

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

IN THE MATTER OF:)
)
S & O Farmers Mutual Insurance Company)
120 N. Walnut Street, Suite B)
Rising Sun, Indiana 47040)

Examination of: S & O 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 S & O 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 February 2, 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 S & O 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.

3/4/2016
Date

Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0056 2705

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

IN THE MATTER OF:)
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S & O Farmers Mutual Insurance Company)
120 N. Walnut Street, Suite B)
Rising Sun, Indiana 47040)

Examination of: S & O Farmers Mutual Insurance Company

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the S & O Farmers Mutual 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 November 20, 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 2, 2016 and was received by the Company on February 4, 2016.

The Company did not file any objections.

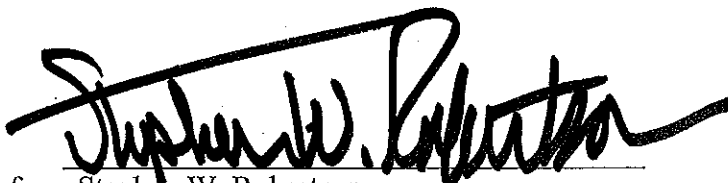
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the S & O Farmers Mutual Insurance Company as of December 31, 2014.
2. That the Examiner's Recommendations are reasonable and necessary in order for the S & O 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 4th day of
March, 2016.

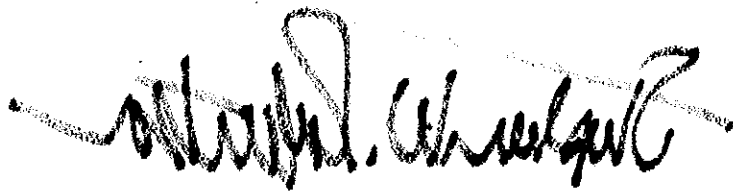

Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

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 with a large initial letter.

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

S & O FARMERS MUTUAL INSURANCE COMPANY

NAIC Co. CODE 92329

As of

December 31, 2014

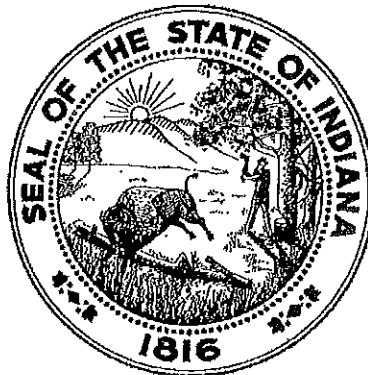


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STATE OF INDIANA

IDOI

MICHAEL R. PENCE, Governor

Indiana Department of Insurance
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: (317) 232-2385
Fax: (317) 232-5251
Stephen W. Robertson, Commissioner

November 20, 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 3884, an examination has been made of the affairs and financial condition of:

S & O Farmers Mutual Insurance Company
120 North Walnut Street, Suite B
Rising Sun, Indiana 47040

hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the offices of the Company in Rising Sun, 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 EXAMINATIONS/FINANCIAL SERVICES (317) 232-2390 MEDICAL MALPRACTICE (317) 232-2402 SECURITIES/COMPANY RECORDS (317) 232-1991 STATE HEALTH INSURANCE 1-800-332-46

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 operate under Chapter 145, Acts 1919, on August 31, 1934, 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 is to insure the following kinds of property outside the corporate limits of cities and towns: farm dwellings and other farm buildings, and the contents of such buildings, farm machinery and other farm equipment, farm products, livestock, school houses, churches and such other risks as are owned principally by farmers.

CAPITAL AND SURPLUS

As of December 31, 2014, the Company had surplus of \$983,455 and 2,066 policyholders, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company provides buildings, farm equipment, farm personal property, and home coverage. The Company conducts business in the Indiana counties of Bartholomew, Clark, Dearborn, Decatur, Delaware, Franklin, Henry, Jackson, Jefferson, Jennings, Ohio, Ripley, Rush, Scott, Switzerland, Vermilion, Vigo, Warrick, and Washington.

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	\$ 1,515,430	\$ 531,975	\$ 983,455
2013	1,408,737	533,494	875,243
2012	1,473,954	477,863	996,091
2011	1,395,107	502,212	892,895
2010	1,447,997	407,339	1,040,658

MANAGEMENT AND CONTROL

Directors

The business of the Company shall be managed by a Board of Directors (Board) composed of six (6) directors, a majority of who shall constitute a quorum for the transaction of business. Each director shall serve for a term of three (3) years, and the terms of office shall be arranged so that an equal number may be elected at each annual meeting of the members. The following is a listing of persons serving as directors as of December 31, 2014:

Name ^A	Address
Shafe Boles	Philpot, Kentucky
Sam Fox	Rising Sun, Indiana
Earl Ketenbrink	Rising Sun, Indiana
Dan Monroe	Dillsboro, Indiana
Lynn Works	Bennington, Indiana

^A As of December 31, 2014, the Company appeared to be managed by a Board composed of five (5) directors and was therefore not in compliance with its Bylaws. See the Other Significant Issues section of this Report of Examination.

Officers

The officers of this Company shall be a President, a Vice President, a Treasurer, and a Secretary, each of whom shall be a member of the Company. The following is a list of key officers and their respective titles as of December 31, 2014.

Name	Office
Sam Fox	President
Shafe Boles	Vice President
Earl Ketenbrink	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 Western Surety Company. The bond has a coverage limit of \$50,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2014, including but not limited to business liability, directors and officers liability, employers' liability, professional liability, 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 (Grinnell) as follows:

- *Individual Occurrence of Loss Excess* – The Company's retention was \$75,000 for 2014 and the coverage limit was 100% above the retention subject to limitations.
- *Aggregate Excess* – The Company's retention was \$653,049 for 2014 and the coverage limit was 100% of unlimited losses above retention.
- *Facultative* – Rates shall be determined by Grinnell on an individual basis. The Company agrees to provide Grinnell with all necessary information about the risk. Grinnell shall determine which risks are acceptable for facultative reinsurance.
- *Pollution Clean Up and Removal* – The Company shall cede 100% of the liability it assumes on coverage insured by the Pollution Clean Up and Removal Coverage Endorsement.

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.

S & O FARMERS MUTUAL INSURANCE COMPANY
 Assets, Liabilities and Surplus
 As of December 31, 2014

	Per Annual Statement
Bank Balances	
Subject to check	\$ 892,030
On interest	618,466
Cash in office	200
Unpaid Premiums	
Due after November 1	873
Accrued interest	852
Equipment and furniture	3,009
Totals	\$ 1,515,430
Unpaid salaries and commissions	\$ 16,294
Ceded reinsurance balances payable	35,367
Premiums received in advance	3,385
Unearned premium reserve	476,929
Total liabilities	531,975
Surplus	983,455
Total liabilities and surplus	\$ 1,515,430

S & O FARMERS MUTUAL INSURANCE COMPANY
Income Statement and Change in Surplus
For the Year Ended December 31, 2014

	Per Annual Statement
INCOME	
Direct premiums written	\$ 1,323,556
Less: Reinsurance premiums ceded	(434,195)
Net premiums written	889,361
Membership and policy fees	26,529
Total net premiums	915,890
Income from investments	16,164
Other income	949
Total income	\$ 933,003
DISBURSEMENTS	
Direct losses	\$ 823,831
Less: Reinsurance recovered	(414,914)
Net losses paid	408,917
Operating expenses	413,017
Non-operating expenses	2,851
Total disbursements	824,785
Net income	108,218
Surplus, beginning of period	875,243
Surplus, end of period ^A	\$ 983,461

^A Surplus does not agree with the surplus reported on the balance sheet by \$6. It was determined that the difference is immaterial.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2014, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

The Company's Bylaws state the business of the Company shall be managed by a Board composed of six (6) directors, a majority of who shall constitute a quorum for the transaction of business. As of December 31, 2014, the Company appeared to be managed by a Board composed of five (5) directors and was therefore not in compliance with its Bylaws.

It is recommended that the Company come into compliance with its Bylaws regarding the number of directors appointed.

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 S & O Farmers Mutual 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 S & O Farmers Mutual Insurance Company as of December 31, 2014, as determined by the undersigned.


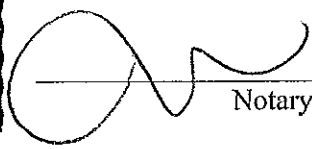


Tom Masterson, CFE
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

On this 20 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 expires   _____
Notary Public

1900/1901

