

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

IN THE MATTER OF:)
)
Widner Mutual Fire Insurance Association)
1 South Highway 159, PO Box 27)
Freelandville, Indiana 47535)

Examination of Widner Mutual Fire Insurance Association

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 **Widner Mutual Fire Insurance Association**, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, 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 **Widner Mutual Fire Insurance Association** 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 27, 2011
Date

Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 7748

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COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
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Widner Mutual Fire Insurance Association)
1 South Highway 159, PO Box 27)
Freelandville, Indiana 47535)

**Examination of Widner Mutual Fire Insurance
Association**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the **Widner Mutual Fire Insurance Association** (hereinafter "Company") for the time period January 1, 2005 through December 31, 2009.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on November 2, 2010.

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 21, 2010 and was received by the Company on December 23, 2010.

On January 21, 2011, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company's response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

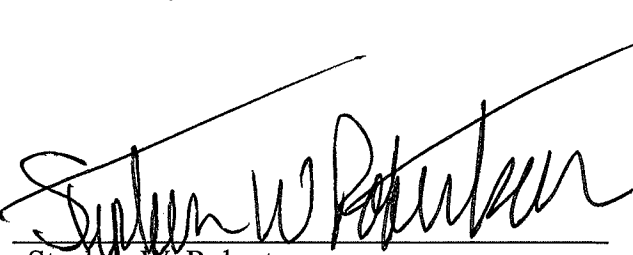
1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2009.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance 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, as amended, 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, as amended. 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 27th day of
January, 2011.



Stephen W. Robertson
Insurance Commissioner

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.

AFFIRMATION

I hereby affirm under penalties for perjury that I am the President of the Company, and that in those capacities I provided each of the members of the Board of Directors of the Company an opportunity to review the Report of Examination dated December 31, 2009 and that each of said directors informed me that he/she reviewed said report. Further, I affirm under penalties for perjury that a true and accurate copy of the Report of Examination dated December 31, 2009 will be provided to the Department of Insurance of each state and territory in which the **Widner Mutual Fire Insurance Association** is authorized to transact business.

Date

President

Subscribed and sworn to before me this
_____ day of _____, 2011.

Notary Public

My commission expires: _____

AFFIRMATION

I, an undersigned member of the Board of Directors of the **Widner Mutual Fire Insurance Association**, have received a copy of the adopted report and related orders.

I hereby affirm under the penalties for perjury that the foregoing representations are true.

William Albrecht
PRESIDENT

Bruce Pepmeier

Bill Brocksmith

Frank Buckthal

Roger King

Terence Perkins

Paul Schroieder

Don Pieper

John Telligman

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

WIDNER MUTUAL FIRE INSURANCE ASSOCIATION

NAIC Co. CODE 92279

As of

December 31, 2009

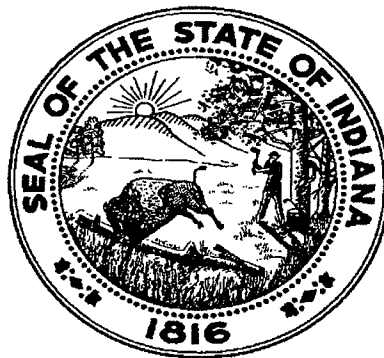


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STATE OF INDIANA

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 3, 2010

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

Dear Commissioner,

Pursuant to the authority vested in Appointment Number 3657, an examination has been made of the affairs and financial condition of:

Widner Mutual Fire Insurance Association
P.O. Box 27
1 S Hwy 159
Freelandville, Indiana 47535

hereinafter referred to as the "Company", an Indiana-domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in Freelandville, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2009, 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 (IDOI) as of December 31, 2004. The present examination, covering the period from January 1, 2005, through December 31, 2009, was conducted by Noble Consulting Services, Inc. (Noble) and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

We conducted our examination pursuant to and in accordance with the 2010 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.

HISTORY

The Association was organized in 1883 and elected to operate under Chapter 145, Acts 1919; IC 27-5-1 of the Indiana Insurance Laws, as it pertains to farm mutual insurance companies. The purpose of the Association is to insure its members against loss from hazards permitted to be insured against under the farm mutual laws and to distribute, on the mutual plan, such losses as may occur.

CAPITAL AND SURPLUS

As of December 31, 2009, the Company had surplus of \$1,960,937 and had 397 members (policyholders), who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

In accordance with the farm mutual laws, the Association may issue policies solely within the state of Indiana. As of December 31, 2009, the Company was transacting business in the Indiana counties of Greene, Knox, Sullivan, Daviess and Lawrence.

GROWTH OF THE COMPANY

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

Year	Admitted Assets	Liabilities	Member Surplus	Net Premium Written	Net Losses Paid
2009	\$ 2,074,524	\$ 113,587	\$ 1,960,937	\$ 148,124	\$ 90,527
2008	1,922,494	109,291	1,813,203	120,018	52,755
2007	2,081,873	114,430	1,967,443	139,138	23,285
2006	1,899,983	98,584	1,801,399	122,756	75,044
2005	1,751,537	93,895	1,657,643	134,159	43,449

In 2008, the Company reported approximately \$225,000 in investment losses. The substantial investment losses were the primary catalyst to the 2008 negative change in surplus.

MANAGEMENT AND CONTROL

Members

Members (policyholders) of the Association are considered its owners. An annual meeting of members is held on the third Tuesday in February of each year for the purpose of electing a Board of Directors and addressing such other business as may come before the members. Each member is entitled to one vote for each issue where a vote is taken. Ten members are required for a quorum to be present.

Directors

The corporate powers of the Association are vested in a Board of Directors consisting of nine members. Directors serve a term of three years and are elected on a staggered basis at the annual meeting of members, three Directors are elected at each such meeting. The following persons were serving as directors at December 31, 2009:

<u>Name of Director</u>	<u>Residence</u>	<u>Board Title</u>
William Albrecht	Bicknell, IN	President
Bruce Pepmeier	Oaktown, IN	Vice President
Bill Brocksmitth	Oaktown, IN	Member
Frank Buckthal	Edwardsport, IN	Member
Roger King	Freelandville, IN	Member
Terence Perkins	Oaktown, IN	Member
Paul Schroieder	Westphalia, IN	Member
Don Pieper	Bicknell, IN	Member
John Telligman	Oaktown, IN	Member

Officers

The officers of the Company consist of a president, a vice president and a secretary-treasurer. Officers are elected at the annual meeting of the Directors and serve for a term of one year. In addition to the officers noted above, Cindi Schuckman serves as secretary-treasurer of the Company.

CONFLICT OF INTEREST

The Company requires Officers and Directors to review and sign Conflict of Interest Statements on an annual basis. Per review of the signed statements, it was noted that the Officers and Directors listed in the management and control section of this report had reviewed and signed their statements as of December 31, 2009.

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 corporation and will not knowingly violate any of the laws applicable to such corporation. The Company had no signed Oath of Office statements for its Directors as of December 31, 2009. See the Summary of Significant Findings.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

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

Minutes

Minutes from the Board of Directors meetings and the annual meeting of the members were reviewed for the period under examination through the fieldwork date. Minutes documented the Board's oversight of operations. Board meetings were held in accordance with Company Bylaws.

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 its employees through a fidelity bond issued by CNA Surety. The bond has blanket coverage of \$25,000. Based on the admitted assets and gross income of the Company, the prescribed minimum coverage specified by the NAIC should be \$50,000. The Company was notified of the minimum requirement and committed to immediately increasing the coverage. See the Summary of Significant Findings.

STATUTORY DEPOSITS

As a farm mutual, the Company is not required to maintain a statutory deposit with the State of Indiana.

REINSURANCE

Reinsurance Assumed

The Company assumed no reinsurance during the exam period.

Reinsurance Ceded

The Company's reinsurance program is written through Grinnell Mutual Reinsurance Company (Grinnell) of Grinnell, Iowa, with stipulated terms listed below:

- *Individual occurrence of loss* – Grinnell assumes liability over the Company's retention of \$50,000 per occurrence.
- *Aggregate Excess Reinsurance* – Grinnell assumes liability when losses exceed the adjusted attachment point for aggregate net losses of \$77,455.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records and supporting data were reviewed and tested to the extent deemed necessary. The Company does not maintain a general ledger system, but does maintain excel spread sheets that include significant liability accounts, including unpaid claims and unearned premiums. In order to fulfill their reporting requirements, liabilities are periodically calculated, as needed, and incorporated into documents like the Annual Statements. Material balances reflected in the December 31, 2009 and 2008 Annual Statements were agreed to supporting documentation.

Widner Mutual Fire Insurance Association

Financial Statements

Assets, Liabilities and Surplus

	As of December 31, 2009			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, 2008
Assets:				
Bonds	\$ 349,546	\$ -	\$ 349,546	\$ 385,655
Stocks - common	530,734	-	530,734	423,407
Bank balances	1,065,736	-	1,065,736	993,707
Collateral Loans	115,000	-	115,000	115,000
Real Estate	819	-	819	845
Cash in office	106	-	106	107
Unpaid Premiums	1,953	-	1,953	1,241
Accrued interest	10,630	-	10,630	2,532
Total Assets	\$ 2,074,524	\$ -	\$ 2,074,524	\$ 1,922,494
Liabilities and Surplus				
Unpaid claims	\$ 61,289	\$ -	\$ 61,289	31,700
Less, reinsurance recoverable	(42,489)	-	(42,489)	-
Net unpaid claims	18,800	-	18,800	31,700
Ceded reinsurance balances payable	2,309	-	2,309	2,455
Interest due on borrowed money	1,314	-	1,314	1,190
Amounts withheld	686	-	686	715
Taxes payable	419	-	419	410
Other unpaid expenses	371	-	371	549
Premiums collected	823	-	823	606
Unearned premium reserve	88,865	-	88,865	71,666
Total liabilities	113,587	-	113,587	109,291
Surplus	1,960,937	-	1,960,937	1,813,203
Total liabilities and surplus	\$ 2,074,524	\$ -	\$ 2,074,524	\$ 1,922,494

Widner Mutual Fire Insurance Association

Financial Statements

Statement of Income

	For the period ended December 31, 2009			December 31, 2008
	Per Annual Statement	Examination Adjustments	Per Examination	
Ledger assets, January 1,	\$ 2,066,300	\$ -	\$ 2,066,300	\$ 1,981,133
Income:				
Premiums, net of reinsurance	148,124		148,124	120,018
Interest on investments	75,399		75,399	85,639
Premiums collected for other companies	19,358		19,358	19,690
Miscellaneous income	1,802		1,802	1,873
Direct billed premium commissions	803		803	777
Premiums Accrual	(11,239)		(11,239)	14,002
Total income	<u>234,247</u>	<u>-</u>	<u>234,247</u>	<u>241,999</u>
Disbursements:				
Losses, net of reinsurance	90,527	-	90,527	52,755
Operating expenses	90,132		90,132	102,820
Non-operating expenses	13,159		13,159	1,257
Total disbursements	<u>193,818</u>	<u>-</u>	<u>193,818</u>	<u>156,832</u>
Net income	<u>40,429</u>	<u>-</u>	<u>40,429</u>	<u>85,167</u>
Ledger assets, December 31,	\$ 2,106,729	\$ -	\$ 2,106,729	\$ 2,066,300

COMMENTS ON THE FINANCIAL STATEMENTS

No significant issues noted.

SUMMARY OF SIGNIFICANT FINDINGS

1. As noted in the Oath of Office section of this report, the Company did not have signed Oath of Office statements on file. In accordance with IC 27-1-7-10(i), signed Oaths of Office statements should be obtained from Board members on an annual basis.
2. As noted in the Fidelity Bond section of this report, the Company's current bond does not meet minimum coverage requirements, as specified by the NAIC. The Company was notified of the minimum requirement and they committed to immediately increasing the coverage.

SUBSEQUENT EVENTS

No significant subsequent events were noted.

MANAGEMENT REPRESENTATION

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

AFFIDAVIT

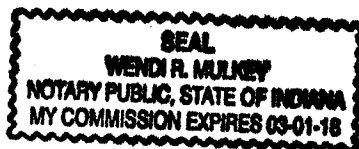
This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., hereinafter collectively referred to as the "Examiners", performed an examination of **Widner Mutual Fire Insurance Association**, as of **December 31, 2009**.

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 2010 NAIC Financial Condition Examiner's 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 **Widner Mutual Fire Insurance Association**, of Indiana as of **December 31, 2009**, as determined by the undersigned.


James M. Kattman, CFE
Noble Consulting Services, Inc.



State of:
County of:

On this 11 day of November 2010, before me personally appeared, James M. Kattman, 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: 3/1/18 
Notary Public