

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

IN THE MATTER OF:)
)
Farmers Mutual Insurance Association of Whitley County)
510 Branch Court)
Columbia City, Indiana 46725)

Examination of: **Farmers Mutual Insurance Association of Whitley County**

NOTICE OF ENTRY OF ORDER

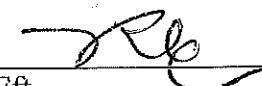
Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Farmers Mutual Insurance Association of Whitley County, any relevant examination work papers, and any written submissions 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 Farmers Mutual Insurance Association of Whitley County 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 8704

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Examination of: **Farmers Mutual Insurance Association of Whitley County**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Farmers Mutual Insurance Association of Whitley County (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 July 3, 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 1, 2018.

The Company did not file any objections.

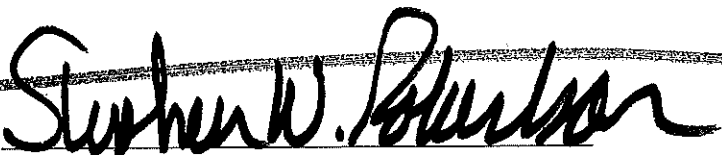
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

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

FARMERS MUTUAL INSURANCE ASSOCIATION OF WHITLEY
COUNTY
NAIC Co. CODE 92284

As of

December 31, 2017

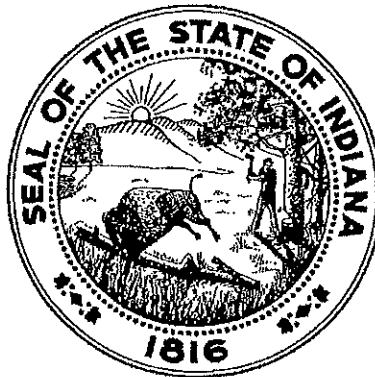


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STATE OF INDIANA

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

July 3, 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 3984, an examination has been made of the affairs and financial condition of:

Farmers Mutual Insurance Association of Whitley County
510 Branch Court
Columbia City, Indiana 46725

Hereinafter referred to as the "Association", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the Association's corporate offices in Columbia City, Indiana and the offices of Noble Consulting Services, Inc., in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Association 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 Association 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 Association by obtaining information about the Association, including corporate governance, identifying and assessing inherent risks within the Association, 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 Association were considered in accordance with the risk-focused examination process.

HISTORY

The Association was organized as Farmers Mutual Fire Insurance Association of Whitley County on June 26, 1884. In 1957, the Association adopted its current name. The Association operates under the farm mutual laws, as defined within the Indiana Insurance Code.

CAPITAL AND SURPLUS

As of December 31, 2017, the Association had adjusted surplus of \$2,343,458 and 1,034 members, who are the owners of the Association.

TERRITORY AND PLAN OF OPERATION

The Association currently conducts business in the following seven (7) counties: Allen, Huntington, Kosciusko, Noble, Starke, Wabash, and Whitley.

The Association insures against property losses to rural risks including dwellings, outbuildings, and personal and farm property. Policies are written on a one (1) year basis.

GROWTH OF THE ASSOCIATION

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

Year	Admitted		
	Assets	Liabilities	Surplus
2017	\$ 2,542,310 *	\$ 198,852 *	\$ 2,343,458 *
2016	2,409,382	235,143	2,174,239
2015	2,686,868	203,651	2,483,217
2014	2,845,152	528,395	2,316,757
2013	2,881,200	449,540	2,431,660

*Assets and liabilities were adjusted to correct understated carrying value of investments and taxes payable.

MANAGEMENT AND CONTROL

Directors

The corporate powers of the Association are vested in a Board of Directors (Board) consisting of five (5) 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
Kent Hill	Columbia City, Indiana
Lynn Hindbaugh	Columbia City, Indiana
Kevin Jagger	Columbia City, Indiana
Paul Lopshire	South Whitley, Indiana
Jerry Yagel	Columbia City, Indiana

Officers

The officers of the Association 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
Paul Lopshire	President
Lynn Hindbaugh	Vice President
Jerry Yagel	Secretary
Kevin Jagger	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 Association and will not knowingly violate any of the laws applicable to such Association. 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

The Articles of Incorporation were amended on March 2, 2013 and approved by the INDOI on March 28, 2013.

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 ASSOCIATIONS

The Association is owned by its members and has no affiliated associations.

FIDELITY BOND AND OTHER INSURANCE

The Association protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Travelers Insurance Company. The bond has a blanket coverage of \$100,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Association had additional types of coverage in-force as of December 31, 2017, including but not limited to, directors and officers liability and agents and brokers professional liability.

STATUTORY DEPOSITS

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

REINSURANCE

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

- *Property Per Risk Excess of Loss Reinsurance Contract* – The Association's retention under this agreement is the first \$150,000 of the ultimate net loss incurred by the Association per risk. The maximum reinsurance recovery is \$1,000,000 up to \$15,000,000 per risk including the Association retention and provided the Association provides timely notification to the Reinsurer of any risks exceeding \$10,000,000.
- *Property Aggregate Excess of Loss Reinsurance* – The Association retains \$450,000 of the ultimate net losses incurred, net of all other reinsurance recoveries. The coverage limit is 100% of the Association's ultimate net loss in excess of the Association retention with no limit to the reinsurance coverage.

ACCOUNTS AND RECORDS

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

FINANCIAL STATEMENTS

FARMERS MUTUAL INSURANCE ASSOCIATION OF WHITLEY COUNTY
Assets, Liabilities and Surplus
As of December 31, 2017

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	
Assets:				
Bonds	\$ 330,070	\$ 6,065	\$ 336,135	*
Stocks - Mutual Funds	740,267	-	740,267	
Bank Balances + Cash in Office	1,241,660	1,954	1,243,614	*
Real Estate	203,440	-	203,440	
Accrued Interest	4,567	-	4,567	
Other Assets	14,287	-	14,287	
Total Assets	<u>\$ 2,534,291</u>	<u>\$ 8,019</u>	<u>\$ 2,542,310</u>	
 Liabilities and Surplus:				
Unpaid claims	\$ -	\$ -	\$ -	
Less, reinsurance recoverable	-	-	-	
Net unpaid claims	-	-	-	
Ceded reinsurance payable	25,004	-	25,004	
Taxes Payable	4,500	2,262	6,762	
Unearned premium reserve	167,086	-	167,086	
Total liabilities	196,590	2,262	198,852	
Surplus	2,337,701	5,757	2,343,458	*
Total liabilities and surplus	<u>\$ 2,534,291</u>	<u>\$ 8,019</u>	<u>\$ 2,542,310</u>	

*As adjusted through the examination process, 2017 surplus increased \$5,757 (investment balances understated \$8,019, taxes payable understated \$2,262).

FARMERS MUTUAL INSURANCE ASSOCIATION OF WHITLEY COUNTY
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	\$ 656,667	\$ (2,500)	\$ 654,167
Interest and profit on investments	67,860	8,019	75,879
Other Income	44,777	-	44,777
Total income	<u>769,304</u>	<u>5,519</u>	<u>774,823</u>
Disbursements:			
Losses, net of reinsurance	58,110	2,024	60,134
Operating expenses	565,394	-	565,394
Non-operating expenses	53,624	(2,262)	51,362
Change in ledger assets and liabilities	(71,286)	71,286	-
Total disbursements	<u>605,842</u>	<u>71,048</u>	<u>676,890</u>
Net Income	163,462	(65,529)	97,933
Surplus, beginning of period	2,174,239	71,286	2,245,525
Surplus, end of period as reported	<u>\$ 2,337,701</u>	<u>\$ 5,757</u>	<u>\$ 2,343,458</u>

**The Association reports the income statement on a cash basis. In order to properly reconcile the change in surplus, change in ledger assets and liabilities amount reflects the reconciliation from cash to accrual basis.

COMMENTS ON THE FINANCIAL STATEMENTS

The Association understated its bonds and bank balances by \$8,019 as of December 31, 2017, which resulted in also understating interest and profit on investments by the same amount. This understatement had a material impact on the Association's financial statements. In the future, the Association should take appropriate measures to ensure the proper reporting of investments and bank balances.

The Association understated its federal and state taxes payable by \$2,262 as of December 31, 2017, which resulted in also overstating non-operating expenses by the same amount. This understatement had a material impact on the Association's financial statements. In the future, the Association should take appropriate measures to ensure the proper reporting of taxes payable.

The Association understated its reinsurance premiums ceded by \$2,500 as of December 31, 2017. This understatement had a material impact on the Association's financial statements. In the future, the Association should take appropriate measures to ensure the proper reporting of reinsurance premiums ceded.

The Association understated its claims paid by \$2,024 as of December 31, 2017. This understatement had a material impact on the Association's financial statements. In the future, the Association should take appropriate measures to ensure the proper reporting of claims paid.

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.

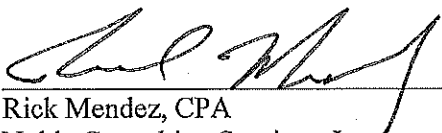
AFFIDAVIT

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 Farmers Mutual Insurance Association of Whitley County as of December 31, 2017.

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

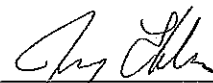
This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing 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 Farmers Mutual Insurance Association of Whitley County as of December 31, 2017, as determined by the undersigned.



Rick Mendez, CPA
Noble Consulting Services, Inc.

Under the supervision of,


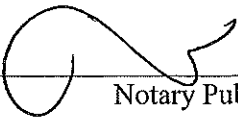


Jerry Ehlers, CFE
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 3 day of July, 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  

Notary Public

