

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

IN THE MATTER OF:)
)
Grain Dealers Mutual Insurance Company)
6201 Corporate Drive)
Indianapolis, Indiana 46278)

Examination of **Grain Dealers Mutual Insurance
Company**

NOTICE OF ENTRY OF ORDER

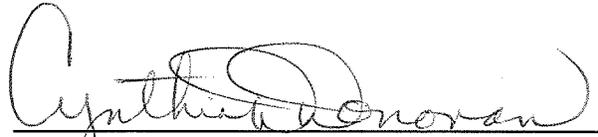
Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of **Grain Dealers Mutual Insurance Company**, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on March 31, 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 **Grain Dealers 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.

4/28/2011

Date


Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 8202

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

IN THE MATTER OF:)
)
Grain Dealers Mutual Insurance Company)
6201 Corporate Drive)
Indianapolis, Indiana 46278)

Examination of **Grain Dealers Mutual Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the **Grain Dealers Mutual Insurance Company** (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 March 20, 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 March 31, 2011 and was received by the Company on April 4, 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 **Grain Dealers Mutual Insurance Company** as of December 31, 2009.
2. That the Examiners' Recommendations are reasonable and necessary in order for the **Grain Dealers 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 28th day of April, 2011.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

GRAIN DEALERS MUTUAL INSURANCE COMPANY

NAIC Co. CODE 22098

As of

December 31, 2009

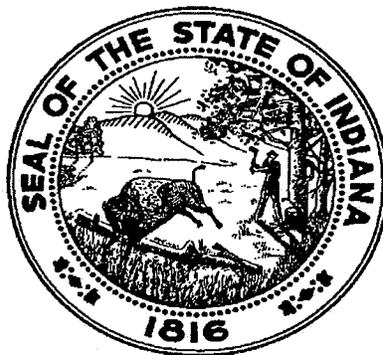


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STATE OF INDIANA

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

March 21, 2011

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

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 3645, an examination has been made of the affairs and financial condition of:

Grain Dealers Mutual Insurance Company
6201 Corporate Drive
Indianapolis, Indiana 46278

hereinafter referred to as the "Company", an Indiana domiciled 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, 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 the period ending December 31, 2004. The present examination was conducted by Noble Consulting Services, Inc. (Noble) and covered the period from January 1, 2005, through December 31, 2009, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

Merlinos & Associates, Inc. (Merlinos) was appointed by the IDOI and conducted a review of the Company's statutory reserves as of December 31, 2009. There were no actuarial adjustments or recommendations resulting from the review performed by Merlinos.

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, 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 with applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The working papers prepared by Katz, Sapper & Miller (KSM), the Company's auditors, in their audit of the Company's accounts for the year ended December 31, 2009, were reviewed. A portion of the auditor's working papers have been incorporated into the working papers of the examiners and have been utilized for the purposes of this examination in accordance with the provisions contained in the Handbook.

Additionally, Noble conducted a review of information systems controls. Although no material findings were noted, a detailed report of specific recommendations was provided to management.

HISTORY

The Company was incorporated on December 23, 1902, as the Grain Dealers National Mutual Fire Insurance Company. The present title was adopted on April 1, 1951. Business was confined to fire and allied lines until 1951, when charter powers were broadened to permit multiple line underwriting. On August 14, 1962, Companion Insurance Company (Companion), a wholly-owned subsidiary of the Company, was incorporated under the laws of Indiana and began business on October 29, 1962. Effective January 1, 1997, Companion discontinued writing direct lines. On December 30, 1999, Companion was merged into the Company.

On November 30, 2009, the Company entered into a Master Affiliation Agreement and Management and Services Agreement with NGM Insurance Company (NGM) which is wholly-owned subsidiary of Main Street America Group (MSAG). See the Affiliated Agreements section of this report for details.

CAPITAL AND SURPLUS

The Company is a mutual insurance company and has no shares authorized, issued, or outstanding. The Company did not pay any dividends to the policyholders during the examination period.

TERRITORY AND PLAN OF OPERATION

The Company was licensed to transact business in the following states at December 31, 2009:

Arizona	Indiana	North Carolina	Oklahoma
Arkansas	Kansas	Nebraska	South Dakota
California	Kentucky	New Mexico	Tennessee
Iowa	Missouri	Ohio	Virginia
Illinois	Mississippi		

Of those states listed above, the Company is active in nine (9). During 2009, the Company stopped renewing policies in Arkansas and New Mexico. The Company writes multiple lines of business with a mix of sixty-three (63%) commercial lines, sold to small firms in small communities, and thirty-seven (37%) personal lines. The personal lines business is composed of homeowners, dwelling, and auto.

General commercial and personal lines are distributed through approximately 420 independent agencies. All policies are issued on a non-assessable and nonparticipating basis. Based on policy count, the Company's predominant line of business is homeowners, followed by commercial package and personal lines, although commercial multi peril premium generates the most premium volume.

After the Master Affiliation Agreement transaction closed on November 30, 2009, Indianapolis, Indiana, became the headquarters for the Midwest region of MSAG.

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Admitted</u> <u>Assets</u>	<u>Liabilities</u>	<u>Capital &</u> <u>Surplus</u>	<u>Total Revenue</u>	<u>Net Income</u> <u>(Loss)</u>
2009	\$ 45,673,205	\$ 39,712,216	\$ 5,960,989	\$ 25,179,701	\$ (3,011,623)
2008	52,425,730	42,939,172	9,486,558	26,925,737	(2,658,199)
2007	57,435,486	39,519,265	17,916,222	26,494,651	2,934,873
2006	56,011,269	41,468,071	14,543,197	26,432,255	(1,300,161)
2005	58,061,308	43,043,474	15,017,834	26,332,577	(1,046,051)

The Company's capital and surplus decreased during the examination period, with the largest decrease of \$8.4 million in 2008. The reason for that decrease was due to the net loss and the accruing for the minimum pension liability.

The net losses experienced during the examination period were primarily a result of weather related underwriting losses due to hurricanes in the coastal states and storms in the midwestern states.

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 vote at each policyholders' or members' meeting regardless of the number of policies or amount of insurance they may have with the Company.

Directors

Pursuant to the Master Affiliation Agreement effective November 30, 2009, NGM's Board of Directors and the president of the Company were appointed as the Company's Board of Directors. The following is a listing of persons serving as directors as of December 31, 2009:

<u>Name and Address</u>	<u>Principal Occupation</u>
Terry Lawrence Baxter Lyme, NH	Retired
David Freeman Manchester, NH	Retired
Donald Lynn Malcom Indianapolis, IN	Grain Dealers Mutual Insurance Company President
Cotton Mather Cleveland New London, NH	Mather Associates President
William Dawson Gunter Jr. Tallahassee, FL	Roger, Gunter, Vaughn Insurance Inc. Chairman
James Everitt Morley Jr. Annapolis, MD	Retired
John Adrian Delaney Jacksonville, FL	University of Florida President
Karl Thomas Kemp Hanover, NH	Retired
Barbara Dunbar Stewart Atlanta, GA	Stewart Economics, Inc. President
Albert Henry Elfner III Boston, MA	Retired
Philip Donald Koerner Jacksonville, FL	Retired
Thomas Mark Van Berkel Jacksonville, FL	The Main Street America Group President and Chief Executive Officer

Officers

The principal officers of the Company shall consist of the Chairman of the Board of Directors, President, First Vice President, Treasurer, and Secretary. The following is a listing of key officers and their respective title as of December 31, 2009:

<u>Name</u>	<u>Office</u>
Thomas Mark Van Berkel	Chairman of Board
Donald Lynn Malcom	President
David Glenn Snuffer	Secretary
William Thomas Hannah Jr.	Treasurer
Bruce Dale Mitchell	First Vice President

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 key officers and directors listed in the management and control section of this report have reviewed and signed their statements as of year-end.

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 corporation and will not knowingly violate any of the laws applicable to such corporation. The Company's directors did not sign an Oath of Office during 2009. See Other Significant Issues.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

The Company amended its Articles of Incorporation and Bylaws as of November 30, 2009. The amendments were made to allow for the affiliation with NGM. The amendments (a) changed the required number of directors to no less than seven (7) and no more than seventeen (17); (b) eliminated the requirement that directors be policyholders of the Company; (c) stated that each director shall be elected annually for one (1) year term; and (d) allowed the annual meeting of the policyholders to take place either inside or outside the State of Indiana. The Company is compliant with their Articles of Incorporation and Bylaws.

Minutes

The Board of Directors and policyholder meeting minutes were reviewed for the period under examination through the fieldwork date and significant actions taken during each meeting were noted. It was noted that the annual meetings and other regular Board meetings were held in accordance with the Company's Bylaws.

AFFILIATED COMPANIES

Organizational Structure

The following chart depicts the organizational structure of the Company and its affiliate:

Grain Dealers Mutual Insurance Company 22098
Grain Dealers Mutual Agency, Inc.

Affiliated Agreements:

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed and not disapproved with the IDOI as required, in accordance with IC 27-1-23-4.

Cost Sharing Agreement

The Company has a Cost Sharing Agreement with Grain Dealers Agency, Inc. (Agency), effective January 1, 2004. Under the agreement, the Company provides various facilities and services that are necessary and useful for the conduct of the Agency's business. During 2009, the Company received \$14,400 for services provided under this agreement.

Master Affiliation Agreement

The Company entered into a Master Affiliation Agreement with NGM effective November 30, 2009. Under this agreement, the Company and NGM will accomplish various mutually beneficial goals. These include, but are not limited to, expanded sources of distribution, provide more effective technology and other infrastructure services to the Company, allow NGM access to local market expertise of the Company, and strengthen the Company's financial condition. There were no fees paid during 2009, under this agreement.

Management and Services Agreement

The Company entered into a Management and Services Agreement with NGM effective November 30, 2009. Under the agreement, NGM will provide various services to the Company, including, but not limited to, oversight of the Company's business operations, investment portfolio management, pricing and related actuarial and state filing services, claims management and services, and accounting and financial reporting. There were no fees paid during 2009 under this agreement.

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 Ohio Casualty Insurance Company. The bond has blanket coverage of \$1 million with a deductible of \$10,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by NAIC and satisfies the requirements of IC 27-1-7-14.

The Company had additional types of coverage in-force at December 31, 2009, including, but not limited to, commercial package policy, business auto, umbrella liability, workers compensation, and financial institution bond.

STATUTORY DEPOSITS

The Company reported the following statutory deposits comprised of United States Treasury Bonds and Money Market Fund at December 31, 2009:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For all Policyholders:		
Indiana	\$ 2,114,463	\$ 2,141,570
All Other Special Deposits:		
Missouri	451,043	445,501
New Mexico	398,779	401,375
North Carolina	560,743	561,258
Aggregate Alien and Other	<u>1,305,579</u>	<u>1,319,596</u>
Total Deposits	<u>\$ 4,830,607</u>	<u>\$ 4,869,300</u>

REINSURANCE

Reinsurance Assumed

Assumed premiums were approximately \$1.3 million for 2009, which accounted for approximately 5.4 percent (5.4%) of net premiums written. Approximately \$0.7 million was derived from cessions of the North Carolina Reinsurance Facility and \$0.5 million from North Carolina Beach Plan. All assumed premiums are through participation in mandatory pools at year-end 2009.

Reinsurance Ceded

Approximately \$8.0 million was ceded to reinsurers during 2009. This amount represents 25 percent (25%) of the Company's \$31.8 million of direct and assumed premiums. Hannover Ruckversicherungs-Aktiengesellschaft and General Reinsurance Corporation each received approximately \$1.7 million of ceded premiums.

The Company writes multiple lines of business. To limit the maximum net loss that can arise, the Company purchases excess of loss reinsurance coverage on a per occurrence basis for its multi-line business. Coverage is maintained for up to \$10.0 million in losses, excess of retention of \$175,000 per occurrence, through a series of reinsurance layers.

The Company purchases excess of loss reinsurance on property catastrophe reinsurance protection with a coverage for up to \$20.0 million in losses excess of retention of \$1.0 million.

In addition, the Company maintains personal and commercial umbrella reinsurance coverage with limits of \$2.0 million and \$3.0 million, respectively.

RESERVES

Paul A. Vendetti, MAAA, Consulting Actuary, associated with the firm of Pinnacle Actuarial Resources, was appointed by the Board of Directors to render an opinion with regard to the Company's loss reserves and loss adjustment expense reserves.

The scope of the opinion was to examine the assumptions and methods used in determining loss reserves and related items, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials as of December 31, 2009. In forming the opinion, listings and summaries of policies and contracts and other liabilities in force prepared by the Company were relied upon. This information was evaluated for reasonableness and consistency. In other respects, the examination included such review of the actuarial assumptions and methods used and such tests of the calculations as considered necessary.

The 2009 opinion stated that the balances of statutory-basis loss and loss adjustment expense reserves 1) meet the requirements of the insurance laws of Indiana; 2) are consistent with reserves computed in accordance with accepted loss reserving standards and principles; and 3) make a reasonable provision in the aggregate for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

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 2008, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2005, through December 31, 2009, 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.

GRAIN DEALERS MUTUAL INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

	As of December 31, 2009			December 31, Prior Year
	Per Annual Statement	Examination Adjustments	Per Examination	
Assets:				
Bonds	\$ 19,239,236	\$ -	\$ 19,239,236	\$ 33,984,987
Preferred stocks	609,173	-	609,173	522,638
Common stocks	364,303	-	364,303	1,293,418
Real estate	2,035,728	-	2,035,728	2,087,334
Cash (\$....1,407,530, Sch. E-Part 1) and short-term investments (\$....10,746,991, Sch. DA)	12,154,521	-	12,154,521	2,928,593
Receivables for securities	1,045,130	-	1,045,130	12,608
Subtotals, cash and invested assets	35,448,090	-	35,448,090	40,829,576
Investment income due and accrued	156,211	-	156,211	307,613
Uncollected premiums and agents' balances in course of collection	1,330,230	-	1,330,230	1,215,895
Deferred premiums, agents' balances and installments booked but deferred and not yet due	6,155,141	-	6,155,141	6,968,030
Amount recoverable from reinsurers	383,915	-	383,915	347,106
Other amounts receivable under reinsurance contracts	8,791	-	8,791	391,251
Net deferred tax asset	718,067	-	718,067	1,200,641
Guaranty funds receivable or on deposit	89,413	-	89,413	159,271
Electronic data processing equipment and software	76,706	-	76,706	78,850
Receivables from parent, subsidiary and affiliates	43,964	-	43,964	35,604
Aggregate write-ins for other than invested assets	1,262,676	-	1,262,676	891,891
Total assets	\$ 45,673,205	\$ -	\$ 45,673,205	\$ 52,425,730

GRAIN DEALERS MUTUAL INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

	As of December 31, 2009			December 31, Prior Year
	Per Annual Statement	Examination Adjustments	Per Examination	
Liabilities:				
Losses	\$ 9,811,238	\$ -	\$ 9,811,238	\$ 10,000,829
Loss adjustment expenses	3,080,467	-	3,080,467	3,473,414
Commissions payable, contingent commissions and other similar charges	234,088	-	234,088	282,276
Other expenses	807,504	-	807,504	970,470
Taxes, licenses and fees	179,042	-	179,042	244,400
Borrowed money	1,633,113	-	1,633,113	1,858,166
Unearned premiums	13,551,999	-	13,551,999	14,888,802
Advance premium	415,732	-	415,732	477,965
Ceded reinsurance premiums payable	190,245	-	190,245	203,376
Amounts withheld or retained by company for account of others	109,449	-	109,449	89,891
Remittances and items not allocated	25,632	-	25,632	63,019
Provision for reinsurance	338,600	-	338,600	302,600
Drafts outstanding	613,811	-	613,811	983,191
Payable for securities	-	-	-	306,475
Aggregate write-ins for liabilities	8,721,295	-	8,721,295	8,794,297
Total liabilities	39,712,216	-	39,712,216	42,939,172
Unassigned funds (surplus)	5,960,989	-	5,960,989	9,486,558
Surplus as regards policyholders	5,960,989	-	5,960,989	9,486,558
TOTALS	\$ 45,673,205	\$ -	\$ 45,673,205	\$ 52,425,730

GRAIN DEALERS MUTUAL INSURANCE COMPANY

FINANCIAL STATEMENTS

Statement of Income

As of December 31, 2009

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Premiums earned	\$ 25,179,701	\$ -	\$ 25,179,701	\$ 26,925,737
DEDUCTIONS				
Losses incurred	16,504,690	-	16,504,690	18,264,586
Loss adjustment expenses incurred	3,532,128	-	3,532,128	2,997,135
Other underwriting expenses incurred	9,801,685	-	9,801,685	10,222,990
Total underwriting deductions	<u>29,838,503</u>	<u>-</u>	<u>29,838,503</u>	<u>31,484,711</u>
Net underwriting gain (loss)	(4,658,802)	-	(4,658,802)	(4,558,974)
INVESTMENT INCOME				
Net investment income earned	1,223,906	-	1,223,906	1,547,101
Net realized capital gains (losses) less capital gains tax	166,408	-	166,408	(13,529)
Net investment gain	1,390,314	-	1,390,314	1,533,572
OTHER INCOME				
Net gain (loss) from agents' or premium balances charged off	(128,411)	-	(128,411)	(25,816)
Finance and service charges not included in premiums	385,277	-	385,277	388,222
Total other income	<u>256,865</u>	<u>-</u>	<u>256,865</u>	<u>362,406</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	<u>(3,011,623)</u>	<u>-</u>	<u>(3,011,623)</u>	<u>(2,662,996)</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(3,011,623)	-	(3,011,623)	(2,662,996)
Federal and foreign income tax incurred	-	-	-	(4,798)
Net income	<u>(3,011,623)</u>	<u>-</u>	<u>(3,011,623)</u>	<u>(2,658,199)</u>
CAPITAL AND SURPLUS ACCOUNT				
Surplus as regards policyholders, December 31 prior year	9,486,558	-	9,486,558	17,916,222
Net income	(3,011,623)	-	(3,011,623)	(2,658,199)
Change in net unrealized capital gains or (losses) less capital gains tax	433,280	-	433,280	(369,609)
Change in net deferred income tax	806,213	-	806,213	1,104,820
Change in nonadmitted assets	(1,157,378)	-	(1,157,378)	(3,315,096)
Change in provision for reinsurance	(36,000)	-	(36,000)	74,600
Aggregate write-ins for gains and losses in surplus	(560,062)	-	(560,062)	(3,266,180)
Change in surplus as regards policyholders for the year	<u>(3,525,569)</u>	<u>-</u>	<u>(3,525,569)</u>	<u>(8,429,664)</u>
Surplus as regards policyholders, December 31 current year	<u>\$ 5,960,989</u>	<u>\$ -</u>	<u>\$ 5,960,989</u>	<u>\$ 9,486,558</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2009, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

The Company should ensure that all directors take and subscribe an oath of office upon election in compliance with IC 27-1-7-10(i). The signed oath of office statements for 2010, were reviewed, and going forward, all directors will sign an oath of office statement on an annual basis.

SUBSEQUENT EVENTS

There were no significant subsequent events noted after year-end December 31, 2009, that would impact the financial statements.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, management representation letter in the standard NAIC format was executed by key financial personnel 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 she, in coordination with staff assistance from Noble Consulting Services, Inc. and actuarial assistance from Merlinos & Associates, Inc., hereinafter collectively referred to as the "Examiners", performed an examination of **Grain Dealers Mutual Insurance Company**, 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 **Grain Dealers Mutual Insurance Company**, as of **December 31, 2009**, as determined by the undersigned.



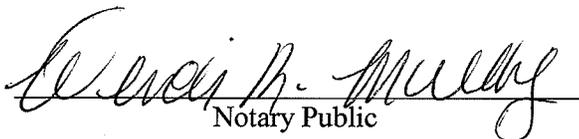
Lisa A. Warrum, CFE
Noble Consulting Services, Inc.

State of:
County of:

On this 21 day of March, 2011, before me personally appeared, Lisa A. Warrum, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notorial seal in said County and State, the day and year last above written.

My commission expires: 3/1/18


Notary Public