

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Echo German Mutual Insurance Company)
6227 Constitution Drive)
Fort Wayne, Indiana 46804)

Examination of: **Echo German Mutual Insurance Company**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Echo German Mutual Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on January 10, 2020, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Echo German Mutual Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

3/30/2020
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7017 3040 0000 9294 9216

STATE OF INDIANA) BEFORE THE INDIANA
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Examination of: **Echo German Mutual Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Echo German Mutual Insurance Company (hereinafter “Company”) for the time period January 1, 2013 through December 31, 2017.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on October 20, 2018.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on December 10, 2019 and was received by the Company on December 13, 2019.

The Company did not file any objections.


NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Echo German Mutual Insurance Company as of December 31, 2017.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Echo German Mutual Insurance Company to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 30 day of March, 2020.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

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STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION

OF

ECHO GERMAN MUTUAL INSURANCE COMPANY
NAIC Co. Code 14466

As of

December 31, 2017

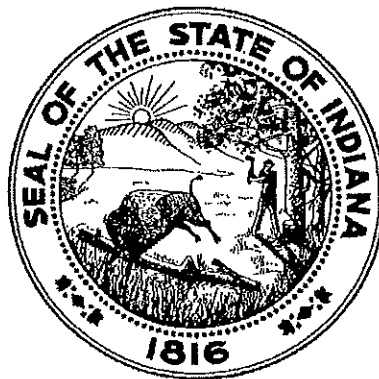


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October 20, 2018

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3986, an examination has been made of the affairs and financial condition of:

**Echo German Mutual Insurance Company
6227 Constitution Drive
Fort Wayne, Indiana 46804**

hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in Fort Wayne, Indiana and the offices of Noble Consulting Services, Inc., in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2017, is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance as of the period ending December 31, 2012. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2013 through December 31, 2017, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating 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.

HISTORY

The Company was organized on March 1, 1867, as German Mutual Fire Indemnity Association. In 1976, the Company merged with Echo Mutual Tornado Insurance Company, the latter being the surviving company, which subsequently changed its name to Echo German Mutual Insurance Company, Inc.

The Company was founded for the purpose of safe guarding its policyholders against losses to property, both real and personal, caused by cyclone, fire, hail, lightning, tornado, and windstorm by distributing, on the mutual insurance plan, such losses as may occur.

CAPITAL AND SURPLUS

As of December 31, 2017, the Company had adjusted surplus of \$ 15,538,498 and 321 members, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company currently conducts business in the following ten (10) counties: Adams, Allen, DeKalb, Huntington, LaGrange, Noble, Steuben, Wabash, Wells, and Whitley.

The Company insures dwellings in towns and small cities, farms and farm-related structures, livestock, machinery, and mobile homes. Policies are written on a three (3) year basis, renewed annually.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company, as reported during the examination period and adjusted per the examination:

Year	Admitted Assets	Liabilities	Surplus
2017	\$ 15,662,413 *	\$ 123,915	\$ 15,538,498 *
2016	14,099,475	118,995	13,980,480
2015	12,782,916	172,409	12,610,507
2014	13,183,276	175,696	13,007,580
2013	12,779,476	212,672	12,566,804

*Assets were adjusted to correct overstated carrying value of investments.

MANAGEMENT AND CONTROL

Directors

The corporate powers of the Company are vested in a Board of Directors (Board) consisting of no less than seven (7) and no more than fifteen (15) members. Directors are elected to serve three (3) year, staggered terms. The following is a listing of persons serving as directors as of December 31, 2017:

Name	Address
Darrell Buuck	Hoagland, Indiana
Ronald Hockemeyer	New Haven, Indiana
Frederick Meyer	New Haven, Indiana
Lloyd Meyer	Ossian, Indiana
Delbert Schelman	Decatur, Indiana
Donald Scheumann	Hoagland, Indiana
Daniel Thiele	Fremont, Indiana
Dale Thomas	Uniondale, Indiana
James Wenger	Bluffton, Indiana

Officers

The officers of the Company consist of a President, Vice President, Secretary, and Treasurer. Officers are elected at the annual meeting of the Board and serve for a term of one (1) year. The following is a list of key officers and their respective titles as of December 31, 2017.

Name	Office
Delbert Schelman	President
James Wenger	Vice President
Daniel Thiele	Secretary
Lloyd Meyer	Treasurer

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2017.

OATH OF OFFICE

Indiana Code 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2017.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board minutes and the minutes from the annual meeting of the members were reviewed for the period under examination through the fieldwork date. No significant issues or events were noted.

AFFILIATED COMPANIES

The Company is owned by its members and has no affiliated companies.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by The Cincinnati Insurance Company. The bond has blanket coverage of \$100,000. Based on the admitted assets and gross income of the Company, the Company is not in compliance with the prescribed minimum coverage specified by the Handbook. See the Other Significant Issues section.

The Company had additional types of coverage in-force as of December 31, 2017, including but not limited to, business auto coverage, employer liability, and workers compensation.

STATUTORY DEPOSITS

As a farm mutual insurer, the Company is not required to maintain a statutory deposit with the state of Indiana.

REINSURANCE

The Company's reinsurance program is placed through Guy Carpenter. The reinsurance program includes two (2) treaties, both effective January 1, 2017, which are described below.

- *Property First Surplus Reinsurance Contract* - All risks are reinsured for up to \$125,000 in excess of the Company's minimum net retention of \$15,000 and to a maximum cession of \$500,000 per farm risk and \$400,000 any other risk.
- *Aggregate Excess of Loss Reinsurance* - Under the terms of this agreement, the reinsurer shall be liable in the aggregate in respect of losses occurring during the term of the contract for 100% of the ultimate net loss over and above an initial ultimate net loss equal to the greater of \$154,125 or \$9.25 per \$1,000 of average net fire insurance in force, subject to a limit of liability to the reinsurer of the lesser of \$1,799,000 or \$72.00 per \$1,000 of average net fire insurance in force.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2016 and 2017, were agreed to the respective Annual Statements.

FINANCIAL STATEMENTS

ECHO GERMAN MUTUAL INSURANCE COMPANY
Assets, Liabilities and Surplus
As of December 31, 2017

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>
Assets:			
Bonds	\$ 2,892,331	\$ 623,207	\$ 3,515,538 *
Stocks	11,779,443	(631,427)	11,148,016 *
Bank balances	960,936	-	960,936
Reinsurance receivable on paid losses	13,246	-	13,246
State income tax recoverable	140	-	140
Federal income tax recoverable	24,537	-	24,537
Total assets	<u>\$ 15,670,633</u>	<u>\$ (8,220)</u>	<u>\$ 15,662,413</u>
Liabilities and Surplus:			
Unpaid claims	\$ 1,847	\$ -	\$ 1,847
Less, reinsurance recoverable	(930)	-	(930)
Net unpaid claims	917	-	917
Ceded reinsurance balances payable	26,624	-	26,624
Other unpaid expenses	875	-	875
Premiums received in advance	2,421	-	2,421
Unearned premium reserve	93,078	-	93,078
Total liabilities	123,915	-	123,915
Surplus	15,546,718	(8,220)	15,538,498 *
Total liabilities and surplus	<u>\$ 15,670,633</u>	<u>\$ (8,220)</u>	<u>\$ 15,662,413</u>

* As adjusted through the examination process, 2017 surplus decreased by \$8,220 due to overstated investment balances.

ECHO GERMAN MUTUAL INSURANCE COMPANY
Income Statement and Change in Surplus
For the Year Ended December 31, 2017

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination**</u>
Income:			
Premiums, net of reinsurance	\$ 87,754	\$ -	\$ 87,754
Interest and profit on investments	317,635	-	317,635
Other income	<u>2,476</u>	<u>2,154</u>	<u>4,630</u> ***
Total income	<u>407,865</u>	<u>2,154</u>	<u>410,019</u>
Disbursements:			
Losses, net of reinsurance	99,001	-	99,001
Operating expenses	176,165	-	176,165
Non-operating expenses	57,893	-	57,893
Change in ledger assets and liabilities	<u>(1,491,432)</u>	<u>1,491,432</u>	<u>-</u>
Total disbursements	<u>(1,158,373)</u>	<u>1,491,432</u>	<u>333,059</u>
Net income	1,566,238	(1,489,278)	76,960
Surplus, beginning of period	13,980,480	-	13,980,480
Change in unrealized gains(losses)	<u>-</u>	<u>1,481,058</u>	<u>1,481,058</u> ****
Surplus, end of period as reported	<u>\$15,546,718</u>	<u>\$ (8,220)</u>	<u>\$15,538,498</u> *

* As adjusted through the examination process, 2017 surplus decreased by \$8,220 due to overstated investment balances.

**The Company reports some income statement items on a cash basis. In order to properly reconcile the change in surplus, the change in accrued asset and liability amounts reflect the reconciliation from cash to accrual basis.

***The Company has understated its other income by \$2,154.

****Adjustment for the change in unrealized gains(losses) on common stocks from prior year to reconcile surplus.

COMMENTS ON THE FINANCIAL STATEMENTS

The Company incorrectly reported the Vanguard Inflation-Protected Securities Fund Admiral Shares security as a Common Stock with a value of \$631,427. This security is listed as a bond on investment statements with a value of \$623,207. This resulted in a net overstatement to assets of \$8,220. This overstatement had a material impact on the Company's financial statements. In the future, the Company should take appropriate measures to ensure the proper reporting of investments.

The Company understated its other income by \$2,154 as of December 31, 2017. This understatement had a material impact on the Company's financial statements. In the future, the Company should take appropriate measures to ensure the proper reporting of other income.

OTHER SIGNIFICANT ISSUES

The Company's fidelity bond coverage is not in compliance with the prescribed minimum coverage specified by the NAIC Financial Condition Examiners Handbook. The Company's current coverage is \$100,000 and the prescribed minimum coverage based on admitted assets and gross income of the Company should be \$125,000.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork which were considered material events requiring disclosure in this Report of Examination.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., performed an examination of Echo-German Mutual Insurance Company as of December 31, 2017.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

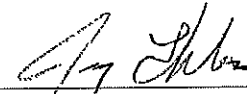
This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of Echo-German Mutual Insurance Company as of December 31, 2017, as determined by the undersigned.



Jim Kattman, CFE
Noble Consulting Services, Inc.

Under the supervision of,

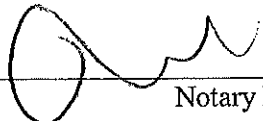


Jerry Ehlers, CFE
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 10 day of April, 2019, before me personally appeared, Jim Kattman and Jerry Ehlers, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: July 4, 2019 

Notary Public

