

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

IN THE MATTER OF:)
)
Patron's Mutual Fire Insurance Company)
415 Walnut Street)
Lawrenceburg, Indiana 47025)

Examination of: **Patron's Mutual Fire Insurance Company**

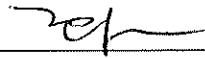
NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Amy L. Beard, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Patron's Mutual Fire Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on November 18, 2021, 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 Patron's Mutual Fire 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.

December 22, 2021
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7018 1130 0001 7982 6338

STATE OF INDIANA) BEFORE THE INDIANA
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IN THE MATTER OF:)
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415 Walnut Street)
Lawrenceburg, Indiana 47025)

Examination of: **Patron’s Mutual Fire Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Patron’s Mutual Fire Insurance Company (hereinafter “Company”) for the time period January 1, 2015 through December 31, 2019.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on May 26, 2021.

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 November 18, 2021 and was received by the Company on November 20, 2021.

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 Patron’s Mutual Fire Insurance Company as of December 31, 2019.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Patron’s Mutual Fire 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 this 22 day of
December, 2021.



Amy L. Beard
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

PATRON'S MUTUAL FIRE INSURANCE COMPANY
NAIC Co. CODE 92323

As of

December 31, 2019

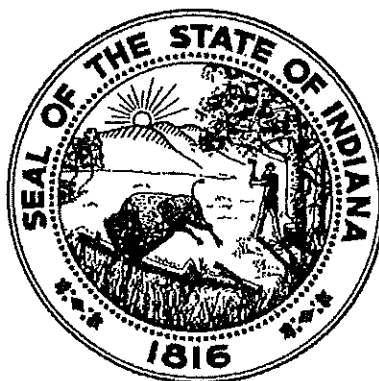


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Amy L. Beard, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/doi

May 26, 2021

Honorable Amy L. Beard, 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 4068, an examination has been made of the affairs and financial condition of:

Patron's Mutual Fire Insurance Company
415 Walnut Street
Lawrenceburg, Indiana 47025

Patron's Mutual Fire Insurance Company (the Company) is an Indiana domiciled, farm mutual insurance company.

Ingardus, LLC conducted the examination remotely with the cooperation of the Company.

The Report of Examination, reflecting the status of the Company as of December 31, 2019, is respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
317-232-2389

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

Representatives of the Indiana Department of Insurance (the Department) last examined Patron's Mutual Fire Insurance Company for the period ending December 31, 2014. Ingardus, LLC conducted the present risk-focused examination for the period from January 1, 2015 through December 31, 2019. The examination included all material transactions and 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. The examination included assessing the principles used and significant estimates made by management. Additionally, the examination evaluated 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. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but were separately communicated to the Department and/or the management of the Company.

HISTORY

The Company was organized in 1878 and elected to operate under Chapter 145, Acts 1919, during 1924, which was repealed by Acts 1972, P.L. 129-2003 and restated as Indiana Code (IC) 27-5.1, which applies to farm mutual insurance companies.

The purpose of the Company, as stipulated within its Bylaws, is to make periodic inspection of risks to safeguard its members against property losses and to distribute among all members on the mutual plan such losses as may occur.

SURPLUS

As of December 31, 2019, the Company had surplus of \$616,565 and 417 policyholders, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company provides personal lines coverage, primarily for homes and farms. The Company conducts business in the Indiana counties of Bartholomew, Boone, Brown, Dearborn, Decatur, Franklin, Jefferson, Jennings, Johnson, Ohio, Putnam, Ripley, Rush, Scott, Switzerland and Wayne.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period. All amounts were adjusted, per the examination. See the Comments on the Financial Statements section of this Report of Examination.

Year	Admitted Assets	Liabilities	Surplus
2019	\$ 773,458	\$ 156,893	\$ 616,565
2018	848,517	148,264	700,253
2017	1,011,469	151,051	860,418
2016	1,060,340	167,090	893,250
2015	1,184,477	179,179	1,005,298

MANAGEMENT AND CONTROL

Directors

The business of the Company is managed by a Board of Directors (Board) not to exceed twelve (12) directors. Each director serves for a term of four (4) years. The directors are elected at the annual meeting of the Company's members. The following is a listing of persons serving as directors as of December 31, 2019:

Name	City
George Ammerman	Sunman, Indiana
David Bradshaw	Osgood, Indiana
Kathy Dils	Aurora, Indiana
Anthony Ertel	Holton, Indiana
James Ertel	Osgood, Indiana
Aaron Rolf	Milan, Indiana
David Rolf	Greensburg, Indiana
Delores Rolf	Lawrenceburg, Indiana

Officers

The officers of this Company are a President, a Vice President, a Treasurer, and a Secretary. The following is a listing of the persons serving as officers of the Company as of December 31, 2019:

Name	Office
Delores Rolf	President
Kathy Dils	Vice President
George Ammerman	Secretary/Treasurer

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, 2019.

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 company and will not knowingly violate any of the laws applicable to such company. It was determined that all directors listed in the Management and Control section of this Report of Examination subscribed to an oath as of December 31, 2019.

CORPORATE RECORDS

Articles of Incorporation

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

Bylaws

There were no amendments to the 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.

AFFILIATED COMPANIES

The Company does not have any affiliated companies.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts through the purchase of a fidelity crime bond issued by Travelers Casualty and Surety Company of America. The bond has a policy aggregate limit of liability of \$50,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2019, including but not limited to business liability 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

During the examination period, the Company purchased reinsurance from Grinnell Mutual Reinsurance Company (Grinnell) as follows:

- *Individual Occurrence of Loss Excess* – The Company's retention was \$79,000 for 2019 and the coverage limit was 100% above the retention subject to limitations.
- *Aggregate Excess* – The Company's retention was \$222,000 for 2019 and the coverage limit was 100% of unlimited losses above the retention.
- *Facultative* – Rates will be determined by Grinnell on an individual basis. The Company agrees to provide Grinnell with all the necessary information about the risk known to the Company. Grinnell will determine which risks are acceptable for facultative reinsurance.

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, 2018 and 2019, were agreed to the respective Annual Statements.

PATRON'S MUTUAL FIRE INSURANCE COMPANY
Assets, Liabilities and Surplus
As of December 31, 2019

	Per Annual Statement	Examination Adjustments*	Per Examination
ASSETS			
Stocks	\$ 250,803	\$ -	\$ 250,803
Bank balances:			
Subject to check	81,879	-	81,879
On interest	438,676	-	438,676
Cash in office	282	-	282
Real estate	62,025	(62,025)	-
Accrued interest	1,818	-	1,818
Equipment and furniture	60,562	(60,562)	-
Total Assets	\$ 896,045	\$ (122,587)	\$ 773,458
LIABILITIES AND SURPLUS			
Liabilities			
Unpaid claims	\$ 16,278	\$ -	\$ 16,278
Less: Reinsurance recoverable	-	-	-
Net unpaid claims	16,278	-	16,278
Unpaid salaries and commissions	3,475	-	3,475
Ceded reinsurance balances payable	4,516	-	4,516
Taxes payable	1,855	-	1,855
Premiums received in advance	6,505	-	6,505
Unearned premium reserve	153,869	(29,605)	124,264
Total Liabilities	186,498	(29,605)	156,893
Surplus	709,547	(92,982)	616,565
Total Liabilities and Surplus	\$ 896,045	\$ (122,587)	\$ 773,458

* The Company overstated assets and liabilities by \$122,587 and \$29,605, respectively. The net impact of these adjustments overstated surplus by \$92,982. See the Comments on the Financial Statements section of this Report of Examination.

PATRON'S MUTUAL FIRE INSURANCE COMPANY
Income Statement and Change in Surplus
For the year ended December 31, 2019

	Per Annual Statement	Examination Adjustments**	Per Examination
INCOME			
Net premiums:			
Direct premiums written	\$ 275,442	\$ -	\$ 275,442
Less: Reinsurance premiums ceded	(52,996)	-	(52,996)
Total net premiums written	222,446	-	222,446
Membership and policy fees	18,063	-	18,063
Total net premiums	240,509	-	240,509
Income from investments	22,556	-	22,556
Other income	17,246	-	17,246
Total income	280,311	-	280,311
DISBURSEMENTS			
Net losses paid:			
Direct losses	600,236	-	600,236
Less: Reinsurance recovered	(422,574)	-	(422,574)
Net losses paid	177,662	-	177,662
Operating expenses	195,781	-	195,781
Non-operating expenses	3,217	-	3,217
Total disbursements	\$376,660	-	376,660
CHANGE IN SURPLUS			
Net income	(96,349)	-	(96,349)
Change in accrued assets and liabilities	(11,585)	2,249	(9,336)
Change in unrealized gains (losses)	21,997	-	21,997
Surplus, beginning of period	795,484	(95,231)	700,253
Surplus, end of period	\$ 709,547	\$ (92,982)	\$ 616,565

** The Company overstated surplus by \$92,982. See the Comments on the Financial Statements section of this Report of Examination.

COMMENTS ON THE FINANCIAL STATEMENTS

The Company misstated its real estate and equipment at original cost values for 2016 through 2019. Statutory accounting principles requires these types of assets are to be held at depreciated cost. An adjustment was made to decrease assets and surplus by \$119,806 for 2016, \$121,281 for 2017, \$122,587 for 2018 and \$122,587 for 2019 to correct these errors in this Report of Examination.

The Company misstated its real estate and equipment at market value for 2015. Statutory accounting principles require these types of asset are to be held at depreciated cost. An adjustment was made to decrease both assets and surplus by \$241,844 for 2015 to correct this error in this Report of Examination.

The Company reported its unearned premium gross of reinsurance for all years 2015 through 2019. The unearned premium offset for the reinsured portion was calculated to be \$31,433 for 2015, \$27,803 for 2016, \$28,973 for 2017, \$27,356 for 2018 and \$29,605 for 2019. An adjustment was made to decrease liabilities and increase surplus for the amounts listed to correct the errors in this Report of Examination.

OTHER SIGNIFICANT ISSUES

IC 27-13-6 requires the Company's risk retention per occurrence to be less than 10% of surplus. The Company's 2019 individual occurrence of loss retention was \$79,000, which is in excess of 10% of adjusted surplus.

We recommend that the Company adjust their risk retention for future periods to comply with the statute.

SUBSEQUENT EVENTS

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

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that she, in coordination with assistance from Ingardus, LLC, hereinafter collectively referred to as the "Examiners", performed an examination of the Patron's Mutual Fire Insurance Company, as of December 31, 2019.

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

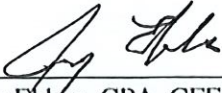
This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination by the Indiana Department of Insurance. Such procedures performed on this examination do not constitute an audit made in accordance 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 Patron's Mutual Fire Insurance Company as of December 31, 2019, as determined by the undersigned.



Angela L. Ohlmann, CPA, CGMA, CFE (Fraud), MCM
Ingardus, LLC
State of: Indiana
County of: Marion

Under the Supervision of:



Jerry Ehlers, CPA, CFE (Financial), AES
Examiner-in-Charge
Indiana Department of Insurance

On this 21st day of December, 2021, before me personally appeared, Angela L. Ohlmann 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: October 4, 2025 Darcy L. Shawver
Notary Public

DARCY L. SHAWVER
NOTARY PUBLIC

SEAL

MARION COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 706063

Indiana Department of Insurance
NAIC Accredited

