

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

IN THE MATTER OF:)
)
Decatur County Farmers Mutual Insurance Company)
329 West Washington Street)
Greensburg, Indiana 47240-1614)

Examination of: **Decatur County Farmers 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 Decatur County Farmers Mutual Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on October 29, 2018, 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 Decatur County Farmers 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.

12/21/18 _____
Date Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7016 2070 0001 1479 8698

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Examination of: **Decatur County Farmers Mutual Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Decatur County Farmers 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 June 8, 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 October 29, 2018 and was received by the Company on November 2, 2018.

The Company did not file any objections.

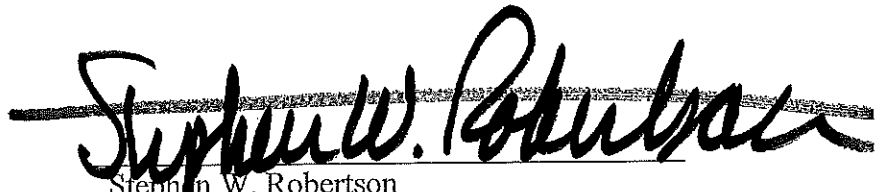
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Decatur County Farmers Mutual Insurance Company as of December 31, 2017.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Decatur County Farmers 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 21 day of
December, 2018.


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.

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

DECATUR COUNTY FARMERS MUTUAL INSURANCE COMPANY

NAIC Co. CODE 92275

As of

December 31, 2017

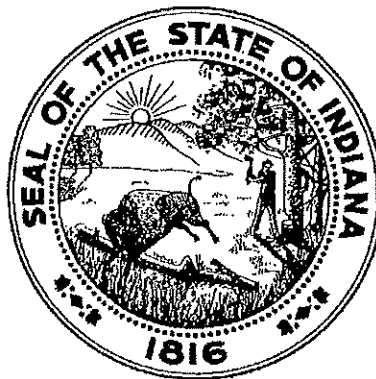


TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION	2
HISTORY.....	2
CAPITAL AND SURPLUS.....	2
TERRITORY AND PLAN OF OPERATION.....	2
GROWTH OF THE COMPANY.....	3
MANAGEMENT AND CONTROL.....	3
Directors.....	3
Officers.....	3
CONFLICT OF INTEREST	4
OATH OF OFFICE.....	4
CORPORATE RECORDS.....	4
Articles of Incorporation	4
Bylaws.....	4
Minutes.....	4
AFFILIATED COMPANIES.....	4
FIDELITY BOND AND OTHER INSURANCE.....	4
STATUTORY DEPOSITS	5
REINSURANCE.....	5
ACCOUNTS AND RECORDS	5
FINANCIAL STATEMENTS	6
Assets, Liabilities and Surplus	6
Income Statement and Change in Surplus.....	7
COMMENTS ON THE FINANCIAL STATEMENTS	8
OTHER SIGNIFICANT ISSUES	8
SUBSEQUENT EVENTS.....	8
AFFIDAVIT.....	9



STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

June 8, 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 3982, an examination has been made of the affairs and financial condition of:

Decatur County Farmers Mutual Insurance Company
329 West Washington Street
Greensburg, Indiana 47240-1614

Hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in Greensburg, 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.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2413 COMPANY COMPLIANCE 317-232-3495 CONSUMER SERVICES 317-232-2395/1-800-622-4461 FINANCIAL SERVICES 317-232-2390 MEDICAL MALPRACTICE 317-232-2402 COMPANY RECORDS 317-232-5692 STATE HEALTH INSURANCE PROGRAM 1-800-452-4800

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 in February, 1878 as Patrons of Husbandry Fire Insurance Company. The Company operates under the farm mutual laws, as defined within the Indiana Insurance Code.

CAPITAL AND SURPLUS

As of December 31, 2017, the Company had adjusted surplus of \$ 1,944,352 and 1,318 members, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company currently conducts business in the following thirty (30) counties: Bartholomew, Boone, Brown, Crawford, Dearborn, Decatur, Delaware, Fayette, Franklin, Hamilton, Harrison, Henry, Jackson, Jefferson, Jennings, Johnson, Kosciusko, Marion, Morgan, Ohio, Randolph, Ripley, Rush, Scott, Shelby, Switzerland, Tippecanoe, Union, Washington, and Wayne.

The Company insures against property losses to rural risks including farms, farm equipment, grain, homes, livestock, and personal property. Policies are written on a one (1) year basis.

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	\$ 2,705,290	\$ 760,938 *	\$ 1,944,352 *
2016	2,505,258	503,306	2,001,952
2015	2,500,896	397,794	2,103,102
2014	2,501,680	378,937	2,122,743
2013	2,405,039	331,363	2,073,676

*Liabilities were adjusted to correct understated unpaid claims and reinsurance recoverable.

MANAGEMENT AND CONTROL

Directors

The corporate powers of the Company are vested in a Board of Directors (Board) consisting of no less than eight (8) 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
Beth AmRhein	Westport, Indiana
Abby Baier	Westport, Indiana
Gary Cunningham	Greensburg, Indiana
Chad Evans	Greensburg, Indiana
Barbara Lecher	Greensburg, Indiana
Steven Nobbe	Greensburg, Indiana
Timothy Nobbe	Greensburg, Indiana
Mark Waechter	Greensburg, 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
Timothy W. Nobbe	President
Gary R. Cunningham	Vice President
Beth A. AmRhein	Secretary
Steven W. Nobbe	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 Indiana Insurance Company. The bond has a blanket coverage of \$50,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2017, including but not limited to, building, business personal property, 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 three (3) treaties, all effective January 1, 2017, which are described below.

- *Property Per Risk Excess of Loss Reinsurance Contract* – All risks are reinsured for up to \$350,000 in excess of the Company's retention of \$30,000.
- *Aggregate Excess of Loss Reinsurance Contract* – Under the terms of this agreement the reinsurer shall be liable for 97.5% of the ultimate net loss over and above an initial ultimate net loss equal to the greater of \$411,140 or 70% of gross net written premium income, subject to a limit of liability to the reinsurer of the lesser of \$10,737,675 (being 97.5% of \$11,013,000) or 97.5% of 1250.0% of gross net written premium income.
- *Property Facultative Pro Rata Reinsurance Contract* – Cessions to this contract shall be limited to a maximum cession hereunder of \$1,250,000 on any one (1) risk, subject to a minimum net retention of \$2,500.

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

DECATUR COUNTY FARMERS 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:			
Stocks	\$ 2,335,999	\$ -	\$ 2,335,999
Bank balances and cash on hand	52,449	-	52,449
Real estate	177,373	-	177,373
Unpaid premiums	2,614	-	2,614
Reinsurance receivable on paid losses	114,824	-	114,824
Federal income tax recoverable	7,835	-	7,835
Poplar/NAMICO	14,196	-	14,196
Total Assets	<u>\$ 2,705,290</u>	<u>\$ -</u>	<u>\$ 2,705,290</u>
 Liabilities and Surplus:			
Unpaid claims	\$ 180,976	\$ 228,375	\$ 409,351 *
Less, reinsurance recoverable	<u>(63,000)</u>	<u>(25,853)</u>	<u>(88,853) *</u>
Net unpaid claims	117,976	202,522	320,498
Other unpaid expenses	23,134	-	23,134
Premiums received in advance	11,435	-	11,435
Unearned premium reserve	<u>405,871</u>	<u>-</u>	<u>405,871</u>
Total liabilities	558,416	202,522	760,938
Surplus	<u>2,146,874</u>	<u>(202,522)</u>	<u>1,944,352 *</u>
Total liabilities and surplus	<u>\$ 2,705,290</u>	<u>\$ -</u>	<u>\$ 2,705,290</u>

* As adjusted through the examination process, 2017 surplus decreased by \$202,522 (unpaid claims were understated by \$228,375 and reinsurance recoverable was understated by \$25,853).

DECATUR COUNTY FARMERS 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	\$ 674,864	\$ -	\$ 674,864
Interest and profit on investments	180,577	-	180,577
Premiums collected for other companies	106,417	-	106,417
Other income	95,157	-	95,157
Total income	<u>1,057,015</u>	<u>-</u>	<u>1,057,015</u>
Disbursements:			
Losses, net of reinsurance	373,340	180,693	554,033
Operating expenses	401,485	-	401,485
Non-operating expenses	159,097	-	159,097
Change in ledger assets and liabilities	<u>(21,829)</u>	<u>21,829</u>	<u>-</u>
Total disbursements	<u>912,093</u>	<u>202,522</u>	<u>1,114,615</u>
Net income	144,922	(202,522)	(57,600)
Surplus, beginning of period	<u>2,001,952</u>	<u>-</u>	<u>2,001,952</u>
Surplus, end of period as reported	<u>\$ 2,146,874</u>	<u>\$ (202,522)</u>	<u>\$ 1,944,352</u>

**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.

COMMENTS ON THE FINANCIAL STATEMENTS

The Company understated its unpaid claims by \$228,375 as of December 31, 2017, which resulted in also understating claims losses by the same amount. 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 unpaid claims.

The Company understated its reinsurance recoverable by \$25,853 as of December 31, 2017, which resulted in overstating claims losses, net of reinsurance by the same amount. In the future, the Company should take appropriate measures to ensure the proper reporting of reinsurance recoverable.

OTHER SIGNIFICANT ISSUES

There were no other significant issues of note during the examination period.

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 Decatur County Farmers 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 Decatur County Farmers Mutual Insurance Company as of December 31, 2017, as determined by the undersigned.



Rick Mendez, CPA
Noble Consulting Services, Inc.

Under the supervision of,


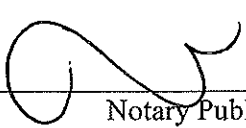


Jerry Ehlers, CFE
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 8 day of June, 2018, before me personally appeared, Rick Mendez 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  

Notary Public

