

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

IN THE MATTER OF:)
)
Farmers Mutual Insurance Company of Saint Joseph and Marshall Counties)
440 East Jefferson Street)
Plymouth, Indiana 46563)

Examination of Farmers Mutual Insurance Company of Saint Joseph and
Marshall Counties

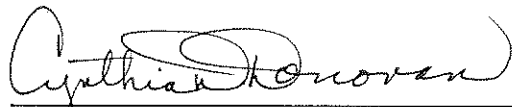
NOTICE OF ENTRY OF ORDER

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 Saint Joseph and Marshall Counties, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on November 27, 2013, 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 Saint Joseph and Marshall Counties 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.

February 24, 2014
Date


Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0028 2128 25

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

IN THE MATTER OF:)
)
Farmers Mutual Insurance Company of Saint Joseph and Marshall Counties)
440 East Jefferson Street)
Plymouth, Indiana)

Examination of Farmers Mutual Insurance Company of Saint Joseph and
Marshall Counties

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Farmers Mutual Insurance Company of Saint Joseph and Marshall Counties (hereinafter "Company") for the time period January 1, 2008 through December 31, 2012.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on October 25, 2013.

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 27, 2013 and was received by the Company on December 2, 2013.

The Company did not file any objections.

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

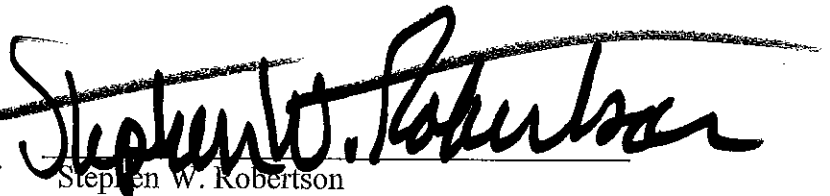
1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Farmers Mutual Insurance Company of Saint Joseph and Marshall Counties as of December 31, 2012.

2. That the Examiner's Recommendations are reasonable and necessary in order for the Farmers Mutual Insurance Company of Saint Joseph and Marshall Counties 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 24 day of
February, 2014.

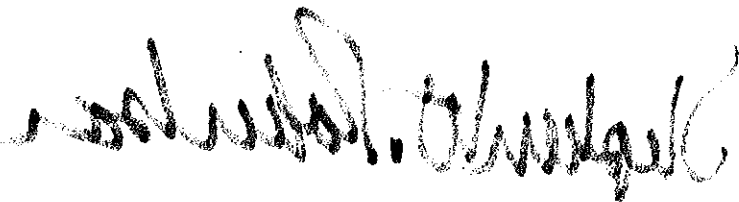

Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

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 handwritten signature in black ink, appearing to read "Michael J. Thompson". The signature is written in a cursive style and is located in the lower-left quadrant of the page.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

**FARMERS MUTUAL INSURANCE COMPANY OF SAINT
JOSEPH AND MARSHALL COUNTIES**
NAIC Co. CODE 92301

As of

December 31, 2012

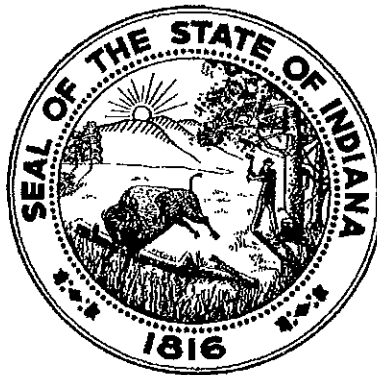


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STATE OF INDIANA

MICHAEL R. PENCE, Governor

IDOI

INDIANA DEPARTMENT OF INSURANCE

311 W. WASHINGTON STREET, SUITE 300
INDIANAPOLIS, INDIANA 46204-2787
TELEPHONE: (317) 232-2385
FAX: (317) 232-5251

Stephen W. Robertson, Commissioner

October 25, 2013

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3767, an examination has been made of the affairs and financial condition of:

Farmers Mutual Insurance Company of Saint Joseph and Marshall Counties
440 East Jefferson Street
Plymouth, IN 46563

hereinafter referred to as the "Company", an Indiana-domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in Plymouth, Indiana and at the offices of Noble Consulting Services, Inc., in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2012, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance as of the period ending December 31, 2007. The present examination, covering the period from January 1, 2008 through December 31, 2012, was conducted by Noble Consulting Services, Inc., (Noble) on behalf of the state of Indiana.

Noble conducted the risk-focused examination pursuant to and 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, 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 1872, for the purpose of providing coverage to its policyholders for loss or damage caused by fire or lightning.

CAPITAL AND SURPLUS

The Company is owned by its 1,091 policyholders. As of December 31, 2012, the Company reported policyholder surplus of \$3,066,773.

TERRITORY AND PLAN OF OPERATION

The Company currently conducts business in the following six (6) counties: Elkhart, Kosciusko, LaPorte, Marshall, Starke, and Saint Joseph counties. During the examination period, there have been no changes to the Company's territory.

The Company insures buildings, dwellings, equipment, farm implements, livestock, and personal property. 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:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Policyholder Surplus</u>
2012	\$ 3,096,857	\$ 30,084	\$ 3,066,773
2011	2,985,573	20,958	2,964,615
2010	3,038,685	66,034	2,972,651
2009	2,910,299	66,634	2,843,665
2008	2,836,866	66,635	2,770,231

MANAGEMENT AND CONTROL

Policyholders

An annual meeting of policyholders is held each year for the purpose of electing a Board of Directors and addressing such other business as may arise. Each policyholder is entitled to one (1) vote.

Directors

The corporate powers of the Company are vested in a Board of Directors that shall consist of no fewer than seven (7) policyholders, elected to one (1) year terms. The following persons were serving as directors at December 31, 2012:

<u>Name</u>	<u>Residence</u>
Steven Davenport	Plymouth, IN
Louis Frick	Bremen, IN
Jon Langfeldt	Plymouth, IN
Alan Lauderman	Bremen, IN
Philip Overmyer	Argos, IN
David Ruff	Plymouth, IN
Roger Schori	Bourbon, IN

Officers

The officers of the Company consist of a President, a Vice President, a Secretary, and Treasurer. Officers are elected at the annual meeting of the Board of Directors to serve a term of one (1) year.

The following persons were serving as officers at December 31, 2012:

<u>Name</u>	<u>Title</u>
Louis Frick	President
Philip Overmyer	Vice President
David Ruff	Secretary and Treasurer

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. Per review of the signed statements, it was noted that the directors and officers listed in the Management and Control section of this Report of Examination fulfilled that requirement.

OATH OF OFFICE

Indiana Code (IC) 27-1-7-10(i) requires every director must sign an Oath of Office. The Company was unable to provide the signed Oath of Office statements for all officers and directors listed in the Management and Control section of this Report of Examination.

See the Summary of Significant Findings section.

CORPORATE RECORDS

Articles of Incorporation

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

Bylaws

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

Minutes

Minutes from the Board of Directors meetings and the annual meeting of the policyholders were reviewed for the period under examination through the fieldwork date. Minutes documented the Board of Director's oversight of operations.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by its employees through a fidelity bond issued by Indiana Insurance Company. The bond has blanket coverage of \$90,000. Based on the admitted assets and gross income of the Company, the Company is in compliance with the prescribed minimum coverage specified by the NAIC.

REINSURANCE

The Company's reinsurance program is written through Grinnell Mutual Reinsurance Company (Reinsurer), Grinnell, Iowa. The Company's reinsurance contract, effective July 1, 2012, consists of Individual Occurrence and Aggregate Excess of Loss coverage.

Individual Occurrence Excess of Loss

This coverage limited the Company's liability on an individual occurrence of loss with a retention limit of \$75,000. Losses under this layer are experienced rated based on a five (5) year loss ratio.

Aggregate Excess of Loss

The Reinsurer agrees to indemnify the Company for 100% of their aggregate net loss, in excess of the retention limit of \$332,365.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The Company utilizes a computerized accounting system for their general ledger, which generates the trial balance at year-end. Material balances reflected in the December 31, 2012 Annual Statement and trial balance were agreed to supporting documentation.

**FARMERS MUTUAL INSURANCE COMPANY OF SAINT JOSEPH AND MARSHALL
COUNTIES**

FINANCIAL STATEMENTS

Assets, Liabilities, and Surplus

	As of December 31, 2012			
	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, 2011</u>
Assets:				
Bonds	\$ 942,440	\$ -	\$ 942,440	\$ 1,054,050
Stocks - common	456,518	-	456,518	126,346
Bank balances	1,428,601	-	1,428,601	1,398,431
Real Estate	150,175	-	150,175	155,712
Accrued interest	906	-	906	1,269
Cash surrender value of life insurance	118,149	-	118,149	249,697
Other assets	68	-	68	68
Total Assets	<u>\$ 3,096,857</u>	<u>\$ -</u>	<u>\$ 3,096,857</u>	<u>\$ 2,985,573</u>
Liabilities and Surplus:				
Unpaid salaries and commissions	\$ 17,227	\$ -	\$ 17,227	\$ 8,868
Taxes payable	1,786	-	1,786	1,541
Other unpaid expenses	10,099	-	10,099	10,099
Premiums received in advance	972	-	972	450
Total liabilities	<u>30,084</u>	<u>-</u>	<u>30,084</u>	<u>20,958</u>
Surplus	<u>3,066,773</u>	<u>-</u>	<u>3,066,773</u>	<u>2,964,615</u>
Total liabilities and surplus	<u>\$ 3,096,857</u>	<u>\$ -</u>	<u>\$ 3,096,857</u>	<u>\$ 2,985,573</u>

**FARMERS MUTUAL INSURANCE COMPANY OF SAINT JOSEPH AND MARSHALL
COUNTIES**

FINANCIAL STATEMENTS

Statement of Income and Changes in Surplus

	As of December 31, 2012			
	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, 2011</u>
Income:				
Total net assessments, premiums, and fees	\$ 526,295	\$ -	\$ 526,295	\$ 529,328
Total income from investments	104,945	-	104,945	41,022
Increase in ledger liabilities	9,125	-	9,125	7,807
Misc. income	-	-	-	2,229
Unrealized gains losses on stocks	10,779	-	10,779	(11,516)
Unpaid premiums	-	-	-	7,779
Total income	<u>651,144</u>	<u>-</u>	<u>651,144</u>	<u>576,649</u>
Disbursements:				
Total of all net losses	222,926	-	222,926	324,561
Total operating expense	261,978	-	261,978	291,230
Total non-operating expense	38,119	-	38,119	15,577
Change in ledger assets and liabilities	-	25,963	25,963	(46,683) *
Total disbursements	<u>523,023</u>	<u>25,963</u>	<u>548,986</u>	<u>584,685</u>
Net income	128,121	(25,963)	102,158	(8,036)
Surplus, beginning of period as reported	<u>2,964,615</u>	<u>-</u>	<u>2,964,615</u>	<u>2,972,651</u>
Surplus, end of period as reported	<u>\$ 3,066,773</u>	<u>\$ (25,963)</u>	<u>\$ 3,066,773</u>	<u>\$ 2,964,615</u>

* The Company reports some income statement items on a cash basis. In order to properly reconcile the change in Surplus, the change in ledger assets and liabilities has been adjusted through the examination process by \$25,963 in 2012 and by (\$46,683) in 2011.

COMMENTS ON THE FINANCIAL STATEMENTS

The Company reports some income statement items on a cash basis. In order to properly reconcile the change in Surplus, the change in ledger assets and liabilities has been adjusted through the examination process by \$25,963 in 2012 and by (\$46,683) in 2011.

SUMMARY OF SIGNIFICANT FINDINGS

IC 27-1-7-15 prohibits loans to members of the Board of Directors. In at least two (2) cases, the Company allowed advances to be paid to members of the Board of Directors, which could be construed as loans. It was noted the President immediately acted to require repayment of the advances, when he became aware of this issue.

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. The Company was unable to provide the signed Oath of Office statements for all directors and officers listed in the Management and Control section of this Report of Examination. It is recommended the Company obtain signed Oaths of Office for the current directors, and newly elected directors, in order to comply with the IC 27-1-7-10(i).

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of field work 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 he, in coordination with staff assistance from Noble Consulting Services, Inc., hereinafter collectively referred to as the "Examiners", performed an examination of **Farmers Mutual Insurance Company of St. Joseph and Marshall Counties**, as of **December 31, 2012**.

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 2013 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 standards and no audit opinion is expressed on the financial statements contained in this Report of Examination.

The attached Report of Examination is a true and complete report of condition of **Farmers Mutual Insurance Company of St. Joseph and Marshall Counties**, as of **December 31, 2012**, as determined by the undersigned.



Jim Kattman, CFE
Noble Consulting Services, Inc.


State of:
County of:

On this 13 day of January 2014, before me personally appeared, Jim Kattman, 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





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