

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

IN THE MATTER OF:)
)
German Mutual Insurance Company of Indiana)
1733 Morningstar Blvd.)
Decatur, Indiana 46733)

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

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 German Mutual Insurance Company of Indiana, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on December 11, 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 German Mutual Insurance Company of Indiana 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.

2/11/2021
Date _____ Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7017 3040 0000 9294 9780

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

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the German Mutual Insurance Company of Indiana (hereinafter “Company”) for the time period January 1, 2014 through December 31, 2018.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on May 23, 2019.

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 11, 2020 and was received by the Company on December 14, 2020.

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 German Mutual Insurance Company of Indiana as of December 31, 2018.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the German Mutual Insurance Company of Indiana 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 11th day of
February, 2021.



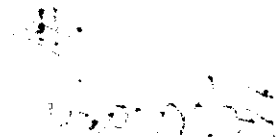
Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

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

GERMAN MUTUAL INSURANCE COMPANY OF INDIANA
NAIC Co. CODE 92308

As of

December 31, 2018

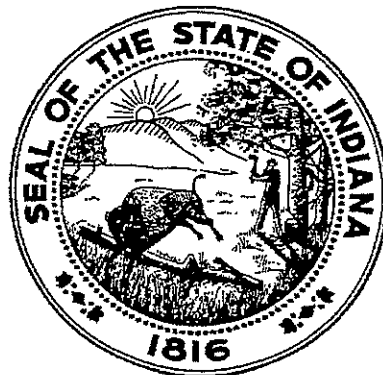


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STATE OF INDIANA

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/doi

May 23, 2019

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 4021, an examination has been made of the affairs and financial condition of:

German Mutual Insurance Company of Indiana
1733 Morningstar Boulevard
Decatur, Indiana 46733

hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in Decatur, 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, 2018, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2413 COMPANY COMPLIANCE 317-232-3485 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 (INDOI) as of the period ending December 31, 2013. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2014 through December 31, 2018, 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 July, 1868, as the German Fire Insurance Company of Preble Township. The Company was founded for the purpose of safeguarding its members against loss by fire, wind, lightning, or other perils and to distribute on the mutual insurance plan, such losses as may occur in spite of reasonable precautions.

On January 18, 2003, the Board of Directors (Board) approved an amendment to the Company's Constitution and Bylaws, changing the name to German Mutual Insurance Company of Indiana.

CAPITAL AND SURPLUS

As of December 31, 2018, the Company had adjusted surplus of \$8,087,884. The Company has 1,963 members, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company currently conducts business in Adams, Allen, Bartholomew, Blackford, Boone, Dekalb, Delaware, Elkhart, Franklin, Fayette, Fulton, Grant, Hamilton, Hancock, Hendricks, Henry, Huntington, Jay, Jefferson, Kosciusko, LaGrange, Lake, La Porte, Lawrence, Madison, Marshall, Noble, Randolph, Rush, St. Joseph, Steuben, Tippecanoe, Union, Wayne, Wells, and Whitley counties.

The Company insures against property losses to buildings and structures, farms and farm equipment, grain and livestock, and rural and suburban homes. 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		Surplus
	Assets	Liabilities	
2018	\$ 8,816,821 *	\$ 728,937	\$ 8,087,884 *
2017	9,302,878	1,098,909	8,203,969
2016	8,002,710	770,150	7,232,560
2015	7,463,306	1,051,071	6,412,235
2014	7,634,674	1,267,423	6,367,251

*2018 Admitted assets and surplus were adjusted to correct overstated real estate balance, understated federal income tax recoverable, and understated state income tax recoverable.

MANAGEMENT AND CONTROL

Directors

The corporate powers of the Company are vested in a Board consisting of no more than ten (10) directors who shall serve a term of five (5) years. Directors are elected at the annual meeting of members with staggered terms of service. The following is a listing of persons serving as directors as of December 31, 2018:

<u>Name</u>	<u>Address</u>
James L. Heckman	Decatur, Indiana
Cindy L. Hoffman	Monroeville, Indiana
Jeffery L. Keiss	Decatur, Indiana
Edwin J. Krueckeberg	Decatur, Indiana
Deryll L. Liechty	Berne, Indiana
John A. Schueler	Decatur, Indiana
Gregory F. Selking	Decatur, Indiana
Monica S. Stoppenhagen	Decatur, Indiana

Officers

The officers of the Company consist of a President, Vice President, and Secretary. 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, 2018.

<u>Name</u>	<u>Office</u>
Jeffery L. Keiss	President
Deryll L. Liechty	Vice President
James L. Heckman	Secretary

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, 2018.

OATH OF OFFICE

Indiana Code (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 Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all of the directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2018.

CORPORATE RECORDS

Constitution and Bylaws

Effective November 2014, the Constitution and Bylaws were modified changing the annual meeting of members to the second Saturday in March. There were no other amendments made to the Constitution and 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 from the review of the Board and annual meeting minutes.

AFFILIATED COMPANIES

The Company is owned by its members and has an affiliated investment in GMI Agency, LLC.

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 Travelers Casualty and Surety Company of America. The bond has a blanket coverage of \$500,000. 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, 2018, including, but not limited to commercial auto, commercial general liability, property, 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 Grinnell Mutual Reinsurance Company (Reinsurer). The reinsurance program includes three (3) treaties, all effective January 1, 2018, which are described below.

- *Property Per Risk Excess of Loss Reinsurance* – This coverage limits the Company's liability on an individual occurrence of loss with a retention limit of \$200,000.
- *Property Catastrophe Excess of Loss Reinsurance* - This coverage limits the Company's liability on the first \$600,000 ultimate net loss incurred, per loss occurrence, net of all other reinsurance recoveries.
- *Property Aggregate Excess of Loss Reinsurance* – The Reinsurer agrees to indemnify the Company for 100% of the Company's ultimate net losses incurred in excess of \$1,600,000, net of all other reinsurance recoveries.

The Company carries an additional reinsurance contract with Factory Mutual Insurance Company. The reinsurance program includes one treaty effective January 1, 2018, which is described below.

- *Equipment Breakdown* – The Company cedes 100% of its net retained liability under equipment breakdown endorsements to Farm insurance policies, Homeowners/Farm Dwelling insurance policies written as part of Farm insurance policies, and Equipment Breakdown Coverage sections, contracts and binders issued or renewed by the Company during the period the Treaty remains in force. Cessions by the Company under this Treaty shall not exceed a limit of liability of \$10,000,000 on any one Farm policy risk and \$50,000 on any one standalone Homeowner/Farm Dwelling policy.

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, 2017 and December 31, 2018, were agreed to the respective Annual Statements.

FINANCIAL STATEMENTS

GERMAN MUTUAL INSURANCE COMPANY OF INDIANA
Assets, Liabilities and Surplus
As of December 31, 2018

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>
Assets:			
Bonds	\$ 2,860,680	\$ -	\$ 2,860,680
Stocks	4,811,839	-	4,811,839
Bank balances	608,159	-	608,159
Real estate	366,932	(79,048)	287,884 *
Unpaid premiums	41,994	-	41,994
Accrued interest	5,193	-	5,193
Federal income tax recoverable	-	1,407	1,407 *
Other assets	198,709	-	198,709
State income tax recoverable	-	956	956 *
Total assets	<u>\$ 8,893,506</u>	<u>\$ (76,685)</u>	<u>\$ 8,816,821</u>
 Liabilities and Surplus:			
Unpaid claims	\$ 119,054	\$ -	\$ 119,054
Less, reinsurance recoverable	-	-	-
Net unpaid claims	119,054	-	119,054
Ceded reinsurance balances payable	47,852	-	47,852
Other unpaid expenses	4,615	-	4,615
Premiums received in advance	35,764	-	35,764
Unearned premium reserve	521,652	-	521,652
Total liabilities	728,937	-	728,937
Surplus	8,164,569	(76,685)	8,087,884 *
Total liabilities and surplus	<u>\$ 8,893,506</u>	<u>\$ (76,685)</u>	<u>\$ 8,816,821</u>

*As adjusted through the examination process, 2018 surplus decreased \$76,685 (real estate was overstated \$79,048, federal income tax recoverable was understated \$1,407, and state income tax recoverable was understated \$956).

GERMAN MUTUAL INSURANCE COMPANY OF INDIANA
Income Statement and Change in Surplus
For the Year Ended December 31, 2018

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination*</u>
Income:			
Premiums, net of reinsurance	\$ 1,518,891	\$ -	\$ 1,518,891
Interest and profit on investments	369,512	32,658	402,170 **
Other income	108,257	(27,964)	80,293 **
Total income	<u>1,996,660</u>	<u>4,694</u>	<u>2,001,354</u>
Disbursements:			
Losses, net of reinsurance	1,034,391	-	1,034,391
Operating expenses	881,989	(2,558)	879,431 **
Non-operating expenses	43,625	20,370	63,995 **
Change in ledger assets and liabilities	76,055	63,567	139,622
Total disbursements	<u>2,036,060</u>	<u>81,379</u>	<u>2,117,439</u>
Net income	(39,400)	(76,685)	(116,085)
Surplus, beginning of period	<u>8,203,969</u>	-	<u>8,203,969</u>
Surplus, end of period as reported	<u>\$ 8,164,569</u>	<u>\$ (76,685)</u>	<u>\$ 8,087,884</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.

**As adjusted through the examination process, 2018 surplus decreased \$76,685 (real estate was overstated \$79,048, federal income tax recoverable was understated \$1,407, and state income tax recoverable was understated \$956). Interest and profit on investments was understated \$32,658, other income was overstated \$27,964, operating expenses were overstated \$2,558, and non-operating expenses were understated \$20,370.

COMMENTS ON THE FINANCIAL STATEMENTS

The Company overstated its real estate balance by \$79,048 as of December 31, 2018. It is recommended that the Company properly report real estate balance in future Annual Statement filings.

The Company understated its federal income tax recoverable by \$1,407 and state income tax recoverable by \$956 as of December 31, 2018. It is recommended that the Company properly report income tax recoverable in future Annual Statement filings.

The Company understated its interest and profit on investments by \$32,658 as of December 31, 2018. It is recommended that the Company properly report interest and profit on investments in future Annual Statement filings.

The Company overstated its other income by \$27,964 as of December 31, 2018. It is recommended that the Company properly report other income in future Annual Statement filings.

The Company overstated its operating expenses by \$2,558 as of December 31, 2018. It is recommended that the Company properly report operating expenses in future Annual Statement filings.

The Company understated its non-operating expenses by \$20,370 as of December 31, 2018. It is recommended that the Company properly report non-operating expenses in future Annual Statement filings.

OTHER SIGNIFICANT ISSUES

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

SUBSEQUENT EVENTS

The Company merged with Mutual Insurance Association of Southern Indiana with the Company as the surviving company. The merger was approved by policyholders of both companies on October 13, 2018. The INDOI approved the merger on February 8, 2019. The Company has changed its name to Oakwood Mutual Insurance Company effective with the merger.

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 German Mutual Insurance Company of Indiana as of December 31, 2018.

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 German Mutual Insurance Company of Indiana as of December 31, 2018, 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 11 day of June, 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 coramission expires: July 4, 2019 _____
Notary Public

