

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

IN THE MATTER OF: )

Farmers Mutual Aid Society of Farmers Retreat )  
11423 US 50 )  
Dillsboro, Indiana 47018 )

Examination of Farmers Mutual Aid Society of Farmers Retreat

**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 Aid Society of Farmers Retreat, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on November 27, 2013, 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 Aid Society of Farmers Retreat 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.

February 22, 2014  
Date

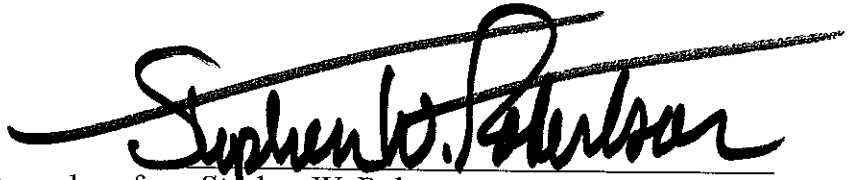
Cynthia D. Donovan  
Cynthia D. Donovan  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0028 1977 26**



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 and Sealed this 20 day of  
February, 2014.

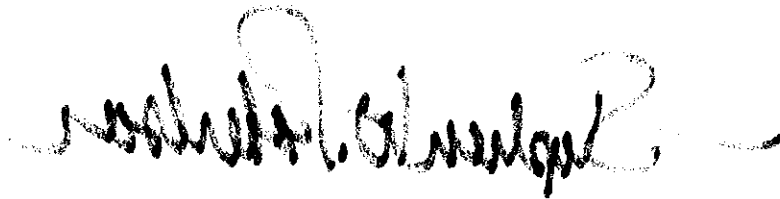
Stephen W. Robertson  
Insurance Commissioner  
Indiana Department of Insurance

## 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.

A handwritten signature in black ink, appearing to read "Robert L. Blumquist", with a horizontal line extending to the right.

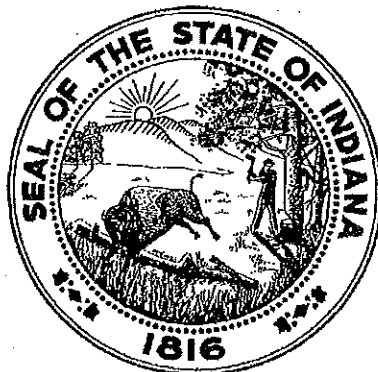
**STATE OF INDIANA**  
**Department of Insurance**  
**REPORT OF EXAMINATION**  
**OF**

**FARMERS MUTUAL AID SOCIETY OF FARMERS RETREAT**

NAIC Co. CODE 92292

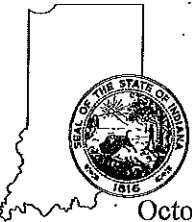
As of

December 31, 2012



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# STATE OF INDIANA

MICHAEL R. PENCE, Governor

October 29, 2013

# IDOI

**INDIANA DEPARTMENT OF INSURANCE**  
311 W. WASHINGTON STREET, SUITE 300  
INDIANAPOLIS, INDIANA 46204-2787  
TELEPHONE: (317) 232-2385  
FAX: (317) 232-5251

Stephen W. Robertson, Commissioner

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

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3761, an examination has been made of the affairs and financial condition of:

**Farmers Mutual Aid Society of Farmers Retreat**  
**11423 U.S. 50**  
**Dillsboro, Indiana 47018**

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

The Report of Examination, reflecting the status of the Company as of December 31, 2012, is hereby respectfully submitted.

ACCREDITED BY THE  
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES  
(317) 232-2413

COMPANY COMPLIANCE  
(317) 233-0697

CONSUMER SERVICES  
(317) 232-2395  
In-State 1-800-622-4461

EXAMINATIONS / FINANCIAL SERVICES  
(317) 232-2380

MEDICAL MALPRACTICE  
(317) 232-2402

SECURITIES / COMPANY RECORDS  
(317) 232-1991

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2007. The present examination, covering the period from January 1, 2008 through December 31, 2012, was conducted by Noble Consulting Services, Inc., (Noble) on behalf of the state of Indiana.

Noble conducted the risk-focused examination pursuant to and 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, 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 September 30, 1870, and elected to come under Chapter 145, Acts 1919 of the Indiana Insurance Laws on January 1, 1925. The purpose of the Company is to insure losses to rural risks including farm and farm-related structures, machinery, grain and hay, and livestock caused by fire, wind, theft/vandalism, and hail.

## CAPITAL AND SURPLUS

The Company is owned by its 316 policyholders. As of December 31, 2012, the Company reported policyholder surplus of \$639,174.

## TERRITORY AND PLAN OF OPERATION

The Company currently conducts business in the following five (5) counties: Dearborn, Jefferson, Ohio, Ripley, and Switzerland counties.

The Company insures against property losses to dwellings, farm buildings and equipment, livestock, and personal property. The Company's 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:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Policyholder Surplus</u>
2012	\$ 694,997	\$ 55,823	\$ 639,174
2011	689,801	55,540	634,261
2010	664,639	54,694	609,945
2009	633,051	60,147	572,904
2008	606,482	52,909	553,573

### MANAGEMENT AND CONTROL

#### Policyholders

An annual meeting of policyholders is held for the purpose of electing a Board of Directors and addressing such other business as may arise. Each policyholder is entitled to one (1) vote at the annual meeting.

#### Directors

The corporate powers of the Company are vested in a Board of Directors consisting of nine (9) policyholders. Directors shall be elected to serve three (3) year, staggered terms. The following persons were serving as directors at December 31, 2012:

<u>Name</u>	<u>Residence</u>
Harry Althoff	Dillsboro, IN
Ross Cutter	Dillsboro, IN
Sherman Hughes	Dillsboro, IN
Howard Luke	Dillsboro, IN
Paul Luke	Dillsboro, IN
Vincent Owen	Rising Sun, IN
Chris Schmaltz	Milan, IN
Bob Sommer	Dillsboro, IN
Melissa Walston	Dillsboro, IN

## Officers

The officers of the Company consist of a President, a Vice President, a Secretary, and Treasurer. Officers are elected at the annual meeting of the Board of Directors to serve a term of one (1) year. The following persons were serving as officers at December 31, 2012:

<u>Name</u>	<u>Title</u>
Sherman Hughes	President
Paul Luke	Vice President
Melissa Walston	Secretary and Treasurer

## CONFLICT OF INTEREST

Officers and directors are required to review and sign Conflict of Interest statements annually. Per review of the signed statements, it was noted that the officers and directors listed in the Management and Control section of this Report of Examination fulfilled that requirement.

## OATH OF OFFICE

Indiana Code (IC) 27-1-7-10(i) requires that every director must sign an Oath of Office. The Company was unable to provide the signed Oath of Office statements for all officers and directors listed in the Management and Control section of this Report of Examination.

See the Summary of Significant Findings section.

## CORPORATE RECORDS

### Articles of Incorporation

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

### Bylaws

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

### Minutes

Minutes from the Board of Directors meetings and the annual meetings of the policyholders were reviewed for the period under examination through the fieldwork date. Minutes documented the Board of Director's oversight of operations.

## **FIDELITY BOND AND OTHER INSURANCE**

The Company protects itself against loss from any fraudulent or dishonest acts by its employees through a fidelity bond issued by Western Surety Company. The bond has blanket coverage of \$50,000. Based on the admitted assets and gross income of the Company, the Company is in compliance with the prescribed minimum coverage specified by the NAIC.

## **REINSURANCE**

The Company's reinsurance program is written through Grinnell Mutual Reinsurance Company (Reinsurer), of Grinnell, Iowa. The Company's reinsurance contract, effective January 1, 2012, consists of First Occurrence, Individual Occurrence, and Aggregate Excess of Loss coverages.

### **First Occurrence Excess of Loss**

The Reinsurer agrees to indemnify the Company for 100% of their net losses over and above the Company's retention limit of \$37,500 up to the coverage limit of \$50,000 relating to an individual loss.

### **Individual Occurrence Excess of Loss**

This coverage limited the Company's liability on an individual occurrence of loss basis with a retention limit of \$50,000. Losses under this layer are experienced rated based on a five (5) year loss ratio.

### **Aggregate Excess of Loss**

The Reinsurer agrees to indemnify the Company for 100% of their aggregate net loss, in excess of the retention limit of \$30,258. Losses under this layer are experienced rated based on a five (5) year loss ratio.

## **ACCOUNTS AND RECORDS**

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. Material balances reflected in the December 31, 2012 Annual Statement and trial balance were agreed to supporting documentation.

**FARMERS MUTUAL AID SOCIETY OF FARMERS RETREAT**

**FINANCIAL STATEMENTS**

**Assets, Liabilities, and Surplus**

	As of December 31, 2012			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, 2011
<b>Assets</b>				
Stocks - common	\$ 6,759	\$ -	\$ 6,759	\$ 6,611
Bank balances	682,005	-	682,005	679,905
Unpaid premiums	1,363	-	1,363	1,160
Accrued interest	4,456	-	4,456	1,725
FUTA recoverable	14	-	14	-
Other assets	400	-	400	400
<b>Total Assets</b>	<b>\$ 694,997</b>	<b>\$ -</b>	<b>\$ 694,997</b>	<b>\$ 689,801</b>
<b>Liabilities and Surplus</b>				
Total Unpaid losses	\$ 1,500	\$ -	\$ 1,500	\$ -
Unpaid salaries and commissions	-	-	-	252
Taxes payable	928	-	928	1,025
Unearned premium reserve	53,395	-	53,395	54,263
<b>Total liabilities</b>	<b>55,823</b>	<b>-</b>	<b>55,823</b>	<b>55,540</b>
Surplus	639,174	-	639,174	634,261
<b>Total liabilities and surplus</b>	<b>\$ 694,997</b>	<b>\$ -</b>	<b>\$ 694,997</b>	<b>\$ 689,801</b>

**FARMERS MUTUAL AID SOCIETY OF FARMERS RETREAT**

**FINANCIAL STATEMENTS**

**Statement of Income and Changes in Surplus**

	As of December 31, 2012			
	<u>Per Annual</u>	<u>Examination</u>	<u>Per</u>	<u>December 31,</u>
	<u>Statement</u>	<u>Adjustments</u>	<u>Examination</u>	<u>2011</u>
<b>Income:</b>				
Total net assessments, premiums and fees	\$ 59,286	\$ -	\$ 59,286	\$ 74,377
Total income from investments	10,223	-	10,223	12,007
Other Income	1,151	-	1,151	-
Total income	<u>70,660</u>	<u>-</u>	<u>70,660</u>	<u>86,384</u>
<b>Disbursements:</b>				
Total of all net losses	22,453	-	22,453	17,525
Total operating expenses	45,890	-	45,890	43,825
Total non-operating expenses	-	-	-	518
Change in ledger assets and liabilities	-	(2,596)	(2,596)	180 *
Total disbursements	<u>68,343</u>	<u>(2,596)</u>	<u>65,747</u>	<u>62,048</u>
Net income	2,317	2,596	4,913	24,336
Surplus, beginning of period as reported	<u>634,261</u>	<u>-</u>	<u>634,261</u>	<u>609,925</u>
Surplus, end of period as reported	<u>\$ 639,174</u>	<u>\$ 2,596</u>	<u>\$ 639,174</u>	<u>\$ 634,261</u>

\* The Company reports some income statement items on a cash basis. In order to properly reconcile the change in Surplus, the change in ledger assets and liabilities has been adjusted through the examination process by (\$2,596) in 2012 and by \$180 in 2011.

### COMMENTS ON THE FINANCIAL STATEMENTS

The Company reports some income statement items on a cash basis. In order to properly reconcile the change in Surplus, the change in ledger assets and liabilities has been adjusted through the examination process by (\$2,596) in 2012 and by \$180 in 2011.

### SUMMARY OF SIGNIFICANT FINDINGS

IC 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 corporation and will not knowingly violate any of the laws applicable to such corporation. The Company was unable to provide the signed Oath of Office statements for all officers and directors listed in the Management and Control section of this Report of Examination. It is recommended the Company obtain signed Oaths of Office for the current directors, and newly elected directors, in order to comply with the IC 27-1-7-10(i).

### SUBSEQUENT EVENTS

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

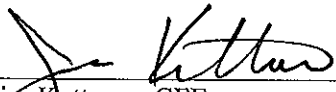
**AFFIDAVIT**

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., hereinafter collectively referred to as the "Examiners", performed an examination of **Farmers Mutual Aid Society of Farmers Retreat**, as of **December 31, 2012**.

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 2013 NAIC Financial Condition Examiner's 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 Aid Society of Farmers Retreat**, as of **December 31, 2012**, as determined by the undersigned.

  
\_\_\_\_\_  
Jim Kattman, CFE  
Noble Consulting Services, Inc.

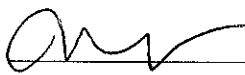
State of:  
County of:

On this 13 day of JANUARY 2014, before me personally appeared, Jim Kattman, to sign this document.

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

My commission



  
\_\_\_\_\_

THE  
MAY 1964