

STATE OF INDIANA)
COUNTY OF MARION)

) SS:
)

BEFORE THE INDIANA
COMMISSIONER OF INSURANCE

IN THE MATTER OF:

Franklin County Farmers Mutual Insurance Company)
500 Main Street)
Brookville, IN 47012)

Examination of Franklin County Farmers Mutual
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 Franklin County Farmers Mutual Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on December 16, 2014, 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 Franklin County Farmers Mutual 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.

January 28, 2015
Date

Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0047 1646 93

STATE OF INDIANA)
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COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)

Franklin County Farmers Mutual Insurance Company)
500 Main Street)
Brookville, IN 47012)

Examination of Franklin County Farmers Mutual
Insurance Company

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Franklin County Farmers Mutual Insurance Company (hereinafter "Company") for the time period January 1, 2009 through December 31, 2013.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on November 18, 2014.

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 16, 2014 and was received by the Company on December 22, 2014.

The Company did not file any objections.

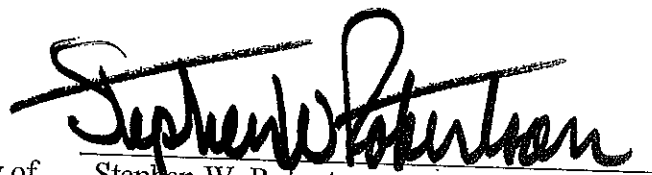
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Franklin County Farmers Mutual Insurance Company as of December 31, 2013.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Franklin County Farmers Mutual 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 28th day of January, 2015.


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 dark ink, appearing to read "Mark A. Schaefer". The signature is written in a cursive style with a large initial "M".

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

**FRANKLIN COUNTY FARMERS MUTUAL INSURANCE
COMPANY**

NAIC Co. CODE 92307

As of

December 31, 2013

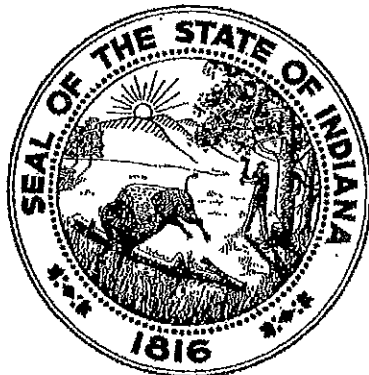


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STATE OF INDIANA

IDOI

MICHAEL R. PENCE, Governor

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

November 18, 2014

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 3830, an examination has been made of the affairs and financial condition of:

Franklin County Farmers Mutual Insurance Company
500 Main Street
Brookville, Indiana 47012

hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the corporate offices of the Company in Brookville, 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, 2013, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
(317) 232-2395

EXAMINATIONS/FINANCIAL SERVICES
(317) 232-2300

MEDICAL MALPRACTICE . SECURITIES/COMPANY RECORDS

STATE HEALTH INSURANCE PROGRAMS

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2008. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2009 through December 31, 2013, and included any 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. 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 1900, and elected to operate under Chapter 145, Acts 1919 in 1925.

The Company insures rural risks including damage to farm and farm-related structures, grain and hay, livestock, and machinery, caused by earthquake, fire, hail, theft, vandalism, and wind.

CAPITAL AND SURPLUS

As of December 31, 2013, the Company had surplus of \$7,725,197 and 1,436 policyholders, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company conducts business in eight (8) counties: Dearborn, Decatur, Fayette, Franklin, Ripley, Rush, Union, and Wayne.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company, as reported during the examination period and adjusted per this examination:

Year	Admitted Assets	Liabilities	Surplus
*2013	\$ 8,157,164	\$ 431,967	\$ 7,725,197
*2012	7,912,046	410,553	7,501,493
*2011	7,827,693	597,044	7,230,649
2010	7,561,713	381,926	7,179,787
2009	7,349,980	444,527	6,905,453

* In 2011, the Company recorded unrealized gain on income producing land for \$277,199. The unrealized gain was reversed in 2013, 2012, and 2011, reducing assets and surplus. In 2013, the Company also understated unearned premiums by \$68,000, which understated liabilities. An adjustment was made to correct the unearned premiums liability. See the Comments on the Financial Statements section of this Report of Examination.

MANAGEMENT AND CONTROL

Directors

Article VI of the Company's Articles of Incorporation, states that the power of the Company shall be vested in a Board of seven (7) directors. Directors are elected, on a staggered basis, at the annual meeting of the members, with each director serving a term of three (3) years. The following is a list of Board members as of December 31, 2013:

Name	Address
Jerry Carpenter	Connersville, Indiana
James Hileman	Brookville, Indiana
Elmer Raver	Oldenburg, Indiana
William Steinard	Connersville, Indiana
Edward Stenger	Brookville, Indiana
Donald Wendel	Cedar Grove, Indiana
Paul Wiwi	Liberty, Indiana

Officers

The Company's Articles of Incorporation state that the officers of the Company shall consist of a President, a Vice President, a Treasurer, and a Secretary. Officers are elected at the annual meeting of the directors and serve for a term of one (1) year. The following is a list of officers as of December 31, 2013.

Name	Office
Edward Stenger	President
William Steinard	Vice President
Donald Wendel	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, 2013.

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 directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2013.

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 and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. No significant issues 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 by any employees through a fidelity bond issued by St. Paul Fire and Marine Insurance Company. The bond has a single loss coverage limit 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 at December 31, 2013, including but not limited to, management indemnity/directors and officers liability, and workers' compensation liability.

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* – Grinnell assumes liability over the Company's retention of \$300,000 per each individual occurrence of loss.
- *Aggregate excess reinsurance* – Grinnell assumes liability when annual losses exceed the attachment point for aggregate net losses of \$848,748. Aggregate excess reinsurance above the attachment point is unlimited.

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, 2012 and December 31, 2013, were agreed to the respective Annual Statements.

FRANKLIN COUNTY FARMERS MUTUAL INSURANCE COMPANY
 Assets, Liabilities and Surplus
 As of December 31, 2013

	Per Annual Statement	Examination Adjustments	Per Examination
ASSETS			
Stocks	\$ 150,773	\$ -	\$ 150,773
Bank balances, subject to check	837,963	-	837,963
Bank balances, on interest	6,371,396	-	6,371,396
Real estate	1,028,795	(277,199)	751,596
Cash in office	139	-	139
Unpaid premiums	10,898	-	10,898
Agents' balances	8,991	-	8,991
Accrued interest	25,408	-	25,408
Total assets	\$ 8,434,363	\$ (277,199)	\$ 8,157,164
LIABILITIES AND SURPLUS			
Net unpaid claims	\$ 62,581	\$ -	\$ 62,581
Ceded reinsurance balances payable	15,196	-	15,196
Unpaid salaries and commissions	8,991	-	8,991
Taxes payable	6,645	-	6,645
Other unpaid expenses	1,220	-	1,220
Premiums collected for other companies	7,828	-	7,828
Unearned premium reserve	261,506	68,000	329,506
Total liabilities	363,967	68,000	431,967
Surplus	8,070,396	(345,199)	7,725,197
Total liabilities and surplus	\$ 8,434,363	\$ (277,199)	\$ 8,157,164

FRANKLIN COUNTY FARMERS MUTUAL INSURANCE COMPANY
 Income Statement and Change in Surplus
 For the Year Ended December 31, 2013

INCOME	Per Annual Statement	Examination Adjustments	Per Examination
Net premiums received	\$ 805,193	\$ -	\$ 805,193
Income from investments	128,738	-	128,738
Other income	94,167	-	94,167
	<u>\$ 1,028,098</u>	<u>\$ -</u>	<u>\$ 1,028,098</u>
EXPENSES AND CHANGE IN SURPLUS			
Net losses	\$ 278,174	\$ -	\$ 278,174
Operating expenses	359,558	-	359,558
Non-Operating expenses	103,214	-	103,214
Total disbursements	<u>740,946</u>	-	<u>740,946</u>
Net Income	287,152	-	287,152
Change in liabilities *	4,552	(68,000)	(63,448)
Change in Surplus	291,704	(68,000)	223,704
Surplus, December 31, 2012	7,778,692	(277,199)	7,501,493
Surplus, December 31, 2013	<u>\$ 8,070,396</u>	<u>\$ (345,199)</u>	<u>\$ 7,725,197</u>

* The Company reports some income statement items on a cash basis. In order to properly reconcile the change in surplus, the change in liabilities amount reflects the reconciliation from cash to accrual basis.

COMMENTS ON THE FINANCIAL STATEMENTS

In 2004, the Company purchased revenue generating land in Rush County for \$255,801. In 2011, the Company determined that the Annual Statement should reflect the land's market value, and an unrealized gain on the land was recorded in the amount of \$277,199. The Statements of Standard Accounting Practice (SSAP) 40, states that land should be reported at cost. An examination adjustment was made to reduce assets and surplus by \$277,199.

In 2013, the Company understated unearned premiums by \$68,000. An examination adjustment was made to correct the unearned premium balance.

OTHER SIGNIFICANT ISSUES

There were no significant issues noted during the course of this examination.

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.

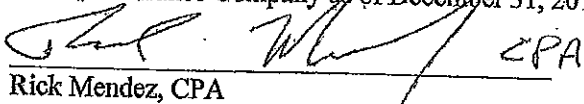
AFFIDAVIT

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., hereinafter collectively referred to as the "Examiners", performed an examination of Franklin County Farmers Mutual Insurance Company, as of December 31, 2013.

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.

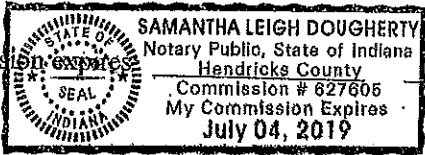
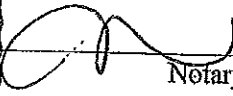
The attached Report of Examination is a true and complete report of condition of Franklin County Farmers Mutual Insurance Company as of December 31, 2013, as determined by the undersigned.


Rick Mendez, CPA
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

On this 15 day of December, 2014, before me personally appeared, Rick Mendez, 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  
Notary Public

