

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

IN THE MATTER OF:)
)
Farmers Mutual Insurance Company of Grant and Blackford)
Counties Inc.)
2125 South Western Avenue)
Marion, IN 46953)

Examination of: Farmers Mutual Insurance Company of Grant and Blackford Counties Inc.

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Farmers Mutual Insurance Company of Grant and Blackford Counties Inc., any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on December 12, 2019, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Farmers Mutual Insurance Company of Grant and Blackford Counties Inc. 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.

3/30/2020
Date _____ Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7017 3040 0000 9294 9049

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

IN THE MATTER OF:)
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Farmers Mutual Insurance Company of Grant and Blackford)
Counties Inc.)
2125 South Western Avenue)
Marion, IN)

Examination of: Farmers Mutual Insurance Company of Grant and Blackford Counties Inc.

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Farmers Mutual Insurance Company of Grant and Blackford Counties Inc. (hereinafter "Company") for the time period January 1, 2013 through December 31, 2017.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on February 7, 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 December 12, 2019 and was received by the Company on December 16, 2019.

The Company did not file any objections.

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


1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Farmers Mutual Insurance Company of Grant and Blackford Counties Inc. as of January 1, 2013 to December 31, 2017.

2. That the Examiner's Recommendations are reasonable and necessary in order for the Farmers Mutual Insurance Company of Grant and Blackford Counties Inc. 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 30 day of March, 2020.

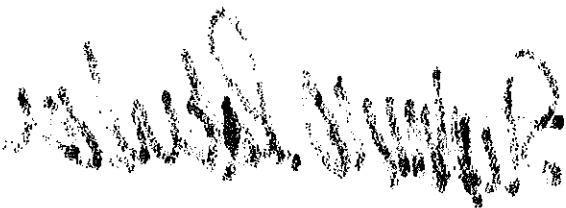

Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

A large, dark, handwritten signature in black ink, appearing to be a cursive name.A smaller, dark, handwritten signature in black ink, appearing to be a cursive name.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

**FARMERS MUTUAL INSURANCE COMPANY OF GRANT AND
BLACKFORD COUNTIES INC.**
NAIC Co. CODE 92299

As of

December 31, 2017

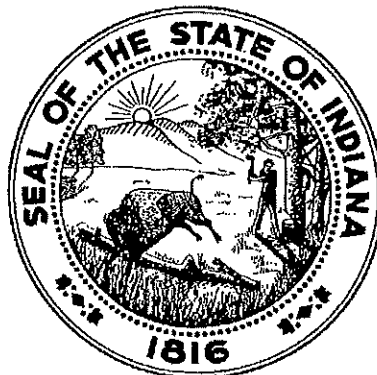


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January 4, 2019

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 3999, an examination has been made of the affairs and financial condition of:

Farmers Mutual Insurance Company of Grant and Blackford Counties Inc.
2125 South Western Avenue
Marion, Indiana 46953

Hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in Marion, 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, 2017, is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance as of the period ending December 31, 2012. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2013 through December 31, 2017, 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 March, 1889 and incorporated on January 24, 1891, as Farmers Mutual Insurance Company of Grant County, Indiana. The Company elected to come under Chapter 145, Acts 1919, as amended, to be known as Farmers Mutual Insurance Company of Grant and Blackford Counties Inc.

The purpose of the Company is to insure the property of its members against loss or damage to the extent permitted by the Farm Mutual Law under which it shall operate.

CAPITAL AND SURPLUS

As of December 31, 2017, the Company had adjusted surplus of \$3,861,429. The Company has 600 members, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company currently conducts business in Grant County.

The Company insures against property losses to farm buildings, farm personal property, personal household, and dwellings. 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 Assets	Liabilities	Surplus
2017	\$ 4,618,662 *	\$ 757,233	\$ 3,861,429 *
2016	4,043,964	726,470	3,407,051 **
2015	4,111,364	831,551	3,279,813
2014	3,884,569	745,433	3,139,136
2013	3,625,061	829,763	2,795,298

*2017 Admitted assets and surplus were adjusted to correct understated investment balances.

**2016 Surplus was adjusted to correct overstated claims paid.

MANAGEMENT AND CONTROL

Directors

The corporate powers of the Company are vested in a Board of Directors (Board) consisting of no less than five (5) and no more than seven (7) Directors. Directors are elected to serve three (3) year, staggered terms. The following is a listing of persons serving as directors as of December 31, 2017:

Name	Address
George DeWeese	Warren, Indiana
John Kerlin	Marion, Indiana
Merle Templin	Converse, Indiana
Richard Thurman	Hartford City, Indiana
Jerry Trant	Montpelier, Indiana

Officers

The officers of the Company consist of a President, Vice President, Secretary, and Treasurer. 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, 2017.

Name	Office
Richard Thurman	President
John Kerlin	Vice President
Lisa Harvey	Secretary and 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, 2017.

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 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 have subscribed to an oath as of December 31, 2017.

CORPORATE RECORDS

Articles of Incorporation

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

Bylaws

There were no amendments made 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 is owned by its members and has no affiliated companies.

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 Auto-Owners Insurance Company. The bond has a blanket coverage of \$100,000. 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, 2017, including but not limited to, business owner property and liability, commercial liability, cyber and information protection, director and officer professional liability, farm ground 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

The Company's reinsurance program is placed through Grinnell Mutual Reinsurance Company. The reinsurance program includes three (3) treaties, all effective January 1, 2017, 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 \$400,000 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 \$700,000, net of all other reinsurance recoveries.

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, 2016 and December 31, 2017, were agreed to the respective Annual Statements.

FINANCIAL STATEMENTS

FARMERS MUTUAL INSURANCE COMPANY OF GRANT AND BLACKFORD COUNTIES INC.
Assets, Liabilities and Surplus
As of December 31, 2017

	Per Annual Statement	Examination Adjustments	Per Examination	
Assets:				
Bonds	\$ 882,219	\$ (433,585)	\$ 448,634	**
Stocks	2,944,558	433,914	3,378,472	**
Bank balances	351,334	-	351,334	
Real estate	208,270	-	208,270	
Cash in office	100	-	100	
Unpaid premiums	226,704	-	226,704	
Accrued interest	5,148	-	5,148	
Total assets	\$ 4,618,333 *	\$ 329	\$ 4,618,662	
 Liabilities and Surplus:				
Unpaid claims	\$ 57,600	\$ -	\$ 57,600	
Less, reinsurance recoverable	-	-	-	
Net unpaid claims	57,600	-	57,600	
Ceded reinsurance balances payable	37,288	-	37,288	
Unpaid salaries and commissions	18,398	-	18,398	
Amounts withheld from others	589	-	589	
Taxes payable	2,058	-	2,058	
Unearned premium reserve	641,300	-	641,300	
Total liabilities	757,233	-	757,233	
Surplus	3,851,100	10,329	3,861,429	**
Total liabilities and surplus	\$ 4,608,333 *	\$ 10,329	\$ 4,618,662	

* Note that the 2017 Annual Statement as reported was not in balance.

**As adjusted through the examination process, 2017 surplus increased \$10,329 (bond balances were overstated \$433,585 and stock balances were understated \$433,914 due to re-classification and correction in reported value.)

FARMERS MUTUAL INSURANCE COMPANY OF GRANT AND BLACKFORD COUNTIES INC.
Income Statement and Change in Surplus
For the Year Ended December 31, 2017

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination*</u>
Income:			
Premiums, net of reinsurance	\$ 852,013	\$ -	\$ 852,013
Interest and profit on investments	203,039	10,329	213,368
Other income	<u>112,169</u>	<u>-</u>	<u>112,169</u>
Total income	<u>1,167,221</u>	<u>10,329</u>	<u>1,177,550</u>
Disbursements:			
Losses, net of reinsurance	378,528	(63,492)	315,036
Operating expenses	491,103	-	491,103
Non-operating expenses	34,423	-	34,423
Change in ledger assets and liabilities	<u>(270,439)</u>	<u>153,049</u>	<u>(117,390)</u>
Total disbursements	<u>633,615</u>	<u>89,557</u>	<u>723,172</u>
Net income	533,606	(79,228)	454,378
Surplus, beginning of period	<u>3,317,494</u>	<u>89,557</u>	<u>3,407,051</u>
Surplus, end of period as reported	<u>\$ 3,851,100</u>	<u>\$ 10,329</u>	<u>\$ 3,861,429</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, 2017 surplus increased by \$10,329 due to understated interest and capital gains on investments. Losses, net of reinsurance, were overstated by \$63,492 and prior year losses net of reinsurance were overstated by \$89,557. The adjustments impact 2016 and 2017 financial statements.

COMMENTS ON THE FINANCIAL STATEMENTS

Common stock was reported as \$2,944,558 on the 2017 Annual Statement and should have been reported as \$2,934,558. The examination adjustment of \$10,000 was recorded on the balance sheet throughout this report. It is recommended that the Company properly report common stock balances in future Annual Statement filings.

The Company reported four (4) mutual funds as bonds on their 2017 Annual Statement and understated investment balances. Bond balances were overstated by \$433,585 and stock balances were understated by \$433,914 due to re-classification and correction in reported value. It is recommended that the Company ensure proper classification and reported value of investments in future Annual Statement filings.

The Company understated its interest and capital gains on investments by \$10,329 as of December 31, 2017. It is recommended that the Company adopt appropriate measures to ensure the proper reporting of interest and capital gains in future Annual Statement filings.

The Company overstated its losses, net of reinsurance by \$63,492 as of December 31, 2017. The Company overstated its losses, net of reinsurance by \$89,557 as of December 31, 2016 which impacted beginning surplus for 2017. It is recommended that the Company take appropriate measures to ensure the proper reporting of losses in future Annual Statement filings.

OTHER SIGNIFICANT ISSUES

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

SUBSEQUENT EVENTS

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

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., performed an examination of Farmers Mutual Insurance Company of Grant and Blackford Counties Inc. as of December 31, 2017.

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

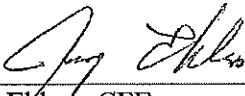
This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing 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 Farmers Mutual Insurance Company of Grant and Blackford Counties Inc. as of December 31, 2017, as determined by the undersigned.



Jim Kattman, CFE
Noble Consulting Services, Inc.

Under the supervision of,

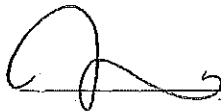


Jerry Ehlers, CFE
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 12 day of February, 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 commission expires: July 4, 2019 

Notary Public

