

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

IN THE MATTER OF: )  
 )  
**Mid-State Farmers Mutual Insurance Company** )  
**1008 Lincoln Highway East** )  
**New Haven, Indiana 46774** )

Examination of: **Mid-State Farmers Mutual Insurance Company**

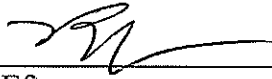
**NOTICE OF ENTRY OF ORDER**

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 Mid-State 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 11, 2018, 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 Mid-State 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.

2/11/2021  
Date

  
Roy Eft  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7017 3040 0000 9294 9803**

STATE OF INDIANA ) BEFORE THE INDIANA  
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### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Mid-State Farmers Mutual Insurance Company (hereinafter “Company”) for the time period January 1, 2014 through December 31, 2018.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on June 21, 2020.

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 11, 2020 and was received by the Company on December 14, 2020.

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 Mid-State Farmers Mutual Insurance Company as of December 31, 2018.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Mid-State 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 this 11<sup>th</sup> day of  
February, 2021.

*Stephen W. Robertson*

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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.

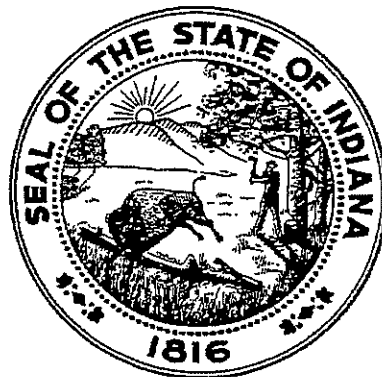
Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

**STATE OF INDIANA**  
**Department of Insurance**  
**REPORT OF EXAMINATION**  
**OF**

**MID-STATE FARMERS MUTUAL INSURANCE COMPANY**  
NAIC Co. CODE 92293

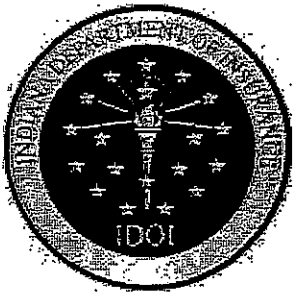
As of

December 31, 2018



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# STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

## Indiana Department of Insurance

Stephen W. Robertson, Commissioner  
311 W. Washington Street, Suite 103

Indianapolis, Indiana 46204-2787

Telephone: 317-232-2385

Fax: 317-232-5251

Website: [in.gov/idoi](http://in.gov/idoi)

June 21, 2020

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 4020, an examination has been made of the affairs and financial condition of:

**Mid-State Farmers Mutual Insurance Company**  
**1008 Lincoln Highway East**  
**New Haven, Indiana 46774**

hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in New Haven, 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, 2018, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2413    COMPANY COMPLIANCE 317-232-3485    CONSUMER SERVICES 317-232-2395/1-800-622-4461    FINANCIAL SERVICES 317-232-2390    MEDICAL MALPRACTICE 317-232-2402    COMPANY RECORDS 317-232-5692    STATE HEALTH INSURANCE PROGRAM 1-800-452-4800

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance as of the period ending December 31, 2013. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2014 through December 31, 2018, 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 originally organized in February 1878, as the Farmers Mutual Fire Insurance Association of Allen County and elected to come under Chapter 145, Acts 1919 in November 1924. On January 1, 1988, the Company merged with the Farmers Mutual Insurance Company of Jay County with the Company being the surviving entity, and at the same time changing its name to Mid-State Farmers Mutual Insurance Company.

## CAPITAL AND SURPLUS

As of December 31, 2018, the Company had adjusted surplus of \$1,165,059. The Company has 2,507 members, who are the owners of the Company.

## TERRITORY AND PLAN OF OPERATION

The Company currently conducts business in Adams, Allen, Bartholomew, Blackford, Boone, Brown, Cass, Clark, Clinton, Crawford, Dearborn, DeKalb, Delaware, Elkhart, Fayette, Fountain, Franklin, Fulton, Grant, Hamilton, Hancock, Harrison, Hendricks, Henry, Howard, Huntington, Jay, Jennings, Knox, Kosciusko, Lagrange, Lake, Lawrence, Madison, Marshall, Miami, Monroe, Montgomery, Noble, Parke, Porter, Pulaski, Putnam, Randolph, Rush, St. Joseph, Starke, Steuben, Tippecanoe, Tipton, Union, Vermillion, Wabash, Warren, Wayne, Wells, and Whitley.

The Company insures its members against loss on dwellings, farms, farm buildings and equipment, livestock, mobile homes, personal property, and rental properties. Policies are written on a one (1) year basis.



## GROWTH OF THE COMPANY

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

| Year | Admitted       |              |                |
|------|----------------|--------------|----------------|
|      | Assets         | Liabilities  | Surplus        |
| 2018 | \$ 2,107,727 * | \$ 942,668 * | \$ 1,165,059 * |
| 2017 | 2,500,250      | 1,122,994    | 1,377,255      |
| 2016 | 2,319,504      | 747,439      | 1,572,065      |
| 2015 | 2,272,567      | 1,084,096    | 1,188,471      |
| 2014 | 2,375,990      | 757,238      | 1,618,752      |

\*2018 Admitted assets, liabilities, and surplus were adjusted to correct overstated mortgage loans and understated reinsurance recoverable.

## MANAGEMENT AND CONTROL

### Directors

The corporate powers of the Company are vested in a Board of Directors (Board) consisting of seven (7) directors who shall serve a term of three (3) years. Directors are elected at the annual meeting of members with staggered terms of service. The following is a listing of persons serving as directors as of December 31, 2018:

| <u>Name</u>         | <u>Address</u>            |
|---------------------|---------------------------|
| Ryan Anguilm        | North Manchester, Indiana |
| Marilyn Arnold      | Fort Wayne, Indiana       |
| Greg Baumert        | Monroeville, Indiana      |
| Daniel Gustin       | Fort Wayne, Indiana       |
| Dave McIntyre       | North Manchester, Indiana |
| Harrold Spenn       | Fort Wayne, Indiana       |
| James Thompson, Jr. | Harlan, Indiana           |

### Officers

The officers of the Company consist of a President, Vice President, Secretary, and Treasurer. Officers are elected at the annual meeting of the Board and serve for a term of one (1) year. The following is a list of key officers and their respective titles as of December 31, 2018.

| <u>Name</u>    | <u>Office</u>           |
|----------------|-------------------------|
| Marilyn Arnold | President               |
| Harrold Spenn  | Vice President          |
| Rick Moss      | 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, 2018.

## **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 of the directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2018.

## **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 minutes and the minutes from the annual meeting of the members were reviewed for the period under examination through the fieldwork date. No significant issues or events were noted from the review of the Board and annual members meeting minutes.

## **AFFILIATED COMPANIES**

The Company is owned by its members and has no 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 Travelers Casualty and Surety Company of America. The bond has a blanket coverage of \$250,000. 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, 2018, including but not limited to, agents and brokers professional liability, businessowners, directors and officers liability, fraud, and workers' compensation.

### 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's reinsurance program is placed through Grinnell Mutual Reinsurance Company (Reinsurer). The reinsurance program includes three (3) treaties, all effective January 1, 2018, which are described below.

- *Property Per Risk Excess of Loss Reinsurance* – This coverage limits the Company's liability on an individual occurrence of loss with a retention limit of \$75,000.
- *Property Catastrophe Excess of Loss Reinsurance* – This coverage limits the Company's liability on the first \$350,000 ultimate net loss incurred, per loss occurrence, net of all other reinsurance recoveries.
- *Property Aggregate Excess of Loss Reinsurance* – The Reinsurer agrees to indemnify the Company for 100% of the Company's ultimate net losses incurred in excess of \$700,000, net of all other reinsurance recoveries.

### 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, 2017 and December 31, 2018, were agreed to the respective Annual Statements.

**FINANCIAL STATEMENTS**

MID-STATE FARMERS MUTUAL INSURANCE COMPANY  
Assets, Liabilities and Surplus  
As of December 31, 2018

|                                                          | <u>Per Annual<br/>Statement</u> | <u>Examination<br/>Adjustments</u> | <u>Per<br/>Examination</u> |
|----------------------------------------------------------|---------------------------------|------------------------------------|----------------------------|
| <b>Assets:</b>                                           |                                 |                                    |                            |
| Bonds                                                    | \$ 106,212                      | \$ -                               | \$ 106,212                 |
| Stocks                                                   | 1,819,636                       | -                                  | 1,819,636                  |
| Bank balances                                            | 97,130                          | -                                  | 97,130                     |
| Mortgage loans                                           | 53,633                          | (53,633)                           | - *                        |
| Real estate                                              | 79,597                          | -                                  | 79,597                     |
| Cash in office                                           | 200                             | -                                  | 200                        |
| Unpaid premiums                                          | 1,103                           | -                                  | 1,103                      |
| Commissions receivable                                   | 3,849                           | -                                  | 3,849                      |
| Total assets                                             | <u>\$ 2,161,360</u>             | <u>\$ (53,633)</u>                 | <u>\$ 2,107,727</u>        |
| <br><b>Liabilities and Surplus:</b>                      |                                 |                                    |                            |
| Unpaid claims                                            | \$ 456,518                      | \$ -                               | \$ 456,518                 |
| Less, reinsurance recoverable                            | -                               | (111,214)                          | (111,214) *                |
| Net unpaid claims                                        | 456,518                         | (111,214)                          | 345,304                    |
| Unpaid salaries and commissions                          | 17,602                          | -                                  | 17,602                     |
| Ceded reinsurance balances payable                       | 31,081                          | -                                  | 31,081                     |
| Taxes payable                                            | 2,189                           | -                                  | 2,189                      |
| Premiums collected for other<br>companies - not remitted | 4,337                           | -                                  | 4,337                      |
| Premiums received in advance                             | 37,757                          | -                                  | 37,757                     |
| Unearned premium reserve                                 | 504,398                         | -                                  | 504,398                    |
| Total liabilities                                        | 1,053,882                       | (111,214)                          | 942,668                    |
| Surplus                                                  | 1,107,478                       | 57,581                             | 1,165,059 *                |
| Total liabilities and surplus                            | <u>\$ 2,161,360</u>             | <u>\$ (53,633)</u>                 | <u>\$ 2,107,727</u>        |

\*As adjusted through the examination process, 2018 surplus increased \$57,581 (mortgage loan balance was overstated \$53,633 and reinsurance recoverable was understated \$111,214).

MID-STATE FARMERS MUTUAL INSURANCE COMPANY  
Income Statement and Change in Surplus  
For the Year Ended December 31, 2018

|                                         | <u>Per Annual<br/>Statement</u> | <u>Examination<br/>Adjustments</u> | <u>Per<br/>Examination*</u> |
|-----------------------------------------|---------------------------------|------------------------------------|-----------------------------|
| <b>Income:</b>                          |                                 |                                    |                             |
| Premiums, net of reinsurance            | \$ 1,037,420                    | \$ -                               | \$ 1,037,420                |
| Interest and profit on investments      | 154,381                         | -                                  | 154,381                     |
| Other income                            | <u>243,708</u>                  | <u>-</u>                           | <u>243,708</u>              |
| Total income                            | <u>1,435,509</u>                | <u>-</u>                           | <u>1,435,509</u>            |
| <b>Disbursements:</b>                   |                                 |                                    |                             |
| Losses, net of reinsurance              | 610,057                         | (111,214)                          | 498,843 **                  |
| Operating expenses                      | 679,080                         | -                                  | 679,080                     |
| Non-operating expenses                  | 486,958                         | -                                  | 486,958                     |
| Change in ledger assets and liabilities | <u>(70,809)</u>                 | <u>53,633</u>                      | <u>(17,176)</u>             |
| Total disbursements                     | <u>1,705,286</u>                | <u>(57,581)</u>                    | <u>1,647,705</u>            |
| Net income                              | <u>(269,777)</u>                | <u>57,581</u>                      | <u>(212,196)</u>            |
| Surplus, beginning of period            | <u>1,377,255</u>                | <u>-</u>                           | <u>1,377,255</u>            |
| Surplus, end of period as reported      | <u>\$ 1,107,478</u>             | <u>\$ 57,581</u>                   | <u>\$ 1,165,059 **</u>      |

\*The Company reports some income statement items on a cash basis. In order to properly reconcile the change in surplus, the change in ledger assets and liability amounts reflect the reconciliation from cash to accrual basis.

\*\*As adjusted through the examination process, 2018 surplus increased \$57,581 (mortgage loan balance overstated \$53,633 and reinsurance recoverable understated \$111,214).

### COMMENTS ON THE FINANCIAL STATEMENTS

The Company overstated its mortgage loan balance by \$53,633 as of December 31, 2018. It is recommended that the Company properly report mortgage loan balance in future Annual Statement filings.

The Company understated its reinsurance recoverable and losses, net of reinsurance by \$111,214 as of December 31, 2018. It is recommended that the Company properly report reinsurance recoverable and losses, net of reinsurance in future Annual Statement filings.

### OTHER SIGNIFICANT ISSUES

There were no other significant issues of note during the examination period.

### SUBSEQUENT EVENTS

There were no other 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., performed an examination of Mid-State Farmers Mutual Insurance Company, Inc., as of December 31, 2018.


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 Mid-State Farmers Mutual Insurance Company, Inc., as of December 31, 2018, as determined by the undersigned.

  
\_\_\_\_\_  
Jim Kattman, CFE  
Noble Consulting Services, Inc.

Under the Supervision of:

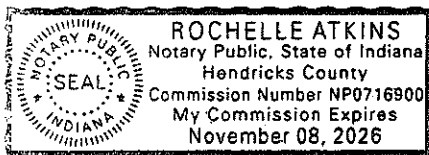
  
\_\_\_\_\_  
Jerry Ehlers, CFE, AES  
Examinations Manager  
Indiana Department of Insurance

State of: Indiana  
County of: Marion

On this 18<sup>th</sup> day of July, 2019, before me personally appeared, Jim Kattman and Jerry Ehlers, 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: Nov 8, 2026 Rochelle Atkins  
\_\_\_\_\_  
Notary Public



\_\_\_\_\_  
Notary Public

