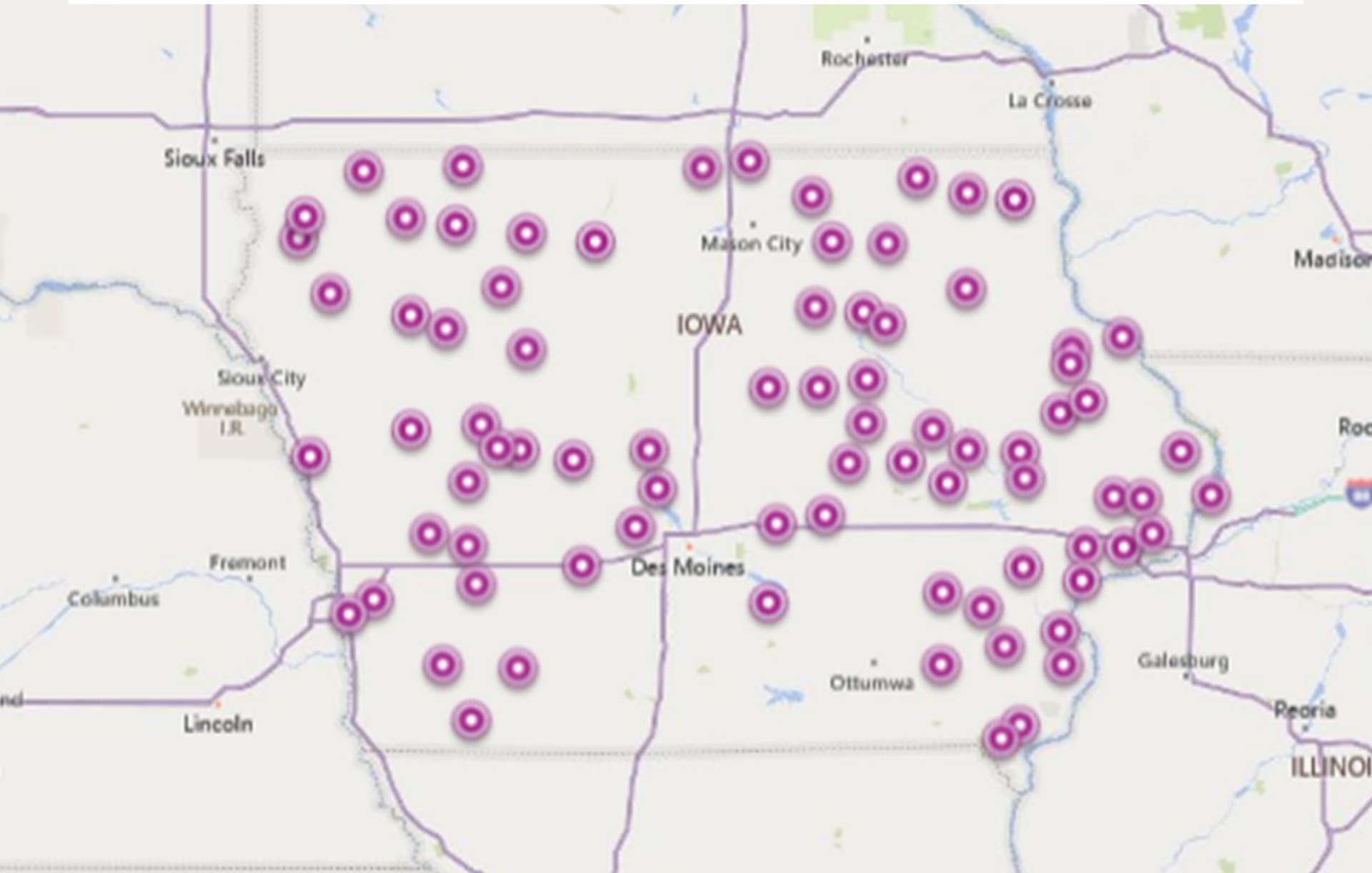
74

County Mutuals  
(Chapter 518)

State Mutuals  
(Chapter 518A)

Both of these are  
different flavors of  
Farm Mutuals  
84 out of the 158 (53%)

# Map of Farm Mutuals in Iowa

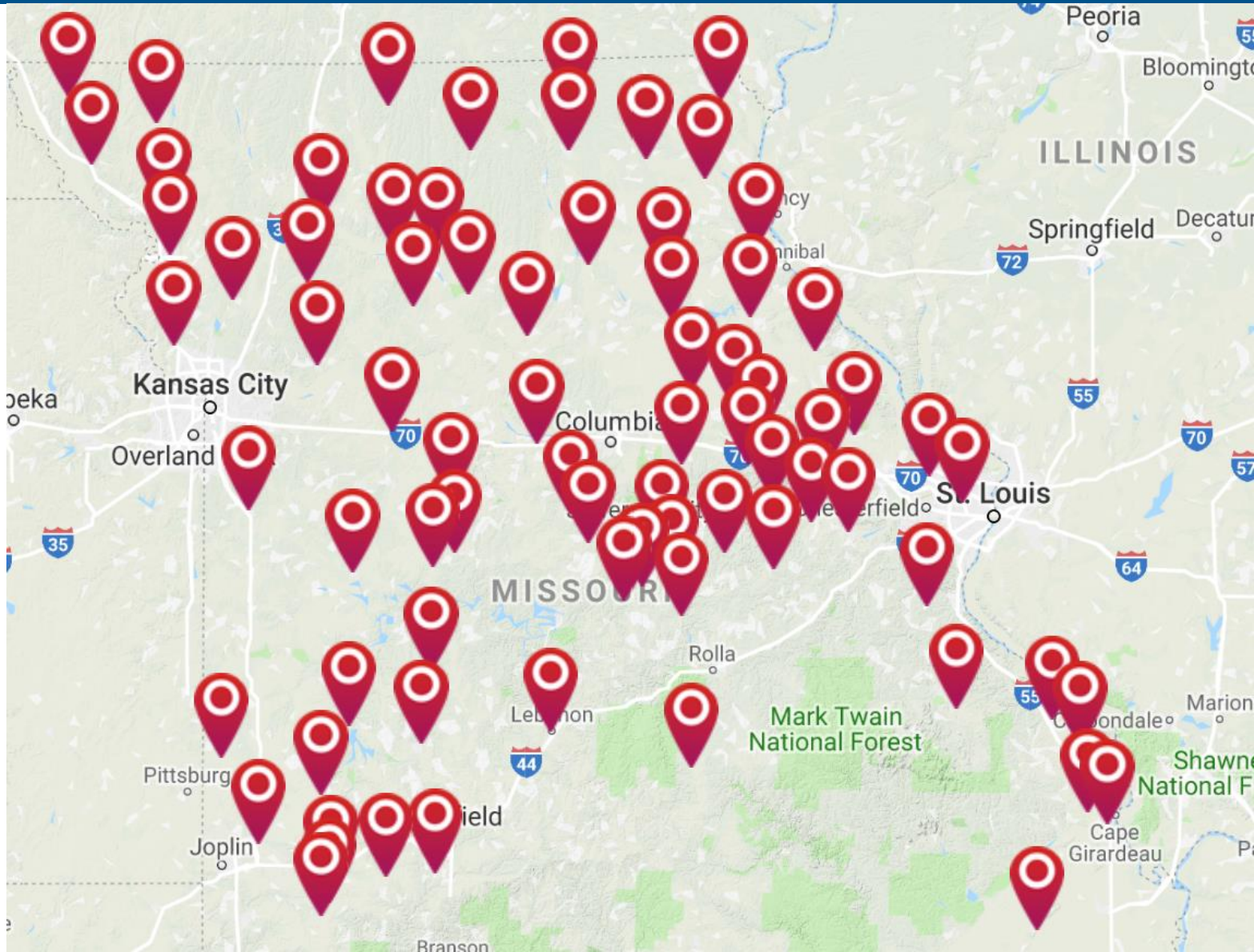


# Other States

- Around 500 farm mutuals in total throughout the Midwest, for example,
  - 49 in IL
  - 77 in MO
- Regulations vary from state to state
- Each state defines and restricts their farm mutuals a little differently
  - In MN township mutuals can't insure the perils of wind and hail
- Different labels, same concept
  - Farm mutuals, county mutuals, state mutuals, township mutuals

# Map of Farm Mutuals in Missouri

77  
Farm  
Mutuals



# Two Types of Farm Mutuals in Iowa

County Mutual  
Insurance  
Associations  
(chartered under  
chapter 518)

- Write business in the county they are located in and the counties contiguous thereto

State Mutual  
Insurance  
Associations  
(chapter 518A)

- Write business in the county they are located in, the counties contiguous thereto, and the next tier of contiguous counties

1. Any number of persons may, by incorporating under chapter 491, enter into contracts with each other for the following kinds of insurance from loss or damage by:
  - a) Any peril or perils resulting in physical loss of or damage to property.
  - b) Theft of personal property.
  - c) Injury, sickness, or death of animals and the furnishing of veterinary service.
  - d) Any vehicle, excluding automobile or aircraft, including loss and expense resulting from the ownership, maintenance, or use thereof, but shall not include insurance against bodily injury to the person.  
(County Mutuals are not authorized to write 1.d)

# County Mutual Class Restrictions

County mutual insurance associations (in IA) are permitted to insure only the following classes of property:

- Farm property, including residences and other farm buildings and all classes of personal property in connection therewith;
- Buildings and personal property used in the processing of agricultural products in conjunction with a farming operation;
- City and suburban residences, including household and personal effects;
- Churches, schools and community buildings.

# Financials

## Iowa Farm Mutuals

Gross Written  
Premium  
\$231 M

Median  
Premium Size  
\$2.0M

Average P/S  
Ratio  
0.4:1

TIV and premium  
volume has been  
increasing

Consolidation is  
occurring  
through mergers

Smallest Mutual  
~400 policies  
Total Premium  
\$420k

# Top IA Home and Farm Writers

MARKET SHARE REPORT		
Geography = Iowa		
Line of Business: Farmowners MP		
Values in (\$000)		
Rank	Entity Name	DWP
		2018Y
1	Farm Bureau Financial Services (SNL P&C Group)	103,893
2	Nationwide (SNL P&C Group)	44,244
3	State Farm (SNL P&C Group)	22,756
4	Auto-Owners Insurance (SNL P&C Group)	8,697
5	SECURA Insurance Companies (SNL P&C Group)	8,497

MARKET SHARE REPORT		
Geography = Iowa		
Line of Business: Homeowners MP		
Values in (\$000)		
Rank	Entity Name	DWP
		2018Y
1	State Farm (SNL P&C Group)	211,028
2	Nationwide (SNL P&C Group)	99,119
3	American Family Insurance (SNL P&C Group)	71,064
4	Farm Bureau Financial Services (SNL P&C Group)	70,986
5	Auto-Owners Insurance (SNL P&C Group)	33,916

MARKET SHARE REPORT		
Geography = Iowa		
Line of Business: Farmowners & Homeowners MP Combined		
Values in (\$000)		
Rank	Entity Name	DWP
		2018Y
1	State Farm (SNL P&C Group)	233,784
2	Farm Bureau Financial Services (SNL P&C Group)	174,879
3	Nationwide (SNL P&C Group)	143,363
4	American Family Insurance (SNL P&C Group)	76,765
5	Auto-Owners Insurance (SNL P&C Group)	42,613

Rank	Entity Name	DWP
		2018Y
	Farm Mutuals as a Collective * - All Lines	231,000
2	Farm Mutuals as a Collective ** - Farm & Home MP	229,000
	* Source: Filed financial statements with IA DOI	
	** Removed Commercial Lines premium (est.)	

As a collective, the farm mutuals are solidly the 2<sup>nd</sup> largest writer of farm and home in Iowa.

# MUTUAL ORIGIN

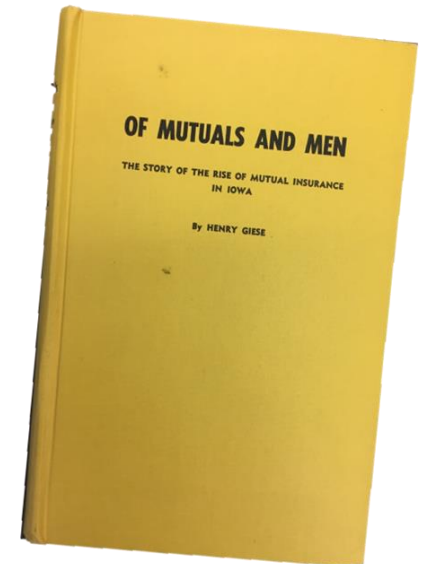


1752



# FARM MUTUAL ORIGINS

- Mutual concept of insurance moved to the Midwest in the mid 1800's
- First mutual in Iowa was 1849.
  - Deutsche Brund Gilde – Scott County
    - German Fire Association
- Soon a State Association started
  - Mutual Insurance Association of Iowa



# Drivers of Success

- Anti-east coast, big company sentiment
- Neighbor helping neighbor concept
- Promoted by Henry Wallace and *Wallaces' Farmer*
- Many had ethnic/religious ties
  - More than business but was a philosophy
  - Like being voted into a fraternity
  - Removed language barrier (policies were in ethnic language)
  - First Maxfield Mutual Insurance Association (still active today) was organized only for members of St. John's Evangelical Lutheran Church

# Ethnic Heritage Still Evident



Bohemian Mutual Insurance Association



Danish Mutual Insurance Association



German Farmers Mutual Insurance Association



German Mutual Insurance Association (Monticello)



German Mutual Insurance Association (Pomeroy)



Norwegian Mutual Insurance Association

Svea Mutual Insurance Association

Svea Mutual Insurance Association (in Swedesburg)

# Matching Game

Match the city with the farm mutual located in it.

- |               |   |
|---------------|---|
| A. Emmetsburg | 1. Farmers Mutual Insurance Association |
| B. Schleswig  | 2. Farmers Mutual Insurance Association |
| C. Fayette    | 3. Farmers Mutual Insurance Association |
| D. Jefferson  | 4. Farmers Mutual Insurance Association |
| E. Osage      | 5. Farmers Mutual Insurance Association |
| F. Sibley     | 6. Farmers Mutual Insurance Association |
| G. Hull       | 7. Farmers Mutual Insurance Association |
| H. Traer      | 8. Farmers Mutual Insurance Association |



# Adair County Mutual



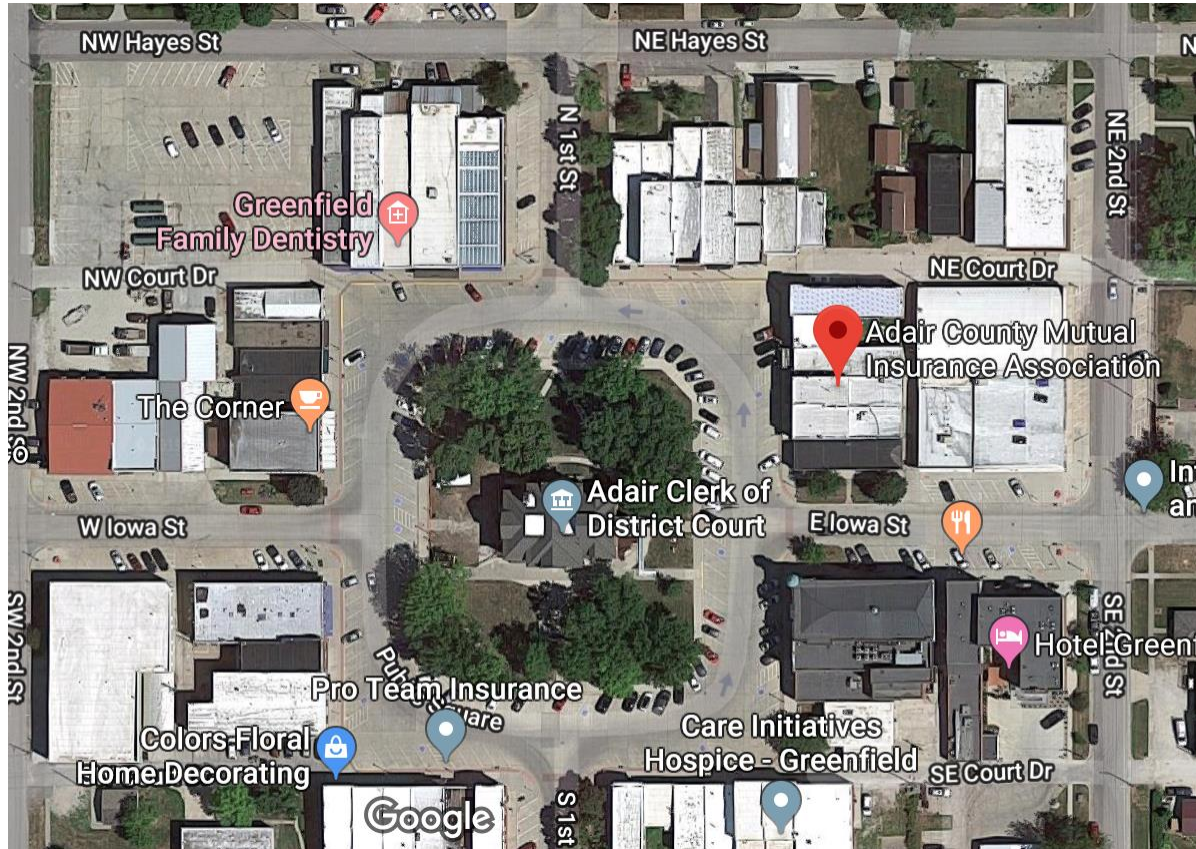
Founded in 1888 by local farmers



# Greenfield, IA



# 168 Public Square



# Storefront





## Adair Mutual Full Time Staff

(left to right)

- Susan (Policy Processing & UW)
- Marcia (Mutual Manager)
- Lori (Policy Processing & Sr UW)
- Dawn (Admin Asst.)

# Role Play



- \$1.5M of GWP, \$3.0M of surplus
- Writing property insurance (primarily home/farm)
- 82% of TIV is concentrated in two counties
- Write mostly personal lines
- 4 full time employees and 2 part time inspectors

Put yourself in the place of Marcia. As manager of the mutual what keeps you up at night?



# Farm Mutual Distribution Channels

- Independent agent network
- Captive agents
  - Agency owned or affiliated with the mutual, many times utilizing employees of the mutual or vice versa



# Typical Outsourcing

- Tax and accounting
- Investments
- Claims/Loss Control/SIU
  - Some have a staff adjuster(s)/inspector
  - Independent adjusters
  - Outsource via TPA
- IT & Policy Processing Systems
  - IMT Computer Services is dominant vendor
  - Priority Data
  - Britecore
- Actuarial Services
  - Reserve opinions (not required for some depending on state & charter)
  - Rate/Form filings (only a subset have to file rates)



# How Do They Compete?

- Knowledge of the local market
- Ability to physically inspect the property
- Know policyholders by name
- Usually strong relationship with local agent
  - All of the above gives them the ability to more comfortably write troubling or challenging accounts
- “Buy Local” marketing advantage
- Well known in their communities
- Flexibility in pricing (don’t file rates)
- Partner with other carriers to bundle what they can’t sell directly



## **Images from Parkersburg May 26, 2008**

EF5 tornado, killed 9, destroyed  
300 homes, \$100M damage



# GRINNELL MUTUAL REINSURANCE - PAST

- Early farm mutuals recognized their vulnerability to the weather
- State Association formed a Reinsurance Committee
  - F. E. Gordon
  - J. E. Brooks
  - P. J. Shaw
  - John Evans, President
- Iowa Farmers Mutual Reinsurance Association
  - April 17, 1909
- Moved to Grinnell in 1934
- Expanded into other states in 1947
- Name changed to Grinnell Mutual Reinsurance Company in 1963

**GRINNELL MUTUAL**  
REINSURANCE SINCE 1909

**FARMUTUAL**  
insurance

Originally founded for the sole purpose of providing reinsurance to the farm mutuals to spread their risk.

# Today How Does Grinnell Mutual Fit In?

- In short ... we exist to help the farm mutuals and their agents thrive
- Reinsurance is still key to the relationship
  - Over half the farm mutuals in the Midwest today
  - PPR, CAT, Unlimited Aggregate (stop loss) contracts
- Expanded over the years to supplement with primary products and coverages the mutuals can't write – such as home/farm liability and personal auto
- Provide many value added services

# PRESENT

## Services

- Reinsurance Adjuster Program (RAP) (Claims TPA)
- Special Investigations
- Products/Forms Dev.
- Accounting and Tax Service
- Training and Education
- Grinnell Advisory Services

## Operational support

- Financial
- Analytics
- Vendor relations

## Support for farm mutual agents

- Fill in product gaps
  - Personal Auto
  - Home/Farm Liability
  - Commercial Lines – BOP, CPP, WC, BAP

# Grinnell Mutual 2018 Annual Report



Total gross written premium:

**\$700,853,000**

Underwriting gain:

**\$71.9 million**

**8%**

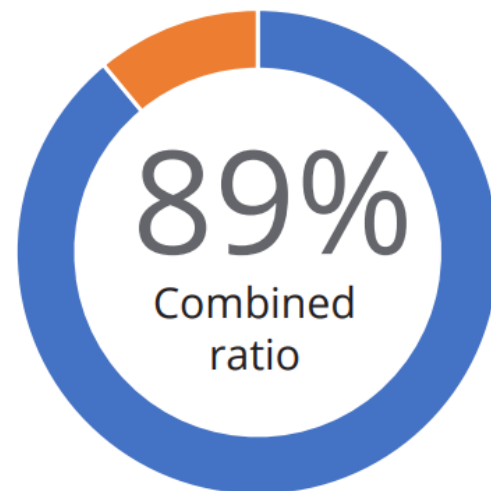
Gross written premium increase over 2017

Total assets:

**\$1.3 billion**

Total surplus:

**\$677 million**



Surplus gain:

**\$64 million**

# Actuarial Challenges - Mutual

- Volume/credibility of data
- Quality and robustness of data
- Lack of general knowledge of the actuarial discipline
- Financial statements limited – No Sch P
- Lack of competitive tools/information
- Don't have a subscription/license with SERFF
- No robust risk management tools – capital models, predictive modeling



- Licensed and filed with the state as an advisory organization similar to AAIS and ISO
- File forms, rating plans and loss costs that farm mutuals can reference
- Not a statistical organization

# Actuarial Challenges – Reinsurer

- Quality of data
- Consistency of data across hundreds of farm mutuals
- Volume/credibility of data
- When engaged in ratemaking conversations with them, there is little common language

# Final Thoughts

- While predicting their demise is easy to do, farm mutuals have survived for a lot of years and many are financially strong.
- While there is clearly a lot of value in what we do as actuaries in quantifying risks and building sophisticated rating plans, farm mutuals have been able to overcome that, at least to this point, with personal service and local knowledge.
- They clearly face challenges as competitors change, customer expectations change, independent agents change, and the farm community and rural areas change.
- They are a valuable part of our history and heritage.
- There is something wholesome about this micro-insurance system. It reminds us of the value of relationships, trust in each other and neighbor helping neighbor.

# Questions

