

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

IN THE MATTER OF:)
)
Farmers Mutual Rescue Insurance Company of)
LaGrange County)
124 North Detroit Street)
LaGrange, Indiana 46761)

Examination of: **Farmers Mutual Rescue Insurance Company of LaGrange County**


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 Rescue Insurance Company of LaGrange County, 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 Rescue Insurance Company of LaGrange County 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 9100

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LaGrange, Indiana)

Examination of: **Farmers Mutual Rescue Insurance Company of LaGrange County**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Farmers Mutual Rescue Insurance Company of LaGrange County (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 2, 2019.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on December 10, 2019 and was received by the Company on December 17, 2019.

The Company did not file any objections.

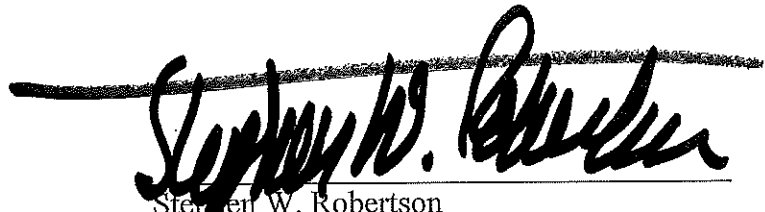
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Farmers Mutual Rescue Insurance Company of LaGrange County as of December 31, 2017.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Farmers Mutual Rescue Insurance Company of LaGrange County 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.

[Handwritten signature]

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STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION

OF

FARMERS MUTUAL RESCUE INSURANCE COMPANY
OF LA GRANGE COUNTY
NAIC Co. CODE 92303

As of

December 31, 2017

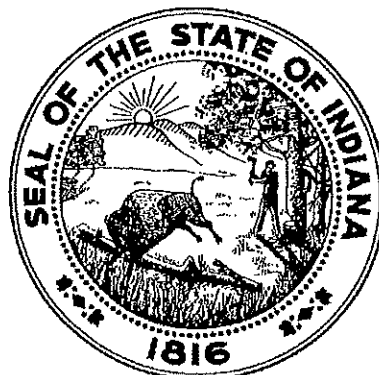


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March 13, 2019

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 3996, an examination has been made of the affairs and financial condition of:

Farmers Mutual Rescue Insurance Company of LaGrange County
124 N. Detroit St.
LaGrange, Indiana 46761

hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in LaGrange, 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 formed in March, 1878, in LaGrange County, Indiana for the purpose of providing insurance to its policyholders against loss or damage by specified perils as described in its policies.

CAPITAL AND SURPLUS

As of December 31, 2017, the Company had adjusted surplus of \$2,199,982. The Company has 289 members, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company currently conducts business in LaGrange, Noble, and Steuben counties.

The Company insures against real and personal property losses for churches, farms, homes, and lake cottages. Policies are for three (3) year terms renewed annually.

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	\$ 2,471,196	\$ 271,214 *	\$ 2,199,982 *
2016	2,114,171	230,317	1,883,854
2015	2,038,273	284,670	1,753,603
2014	1,969,528	274,831	1,694,697
2013	1,799,802	274,725	1,525,077

*2017 Liabilities and surplus were adjusted to correct understated unpaid claims.

MANAGEMENT AND CONTROL

Directors

The corporate powers of the Company are vested in a Board of Directors (Board) consisting of at least five (5) directors. Directors are elected to serve a term of one (1) year. The following is a listing of persons serving as directors as of December 31, 2017:

Name	Address
Norman Bovee	LaGrange, Indiana
Steve Christner	Topeka, Indiana
Ron Hostetler	Wolcottville, Indiana
Richard Long	LaGrange, Indiana
Thomas Maskow	Howe, Indiana
Mark Thompson	Topeka, 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 Long	President
Thomas Maskow	Vice President
Ron Hostetler	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 (IC) 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all of the directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 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 from the review of the Board and annual meeting minutes.

AFFILIATED COMPANIES

The Company is owned by its members and has no affiliated companies.

FIDELITY BOND AND OTHER INSURANCE

The Company does not have a fidelity bond. Based on the admitted assets and gross income of the Company, the Company is not in compliance with the prescribed minimum coverage specified by the Handbook. See the Other Significant Issues section.

The Company had insurance coverage in-force as of December 31, 2017, including but not limited to, agents and brokers professional liability, commercial general liability, and director and officer professional liability.

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 Guy Carpenter. The reinsurance program includes three (3) treaties, all effective January 1, 2017, which are described below.

- *Property Per Risk Excess of Loss Reinsurance Contract* – All risks are reinsured for up to \$125,000 in excess of the Company's retention of \$50,000 and to the extent the net retention per risk of the Company does not exceed 0.2% of insurance in force. Further, the limit of liability to the Reinsurer is \$250,000 each Loss Occurrence.
- *Aggregate Excess of Loss Reinsurance Contract* – Under the terms of this agreement, the Reinsurer shall be liable in the aggregate in respect of losses for 95% of the Ultimate Net Loss over and above an initial Ultimate Net Loss equal to the greater of \$205,100 or 110% of Gross Net Written Premium Income, subject to a limit of liability to the Reinsurer of the lesser of \$4,225,125 or 95% of 1590% of Gross Net Written Premium Income.
- *Property Facultative Pro Rata Reinsurance Contract* – Cessions to this contract shall be limited to a maximum cession of \$100,000 on any one (1) risk, subject to a minimum net retention of \$5,000.

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 RESCUE INSURANCE COMPANY OF LAGRANGE COUNTY
Assets, Liabilities and Surplus
As of December 31, 2017

	<u>Per Annual</u> <u>Statement</u>	<u>Examination</u> <u>Adjustments</u>	<u>Per</u> <u>Examination</u>	
Assets:				
Stocks	\$ 1,494,365	\$ (22,848)	\$ 1,471,517	*
Bank balances	967,968	22,848	990,816	*
Unpaid premiums	8,863	-	8,863	
Total assets	<u>\$ 2,471,196</u>	<u>\$ -</u>	<u>\$ 2,471,196</u>	
Liabilities and Surplus:				
Unpaid claims	\$ -	\$ 3,615	\$ 3,615	**
Less, reinsurance recoverable	-	-	-	
Net unpaid claims	-	3,615	3,615	
Taxes payable	78	-	78	
Premiums collected for other companies - not remitted	24,357	-	24,357	
Premiums received in advance	242,250	-	242,250	
Unearned premium reserve	914	-	914	
Total liabilities	267,599	3,615	271,214	
Surplus	2,203,597	(3,615)	2,199,982	**
Total liabilities and surplus	<u>\$ 2,471,196</u>	<u>\$ -</u>	<u>\$ 2,471,196</u>	

* A cash balance of \$22,848 was incorrectly reported as common stock.

**As adjusted through the examination process, 2017 surplus decreased \$3,615 due to understated unpaid claims.

FARMERS MUTUAL RESCUE INSURANCE COMPANY OF LAGRANGE COUNTY
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	\$ 169,513	\$ -	\$ 169,513
Interest and profit on investments	30,613	-	30,613
Other income	<u>327,950</u>	<u>-</u>	<u>327,950</u>
Total income	<u>528,076</u>	<u>-</u>	<u>528,076</u>
Disbursements:			
Losses, net of reinsurance	26,287	3,615	29,902 **
Operating expenses	115,702	-	115,702
Non-operating expenses	29,062	-	29,062
Change in ledger assets and liabilities	<u>37,282</u>	<u>-</u>	<u>37,282</u>
Total disbursements	<u>208,333</u>	<u>3,615</u>	<u>211,948</u>
Net income	319,743	(3,615)	316,128
Surplus, beginning of period	<u>1,883,854</u>	<u>-</u>	<u>1,883,854</u>
Surplus, end of period as reported	<u>\$ 2,203,597</u>	<u>\$ (3,615)</u>	<u>\$ 2,199,982 **</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 decreased by \$3,615 due to understated losses, net of reinsurance.

COMMENTS ON THE FINANCIAL STATEMENTS

A cash balance of \$22,848 was incorrectly reported as common stock at December 31, 2017. In the future, the Company should take appropriate measures to ensure the proper reporting of stock and cash balances.

The Company understated its unpaid claims and losses, net of reinsurance by \$3,615 as of December 31, 2017. This understatement had a material impact on the Company's financial statements. In the future, the Company should take appropriate measures to ensure the proper reporting of unpaid claims and losses, net of reinsurance.

OTHER SIGNIFICANT ISSUES

The Company was unable to provide evidence of an in-force fidelity bond. It is recommended that the Company obtain and continuously maintain a fidelity bond which meets the prescribed minimum coverage specified by the Handbook.

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 Rescue Insurance Company of LaGrange County as of December 31, 2017.

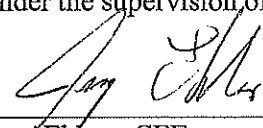
The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

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 Rescue Insurance Company of LaGrange County 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 13 day of March, 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

