

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

IN THE MATTER OF: )  
 )  
**Growers Automobile Insurance Association** )  
**55 Monument Circle, Suite 1125** )  
**Indianapolis, IN 46204** )

Examination of: **Growers Automobile Insurance Association**


**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 Growers Automobile Insurance Association, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on June 15, 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 Growers Automobile Insurance Association 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.

August 2, 2018  
Date

  
\_\_\_\_\_  
Roy Eft  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7016 2070 0001 1479 8681**

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

IN THE MATTER OF: )  
 )  
**Growers Automobile Insurance Association** )  
**55 Monument Circle, Suite 1125** )  
**Indianapolis, IN 46204** )

Examination of: **Growers Automobile Insurance Association**

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Growers Automobile Insurance Association (hereinafter "Company") for the time period January 1, 2012 through December 31, 2016.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on March 28, 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 June 15, 2018 and was received by the Company on June 19, 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 Growers Automobile Insurance Association as of December 31, 2016.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Growers Automobile Insurance Association 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 2 day of  
August, 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.

*[Handwritten signature]*

*[Handwritten signature]*

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

**GROWERS AUTOMOBILE INSURANCE ASSOCIATION**  
NAIC COMPANY CODE 15814

As of

December 31, 2016

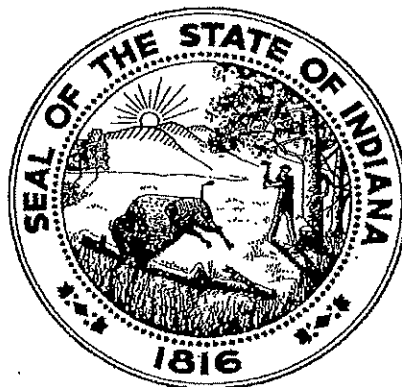


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# STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

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## 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](http://in.gov/idoi)

March 28, 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 3953, an examination has been made of the affairs and financial condition of:

**Growers Automobile Insurance Association**  
**55 Monument Circle, Suite 1125**  
**Indianapolis, IN 46204**

an Indiana domestic property and casualty insurance exchange, hereinafter referred to as the "Association." The examination was conducted at the corporate offices of the Association located at 55 Monument Circle, Suite 1125, Indianapolis, Indiana 46204.

The Report of Examination, showing the financial status of the Association as of December 31, 2016, 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 (INDOI) as of December 31, 2011. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2012 through December 31, 2016 and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The Association was granted an exemption by the INDOI from filing an Audited Financial Statement as they have less than \$1,000,000 in gross written premiums. The Association was also granted an exemption by the INDOI from submitting an actuarial opinion for 2016.

In accordance with the 2016 NAIC *Financial Condition Examiners Handbook*, Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Association, and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks, and documentation of system controls and procedures used to mitigate the identified risks. In addition, the Examiners performed an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The examination also included a review of the Association's compliance with Statutory Accounting Principles, Annual Statement Instructions, and the Indiana Insurance Code (IC). All accounts and activities of the Association were considered in accordance with the risk-focused examination process.

## HISTORY

Growers Insurance Agency, Inc., the Attorney-in-Fact, an Indiana Corporation, for the Association and hereinafter referred to as the "Attorney-in-Fact" or "Agency," was incorporated on July 9, 1920. On October 25, 1920, the Agency was issued a Certificate of Authority authorizing it to issue and exchange contracts of inter-insurance under the name of Growers Automobile Insurance Association and commence business on the same date.

## TERRITORY AND PLAN OF OPERATION

The Association writes private passenger auto liability and auto physical damage coverage for both personal and light commercial risks located throughout Indiana. All business is written directly through the Association which provides policy limits of \$100,000/300,000/50,000. There were approximately 135 subscribers as of December 31, 2016.



## GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Association during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Policyholder Surplus</u>	<u>Premiums Written</u>	<u>Net Income</u>
2016	\$6,953,300	\$1,601,124	\$5,352,176	\$112,400	\$404,733
2015	6,230,779	1,611,678	4,619,101	119,603	(99,551)
2014	6,277,613	1,501,206	4,776,407	125,389	7,403
2013	5,705,272	1,327,236	4,378,037	143,890	(90,091)
2012	4,845,067	988,562	3,856,505	154,265	92,498

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

The Association has reported a positive net income in all but two (2) of the years under examination. The net losses were the result of increases in losses and underwriting expenses incurred during 2013 and 2015.

## MANAGEMENT AND CONTROL

### **Attorney-in-Fact**

Management and control of the Association is with its Attorney-in-Fact. Principal ownership of the Attorney-in-Fact resides with Charles E. Fritz (76.4%) and Jacqueline L. Zimmerman (12%). The relationship between the Association and the Agency is governed by a Subscriber Agreement. The Association itself has no employees; rather the Agency serves as the administrator for the Association.

### **Directors**

The Bylaws of the Attorney-in-Fact stipulate that the Board of Directors shall consist of five (5) members who are elected annually by the shareholders. A majority of the directors must be citizens of the United States, and at least one (1) must be a shareholder.

The following persons were serving as directors as of December 31, 2016:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Charles E. Fritz Indianapolis, Indiana	President and Treasurer Growers Insurance Agency, Inc.
Frederick C. Fritz Indianapolis, Indiana	Secretary Growers Insurance Agency, Inc.
Christopher K. Keller Carmel, Indiana	Co-Manager Marsh Supermarkets

Edward H. Kenninger      Engineer (retired)  
Indianapolis, Indiana      Indianapolis Power & Light Co.

Kevin A. Kent              Senior Development Editor  
Indianapolis, Indiana      John Wiley & Sons, Inc.

Subsequent to the examination period, but prior to completion of the fieldwork, the Association operated with only four (4) members on its Board of Directors. In accordance with Indiana Code (IC) 27-1-7-10(a) the Association should have a minimum of five (5) members on Board of Directors at all times. **(Please see the “Other Significant Findings” section of this report for further explanation on this issue.)**

### Officers

The following persons were serving as officers of the Attorney-in-Fact as of December 31, 2016:

<u>Name</u>	<u>Title</u>
Charles E. Fritz	President and Treasurer
Edward H. Kenninger	Vice President
Frederick C. Fritz	Secretary

### Corporate Governance

The sole governing body of the Association is an Advisory Committee whose membership consists of the members of the Board of Directors of the Attorney-in-Fact. Its primary functions coincide with the usual functions performed by a Board of Directors.

### CONFLICT OF INTEREST

The Association has in place an established conflict of interest policy and procedures for the disclosure of any material interest or affiliation by any director, officer, or key employee of the agency, which is likely to conflict with their official duties. From a review of the officers’ and directors’ signed statements, there were no conflicts of interest identified.

### OATH OF OFFICE

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. Each director signed an Oath of Office statement when elected and annually thereafter.

## CORPORATE RECORDS

### **Articles of Incorporation**

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

### **Bylaws**

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

### **Minutes**

The Board of Directors and the Stockholders (of the Attorney-in-Fact) Meeting minutes for the period under examination were reviewed and deemed to adequately describe the actions taken during the meetings.

The Examiners noted that the Annual Meetings of the Subscribers were held during the period covered by this examination.

## AFFILIATED COMPANIES

### **Organizational Structure**

The Association is not a member of an insurance company holding system as defined by IC 27-1-23.

### **Agreements**

#### Subscriber Agreement

The relationship between the Association and the Agency is governed by a Subscriber Agreement. Under its terms, the Agency receives 25% of the gross premiums for managing the Association. From its share of premiums, the Agency is obligated to pay all expenses incidental to the business of the Association with the following exceptions: losses; legal expenses; claim adjustment expenses; insurance department fees and charges; federal, state, county, and municipal taxes; premiums on surety bonds; and expenses relating to the collection of subscriber accounts.

## FIDELITY BOND AND OTHER INSURANCE

The Association protects itself against loss from any fraudulent or dishonest acts by the employees of the Agency through a fidelity bond. The Association's fidelity insurance policy provides up to \$75,000 of coverage. The fidelity insurance policy was determined to meet the prescribed minimum coverage as specified by the NAIC.

Contrary to the requirements of IC 27-1-7-14, the Association's fidelity bond was not approved by its Board of Directors at any time during the five (5) year examination period ending December 31, 2016. **(Please see the "Other Significant Findings" section of this report for further explanation on this issue.)**

The Association is a named insured on other customary forms of insurance in-force as of December 31, 2016, including, but not limited to, business owners policy and workers' compensation insurance. The limits on these policies appear to be satisfactory.

#### STATUTORY DEPOSITS

In accordance with Indiana Insurance Laws, the Association maintains a statutory deposit with the state of Indiana. As of December 31, 2016, the fair value of the deposit was \$13,013.

#### REINSURANCE

The Association has no assumed or ceded reinsurance treaties in force.

IC 27-6-6-5 stipulates that no reciprocal shall assume any single fire or casualty risk, as authorized by the insurance laws of Indiana in an amount greater than ten percent (10%) of the net worth of the reciprocal. The maximum risk insured by the Association was \$300,000. As of December 31, 2016, the Association was in compliance with this statute.

#### ACCOUNTS AND RECORDS

The Association's accounting procedures, practices, 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 ending December 31, 2015 and 2016, were agreed to the respective Annual Statements.

**FINANCIAL EXHIBITS**

Comparative Exhibit – Statutory Statement of Assets  
Comparative Exhibit – Statutory Statement of Liabilities, Surplus and Other Funds  
Comparative Exhibit - Statutory Statement of Income  
Comparative Exhibit – Statutory Capital and Surplus Account

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

GROWERS AUTOMOBILE INSURANCE ASSOCIATION

FINANCIAL STATEMENTS

Assets

As of December 31, 2016

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
<b>Assets:</b>				
Preferred stocks	\$ 462,400	\$ -	\$ 462,400	\$ 25,800
Common stocks	5,334,326	-	5,334,326	4,754,269
Cash, cash equivalents and short-term investments	<u>1,088,389</u>	-	<u>1,088,389</u>	<u>1,384,634</u>
Subtotals, cash and invested assets	<u>\$ 6,885,115</u>	<u>\$ -</u>	<u>\$ 6,885,115</u>	<u>\$ 6,164,703</u>
Uncollected premiums and agents' balances in the course of collection	\$ 8,531	\$ -	\$ 8,531	\$ 8,379
Aggregate write-ins for other-than-invested assets	<u>59,654</u>	-	<u>59,654</u>	<u>57,697</u>
<b>Total Assets</b>	<u><u>\$ 6,953,300</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,953,300</u></u>	<u><u>\$ 6,230,779</u></u>

**GROWERS AUTOMOBILE INSURANCE ASSOCIATION**

**FINANCIAL STATEMENTS**

**Liabilities, Surplus and Other Funds**

**As of December 31, 2016**

	<b>Per Annual Statement</b>	<b>Exam Adjustments</b>	<b>Per Examination</b>	<b>December 31, Prior Year</b>
<b>Liabilities:</b>				
Losses	\$ (16,896)	\$ -	\$ (16,896)	\$ 158,000
Loss adjustment expenses	3,000	-	3,000	55,000
Net deferred tax liability	1,559,415	-	1,559,415	1,341,564
Unearned premiums	55,077	-	55,077	56,586
Aggregate write-ins for liabilities	<u>528</u>	<u>-</u>	<u>528</u>	<u>528</u>
<b>Total Liabilities</b>	<b><u>\$ 1,601,124</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,601,124</u></b>	<b><u>\$ 1,611,678</u></b>
<b>Capital and Surplus:</b>				
Aggregate write-ins for special surplus funds	\$ 25,000	\$ -	\$ 25,000	\$ 25,000
Unassigned funds (surplus)	<u>5,327,176</u>	<u>-</u>	<u>5,327,176</u>	<u>4,594,101</u>
<b>Total Capital and Surplus</b>	<b><u>\$ 5,352,176</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,352,176</u></b>	<b><u>\$ 4,619,101</u></b>
<b>Total Liabilities, Capital and Surplus</b>	<b><u>\$ 6,953,300</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,953,300</u></b>	<b><u>\$ 6,230,779</u></b>

**GROWERS AUTOMOBILE INSURANCE ASSOCIATION**

**FINANCIAL STATEMENTS**

**Statement of Income**

**For the Year Ended December 31, 2016**

	<b>Per Annual Statement</b>	<b>Exam Adjustments</b>	<b>Per Examination</b>	<b>December 31, Prior Year</b>
<b>Income:</b>				
Premium earned	\$ 113,909	\$ -	\$ 113,909	\$ 123,181
<b>DEDUCTIONS</b>				
Losses incurred	\$ 67,058	\$ -	\$ 67,058	\$ 140,302
Loss adjustment expenses incurred	24,829	-	24,829	128,440
Other underwriting expenses	112,122	-	122,122	110,780
Total underwriting deductions	\$ 204,009	\$ -	\$ 204,009	\$ 379,522
Net underwriting gain	\$ (90,100)	\$ -	\$ (90,100)	\$ (256,341)
<b>Investment Income</b>				
Net investment income earned	\$ 154,625	\$ -	\$ 154,625	\$ 154,545
Net realized capital gains (losses)	340,208	-	340,208	2,245
Net investment gain	\$ 494,833	\$ -	\$ 494,833	\$ 156,790
Net income before federal income taxes	\$ 404,733	\$ -	\$ 404,733	\$ (99,551)
Federal and foreign income taxes incurred	-	-	-	-
Net Income	\$ 404,733	\$ -	\$ 404,733	\$ (99,551)



**GROWERS AUTOMOBILE INSURANCE ASSOCIATION**

**FINANCIAL STATEMENTS**

**Capital and Surplus Account**

**As of December 31, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Capital and surplus, December 31, prior year	\$ 4,619,101	\$ 4,776,407	\$ 4,378,037	\$ 3,856,505	\$ 3,497,810
Net income	\$ 404,733	\$ (99,551)	\$ 7,403	\$ (90,091)	\$ 92,498
Change in net unrealized capital gains (losses) less capital gains tax	545,830	(108,581)	537,540	867,153	482,346
Change in net deferred income tax	(217,851)	43,059	(183,323)	(290,181)	(140,305)
Change in nonadmitted assets	(1,597)	(620)	(7,177)	-	-
Change in surplus notes	1,960	8,387	43,928	34,651	(75,844)
Net change in capital and surplus for the year	\$ 733,075	\$ (157,306)	\$ 398,371	\$ 521,532	\$ 358,695
Capital and surplus, December 31, current year	\$ 5,352,176	\$ 4,619,101	\$ 4,776,407	\$ 4,378,037	\$ 3,856,505

NOTE: Immaterial differences due to rounding

## COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2016, based on the results of this examination.

### OTHER SIGNIFICANT FINDINGS

#### Directors

Subsequent to the examination period, but prior to completion of the fieldwork, the Association operated with only four (4) members on its Board of Directors. In accordance with IC 27-1-7-10(a), the Association should have a minimum of five (5) members on Board of Directors at all times.

**It is recommended that the Association maintain a minimum of five (5) members on the Board of Directors in accordance with IC 27-1-7-10(a).**

#### Fidelity Bond

Contrary to the requirements of IC 27-1-7-14, the Association's fidelity bond was not approved by its Board of Directors at any time during the five (5) year examination period ending December 31, 2016.

**It is recommended that the fidelity bond coverage amount, form of such bond, and the sufficiency of the sureties thereon be approved by the Board of Directors of the Association as required by IC 27-1-7-14.**

### SUBSEQUENT EVENTS

There were no events subsequent to the examination date that significantly affected the finances or operations of the Association.

### MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, the Examiners obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Association and provided to the Examiners.

**AFFIDAVIT**

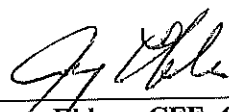
This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from The Thomas Consulting Group, Inc., performed an examination of the **Growers Automobile Insurance Association** as of **December 31, 2016**.

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

The examination was performed in accordance with those procedures required by the 2016 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 standard 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 the **Growers Automobile Insurance Association** as of **December 31, 2016**, as determined by the undersigned.

  
\_\_\_\_\_  
David L. Daulton, CFE  
The Thomas Consulting Group, Inc.

  
\_\_\_\_\_  
Jerry Ehlers, CFE, CPA  
Indiana Department of Insurance

State of: Indiana  
County of: Marion

On this 24<sup>th</sup> day of April, 2018, before me personally appeared, David L. Daulton 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 10/4/2025   
\_\_\_\_\_  
Notary Public Darcy L. Shawver

DARCY L. SHAWVER  
NOTARY PUBLIC  
**SEAL**  
MARION COUNTY, STATE OF INDIANA  
MY COMMISSION EXPIRES OCTOBER 4, 2025  
COMMISSION NO 708069

