

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

IN THE MATTER OF:)
)
German Mutual Insurance Company of Indiana)
1733 Morningstar Boulevard)
Decatur, IN 46733)

Examination of German Mutual Insurance Company of
Indiana

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 German Mutual Insurance Company of Indiana, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on September 29, 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 German Mutual Insurance Company of Indiana 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.

November 25, 2014
Date

Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0043 7765 00

STATE OF INDIANA) BEFORE THE INDIANA
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German Mutual Insurance Company of Indiana)
1733 Morningstar Boulevard)
Decatur, IN 46733)

Examination of German Mutual Insurance Company of
Indiana

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the German Mutual Insurance Company of Indiana (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 August 26, 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 September 29, 2014 and was received by the Company on October 2, 2014.

The Company did not file any objections.

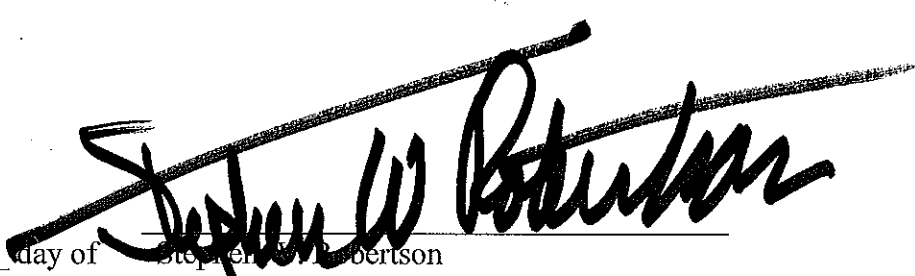
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the German Mutual Insurance Company of Indiana as of December 31, 2013.
2. That the Examiner's Recommendations are reasonable and necessary in order for the German Mutual Insurance Company of Indiana 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 25th day of November, 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.

Michael J. ...

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

GERMAN MUTUAL INSURANCE COMPANY OF INDIANA
NAIC Co. CODE 92308

As of

December 31, 2013

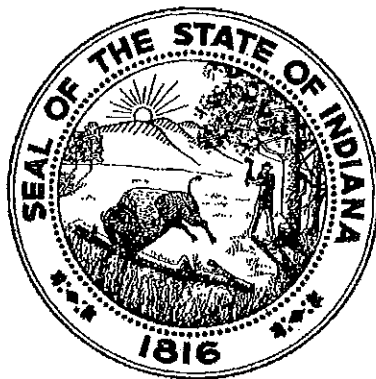


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STATE OF INDIANA

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

August 26, 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 3831, an examination has been made of the affairs and financial condition of:

German Mutual Insurance Company of Indiana
1733 Morningstar Boulevard
Decatur, Indiana 46733

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 Decatur, 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
1-800-677-6661

EXAMINATIONS/FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

SECURITIES/COMPANY RECORDS
(317) 232-1991

STATE HEALTH INSURANCE PROGRAM
1-800-332-4674

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/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 1868, as the German Fire Insurance Company of Preble Township. The Company was founded for the purpose of safeguarding its members against losses from fire, hail, lightning, theft, vandalism, wind, and other perils to distribute on the mutual insurance plan, such losses as may occur in spite of reasonable precautions.

On January 18, 2003, the Board of Directors (Board) approved an amendment to the Company's constitution and Bylaws, changing the name to German Mutual Insurance Company of Indiana.

CAPITAL AND SURPLUS

As of December 31, 2013, the Company had surplus of \$6,275,949 and had 1,718 policyholders, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company is authorized to conduct business throughout the state of Indiana and currently services policyholders in twenty-nine (29) counties, including Adams, Allen, Bartholomew, Blackford, Boone, DeKalb, Delaware, Elkhart, Fayette, Fulton, Grant, Hendricks, Henry, Huntington, Jay, Kosciusko, LaGrange, Lawrence, Marshall, Madison, Noble, Rudolph, St. Joseph, Steuben, Tippecanoe, Union, Wayne, Wells, and Whitley.

The Company writes named peril property coverage against losses from fire, hail, lightning, theft, vandalism, wind, and other perils. The Company primarily insures rural and suburban homes, farms, and small businesses. During the examination period, the Company worked through captive and independent agents to promote its insurance products. In December 2013, the Company established a wholly-owned agency, which will also serve to promote the Company's insurance products.

GROWTH OF THE COMPANY

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

Year	Admitted Assets	Liabilities	Surplus
2013	\$ 7,136,384	\$ 860,435	\$ 6,275,949
2012	6,798,908	637,070	6,167,838
2011	7,092,003	651,030	6,440,973
2010	7,102,294	734,770	6,367,525
2009	6,639,414	567,611	6,639,414

MANAGEMENT AND CONTROL

Directors

Article V of the Company's Constitution and Bylaws states that the management of the Company shall be vested in a Board, not to exceed ten (10) members and who shall serve for a term of five (5) years. Directors are elected at the annual meeting of the members with staggered terms of service. The elected Board meets monthly, overseeing operations and addressing the Company's issues, as needed, throughout the year. The following is a list of Board members as of December 31, 2013:

Name	Address
James L. Heckman	Decatur, Indiana
Jeffery L. Kiess	Decatur, Indiana
Edwin J. Krueckeberg	Decatur, Indiana
Deryll L. Liechty	Berne, Indiana
John A. Schueler	Decatur, Indiana
Gerald L. Selking	Decatur, Indiana
Monica S. Stoppenhagen	Decatur, Indiana

Officers

Article VI of the Company's Constitution and Bylaws states that the officers of the Company shall consist of a President, Vice President, and Secretary. The following is a list of key officers and their respective titles as of December 31, 2013:

Name	Office
Gerald L. Selking	President
Jeffery L. Kiess	Vice President
James L. Heckman	Secretary

Corporate Governance

Corporate governance was evaluated through a review of the Company's Board general meeting minutes, interview of the Company's manager, and other examination documentation.

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

Constitution and Bylaws

Effective December 2009, the Constitution and Bylaws were modified, defining the required officer positions to be the President, Vice President, and Secretary. There were no other changes to the Constitution and Bylaws during the period of examination.

Minutes

The Board and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions noted in the minutes, included the 2009 modification to the Bylaws, eliminating the Treasurer position and the 2013 Board's decision to establish a wholly owned agency and pursue an Asset Purchase Agreement.

AFFILIATED COMPANIES

Organizational Structure

The following organizational chart shows the Company's subsidiary as of December 31, 2013:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
German Mutual Insurance Company of Indiana GMI Agency, LLC	92308	IN

Affiliated Agreements

The Company did not have any affiliated agreements during the examination period.

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 the St. Paul Fire and Marine Insurance Company. The bond has a single loss coverage limit of \$100,000, with a \$5,000 deductible. 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 commercial property liability, 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

The Company purchases reinsurance from Grinnell Mutual Reinsurance Company (Grinnell) as follows:

- *Individual occurrence of loss excess* – Grinnell assumes liability over the Company's retention of \$250,000 per each individual occurrence of loss.
- *Aggregate excess reinsurance* – Grinnell assumes liability when annual losses exceed the attachment point for aggregate net losses of \$1,277,050. 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 2013, were agreed to the respective Annual Statements.

GERMAN MUTUAL INSURANCE COMPANY OF INDIANA
 Assets, Liabilities and Surplus
 As of December 31, 2013

	Per Examination*
Bonds	\$ 4,442,573
Stocks	2,259,393
Bank Balances	58,907
Real Estate	375,511
Totals	\$ 7,136,384
Unpaid claims reported	\$ 36,412
Unpaid claims incurred but not reported	5,000
Net unpaid claims	41,412
Ceded reinsurance balances payable	26,576
Taxes payable	35,281
Premiums collected for other companies	5,740
Premiums collected in advance	8,882
Unearned premium reserve	742,543
Total liabilities	860,435
Surplus	6,275,949
Totals	\$ 7,136,384

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

GERMAN MUTUAL INSURANCE COMPANY OF INDIANA
Income Statement (cash basis) and Change in Surplus
For the Year Ended December 31, 2013

	<u>Per Examination*</u>
INCOME	
Premiums earned	\$ 1,275,592
Less, aggregate excess loss reinsurance	(202,847)
Total net premiums	<u>1,072,746</u>
Income from investments	290,366
Other income and adjustments	47,661
Total income	<u>\$ 1,410,773</u>
EXPENSES AND CHANGE IN SURPLUS	
Losses	\$ 1,027,011
Less, aggregate excess loss reinsurance recoveries	(239,642)
Total of all net losses	<u>787,369</u>
Operating expenses	516,072
Non-Operating expenses	49,726
Total disbursements	<u>1,353,167</u>
Net Income (cash basis)	57,606
Change in liabilities	(229,365)
Unrecognized gain on stock	279,870
Change in Surplus	<u>108,111</u>
Surplus, December 31, 2012	6,167,838
Surplus, December 31, 2013	<u>\$ 6,275,949</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2013, based on the results of this examination.

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.

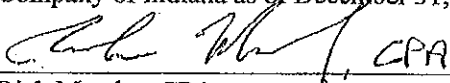
AFFIDAVIT

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 German Mutual Insurance Company of Indiana, 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 German Mutual Insurance Company of Indiana as of December 31, 2013, as determined by the undersigned.

 CPA

Rick Mendez, CPA
Noble Consulting Services, Inc.

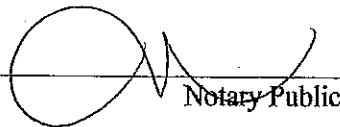
State of: Indiana
County of: Marion

On this 14 day of November, 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

