

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

IN THE MATTER OF:)
)
Home and Farm Insurance Company)
201 West Wayne Street)
Fort Wayne, IN 46802)

Examination of: **Home and Farm 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 Home and Farm Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on June 14, 2017, 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 Home and Farm 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.

8/3/2017

Date
Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7016 2070 0001 1479 8865

STATE OF INDIANA) BEFORE THE INDIANA
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IN THE MATTER OF:)
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201 West Wayne Street)
Fort Wayne, IN 46802)

Examination of: **Home and Farm Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Home and Farm Insurance Company (hereinafter “Company”) for the time period January 1, 2011 through December 31, 2015.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on May 29, 2017.

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 June 14, 2017 and was received by the Company on June 19, 2017.

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 Home and Farm Insurance Company as of December 31, 2015.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Home and Farm 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 this 3rd day of
August, 2017.


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.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION

OF

HOME AND FARM INSURANCE COMPANY

NAIC COMPANY CODE 17639

NAIC GROUP CODE 46

As of

December 31, 2015

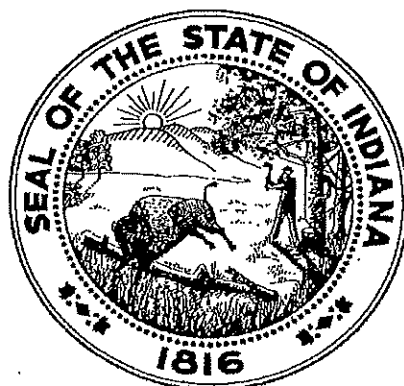


TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION.....	2
HISTORY	2
CAPITAL AND SURPLUS	3
DIVIDENDS TO STOCKHOLDERS	3
TERRITORY AND PLAN OF OPERATION	3
GROWTH OF THE COMPANY	3
LOSS EXPERIENCE	4
MANAGEMENT AND CONTROL	4
Directors.....	4
Officers	5
Corporate Governance	5
CONFLICT OF INTEREST	6
OATH OF OFFICE.....	6
CORPORATE RECORDS	7
Articles of Incorporation.....	7
Bylaws.....	7
Minutes	7
AFFILIATED COMPANIES	7
Organizational Structure	7
Affiliated Agreements.....	8
FIDELITY BOND AND OTHER INSURANCE	8
STATUTORY AND SPECIAL DEPOSITS	8
REINSURANCE.....	9
Reinsurance Pooling Agreement.....	9
Reinsurance Assumed.....	9
Reinsurance Ceded.....	9
RESERVES.....	9
ACCOUNTS AND RECORDS	10
FINANCIAL EXHIBITS.....	11
FINANCIAL STATEMENTS	12
Assets	12
Liabilities, Surplus and Other Funds	13
Statement of Income	14
Capital and Surplus Account	15
COMMENTS ON THE FINANCIAL STATEMENTS.....	16
OTHER SIGNIFICANT FINDINGS	16
SUBSEQUENT EVENTS	16
Change in State of Domicile.....	16
President Resignation.....	16
MANAGEMENT REPRESENTATION.....	16
AFFIDAVIT	17



STATE OF INDIANA

IDOI

ERIC HOLCOMB, Governor

Indiana Department of Insurance

311 W. Washington Street, Suite 300

Indianapolis, Indiana 46204-2787

Telephone: (317) 232-2385

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Stephen W. Robertson, Commissioner

May 29, 2017

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 3925, an examination has been made of the affairs and financial condition of:

Home and Farm Insurance Company
201 West Wayne Street
Fort Wayne, Indiana 46802

an Indiana domestic property and casualty insurer hereinafter referred to as the "Company." The examination was conducted at the main administrative offices of the Company located at One Heritage Place, Piqua, Ohio 45356.

The Report of Examination, showing the status of the Company as of December 31, 2015, 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
1-800-622-4461

EXAMINATIONS/FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

COMPANY RECORDS
(317) 232-5692

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 December 31, 2010. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2011 through December 31, 2015, 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 performed on a coordinated basis with the Ohio Department of Insurance (ODI). ODI conducted the examination of Buckeye State Mutual Insurance Company (Buckeye) and served as the lead state for the coordinated examination. The Company is a direct wholly-owned subsidiary of Buckeye. The INDOI relied upon a portion of the coordinated examination work performed by ODI of Buckeye.

In conducting this risk-focused examination, the INDOI, by its representatives, relied upon the independent audit reports and opinions contained therein rendered by Plante & Moran, LLC for each year of the examination period. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

The ODI Chief Property and Casualty Actuary, Tom Botsko, was utilized by the INDOI to conduct a review of the Company's Loss Reserves and Loss Adjustment Expenses as of December 31, 2015. In addition, Mr. Botsko performed the review of the reserves for the lead State of Ohio as of December 31, 2015.

In accordance with the 2015 NAIC *Financial Condition Examiners Handbook*, Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Company, and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks, and documentation of system controls and procedures used to mitigate the identified risks. In addition, the Examiners performed an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The examination also included a review of the Company's compliance with Statutory Accounting Principles, Annual Statement Instructions, and the Indiana Insurance Code. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

The Company was incorporated on January 29, 1985 under the laws of Indiana and commenced business on March 5, 1985. Prior to February 1992, The Poplar Company, Inc. (Poplar) was the Company's sole shareholder, holding 5,000 of the 10,000 authorized shares of common stock. During February 1992, Buckeye acquired 1,000 shares of the remaining authorized shares.

On July 11, 1994, Poplar and Buckeye entered into a Stock Purchase Agreement, whereby Poplar agreed to sell and Buckeye agreed to purchase 2,001 shares of the Company. The purchase was completed on July 23, 1996. After the transaction, Buckeye owned 50.02% of the Company's stock and Poplar owned the remaining 49.98%.

On May 18, 2005, the Board of Directors of Buckeye approved the purchase of the remaining 2,999 shares from Poplar. On June 2, 2005, Poplar's directors approved the sale.

The Company's Board of Directors approved a merger with Global Insurance Company (Global) effective December 31, 2015, with the Company being the surviving entity.

CAPITAL AND SURPLUS

Pursuant to the Amended Articles of Incorporation, the capital stock authorized for the Company is 10,000 shares of no par value common stock. As of December 31, 2015, the Company's total capital and surplus was \$6,938,754, which included: common capital stock of \$1,000,000, consisting of 6,000 issued and outstanding shares; gross paid-in contributed surplus of \$7,454,463; and unassigned funds (surplus) of (\$1,515,709). All issued and outstanding shares were 100% owned by Buckeye as of December 31, 2015.

DIVIDENDS TO STOCKHOLDERS

No dividends have been paid or declared by the Board of Directors during the period under examination.

TERRITORY AND PLAN OF OPERATION

The Company is licensed solely in the state of Indiana and was formed for the purpose of providing liability coverage to persons uninsured through farm mutual insurance companies, which are limited to writing property coverages only. However, the Company is also authorized by its Certificate of Authority to issue both property and liability coverages.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company for the period under examination:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	<u>Premiums Earned</u>	<u>Net Income (Loss)</u>
2015	\$9,625,350	\$2,686,596	\$6,938,754	\$1,977,600	\$163,493
2014	9,483,103	2,772,053	6,711,050	2,029,400	166,162
2013	6,418,454	3,199,354	3,219,100	2,404,163	24,441
2012	6,212,325	3,020,806	3,191,519	2,018,815	(91,959)
2011	4,283,916	1,051,640	3,232,276	784,866	63,675

The increase in assets and capital & surplus in 2015 is primarily due to Global being merged into the Company's operations effective, December 31, 2015. The increase in assets, liabilities, and net premiums written in 2012 was attributed to a change in the Company's Reinsurance Pooling Agreement with Buckeye, whereby its percentage of participation increased from 2% to 5%.

LOSS EXPERIENCE

The following exhibit shows the underwriting results of the Company for the period under examination:

<u>Year</u>	<u>Premiums Earned</u>	<u>Losses and Loss Adjustment Expenses (LAE) Incurred</u>	<u>Other Underwriting Expenses Incurred</u>	<u>Losses and LAE Ratio</u>	<u>Combined Ratio</u>
2015	\$1,977,600	\$1,245,697	\$665,829	63.0%	96.7%
2014	2,029,440	1,388,159	764,792	68.4%	106.1%
2013	2,404,163	1,616,107	834,215	67.2%	101.9%
2012	2,018,815	1,449,472	757,665	71.8%	109.3%
2011	784,866	597,708	241,260	76.2%	106.9%

With the exception of 2015, the Company reported underwriting losses in each of the years covered by this examination. The underwriting losses were attributed to the Company's business assumed through the Reinsurance Pooling Agreement with Buckeye. The increases in premiums earned, losses, LAE, and other underwriting expenses in 2012 was due to the increased pooling share described in the Growth of the Company section above.

MANAGEMENT AND CONTROL

Directors

The Company's Bylaws specify that the number of directors shall not be less than seven (7) nor more than fifteen (15). The following is a list of persons serving as directors as of December 31, 2015:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Donald E. Benschneider Payne, Ohio	Retired
R. Douglas Haines Troy, Ohio	President Buckeye State Mutual Insurance Company
Richard J. Seitz Lima, Ohio	Retired
J. MacAlpine Smith Bellefontaine, Ohio	Attorney and Partner Smith, Smith & Montgomery
William L. Sweet, Jr. Fort Wayne, Indiana	Attorney and Partner Beckman Lawson LLP
Ralph F. Thiele Fremont, Ohio	Director Echo-German Mutual Insurance Company

The Company did not elect the number of directors as specified in Section 4.06 of its Bylaws which requires that the number of directors shall not be less than seven (7) nor more than fifteen (15). As of December 31, 2015, the Company's Board was only comprised of the six (6) members listed above. (Please see the "Other Significant Findings" section of this report of examination regarding this issue.)

Officers

The Company's Bylaws state that the officers of the Company shall be a President, a Secretary, a Treasurer, and other officers with titles and duties as deemed necessary by the Board of Directors. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary. The following is a list of key officers and their respective titles as of December 31, 2015:

<u>Name</u>	<u>Position</u>
R. Douglas Haines	President
Lisa L. Wesner	Secretary
Robert E. Bornhorst	Treasurer and Vice President

Corporate Governance

The Company does not have any board committees. Buckeye designated the Audit Committee of its Board of Directors to serve as the Audit Committee for both companies. In January 2011, the INDOI received and approved the Company's request to designate Buckeye's Audit Committee as its Audit Committee.

The Company receives oversight from Buckeye's board committees. The committees and the member directors that were elected to serve as of December 31, 2015, were as follows:

Audit Committee:

Robert W. Clark	Chair
Donald E. Benschneider	
Richard J. Seitz	
J. MacAlpine Smith	
William L. Sweet, Jr.	

Investment Committee:

Ralph F. Thiele	Chair
Robert W. Clark	
R. Douglas Haines	
James D. Rogers	

Governance/Nominating Committee:

J. MacAlpine Smith	Chair
John S. Halderman, II	Vice Chair
Donald E. Benschneider	
Robert W. Clark	

R. Douglas Haines (ex officio member)
William L. Sweet, Jr.

Reinsurance Committee:

J. MacAlpine Smith Chair
Donald E. Benschneider
Robert W. Clark
R. Douglas Haines
John S. Halderman, II (non-voting member)
James D. Rogers
Richard J. Seitz
William L. Sweet, Jr.
Ralph F. Thiele

Executive Committee:

William L. Sweet, Jr. Chair
Robert W. Clark
R. Douglas Haines
Richard J. Seitz

Strategic Planning Committee:

Robert W. Clark Chair
Donald E. Benschneider
R. Douglas Haines
John S. Halderman, II
James D. Rogers
Richard J. Seitz
J. MacAlpine Smith
William L. Sweet Jr.
Ralph F. Thiele

CONFLICT OF INTEREST

The Company has established a conflict of interest policy through its Code of Ethics and Business Conduct for the disclosure of any material interest or affiliation by any one (1) director, officer, or employee, which is likely to conflict with their official duties. The Company provided the Conflict of Interest statement for each of the Board of Directors and the Executive Officers.

OATH OF OFFICE

Indiana Code (IC) 27-1-7-10(i) requires 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. Each director serving during the examination period signed an Oath of Office statement when elected.

CORPORATE RECORDS

Articles of Incorporation

The Company amended its Articles of Incorporation effective July 2, 2012, to change its principal office to 201 West Wayne Street, Fort Wayne, Indiana 46802.

Bylaws

The Company amended its Bylaws effective March 21, 2012, to change its principal office to 201 West Wayne Street, Fort Wayne, Indiana 46802.

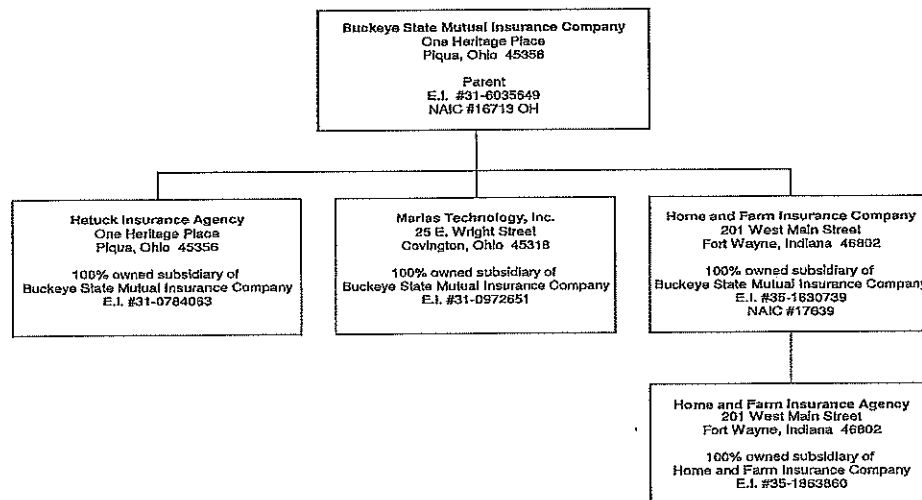
Minutes

The Board of Directors and Shareholders Meeting minutes were reviewed for the period under examination through the fieldwork completion date and significant actions taken during each meeting were noted. For the period under examination, the Annual Meetings of the Shareholders were held in accordance with IC 27-1-7-7(b).

AFFILIATED COMPANIES

Organizational Structure

The Company is a member of an insurance holding company system as defined within IC 27-1-23 and Regulation of Insurance Holding Company Systems. An Insurance Holding Company System Registration Statement was filed annually with the INDOI for each year of the examination period. The following organizational chart depicts the Company's relationship within the holding company system.



Affiliated Agreements

The following affiliated agreements were disclosed as part of the Form B Holding Company Registration Statement, and were filed with and not disapproved by the INDOI, in accordance with IC 27-1-23-4(b)(4).

Cost Sharing Agreement

Effective April 1, 2008, the Company and its parent, Buckeye, entered into a Cost Sharing Agreement in which Buckeye agrees to manage the insurance operations of the Company as pertains to underwriting, claims, investments, and any other guidelines which may be in effect or established by the Company's Board of Directors. In 2015, the Company paid \$52,200 to Buckeye under the terms of this agreement.

Reinsurance Pooling Agreement

The Company and Buckeye operate under a Reinsurance Pooling Agreement. (Please see the "Reinsurance" section of this report)

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by a fidelity bond issued by The Ohio Casualty Insurance Company. The bond has aggregate coverage of \$750,000 and a single loss limit of liability of \$750,000 and it carries a single loss deductible of \$7,500. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of insurance coverage in-force as of December 31, 2015, including but not limited to directors and officers liability, workers compensation coverage, and cyber liability.

STATUTORY AND SPECIAL DEPOSITS

The Company reported the following statutory and special deposits as of December 31, 2015:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
Deposits for the Benefit of all Policyholders:		
Indiana	\$103,475	\$104,243
All Other Special Deposits:		
Georgia	317,202	317,202
South Carolina	<u>154,000</u>	<u>154,585</u>
Total Deposits	<u>\$574,677</u>	<u>\$576,030</u>

REINSURANCE

Reinsurance Pooling Agreement

Effective September 1, 2006, the Company entered into a Reinsurance Pooling Agreement with Buckeye, whereby the Company cedes 100% of its premiums, losses, and expenses to Buckeye. Buckeye then retrocedes 2% of its total assumed and direct premiums, losses, and expenses to the Company. All amounts assumed, ceded, and retroceded under the Reinsurance Pooling Agreement are net of third party reinsurance.

Effective January 1, 2012, the Company and Buckeye entered into an Amended and Restated Reinsurance Pooling Agreement, whereby an affiliate, Middle Georgia Mutual Insurance Company (Middle Georgia), was added as a party. Under the terms of this agreement, Middle Georgia and the Company agree to cede to Buckeye 100% of their direct premiums, losses, and expenses. Buckeye then retrocedes a portion of its direct and assumed premiums, losses, and expenses to Middle Georgia (25%) and the Company (5%) in the specified percentages. All amounts assumed, ceded, and retroceded under the Amended and Restated Reinsurance Pooling Agreement are net of third party reinsurance.

Effective July 1, 2013, as a result of the merger between Buckeye and Middle Georgia, Buckeye retains the business previously retroceded to Middle Georgia.

Reinsurance Assumed

The Company only assumes business under the Reinsurance Pooling Agreement and the Amended and Restated Reinsurance Pooling Agreement.

Reinsurance Ceded

Effective January 1, 2015, the Company, Buckeye, and Global (Cedants) entered into a Multiline Excess of Loss Reinsurance Contract with multiple reinsurers which indemnifies the Cedants for casualty losses in excess of \$250,000 up to a limit of \$3,000,000 for each loss occurrence. The Company can also cede losses under facultative reinsurance agreements.

RESERVES

Travis J. Grulkowski, FCAS, MAAA, an actuary with the firm of Milliman, Inc., was appointed by the Company's Board of Directors to render an opinion on the reserves of the Company for all years covered by this examination.

The scope of the opinion states that the Actuary examined the reserves as shown in the Annual Statement of the Company, as prepared for filing with state regulatory officials as of December 31, 2015. In forming the opinion, information prepared by the Company was relied upon. The provided data was evaluated for reasonableness and consistency. The data was reconciled to Schedule P, Part 1 of the Company's Annual Statement as of December 31, 2015.

The 2015 opinion states the reserve balances; 1) meet the requirements of the insurance laws of the State of Indiana, 2) are consistent with reserves computed in accordance with accepted loss reserving standards

and principles, and 3) make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detail trial balance prepared from the Company's general ledger for the year ending December 31, 2015, was agreed to the Annual Statement without exception. The Company's independent auditors issued unqualified opinions on the Company's audited Statutory Financial Statements for each year during the examination period. The audited Statutory Financial Statements were agreed to the Annual Statement for the year ending December 31, 2015, with no exceptions noted. All of the independent audit work papers were made available to the Examiners during the examination.

The Company's accounts and records are maintained using electronic data processing with the exception of certain items entered manually into the general ledger. The Company maintains adequate supporting work papers, which were reviewed during the examination. The Information Systems controls were reviewed in this examination, and no material exceptions were noted to the control practices and procedures. Overall, the Examiners determined the Company's accounting procedures, practices, and account records were satisfactory.

FINANCIAL EXHIBITS

Comparative Exhibit – Statutory Statement of Assets
Comparative Exhibit – Statutory Statement of Liabilities, Surplus and Other Funds
Comparative Exhibit - Statutory Statement of Income
Comparative Exhibit – Statutory Capital and Surplus Account

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

HOME AND FARM INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

As of December 31, 2015

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Bonds	\$ 6,076,472	\$ -	\$ 6,076,472	\$ 4,546,010
Common stocks	80,914	-	80,914	86,082
Cash, cash equivalents and short-term investments	694,424	-	694,424	2,163,558
Other invested assets	<u>23</u>	<u>-</u>	<u>23</u>	<u>54</u>
Subtotals, cash and invested assets	<u>\$ 6,851,833</u>	<u>\$ -</u>	<u>\$ 6,851,833</u>	<u>\$ 6,795,704</u>
Investment income due and accrued	\$ 71,732	\$ -	\$ 71,732	\$ 57,091
Uncollected premiums and agents' balances in the course of collection	468,405	-	468,405	470,095
Amounts recoverable from reinsurers	7,081	-	7,081	28,086
Funds held by or deposited with reinsured companies	2,000,000	-	2,000,000	2,000,000
Current federal and foreign income tax recoverable	16,304	-	16,304	31,912
Net deferred tax asset	155,894	-	155,894	83,445
Receivables from parent, subsidiaries and affiliates	<u>54,101</u>	<u>-</u>	<u>54,101</u>	<u>16,760</u>
Total	<u>\$ 9,625,350</u>	<u>\$ -</u>	<u>\$ 9,625,350</u>	<u>\$ 9,483,103</u>

HOME AND FARM INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

As of December 31, 2015

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Losses	\$ 466,831	\$ -	\$ 466,831	\$ 473,551
Reinsurance payable on paid losses and loss adjustment expenses	292,778	-	292,778	352,556
Loss adjustment expenses	74,425	-	74,425	69,675
Commissions payable, contingent commissions and other similar charges	171,939	-	171,939	173,429
Other expenses	166,403	-	166,403	169,874
Taxes, licenses and fees (excluding federal and foreign income taxes)	22,967	-	22,967	22,234
Unearned premiums	943,574	-	943,574	998,504
Ceded reinsurance premiums payable (net of ceding commissions)	100,974	-	100,974	95,206
Funds held by company under reinsurance treaties	300,000	-	300,000	300,000
Payable to parent, subsidiaries and affiliates	146,705	-	146,705	117,024
Total Liabilities	\$ 2,686,596	\$ -	\$ 2,686,596	\$ 2,772,053
Common capital stock	\$ 1,000,000	\$ -	\$ 1,000,000	\$ 1,000,000
Gross paid in and contributed surplus	7,454,463	-	7,454,463	7,454,463
Unassigned funds (surplus)	(1,515,709)	-	(1,515,709)	(1,743,413)
Surplus as regards policyholders	\$ 6,938,754	\$ -	\$ 6,938,754	\$ 6,711,050
Total Liabilities, Surplus and Other Funds	\$ 9,625,350	\$ -	\$ 9,625,350	\$ 9,483,103

HOME AND FARM INSURANCE COMPANY

FINANCIAL STATEMENTS

Statement of Income

For the year ended December 31, 2015

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Premiums earned	\$ <u>1,977,600</u>	\$ -	\$ <u>1,977,600</u>	\$ <u>2,029,440</u>
DEDUCTIONS				
Losses incurred	\$ 1,116,760	\$ -	\$ 1,116,760	\$ 1,258,103
Loss adjustment expenses incurred	128,937	-	128,937	130,056
Other underwriting expenses incurred	665,829	-	665,829	764,792
Total underwriting deductions	\$ <u>1,911,526</u>	\$ -	\$ <u>1,911,526</u>	\$ <u>2,152,951</u>
Net underwriting gain (loss)	\$ <u>66,074</u>	\$ -	\$ <u>66,074</u>	\$ <u>(123,511)</u>
Investment Income				
Net investment income earned	\$ 115,664	\$ -	\$ 115,664	\$ 119,686
Net realized capital gains or (losses) less capital gains tax	1,192	-	1,192	157,150
Net investment gain (loss)	\$ <u>116,856</u>	\$ -	\$ <u>116,856</u>	\$ <u>276,836</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ <u>182,930</u>	\$ -	\$ <u>182,930</u>	\$ <u>153,325</u>
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income tax	\$ <u>182,930</u>	\$ -	\$ <u>182,930</u>	\$ <u>153,325</u>
Federal and foreign income taxes incurred	19,437	-	19,437	(13,287)
Net Income	\$ <u><u>163,493</u></u>	\$ -	\$ <u><u>163,493</u></u>	\$ <u><u>166,612</u></u>

HOME AND FARM INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Surplus as regards policyholders, December 31 prior year	\$ 6,711,052	\$ 6,683,601	\$ 3,191,522	\$ 3,232,276	\$ 3,188,012
Net income	163,493	166,612	24,441	(91,959)	63,675
Change in net unrealized capital gains or (losses) less capital gains tax	(5,694)	(85,372)	(3,801)	5,129	(15,045)
Change in net deferred income tax	(6,057)	(83,098)	(4,818)	56,800	64
Change in nonadmitted assets	<u>75,963</u>	<u>29,309</u>	<u>11,757</u>	<u>(10,724)</u>	<u>(4,430)</u>
Change in surplus as regards policyholders for the year	<u>\$ 227,705</u>	<u>\$ 27,451</u>	<u>\$ 27,579</u>	<u>\$ (40,754)</u>	<u>\$ 44,264</u>
Surplus as regards policyholders, December 31 current year	<u>\$ 6,938,757</u>	<u>\$ 6,711,052</u>	<u>\$ 3,219,100</u>	<u>\$ 3,191,522</u>	<u>\$ 3,232,276</u>

Note: The beginning Surplus as regards policyholders for 2015 of \$6,711,052 was increased by \$3,518,536 to include the merged surplus of Global.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2015, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

Board of Directors

The Company did not elect the number of directors as specified in Section 4.06 of its Bylaws which requires that the number of directors shall not be less than seven (7) nor more than fifteen (15). As of December 31, 2015, the Company's Board was only comprised of the six (6) members (See page 5).

It is recommended that the Company elect the number of directors required by the provisions of its Bylaws.

SUBSEQUENT EVENTS

Change in State of Domicile

Effective December 21, 2016, ODI approved the redomestication of the Company from Indiana to Ohio. The INDOI, by letter on August 24, 2016, stated it has no objection to the proposed redomestication of the Company from Indiana to Ohio pursuant to IC 27-1-6.5-2. Upon completion of its redomestication to Ohio the INDOI stated that the Company may continue to operate in Indiana as a foreign insurer.

President Resignation

The Company's President, R. Douglas Haines, resigned on January 30, 2017, and John M. Brooks was appointed as the interim President on this same date. On March 22, 2017, Mr. Brooks was elected as the Company's President.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, the Examiners obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to the Examiners.

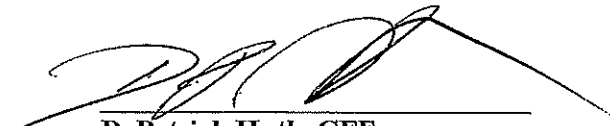
AFFIDAVIT

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 The Thomas Consulting Group, Inc. performed an examination of the **Home and Farm Insurance Company** as of **December 31, 2015**.

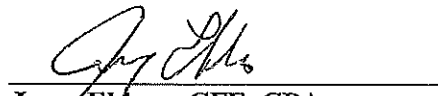
The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

The examination was performed in accordance with those procedures required by the 2015 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 standard 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 the **Home and Farm Insurance Company** as of **December 31, 2015**, as determined by the undersigned.



D. Patrick Huth, CFE
The Thomas Consulting Group, Inc.

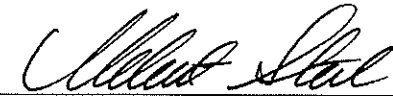


Jerry Ehlers, CFE, CPA
Indiana Department of Insurance

State of:
County of:

On this 9th day of June, 2017, before me personally appeared, D. Patrick Huth 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 11-14-2021 

Notary Public



