

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

IN THE MATTER OF: )  
 )  
Home and Farm Insurance Company )  
201 West Wayne Street )  
Fort Wayne, Indiana 46802 )

Examination of **Home and Farm Insurance Company**

**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 **Home and Farm Insurance Company**, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 11, 2012, 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 **Home and Farm Insurance Company** 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.

June 25, 2012

Date

Cynthia D. Donovan

Cynthia D. Donovan  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0000 5039 96**

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201 West Wayne Street )  
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Examination of **Home and Farm Insurance Company**

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the **Home and Farm Insurance Company** (hereinafter "Company") for the time period January 1, 2007 through December 31, 2010.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on May 1, 2012.

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 May 11, 2012 and was received by the Company on May 14, 2012.

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 **Home and Farm Insurance Company** as of December 31, 2010.
2. That the Examiner's Recommendations are reasonable and necessary in order for the **Home and Farm Insurance Company** 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<sup>th</sup> day of June, 2012.

  
Stephen W. Robertson  
Insurance Commissioner  
Indiana Department of Insurance

**STATE OF INDIANA**

**Department of Insurance**

**REPORT OF EXAMINATION**

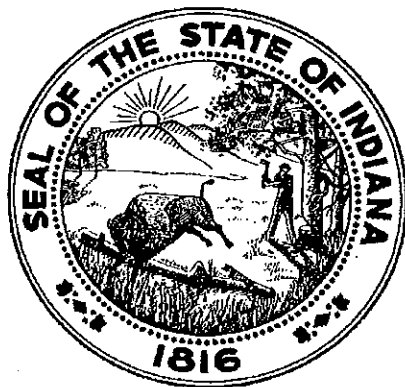
**OF**

**HOME AND FARM INSURANCE COMPANY**

**NAIC COMPANY CODE 17639**

**As of**

**December 31, 2010**



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# STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

# IDOI

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

May 2, 2012

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 3710, an examination has been made of the affairs and financial condition of:

**Home and Farm Insurance Company**  
**201 West Wayne St.**  
**Fort Wayne, Indiana 46802**

Hereinafter referred to as the "Company", an Indiana domestic stock, property and casualty insurance company. The examination was conducted at its administrative office located at One Heritage Place, Piqua, Ohio 45356.

The Report of Examination, showing the status of the Company as of December 31, 2010, is hereby respectfully submitted.

ACCREDITED BY THE  
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES  
(317) 232-2413

COMPANY COMPLIANCE  
(317) 233-0697

CONSUMER SERVICES  
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## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2006. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. and covered the period from January 1, 2007 through December 31, 2010, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

This was a coordinated risk-focused examination in which the State of Ohio was designated as the lead state. Examiners from the State of Indiana participated in the examination which included the following affiliated companies:

- Buckeye State Mutual Insurance Company (OH) NAIC #16713
- Home and Farm Insurance Company (IN) NAIC #17639

In conducting the risk-focused examination, the INDOI, by its representatives, has relied upon the independent audit reports and the opinions contained therein rendered by Ernst & Young LLP for the examination period to the extent deemed necessary. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

Robert H. Wainscott, FCAS, MAAA, of Ernst & Young, LLP, a consulting actuary appointed by the Company, conducted a review of the Company's reserves as of December 31, 2010.

The risk-focused examination was conducted in accordance with procedures and guidelines prescribed by the National Association of Insurance Commissioners (NAIC) for the purpose of determining the Company's financial condition. Examination procedures included the verification and evaluation of assets, determination of liabilities, review of income and disbursement items, minutes, corporate documents, and other records to the extent deemed necessary.

## HISTORY

The Company was incorporated on January 29, 1985, under the laws of Indiana and commenced business on March 5 of the same year.

Prior to February 1992, The Poplar Company, Inc. (Poplar) was the Company's sole shareholder, holding 5,000 of the 10,000 authorized shares of common stock. During February 1992, Buckeye State Mutual Insurance Company (Buckeye) acquired 1,000 shares of the remaining authorized shares.

On July 11, 1994, Poplar and Buckeye entered into a stock purchase agreement whereby Poplar agreed to sell and Buckeye agreed to purchase 2,001 shares of the Company, with the shares paid for and delivered in three increments. The purchase was completed on July 23, 1996, when the remaining 751 shares of stock were traded in accordance with the Stock Purchase Agreement. After the final transfer, Buckeye owned 50.02% of the Company's stock; Poplar owned the

remaining 49.98%.

On May 18, 2005, the board of directors of Buckeye approved the purchase of the remaining 2,999 shares from Poplar. On June 2, 2005, Poplar's directors approved the sale. Also on June 2, 2005, a "Stock Purchase Agreement" was executed between the parties at the agreed price of \$385 per share.

### **CAPITAL AND SURPLUS**

As of December 31, 2010, the Company had ten million (10,000,000) shares of no par value common stock authorized and 6,000 shares issued and outstanding. Buckeye owns 100% of the issued and outstanding shares. There were no dividends paid during the examination period.

### **TERRITORY AND PLAN OF OPERATION**

The Company was formed for the purpose of providing liability coverage to persons insured through farm mutual insurance companies (which are limited to writing property coverage only); however, it is authorized by its Certificate of Authority to issue both property and liability coverages. The Company is licensed solely in the State of Indiana. In 2010, the Company reported \$321,911 of direct written premiums, while net written premiums, after assuming \$762,364 of premiums and ceding \$321,911, were \$762,364.

The Company is part of the Buckeye Insurance Group which specializes in providing farm, home, and auto insurance to policyholders residing in small towns and rural areas in Colorado, Indiana, Iowa, Kansas, Nebraska, Ohio, and South Dakota.

The Company participates in an inter-company pooling agreement with Buckeye. (Refer to the "Reinsurance" section of this Report for a description of the agreement.)

### **GROWTH OF COMPANY**

The following exhibit depicts the Company's financial results throughout the examination period:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total admitted assets	\$4,226,098	\$4,179,016	\$4,006,046	\$4,240,716
Total liabilities	1,038,086	1,059,301	960,723	1,173,526
Policyholder surplus	3,188,012	3,119,715	3,045,325	3,067,190
Net income	50,558	61,337	(26,022)	65,622
Net premiums written	762,364	824,063	693,298	1,000,788

The Company has reported positive net income in three of the four (4) years under examination.



## LOSS EXPERIENCE

The following exhibit shows the underwriting results of the Company for the period under examination. The amounts were compiled from the Company's filed Annual Statements and from examination results:

<u>Year</u>	<u>Premiums Earned</u>	<u>Losses &amp; LAE Incurred</u>	<u>Expenses Incurred</u>	<u>Combined Ratio</u>
2010	\$771,190	\$571,266	\$242,981	105.5%
2009	768,465	534,563	246,539	101.6%
2008	852,952	767,343	241,207	118.2%
2007	961,235	671,269	327,869	103.9%

The combined ratios are significantly impacted by the result of weather-related activities.

## MANAGEMENT AND CONTROL

### **Board of Directors**

The following persons served as Directors of the Company as of December 31, 2010:

<u>Name and Address</u>	<u>Principal Occupation</u>
Donald E. Benschneider Payne, OH	President Wildcat Creek Farms
R. Douglas Haines Piqua, OH	President and CEO Home and Farm Insurance Company Buckeye State Mutual Insurance Company
Richard J. Seitz Fort Wayne, IN	Director Lima Catholic Community Stewardship Office
J. MacAlphine Smith Bellefontaine, OH	Attorney and Partner Smith, Smith & Montgomery
James Stahl Paulding, OH	President Stahl Stoller Meyer Insurance Agency
William L. Sweet, Jr. Fort Wayne, IN	Attorney and Partner Beckman Lawson LLP
Ralph F. Thiele Fort Wayne, IN	President Echo German Mutual Insurance Company

## **Officers**

The Officers of the Company are elected by the Board of Directors at its annual meeting and are, per Article V of the Bylaws, to consist of a president, a vice president, a treasurer, and a secretary.

The following persons served as officers of the Company as of December 31, 2010:

<u>Name</u>	<u>Title</u>
R. Douglas Haines	President and Chief Executive Officer
Robert E. Bornhorst	SVP, CFO and Treasurer
Lisa Lyn Wesner	VP Human Resources and Secretary

## **CONFLICT OF INTEREST**

The Company has no direct employees. All functions pertaining to the operations of the Company are performed by employees of Buckeye.

In conjunction with the "Conflict of Interest" requirement, Buckeye requires each Director to annually complete a statement/disclosure at the annual meeting of the Shareholder for the purpose of identifying any potential conflict or activity that may conflict with his/her duties. These documents were noted to have been executed for each year covered by this examination.

## **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 corporation and will not knowingly violate any of the laws applicable to such corporation. It was noted during the examination that all of the Board members subscribed to an "Oath of Office" when elected

## **CORPORATE RECORDS**

### **Articles of Incorporation and Bylaws**

The Company amended their Bylaws, effective December 13, 2007, to change the number of directors to not less than seven (7) nor more than fifteen (15). The amendment was approved by the INDOI in accordance with IC-27-1-7-10. In addition, the Company amended and restated its Articles of Incorporation on March 15, 2000, to reflect a change of address for its principle office, and to change the number of board members to not less than five (5) nor more than fifteen (15).

### **Minutes**

The Board of Directors and Shareholder meeting minutes were reviewed for the period under examination through the fieldwork completion date and significant actions taken during each

meeting were noted. The Company was in compliance with IC 27-1-7-7(b) which states that the annual meeting of the shareholders will be held within five (5) months after the close of each fiscal year.

## **AFFILIATED COMPANIES**

### **Organizational Structure**

The ultimate parent company, Buckeye, was incorporated on January 28, 1897 under the laws of Ohio, and owns all of the outstanding shares of the Company. The Company, as part of an insurance holding company system, is required to file an insurance holding company system registration disclosure statement (Form B) with the INDOI on an annual basis. The following organizational chart depicts the Company's relationship within the holding company system:

#### Buckeye State Mutual Insurance Company (OH)

- Hetuck Insurance Agency (OH)
- Marias Technology, Inc. (OH)
- **Home and Farm Insurance Company (IN)**
- Home and Farm Insurance Agency (IN)

### **Affiliated Agreements**

#### Cost Sharing Agreement

The Company and its parent, Buckeye, have been parties to a cost sharing agreement which was effective April 1, 2008. This agreement replaced the former cost sharing agreement that was in place since January 1, 1993. Under the terms of the agreement Buckeye shall:

1. Manage the day to day insurance operations of the Company as pertains to underwriting, claims, investments, and any other guidelines which may be in effect or established by the Company's Board of Directors;
2. Provide executive, managerial, administrative, and other personnel as may be necessary or desirable for the operation and administration of the Company's business;
3. Act as agent for the collecting and disbursing of funds, and incurring and paying expenses, and other operating costs of the facilities used by the parties. The employees shall be employed as employees of Buckeye to which Buckeye shall act as paymaster and, in addition, be responsible for filing information and tax returns, as may be necessary; and
4. Pay Buckeye \$93,600 per year for services.

Under this agreement, the Company paid a total of \$93,600 for 2010. On May 1, 2008, this agreement was filed with the INDOI in accordance with IC 27-1-23-4(b)(4).

#### Reinsurance Pooling Agreement

The Company and Buckeye operate under a "Reinsurance Pooling Agreement," a description of

which may be found under the “Reinsurance” section within this Report.

**FIDELITY BOND AND OTHER INSURANCE**

The Company through its parent company, Buckeye, protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by The F & D Companies. The bond has a single loss limit of \$750,000 for each year of the bond policy, with a \$7,500 deductible. The bond meets the suggested minimum coverage prescribed by the NAIC. Other major insurance coverages in force at December 31, 2010, were as follows:

Commercial Umbrella	Commercial Property
Commercial Automobile	Workers’ Compensation
Directors & Officers	General Liability

**STATUTORY DEPOSITS**

The Company reported the following statutory deposit with Indiana, consisting of Federal National Mortgage Association securities, as of December 31, 2010:

State	Book Value	Fair Value
For all Policyholders		
Indiana	\$ 100,115	\$ 101,050
Total for all Policyholders	\$ 100,115	\$ 101,050
All Other Special Deposits	\$ -	\$ -
Total Other Special Deposits	\$ -	\$ -

**REINSURANCE**

**Reinsurance Pooling Agreement**

On September 1, 2006, the Company and Buckeye entered into a “Reinsurance Pooling Agreement.” Under the terms of the Agreement, the Company agrees to cede to Buckeye 100% of the following:

1. Its Ultimate Net Liability on all policies and contracts of insurance outstanding, and in force as of the effective date of the agreement;
2. Its Ultimate Net Liability for Net losses that arise during the period the Agreement is in effect;
3. Its Net Unearned Premium on each and every risk in force as of the effective date of the agreement;
4. Its Net Written Premium on each and every risk assumed by way of primary insurance

- during the period the Agreement is in effect;
5. Its Unpaid Expense Reserves, excluding federal income taxes and investment expenses, outstanding as of the effective date of the Agreement; and
  6. Its net expenses, excluding federal income taxes and investment expenses, during the period the Agreement is in effect.

Buckeye shall add all the business ceded to it from the Company thus forming a pool (Buckeye Pool) which shall then be redistributed with 98% of the combined business to Buckeye and 2% to the Company. The Company's percentage of the Buckeye Pool's Premium, Losses, and Expenses as outlined above, is assumed business by the Company.

### **Reinsurance Assumed**

The only business assumed by the Company is from the Buckeye Pool.

### **Reinsurance Ceded**

In addition to the business ceded to the Buckeye Pool, the Company and its parent Buckeye, entered into a Causality Excess of Loss Reinsurance Contract with an effective date of January 1, 2010. Under the terms of this Contract, the Reinsurer shall be liable in respect of each loss occurrence for the ultimate net loss over and above an ultimate net loss of \$250,000 up to a limit of \$3,000,000 for each loss occurrence.

The INDOI approved this agreement on a Form D filing dated July 20, 2006, in accordance with IC 27-1-23-4(b)(3).

### **RESERVES**

Robert H. Wainscott, FCAS, MAAA, Senior Manager with the firm of Ernst & Young LLP, is the Company's Appointed Actuary. Mr. Wainscott was appointed by the Board of Directors on March 24, 2010, to render an opinion on the reserves of the Company. Mr. Wainscott has provided the Company's actuarial opinion for the years ended December 31, 2009, and 2010. Previously, Charles H. Boucek, FCAS, MAAA, Senior Manager with the firm of Ernest & Young LLP was the Company's Appointed Actuary for the years 2007 and 2008.

The scope of the opinion was to examine the loss and loss adjustment expense reserves of the Company. In forming the opinion, information prepared by the Company was relied upon. This information was evaluated for reasonableness and consistency. The opinion as of December 31, 2010, stated the reserves: A) meet the requirements of the insurance laws of the State of Indiana; B) are consistent with estimates of unpaid losses and loss adjustment expenses computed in accordance with standards and principles established by the Actuarial Standards Boards; and C) make a reasonable provision for all unpaid losses and loss adjustment expenses, gross and net as to reinsurance ceded, under the terms of the Company's contracts, and agreements; D) are computed on the basis of similar general methods as used at December 31, 2009.

## 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 balance prepared from the Company's general ledger for the year ended December 31, 2010, was agreed to the 2010 Annual Statement without exception. The Annual Statement for the years ended December 31, 2007 through December 31, 2009, were agreed to each year's independent audit report with no exceptions noted. The Examiners determined the Company's accounting procedures, practices, and account records were satisfactory.

The Company's accounts and records are maintained using electronic data processing with the exception of certain items entered manually into the general ledger. The Company maintains adequate supporting work papers which were reviewed during the examination. From a review of the internal controls and the Company's disaster recovery plan, it was determined that the current information system possesses most of the physical and internal controls as prescribed by the NAIC.

The Company's independent auditors issued unqualified opinions on the Company's audited financial statements for each year during the examination period. All of the material independent audit work papers were made available to the Examiners during the examination.

**HOME AND FARM INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Assets**

	<b>As of December 31, 2010</b>			<b>December 31, Prior Year</b>
	<b>Per Annual Statement</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>	
<b>Assets:</b>				
Bonds	\$ 2,699,603	\$ -	\$ 2,699,603	\$ 2,586,445
Common stocks	115,381	-	115,381	-
Cash \$137,676, cash equivalents \$0 and short-term investments \$83,757	221,433	-	221,433	410,315
Subtotals, cash and invested assets	<u>\$ 3,036,417</u>	<u>\$ -</u>	<u>\$ 3,036,417</u>	<u>\$ 2,996,760</u>
Investment income due and accrued	35,808	-	35,808	33,413
Uncollected premiums and agents' balances in the course of collection	160,249	-	160,249	192,247
Amounts recoverable from reinsurers	41,388	-	41,388	21,795
Funds held by or deposited with reinsured	900,000	-	900,000	900,000
Current federal and foreign income tax recoverable and interest thereon	13,389	-	13,389	-
Net deferred tax asset	38,847	-	38,847	34,801
<b>Total Assets</b>	<u><u>\$ 4,226,098</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,226,098</u></u>	<u><u>\$ 4,179,016</u></u>

**HOME AND FARM INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Liabilities, Surplus and Other Funds**

	<u>As of December 31, 2010</u>			
<b>Liabilities:</b>	<u>Per Annual</u>	<u>Examination</u>	<u>Per</u>	<u>December 31,</u>
	<u>Statement</u>	<u>Adjustments</u>	<u>Examination</u>	<u>Prior Year</u>
Losses	\$ 271,002	\$ -	\$ 271,002	\$ 284,246
Reinsurance payable on paid losses and loss adjustment expense	165,432	-	165,432	150,045
Loss adjustment expenses	32,542	-	32,542	31,870
Commissions payable, contingent commissions and similar charges	58,768	-	58,768	52,592
Other expenses	17,751	-	17,751	13,795
Taxes, licenses, and fees (excluding federal and foreign income taxes)	8,866	-	8,866	8,471
Current federal and foreign income taxes	-	-	-	17,510
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$148,379)	367,784	-	367,784	382,610
Ceded reinsurance premiums payable	77,309	-	77,309	84,058
Payable to parent, subsidiaries and affiliates	38,632	-	38,632	34,104
<b>Total Liabilities</b>	<b>\$ 1,038,086</b>	<b>\$ -</b>	<b>\$ 1,038,086</b>	<b>\$ 1,059,301</b>
Aggregate write-ins for special surplus funds	\$ -	\$ -	\$ -	\$ 3,903
Common capital stock	1,000,000	-	1,000,000	1,000,000
Gross paid in and contributed surplus	1,337,553	-	1,337,553	1,337,553
Unassigned funds (surplus)	850,459	-	850,459	778,259
<b>Surplus as regards policyholders</b>	<b>\$ 3,188,012</b>	<b>\$ -</b>	<b>\$ 3,188,012</b>	<b>\$ 3,119,715</b>
<b>Total liabilities and surplus</b>	<b>\$ 4,226,098</b>	<b>\$ -</b>	<b>\$ 4,226,098</b>	<b>\$ 4,179,016</b>



**HOME AND FARM INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Statement of Income**

As of December 31, 2010

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
<b>Underwriting Income</b>				
Premiums earned	\$ 777,190	\$ -	\$ 777,190	\$ 768,465
<b>Deductions</b>				
Losses incurred	\$ 513,006	\$ -	\$ 513,006	\$ 486,997
Loss adjustment expenses incurred	58,260	-	58,260	47,566
Other underwriting expenses incurred	242,981	-	242,981	246,539
Total underwriting deductions	<u>\$ 814,247</u>	<u>\$ -</u>	<u>\$ 814,247</u>	<u>\$ 781,102</u>
Net underwriting gain (loss)	<u>\$ (37,057)</u>	<u>\$ -</u>	<u>\$ (37,057)</u>	<u>\$ (12,637)</u>
<b>Investment Income</b>				
Net investment income	\$ 109,391	\$ -	\$ 109,391	\$ 101,724
Net realized capital gains or (losses)	(3,409)	-	(3,409)	(3,033)
Net investment gain	<u>\$ 105,982</u>	<u>\$ -</u>	<u>\$ 105,982</u>	<u>\$ 98,691</u>
<b>Other Income</b>				
Net gain (loss) from premium balances charged off	\$ -	\$ -	\$ -	\$ -
Total other income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes				
	\$ 68,925	\$ -	\$ 68,925	\$ 86,054
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes				
	\$ 68,925	\$ -	\$ 68,925	\$ 86,054
Federal and foreign income taxes incurred	18,367	-	18,367	24,717
Net Income	<u>\$ 50,558</u>	<u>\$ -</u>	<u>\$ 50,558</u>	<u>\$ 61,337</u>

**HOME AND FARM INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Capital and Surplus Account**

	<u>As of December 31, 2010</u>			
	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
<b>Surplus Accounts:</b>				
Surplus as regards policyholders, December 31 prior year	\$ 3,119,715	\$ -	\$ 3,119,715	\$ 3,045,325
Net income	\$ 50,558	\$ -	\$ 50,558	\$ 61,337
Change in net unrealized capital gains or (losses)	11,379	-	11,379	(2,300)
Change in net deferred income tax	1,916	-	1,916	5,939
Change in nonadmitted assets	4,444	-	4,444	3,443
Cumulative effect of changes in accounting principles	-	-	-	5,971
<b>Change in surplus as regards policyholders for the year</b>	<b>\$ 68,297</b>	<b>\$ -</b>	<b>\$ 68,297</b>	<b>\$ 74,390</b>
<b>Surplus as regards policyholders, December 31 current year</b>	<b>\$ 3,188,012</b>	<b>\$ -</b>	<b>\$ 3,188,012</b>	<b>\$ 3,119,715</b>

## COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2010, based on the results of this examination.

### OTHER SIGNIFICANT FINDINGS

There were no other significant deficiencies or concerns noted.

### SUBSEQUENT EVENTS

Subsequent to the examination date and prior to the completion of fieldwork, the Company entered into a new "Reinsurance Pooling Agreement" with Buckeye and Middle Georgia Mutual Insurance Company (MGM), a new affiliated company. This agreement was effective January 1, 2012, and is the same as the pooling agreement described in the Reinsurance section of this report, except for the addition of the new affiliate and changes to the respective percentages as follows:

Buckeye	70%
Home & Farm	5%
MGM	25%

It has been noted that the Company's participating percentage has increased from 2% to 5%.

In addition, on March 21, 2012, the Company changed its corporate address to 201 West Wayne St., Fort Wayne, Indiana 46802.

### 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 Company 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., hereinafter collectively referred to as the "Examiners" performed an examination of the **Home and Farm Insurance Company** as of **December 31, 2010**.

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 2010 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 **Home and Farm Insurance Company** as of **December 31, 2010**, as determined by the undersigned.

Ed Fossa  
Ed Fossa, CFE  
The Thomas Consulting Group, Inc.

State of:  
County of:

On this 3rd day of May, 2012, before me personally appeared, Ed Fossa, 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 5/25/12 Georganne E. McCarty  
Notary Public



GEORGANNE E. McCARTY  
Resident of Vanderburgh County, IN  
Commission Expires: May 25, 2012

