

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

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

Examination of Farmers Mutual Insurance Company 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 Company of Whitley County, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on January, 15, 2014, 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 Company 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.

Date April 25, 2014

Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0031 2955 32

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518 Branch Court)
Columbia City, Indiana)

Examination of Farmers Mutual Insurance Company of Whitley County

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Farmers Mutual Insurance Company of Whitley County (hereinafter "Company") for the time period January 1, 2008 through December 31, 2012.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on September 24, 2013.

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 January 15, 2014 and was received by the Company on January 21, 2014.

The Company did not file any objections.

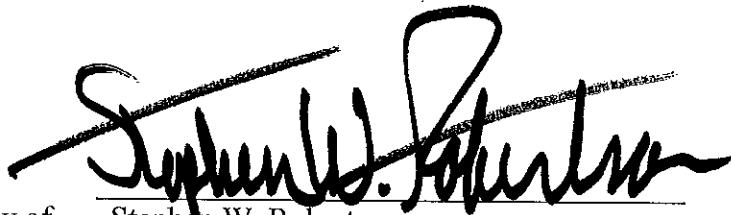
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Farmers Mutual Insurance Company of Whitley County as of December 31, 2012.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Farmers Mutual Insurance Company 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 and Sealed this 25 day of April, 2014.



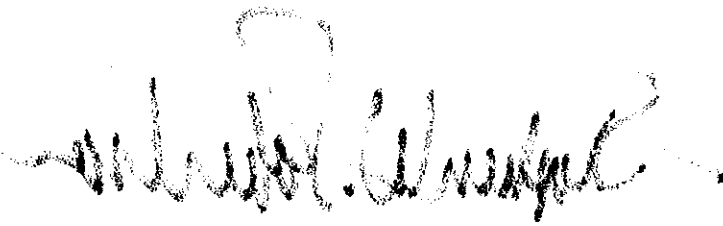
Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

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 "Michael J. ...". The signature is written in a cursive style and is located in the lower-left quadrant of the page.

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, 2012

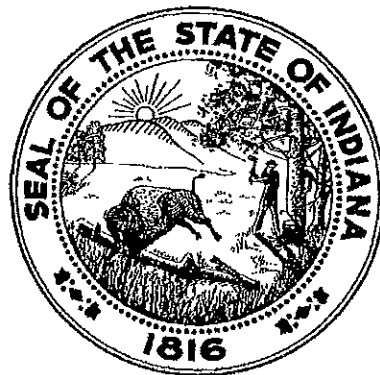


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STATE OF INDIANA

MICHAEL R. PENCE, Governor

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

September 24, 2013

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 3759, an examination has been made of the affairs and financial condition of:

Farmers Mutual Insurance Association of Whitley County
518 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 at the offices of Noble Consulting Services, Inc., in Indianapolis, Indiana.

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

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

SERVICES
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 Association was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2007. The present risk-focused 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 Association by obtaining information about the Association, 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

The Association is owned by its 1,091 policyholders. As of December 31, 2012, the Association had surplus, as adjusted through the examination process, of \$2,392,671.

TERRITORY AND PLAN OF OPERATION

The Association currently conducts business in the following six (6) counties: Allen, Huntington, Kosciusko, Noble, Wabash, and Whitley counties.

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 through the examination process:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Policyholder Surplus</u>
2012	\$ 2,784,867	\$ 392,196	\$ 2,392,671
* 2011	2,931,985	397,862	2,534,123
2010	2,830,723	395,987	2,434,736
2009	2,917,755	374,813	2,542,942
2008	2,756,168	390,989	2,365,179

* As adjusted through the examination process, the 2011 Assets increased by \$28,398 and 2011 Policyholder Surplus increased by the same amount. The 2011 financial statements on pages 6 and 7 of this report were also adjusted to reflect the examination findings.

MANAGEMENT AND CONTROL

Policyholders

An annual meeting of policyholders is held each year 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.

Directors

The corporate powers of the Association are vested in a Board of Directors consisting of five (5) policyholders. Directors are 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>
Lynn Hindbaugh	Columbia City, IN
Kevin Jagger	Columbia City, IN
Lynn Klingaman	Columbia City, IN
Paul Lopshire	South Whitley, IN
Jerry Yagel	Columbia City, IN

Officers

The officers of the Association consist of a President, a Vice President, a Secretary, and a 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>
Paul Lopshire	President
Lynn Hindbaugh	Vice President
Jerry Yagel	Secretary
Kevin Jagger	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 Directors and officers listed in the Management and Control section of this Report of Examination fulfilled that requirement.

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. Per review of the signed statements, it was noted that all Directors and officers listed in the Management and Control section of this Report of Examination had completed Oath of Office statements.

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 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 Association protects itself against loss from any fraudulent or dishonest acts by its employees through a fidelity bond issued by St. Paul Fire and Marine Insurance Company. The bond has blanket coverage of \$100,000. Based on the admitted assets and gross income of the Association, the Association is in compliance with the prescribed minimum coverage specified by the NAIC.

REINSURANCE

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

Individual Occurrence Excess of Loss

This coverage limited the Association's liability on an individual occurrence of loss with a retention limit of \$100,000. 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 Association for 100% of their aggregate net loss, in excess of the retention limit of \$437,778. Losses under this layer are experienced-rated based on a five (5) year loss ratio.

ACCOUNTS AND RECORDS

The Association's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The Association uses a computerized accounting system for their general ledger and uses it to create trial balances at year-end. Material balances reflected in the December 31, 2012 Annual Statement and trial balance were agreed to supporting documentation.

FARMERS MUTUAL INSURANCE ASSOCIATION OF WHITLEY COUNTY

FINANCIAL STATEMENTS

Assets, Liabilities, and Surplus

	As of December 31, 2012			
	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, 2011</u>
Assets:				
Bonds	\$ 2,172,159	\$ -	\$ 2,172,159	\$ 2,176,944
Stocks - common	6,759	-	6,759	6,611
Bank balances	521,128	-	521,128	652,384
Real Estate	61,329	-	61,329	65,249
Accrued interest	21,727	-	21,727	28,398 *
Cash in office	261	-	261	150
Equipment and furniture	1,349	-	1,349	2,249
Purchased interest	155	-	155	-
Total Assets	<u>\$ 2,784,867</u>	<u>\$ -</u>	<u>\$ 2,784,867</u>	<u>\$ 2,931,985</u>
Liabilities and Surplus				
Total unpaid losses	\$ 24,450	\$ -	\$ 24,450	\$ 6,390
Less: reinsurance recoverable on unpaid losses	(24,450)	-	(24,450)	-
Net unpaid claims	-	-	-	6,390
Ceded reinsurance balances payable	13,917	-	13,917	13,040
Taxes payable	2,071	-	2,071	-
Unearned premium reserve	376,208	-	376,208	378,432
Total Liabilities	<u>392,196</u>	<u>-</u>	<u>392,196</u>	<u>397,862</u>
Surplus	<u>2,392,671</u>	<u>-</u>	<u>2,392,671</u>	<u>2,534,123 *</u>
Total Liabilities and Surplus	<u>\$ 2,784,867</u>	<u>\$ -</u>	<u>\$ 2,784,867</u>	<u>\$ 2,931,985</u>

* As adjusted through the examination process, the 2011 policyholder surplus increased by \$28,398 (accrued interest on bonds was understated by \$28,398).

FARMERS MUTUAL INSURANCE ASSOCIATION OF WHITLEY COUNTY

FINANCIAL STATEMENTS

Statement of Income and Changes in Surplus

	As of December 31, 2012			
	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, 2011</u>
Income:				
Total net assessment, premiums, and fees	\$ 609,139	\$ -	\$ 609,139	\$ 558,892
Total income from investments	65,870	-	65,870	66,966
Other income	27,862	-	27,862	34,171
Total income	<u>702,871</u>	<u>-</u>	<u>702,871</u>	<u>660,029</u>
Disbursements:				
Total of all net losses	474,695	-	474,695	234,836
Total operating expenses	358,590	-	358,590	347,234
Total non-operating expenses	4,515	-	4,515	6,231
Change in ledger assets and liabilities	5,666	1,005	6,671	(26,523) **
Total disbursements	<u>843,466</u>	<u>1,005</u>	<u>844,471</u>	<u>561,778</u>
Net income	<u>(140,595)</u>	<u>(1,005)</u>	<u>(141,600)</u>	<u>98,251</u>
Change in Surplus:				
Surplus, beginning of period	2,534,123	-	2,534,123	2,434,736
Net income	(140,595)	(1,005)	(141,600)	98,251
Unrealized gains (losses)	148	-	148	1,136
Accrued interest on bonds	(1,005)	1,005	-	- **
Surplus, end of period	<u>\$ 2,392,671</u>	<u>\$ -</u>	<u>\$ 2,392,671</u>	<u>\$ 2,534,123</u>

** Farm Mutual Annual Statements require the change in some accruals to reflect only in the change in Surplus, rather than Net Income. In order to present the financial statements on a statutory basis, changes in accruals have been reclassified into the body of the income statement.

COMMENTS ON THE FINANCIAL STATEMENTS

The Company reports some income statement items on a cash basis. In 2011, changes were made to increase assets and surplus to accurately reflect accrued interest of \$28,398. In 2012, in order to present the financial statements on a statutory basis, changes in accruals of \$1,005 have been reclassified into the body of the income statement.

SUMMARY OF SIGNIFICANT FINDINGS

The examination resulted in no significant findings.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of field work, 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., hereinafter collectively referred to as the "Examiners", performed an examination of **Farmers Mutual Insurance Association of Whitley County**, 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 of Examination.

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, 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 notarial seal in said County and State, the day and year last above written.

My commission expires



