

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

IN THE MATTER OF:)
)
Patrons Mutual Fire Insurance Company)
415 Walnut Street)
Lawrenceburg, IN 47025)

Examination of Patrons Mutual Fire Insurance Company

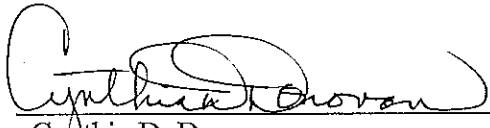
NOTICE OF ENTRY OF ORDER

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 Patrons Mutual Fire Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on February 26, 2016, 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 Patrons Mutual Fire 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.

3/24/2016
Date


Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0057 2773

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

IN THE MATTER OF:)
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Patrons Mutual Fire Insurance Company)
415 Walnut Street)
Lawrenceburg, IN 47025)

Examination of Patrons Mutual Fire Insurance Company

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Patrons Mutual Fire Insurance Company (hereinafter "Company") for the time period January 1, 2010 through December 31, 2014.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on October 15, 2015.

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 February 26, 2016 and was received by the Company on February 29, 2016.

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 Patrons Mutual Fire Insurance Company as of December 31, 2014.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Patrons Mutual Fire 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 24th day of
March, 2016.



Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

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

A handwritten signature in black ink, appearing to read "Michael A. ...". The signature is written in a cursive style and is located in the lower-left quadrant of the page.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

PATRONS MUTUAL FIRE INSURANCE COMPANY
NAIC Co. CODE 92323

As of

December 31, 2014

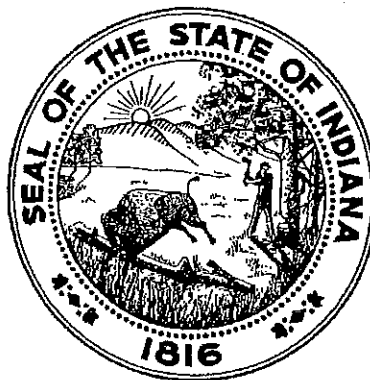


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STATE OF INDIANA

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

October 15, 2015

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 3881, an examination has been made of the affairs and financial condition of:

Patrons Mutual Fire Insurance Company
415 Walnut Street
Lawrenceburg, Indiana 47025

hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the offices of the Company in Lawrenceburg, 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, 2014, 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
1-800-677-4461

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 as of the period ending December 31, 2009. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2010 through December 31, 2014, 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 1878 and elected to come under Chapter 145, Acts 1919, during 1924, which was repealed by Acts 1972, P.L. 129-2003 and restated as Indiana Code (IC) 27-5.1 as pertains to farm mutual insurance companies.

The purpose of the Company, as stipulated within the Bylaws, is to make periodic inspection of risks to safeguard its members against property losses and to distribute among all members on the mutual plan such losses as may occur.

CAPITAL AND SURPLUS

As of December 31, 2014, the Company had surplus as adjusted in the examination of \$918,315 and 563 policyholders, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company provides personal lines coverage, primarily for homes and farms. The Company conducts business in the Indiana counties of Bartholomew, Boone, Clark, Dearborn, Decatur, Floyd, Franklin, Jefferson, Jennings, Morgan, Ohio, Ripley, and Switzerland.

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
2014	\$ 1,134,461 ^A	\$ 216,146	\$ 918,315 ^A
2013	984,475 ^B	191,408	793,067 ^B
2012	923,896 ^B	132,440	791,456 ^B
2011	974,341 ^B	155,065	819,276 ^B
2010	950,521	214,475	736,046

^A 2014 admitted assets and surplus have been adjusted, per the examination. See the **Comments on the Financial Statements** section.

^B For 2011-2013, admitted assets and surplus were adjusted to reverse the over-valuation of real estate and equipment for comparative analysis. See the **Comments on the Financial Statements** section for adjustment amounts.

MANAGEMENT AND CONTROL

Directors

The management of the Company shall be vested in a Board of Directors (Board) not to exceed twelve (12) members. Directors serve a term of four (4) years and are elected at the annual meeting of members. The following is a listing of persons serving as directors as of December 31, 2014:

Name	Address
George Ammerman	Sunman, Indiana
Kathy Dils	Aurora, Indiana
James Ertel	Osgood, Indiana
Aaron Rolf	Osgood, Indiana
David Rolf	Greensburg, Indiana
Delores Rolf	Lawrenceburg, Indiana
James Rolf	Osgood, Indiana

Officers

The officers of the Company shall consist of a President, a Vice President, and a Secretary, and a Treasurer, who shall be elected by the Board. The following is a list of key officers and their respective titles as of December 31, 2014.

Name	Office
Aaron Rolf	President
Kathy Dils	Vice President
George Ammerman	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, 2014.

OATH OF OFFICE

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, 2014.

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.

AFFILIATED COMPANIES

The Company does not have any affiliated companies.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by the Ohio Casualty Insurance Company. The bond has a coverage limit of \$50,000, with a \$2,500 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, 2014, including but not limited to, building, business liability, employment practices liability, equipment breakdown, 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

During the examination period, the Company purchased reinsurance from Grinnell Mutual Reinsurance Company as follows:

- *Individual Occurrence of Loss Excess* – The Company's retention was \$100,000 for 2014 and the coverage limit was 100% above the retention subject to limitations.
- *Aggregate Excess* – The Company's retention was \$158,806 for 2014 and the coverage limit was 100% of unlimited losses above retention.

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, 2013 and 2014, were agreed to the respective Annual Statements.

PATRONS MUTUAL FIRE INSURANCE COMPANY
Assets, Liabilities and Surplus
As of December 31, 2014

	Per Annual Statement	Examination Adjustments	Per Examination
Stocks	\$ 61,404	\$ -	\$ 61,404
Bank Balances			
Subject to check	158,109	-	158,109
On interest	882,508	-	882,508
Real estate ^A	230,000	(224,269)	5,731
Cash in office	947	-	947
Unpaid Premiums			
Due after November 1	20,480	-	20,480
Accrued interest	5,062	-	5,062
Equipment and furniture ^B	16,100	(15,880)	220
Totals	<u>\$ 1,374,610</u>	<u>\$ (240,149)</u>	<u>\$ 1,134,461</u>
Unpaid salaries and commissions	\$ 4,086	\$ -	\$ 4,086
Ceded reinsurance balances payable	4,579	-	4,579
Taxes payable	1,848	-	1,848
Premiums received in advance	6,127	-	6,127
Unearned premium reserve	199,506	-	199,506
Total liabilities	216,146	-	216,146
Surplus ^C	1,158,464	(240,149)	918,315
Total liabilities and surplus	<u>\$ 1,374,610</u>	<u>\$ -</u>	<u>\$ 1,134,461</u>

^A Real estate decreased by \$224,269 due to the adjustment impacting real estate discussed in the **Comments on the Financial Statements** section.

^B Equipment and furniture decreased by \$15,880 due to the adjustment impacting equipment and furniture discussed in the **Comments on the Financial Statements** section.

^C 2014 admitted assets decreased by \$240,149 due to the adjustments impacting real estate and equipment and furniture discussed in the **Comments on the Financial Statements** section.

PATRONS MUTUAL FIRE INSURANCE COMPANY
Income Statement and Change in Surplus
For the Year Ended December 31, 2014

	Per Annual Statement	Examination Adjustments	Per Examination
INCOME			
Direct premiums written	\$ 354,487	\$ -	\$ 354,487
Less: Reinsurance premiums ceded	(47,011)	-	(47,011)
Net premiums written	307,476	-	307,476
Membership and policy fees	24,315	-	24,315
Total net premiums	331,791	-	331,791
Income from investments	24,522	-	24,522
Total income	\$ 356,313	\$ -	\$ 356,313
DISBURSEMENTS			
Direct losses	\$ 15,103	\$ -	\$ 15,103
Operating expenses	199,257	-	199,257
Non-operating expenses	5,309	-	5,309
Total disbursements	219,669	-	219,669
Net income	136,644	-	136,644
Change in accrued assets and liabilities ^D	(21,069)	(1,475)	(22,544)
Unrealized gain	11,148	-	11,148
Surplus, beginning of period ^E	1,031,741	(238,674)	793,067
Surplus, end of period ^F	\$ 1,158,464	\$ (240,149)	\$ 918,315

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

^E 2013 admitted assets decreased by \$238,674 due to the adjustments impacting real estate and equipment and furniture discussed in the **Comments on the Financial Statements** section.

^F 2014 admitted assets decreased by \$240,149 due to the adjustments impacting real estate and equipment and furniture discussed in the **Comments on the Financial Statements** section.

COMMENTS ON THE FINANCIAL STATEMENTS

In 2011, the Company adjusted the reported real estate and equipment balances to reflect market value. As depreciation occurred in following years, the balances continued to be adjusted to reflect the market value. Per SSAP 40, real estate and equipment should be reported at cost in the annual statement. The adjustments to the real estate balance for 2014, 2013, 2012 and 2011 were \$224,269, \$222,794, 221,319 and \$219,844, respectively. The adjustment to equipment was \$15,880 for the years 2011 through 2014.

OTHER SIGNIFICANT ISSUES

IC 27-1-13-6 requires the Company's risk retention per occurrence to be less than 10% of surplus. The Company's 2014 individual occurrence of loss retention was \$100,000, which is in excess of 10% of adjusted surplus. It is recommended that the Company adjust their risk retention for future periods to comply with the statute.

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., performed an examination of Patrons Mutual Fire Insurance Company as of December 31, 2014.

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 Patrons Mutual Fire Insurance Company as of December 31, 2014, as determined by the undersigned.



Tom Masterson, CFE
Noble Consulting Services, Inc.

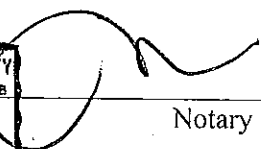
State of: Indiana
County of: Marion

On this 13 day of November 2015, before me personally appeared, Tom Masterson, 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





Notary Public

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