

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

IN THE MATTER OF: )  
 )  
Indiana Farmers Mutual Insurance Company )  
10 West 106<sup>th</sup> Street )  
Indianapolis, Indiana 46290 )

**Examination of Indiana 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 **Indiana 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 19, 2011, 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 **Indiana 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 19, 2012  
Date

Cynthia D. Donovan  
Cynthia D. Donovan  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 9063**

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

IN THE MATTER OF: )  
 )  
Indiana Farmers Mutual Insurance Company )  
10 West 106<sup>th</sup> Street )  
Indianapolis, Indiana 46290 )

**Examination of Indiana Farmers Mutual Insurance  
Company**

### **FINDINGS AND FINAL ORDER**

The Indiana Department of Insurance conducted an examination into the affairs of the **Indiana Farmers Mutual Insurance Company** (hereinafter "Company") for the time period January 1, 2006 through December 31, 2010.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on November 13, 2011.

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 19, 2011 and was received by the Company on December 22, 2011.

The Company did not file any objections.

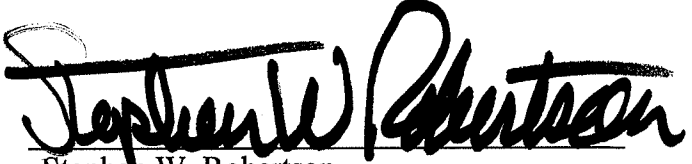
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the **Indiana Farmers Mutual Insurance Company** as of December 31, 2010.
2. That the Examiner's Recommendations are reasonable and necessary in order for the **Indiana 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 19<sup>th</sup> day of January, 2012.

  
Stephen W. Robertson  
Insurance Commissioner  
Indiana Department of Insurance

**STATE OF INDIANA**

**Department of Insurance**

**REPORT OF EXAMINATION**

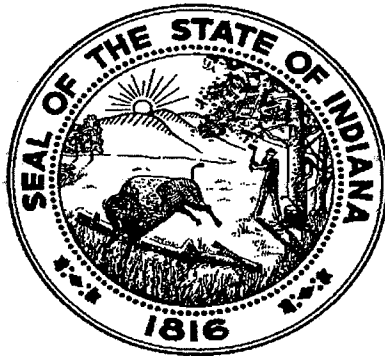
**OF**

**INDIANA FARMERS MUTUAL INSURANCE COMPANY**

**NAIC Co. CODE 22624**

As of

December 31, 2010



## TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION .....	2
HISTORY.....	2
CAPITAL AND SURPLUS .....	2
TERRITORY AND PLAN OF OPERATION .....	2
GROWTH OF THE COMPANY .....	3
MANAGEMENT AND CONTROL.....	3
Policyholders .....	3
Directors .....	3
Officers .....	4
CONFLICT OF INTEREST.....	5
OATH OF OFFICE .....	5
CORPORATE RECORDS .....	5
Articles of Incorporation and Bylaws.....	5
Minutes .....	5
AFFILIATED COMPANIES .....	5
Organizational Structure.....	5
Affiliated Agreements .....	5
FIDELITY BOND AND OTHER INSURANCE .....	5
PENSION, STOCK OWNERSHIP AND INSURANCE PLANS.....	6
STATUTORY DEPOSITS.....	6
REINSURANCE .....	6
Reinsurance Assumed.....	6
Reinsurance Ceded .....	6
ACCOUNTS AND RECORDS .....	7
FINANCIAL STATEMENTS.....	8
Assets .....	8
Liabilities, Surplus and Other Funds .....	9
Statement of Income .....	10
Capital and Surplus Reconciliation .....	11
COMMENTS ON THE FINANCIAL STATEMENTS.....	12
SUBSEQUENT EVENTS.....	12
AFFIDAVIT .....	13



# STATE OF INDIANA

MITCHELL E. DANIELS, JR., 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

November 14, 2011

Honorable Joseph Torti, III  
Chair, NAIC Financial Condition (E) Committee  
Superintendent, State of Rhode Island  
Department of Business Regulation  
Division of Insurance  
1511 Pontiac Avenue, Building 69-2  
Cranston, Rhode Island 02920-4407

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

Dear Superintendent and Commissioner:

Pursuant to the authority vested in Appointment Number 3678, an examination has been made of the affairs and financial condition of:

**Indiana Farmers Mutual Insurance Company**  
**10 West 106<sup>th</sup> Street**  
**Indianapolis, Indiana 46290**

hereinafter referred to as the "Company" or "IFMIC", an Indiana domestic property and casualty mutual insurance company. The examination was conducted at the Company's corporate offices in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2010, 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  
In-State 1-800-622-4461

EXAMINATIONS / FINANCIAL SERVICES  
(317) 232-2390

MEDICAL MALPRACTICE  
(317) 232-2402

SECURITIES / COMPANY RECORDS  
(317) 232-1991

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2005. The present risk-focused examination covered the period from January 1, 2006, through December 31, 2010, and was conducted by Noble Consulting Services, Inc.

David M. Shepherd, FCAS, MAAA, of Merlinos & Associates, Inc., was appointed by the INDOI to conduct a review of the Company's actuarially determined balances as of December 31, 2010. There were no actuarial adjustments from the review performed by Mr. Shepherd.

We conducted our 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

IFMIC was organized and commenced business under the laws of the State of Indiana on August 29, 1877, under the name Patrons Mutual Insurance Company of Montgomery County, Indiana. The Company adopted its current name in 1934. Throughout the Company's history, several mutual insurance companies and farm mutuals have been merged into the Company. There were no mergers during the present examination period.

## CAPITAL AND SURPLUS

The Company is a mutual insurance company and has no capital stock authorized, issued, or outstanding. No dividends were paid to policyholders during the examination period.

## TERRITORY AND PLAN OF OPERATION

IFMIC is a licensed insurer only in the State of Indiana. The Company is a multiple line carrier with a primary focus on personal auto, homeowners multiple peril, farmowners multiple peril, workers' compensation, and commercial multiple peril coverages.

The Company utilizes approximately 206 independent agencies throughout Indiana.

## 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	Premiums Earned	Net Income (Loss)
2010	\$ 293,876,263	\$ 165,189,427	\$ 128,686,833	\$ 155,373,065	\$ 13,307,695
2009	275,308,361	164,774,294	110,534,067	158,718,541	8,585,039
2008	257,451,692	166,647,056	90,804,636	154,105,407	(16,119,376)
2007	279,967,047	152,981,327	126,985,720	149,182,515	11,179,719
2006	268,070,901	151,178,570	116,892,331	137,784,053	6,621,920

The largest decline in income came with the economic stress experienced in 2008. During this period, assets declined and liabilities increased as a result of investment impairment and a large increase in non-admissible deferred tax assets. Significant storm activity during 2008 increased claim underwriting losses, which are reflected in the decline in capital and surplus. A recovery was experienced in 2009 through a decrease in losses as compared to 2008.

## MANAGEMENT AND CONTROL

### Policyholders

As a mutual insurer, every policyholder of the Company, except the holder of a policy or contract of reinsurance, shall be a member and have the right to one (1) vote at each policyholders' or members' meeting regardless of the number of policies or amount of insurance he or she may have with the Company.

### Directors

IFMIC is governed by a Board of Directors. Board members are elected by the policyholders and serve three (3) year terms. The Company's Bylaws state that the Board of Directors shall consist of not less than five (5) nor more than fifteen (15) members.



The following is a listing of persons serving as directors as of December 31, 2010:

<u>Name and Address</u>	<u>Principal Occupation</u>
Daniel Eugene Stone Sheridan, Indiana	President and Chief Executive Officer Indiana Farmers Mutual Insurance Company
Floyd Neal Johnson Alexandria, Indiana	Retired Owner F. Neal Johnson Insurance Agency and D&J Realty
Mark Alan Bates Crown Point, Indiana	President Fleming, Bates & Barber Insurance Company
James David Streitmeier Anderson, Indiana	Retired Bank Executive
Daniel William Biddle West Lafayette, Indiana	Owner Biddle Farms, Biddle Seeds, and former Agent
David Martin McIntosh Muncie, Indiana	Partner Mayer, Brown, Rowe & Maw
Kedwin David Graber Berne, Indiana	Retired Owner and President Graber Insurance, Inc.
Judith Grace Palmer Indianapolis, Indiana	Retired Vice President and Chief Financial Officer Indiana University
David Neil Griffiths Indianapolis, Indiana	Retired President and Chief Executive Officer Citizens Gas & Coke Utility

### Officers

The Company's Bylaws state the Board of Directors shall elect a President, Secretary, Treasurer, Chairman of the Board, and Vice-Chairman of the Board. The Board may elect such other officers as they may deem necessary for the transaction of the business of the Company, including but not limited to Executive Vice Presidents, Vice Presidents, Assistant Secretaries, and a General Counsel. The following is a listing of key officers and their respective titles as of December 31, 2010:

<u>Name</u>	<u>Office</u>
Floyd Neal Johnson	Chairman of the Board
James David Streitmeier	Vice-Chairman of the Board
Daniel Eugene Stone	President and Chief Executive Officer
Kimberly Joan Smith	Secretary, Senior VP, and General Counsel
Paul Gerard Seppel	Treasurer, Executive VP, and Chief Financial Officer
Mary Kay Aylsworth	Vice President
Hamilton Gregg Huey III	Senior Vice President, Chief Operating Officer
Glenn Anthony Toren	Vice President
Richard Scott Vasil	Vice President
John Barton Anderson III	Vice President

## **CONFLICT OF INTEREST**

The Company requires officers and directors to review and sign Conflict of Interest statements on an annual basis. The officers and directors have reviewed and signed their statements as of December 31, 2010.

## **OATH OF OFFICE**

Indiana Code 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. As of December 31, 2010, all directors had subscribed to Oaths of Office.

## **CORPORATE RECORDS**

### **Articles of Incorporation and Bylaws**

There were no amendments made to the Company's Articles of Incorporation or Bylaws during the examination period.

### **Minutes**

The Board of Directors, Policyholder, Governance Committee, Budget Committee, Investment Committee, Executive Committee, and Audit Committee meeting minutes were reviewed for the period under examination through the fieldwork date, and significant actions taken during each meeting were noted. The annual meetings and other regular Board meetings were held in accordance with the Company's Bylaws.

## **AFFILIATED COMPANIES**

### **Organizational Structure**

As a mutual company, IFMIC is owned by its policyholders.

### **Affiliated Agreements**

The Company is not a member of a Holding Company System, there are no affiliated companies, and the Company has no affiliated agreements.

## **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 Indiana Insurance Company. The bond has blanket coverage of \$1.0 million with a deductible of \$1,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2010, including, but not limited to auto, property and liability, workers' compensation, umbrella liability, and directors and officers liability.

## PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has one defined contribution plan, the Indiana Farmers Mutual Insurance Company 401(k) Retirement Plan and Trust (The Plan). The Plan is available to all employees who meet certain eligibility requirements in accordance with The Plan description and with certain Department of Labor requirements. Under The Plan, the Company contributes 11 percent (11%) of participants' base pay under a nondiscretionary profit sharing component and up to two percent (2%) match under a 401(k) component of The Plan. The Company contributed \$1,080,617 and \$1,078,623 to The Plan in 2010 and 2009, respectively. The net assets for plan benefits were \$19,029,576 and \$17,156,495 as of December 31, 2010, and 2009.

The Company sponsors a nonqualified, unfunded, noncontributory, deferred compensation plan covering certain individuals as defined in Section 201(2) and 301(a)(3) of the Employment Income Security Act of 1974 (ERISA). The plan shall be considered in reference to ERISA Section 401(a)(1) and to DOL Regulation Section 2520 104-23 and subject to the alternative method of compliance with reporting and disclosure requirements of Part 1 of Title 1 of ERISA. The Plan was adopted in 2004. As of December 31, 2010 and 2009, the Company accrued a liability of \$3,840,798 and \$3,381,035, respectively, in accordance with Statutory Accounting principles, representing the vested net present value of the deferred compensation obligations computed using information as of December 31, 2010, which is included as a component of accounts payable and accrued expenses.

### STATUTORY DEPOSITS

The Company reported a statutory deposit with Indiana for the benefit of all policyholders, with a book value of \$300,172 and a fair value of \$301,724. The deposit was comprised of United States Treasury Notes as of December 31, 2010.

### REINSURANCE

#### Reinsurance Assumed

The Company does not actively participate in the assumed reinsurance market. The Company does participate in statutorily mandated pools, the National Council of Compensation Insurance, the Indiana Compensation Rating Bureau, and the Automobile Insurance Plan Service Office. These statutorily mandated pools were deemed to be financially insignificant to the Company.

#### Reinsurance Ceded

The Company utilizes reinsurance to limit its maximum per-risk exposure to not more than \$550,000 per loss. The Company maintains catastrophe reinsurance which is designed to limit the Company's overall loss arising from a single event. This reinsurance program consists of several property and casualty excess of loss treaties and a three-layer catastrophe excess of loss program. The Company utilizes various catastrophe aggregate, umbrella, facultative, boiler and equipment breakdown, and equipment breakdown agreements. A summary of all reinsurance agreements follows:

1<sup>st</sup> Casualty & Property Excess of Loss with Swiss Reinsurance America Corporation (Swiss Re) provides for coverage of \$450,000, excess of \$550,000.

2<sup>nd</sup> Casualty & Property Excess of Loss with Swiss Re provides for coverage of \$2,000,000, excess of \$1,000,000.

3<sup>rd</sup> Casualty Excess of Loss (CLASH) with Willis Re, Inc. provides for coverage of \$5,000,000, excess of \$3,000,000 on casualty business.

Catastrophe Reinsurance with Willis Re, Inc. is provided through three layers of coverage totaling \$64,000,000 excess, of \$6,000,000.

Catastrophe Reinsurance with Willis Re, Inc. provides coverage of \$3,000,000 in excess of \$3,000,000 after satisfying \$3,000,000.

Catastrophe Aggregate Reinsurance with Willis Re, Inc. provides for \$10,000,000 in excess of \$16,000,000, for aggregate losses satisfying a \$750,000 franchise deductible.

Umbrella Reinsurance with Swiss Re provides for coverage of 50% of the first \$1,000,000 and 95% of the next \$4,000,000.

Facultative Reinsurance with Munich Re provides coverage for property risks that exceed the excess of loss program. Limited property amounts up to 10% of \$3,000,000 are reinsured with Swiss Re on a special acceptance basis. Property risks exceeding \$3,300,000 have obligatory placement. Coverage can be for up to \$10,000,000, excess of \$3,000,000.

Boiler & Equipment Breakdown – Commercial Lines with Hartford Steam Boiler provides 100% quota share coverage.

Equipment Breakdown – Personal Lines and Farm Lines with Mutual Boiler Re provides 100% quota share coverage.

### 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, 2009, and 2010, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2006, through December 31, 2010, were agreed to each year's independent audit report with no material exceptions noted. The Examiners determined the Company's accounting procedures, practices, and account records were satisfactory.

**INDIANA FARMERS MUTUAL INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

Assets

As of December 31, 2010

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
<b>Assets:</b>				
Bonds	\$ 176,008,108	\$ -	\$ 176,008,108	\$ 151,357,159
Stocks:				
Common stocks	52,843,333	-	52,843,333	50,184,543
Real estate:				
Properties occupied by the company	480,648	-	480,648	538,010
Properties held for the production of income	30,195	-	30,195	30,195
Cash, cash equivalents and short-term investments	6,417,289	-	6,417,289	8,638,490
Subtotals, cash and invested assets	235,779,572	-	235,779,572	210,748,396
Investment income due and accrued	2,673,492	-	2,673,492	2,435,493
Premiums and considerations:				
Uncollected premiums and agents' balances in the course of collection	4,958,418	-	4,958,418	7,487,819
Deferred premiums, agents' balances and installments booked but deferred and not yet due	36,609,227	-	36,609,227	39,055,611
Reinsurance:				
Amounts recoverable from reinsurers	379,493	-	379,493	178,019
Other amounts receivable under reinsurance contracts	544,707	-	544,707	678,733
Current federal and foreign income tax recoverable and interest thereon	1,086,726	-	1,086,726	2,402,579
Net deferred tax asset	8,972,142	-	8,972,142	10,156,940
Electronic data processing equipment and software	40,090	-	40,090	82,138
Aggregate write-ins for other than invested assets	2,832,396	-	2,832,396	2,082,632
<b>TOTALS</b>	<b>\$ 293,876,263</b>	<b>\$ -</b>	<b>\$ 293,876,263</b>	<b>\$ 275,308,361</b>

This report of examination reflects the information as presented in the Annual Statement filings. Note that immaterial differences reported in these financial statements have been transferred directly from Annual Statement data.

**INDIANA FARMERS MUTUAL INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Liabilities, Surplus and Other Funds**

As of December 31, 2010

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
<b>Liabilities:</b>				
Losses	\$ 62,891,425	\$ -	\$ 62,891,425	\$ 57,016,480
Loss adjustment expenses	6,725,330	-	6,725,330	6,314,386
Commissions payable, contingent commissions and other similar charges	1,794,484	-	1,794,484	1,769,832
Other expenses	1,047,723	-	1,047,723	994,262
Taxes, licenses and fees	138,770	-	138,770	136,547
Unearned premiums	78,550,403	-	78,550,403	85,701,126
Advance premium	4,368,745	-	4,368,745	2,704,472
Ceded reinsurance premiums payable (net of ceding commissions)	82,437	-	82,437	402,122
Amounts withheld or retained by company for account of others	239,737	-	239,737	699,656
Provision for reinsurance	95,544	-	95,544	9,195
Drafts outstanding	5,414,032	-	5,414,032	5,645,179
Aggregate write-ins for liabilities	3,840,798	-	3,840,798	3,381,035
<b>Total liabilities</b>	<b>\$ 165,189,427</b>	<b>\$ -</b>	<b>\$ 165,189,427</b>	<b>\$ 164,774,294</b>
Unassigned funds (surplus)	128,686,833	-	128,686,833	110,534,067
Surplus as regards policyholders	128,686,833	-	128,686,833	110,534,067
<b>TOTALS</b>	<b>\$ 293,876,260</b>	<b>\$ -</b>	<b>\$ 293,876,260</b>	<b>\$ 275,308,361</b>

This report of examination reflects the information as presented in the Annual Statement filings. Note that immaterial difference reported in these financial statements have been transferred directly from Annual Statement data.

**INDIANA FARMERS MUTUAL INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Statement of Income**

As of December 31, 2010

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
<b>UNDERWRITING INCOME</b>				
Premiums earned	\$ 155,373,065	\$ -	\$ 155,373,065	\$ 158,718,541
<b>DEDUCTIONS</b>				
Losses incurred	92,732,939	-	92,732,939	103,689,824
Loss adjustment expenses incurred	9,842,379	-	9,842,379	10,286,994
Other underwriting expenses incurred	45,399,523	-	45,399,523	46,789,371
Total underwriting deductions	<u>147,974,842</u>	<u>-</u>	<u>147,974,842</u>	<u>160,766,189</u>
Net underwriting gain (loss)	7,398,223	-	7,398,223	(2,047,648)
<b>INVESTMENT INCOME</b>				
Net investment income earned	8,506,181	-	8,506,181	7,819,648
Net realized capital gains (losses) less capital gains tax	<u>651,451</u>	<u>-</u>	<u>651,451</u>	<u>134,696</u>
Net investment gain (loss)	9,157,633	-	9,157,633	7,954,343
<b>OTHER INCOME</b>				
Net gain (loss) from agents' or premium balances charged off	(349,347)	-	(349,347)	(438,921)
Finance and service charges not included in premiums	1,170,672	-	1,170,672	817,804
Aggregate write-ins for miscellaneous income	<u>433,652</u>	<u>-</u>	<u>433,652</u>	<u>515,869</u>
Total other income	<u>1,254,978</u>	<u>-</u>	<u>1,254,978</u>	<u>894,752</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	17,810,833	-	17,810,833	6,801,447
Federal and foreign income taxes incurred	<u>4,503,138</u>	<u>-</u>	<u>4,503,138</u>	<u>(1,783,591)</u>
Net income	<u>\$ 13,307,695</u>	<u>\$ -</u>	<u>\$ 13,307,695</u>	<u>\$ 8,585,039</u>

**INDIANA FARMERS MUTUAL INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Capital and Surplus Reconciliation**

	<u>12/31/2010</u>	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
<b>Capital and Surplus Account:</b>					
Surplus as regards policyholders,					
December 31, prior year	\$ 110,534,068	\$ 90,804,637	\$ 126,985,721	\$ 116,892,332	\$ 108,649,698
Net income (loss)	13,307,695	8,585,039	(16,119,376)	11,179,719	6,621,920
Change in net unrealized capital gains or (losses) less capital gains tax	3,987,551	6,349,616	(14,818,604)	(1,832,366)	1,623,376
Change in net deferred income tax	(227,314)	(2,739,690)	3,406,850	657,493	96,498
Change in nonadmitted assets	1,171,185	7,328,680	(8,434,973)	88,543	(99,160)
Change in provision for reinsurance	(86,349)	205,786	(214,982)	-	-
Change in surplus as regards policy- holders for the year	<u>18,152,768</u>	<u>19,729,431</u>	<u>(36,181,084)</u>	<u>10,093,389</u>	<u>8,242,634</u>
Surplus as regards policyholders, December 31, current year	<u>\$ 128,686,837</u>	<u>* \$ 110,534,068</u>	<u>* \$ 90,804,637</u>	<u>\$ 126,985,721</u>	<u>\$ 116,892,332</u>

\* This report of examination reflects the information presented in the Annual Statement filing. Note that there are immaterial differences in the amount of total capital and surplus reported in this exhibit and that reported elsewhere in this report.



**COMMENTS ON THE FINANCIAL STATEMENTS**

There were no recommended adjustments to surplus as of December 31, 2010, based on the results of this examination.

**SUBSEQUENT EVENTS**

There were no events subsequent to the examination date and prior to the completion of fieldwork that were considered to have a material effect on the financial statements of the Company.


**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. and actuarial assistance from Merlino & Associates, Inc., hereinafter collectively referred to as the "Examiners", performed an examination of **Indiana Farmers Mutual Insurance Company**, as of **December 31, 2010**.

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 **Indiana Farmers Mutual Insurance Company**, as of **December 31, 2010**, as determined by the undersigned.

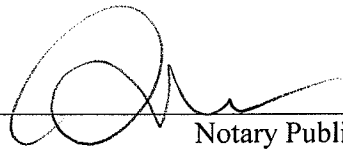
  
\_\_\_\_\_  
Daniel P. McBay, CFE  
Noble Consulting Services, Inc.

State of:  
County of:

On this 12 day of December 2011, before me personally appeared, Daniel P. McBay, 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

