

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

IN THE MATTER OF: )  
 )  
Mutual Insurance Company of Dearborn County )  
22349 Kuebel Road )  
Guilford, Indiana 47022 )

**Examination of Mutual Insurance Company of  
Dearborn County**

**NOTICE OF ENTRY OF ORDER**

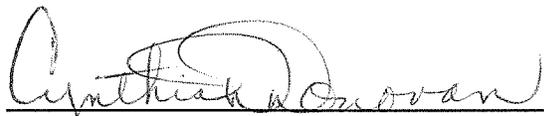
Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of **Mutual Insurance Company of Dearborn County**, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on March 7, 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 **Mutual Insurance Company of Dearborn County** 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.

5/6/2011

Date



Cynthia D. Donovan  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 8271**

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**Examination of Mutual Insurance Company of  
Dearborn County**

### **FINDINGS AND FINAL ORDER**

The Indiana Department of Insurance conducted an examination into the affairs of the **Mutual Insurance Company of Dearborn County** (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 December 28, 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 March 7, 2011 and was received by the Company on March 10, 2011.

The Company did not file any objections.

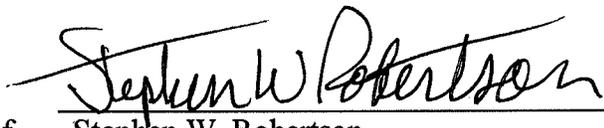
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the **Mutual Insurance Company of Dearborn County** as of December 31, 2009.
2. That the Examiner's Recommendations are reasonable and necessary in order for the **Mutual Insurance Company of Dearborn County** 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 6<sup>th</sup> day of May, 2011.

  
\_\_\_\_\_  
Stephen W. Robertson  
Insurance Commissioner  
Indiana Department of Insurance

**STATE OF INDIANA**

**Department of Insurance**

**REPORT OF EXAMINATION**

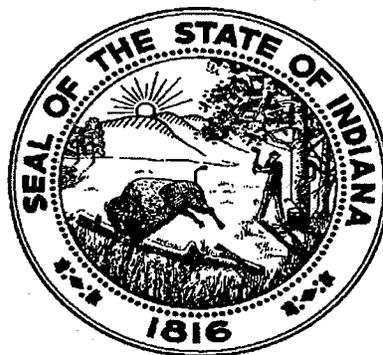
**OF**

**MUTUAL INSURANCE COMPANY OF DEARBORN COUNTY**

**NAIC Co. CODE 92321**

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

December 29, 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 3651, an examination has been made of the affairs and financial condition of:

**Mutual Insurance Company of Dearborn County**  
**22349 Kuebel Road**  
**Guilford, IN 47022**

hereinafter referred to as the "Company", an Indiana-domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in Guilford, 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  
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CONSUMER SERVICES  
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SECURITIES / COMPANY RECORDS  
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## **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 Company was organized on March 15, 1870, as the Mutual Insurance Association of Jackson, Manchester, and adjoining townships of Dearborn County, Indiana. It elected to come under Chapter 145, Acts 1919, on March 15, 1925, which was repealed by Acts 1972, P.L. 129-2003 and restated as Indiana Code (IC) IC 27-5.1 as pertains to farm mutual insurance companies.

The Company was founded for the purpose of safeguarding its members against loss from fire and lightning, and to distribute on the mutual insurance plan such loss as may occur in spite of reasonable precautions.

## **CAPITAL AND SURPLUS**

As of December 31, 2009, the Company had surplus of \$723,660 and had approximately 79 members (policyholders), who are the owners of the Company.

## **TERRITORY AND PLAN OF OPERATION**

In accordance with the farm mutual laws, the Company may issue policies solely within the state of Indiana. As of December 31, 2009, the Company was transacting business in the Indiana counties of Dearborn, Ripley, and Franklin.

## 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	\$ 737,824	\$ 14,164	\$ 723,660	\$ 7,772	\$ 2,193
2008	733,667	14,347	\$ 719,320	8385	11,400
2007	721,000	14,576	\$ 706,424	6263	4,129
2006	707,391	15,101	\$ 692,290	7541	6,460
2005	705,356	-	\$ 705,356	7679	620

The method of accounting for liabilities changed in 2006, upon the recommendations of the most recent State examination. Premiums earned are stated net of reinsurance premiums paid. There were no further significant fluctuations identified.

## MANAGEMENT AND CONTROL

### Members

Members of the Company are considered its owners. An annual meeting of members is held each year for the purpose of electing a Board of Directors and addressing such other business as may come before it. Each member is entitled to one vote for each issue where a vote is taken.

### Directors

The corporate powers of the Association are vested in a Board of Directors consisting of seven members. Directors serve a term of three years and are elected on a staggered basis throughout a period of three years. The following persons were serving as Directors at December 31, 2009:

<u>Name of Director</u>	<u>Residence</u>	<u>Board Title</u>
Esther Hartman	West Harrison, IN	President
Russell McCann	Guilford, IN	Vice-President
Phyllis Joerger	Guilford, IN	Secretary/Treasurer
Leo Fuchs	Sunman, IN	Member
Amy Lunsford	Sunman, IN	Member
Tom McCann	Guilford, IN	Member

Examiners note that while only six members were serving as Directors on December 31, 2009, Theresa Wildolff was subsequently elected as a Board Member in 2010.

### Officers

The officers of the Company consist of a president, vice president, secretary, and treasurer. Officers are elected at the Board meeting in January of each year and serve for a term of one year.

### CONFLICT OF INTEREST

The Company did not have a conflict of interest policy or signed conflict of interest statements for its Directors or officers. See the summary of significant findings.

### 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 did not have Oath of Office statements for Directors. See the summary of significant findings.

### CORPORATE RECORDS

#### Articles of Incorporation and Bylaws

There were no amendments 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.

### 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 NAMICO. The bond has blanket coverage of \$250,000. Based on the admitted assets and gross income of the Company, the prescribed minimum coverage specified by the NAIC should be \$25,000.

## 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. The 2010 policies are as follows:

First occurrence of loss excess – retention is \$25,000 and the coverage limit is \$25,000.

*Individual occurrence of loss excess* – retention is \$50,000 and the coverage limit is 100% above the retention subject to limitations as stated above.

*Aggregate excess* – retention is \$6,570 and the coverage limit is 100% of unlimited losses above retention.

The Company also has limitations that are not considered in determining the Aggregate Net Loss when loss amounts exceed \$1,000,000 for livestock/poultry/horse operations, commercial and public property, farm outbuildings, and dwellings.

## 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 was not computerized, while Phyllis Joerger was responsible for maintaining the records. Joerger maintained the records for approximately 20 years. In June of 2010, Theresa Wildolff took over the maintenance of the records and she started to migrate some functions to the computer. Detailed records of claims and premiums were both recorded in journals. Material balances reflected in the December 31, 2009 Annual Statement and trial balance were agreed to supporting documentation, without material exception.

**Mutual Insurance Company of Dearborn County**

**Financial Statements**

**Assets, Liabilities, and Surplus**

	<b>As of December 31, 2009</b>			
	<b>Per Annual Statement</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>	<b>December 31, 2008</b>
<b>Assets:</b>				
Bank balances				
Subject to check	9,385	-	9,385	177,979
On interest	726,137	-	726,137	547,042
Reinsurance Receivable				6,947
Accrued interest		2,302	2,302	1,698
<b>Total Assets</b>	<b>\$ 735,522</b>	<b>\$ 2,302</b>	<b>\$ 737,824</b>	<b>\$ 733,666</b>
<b>Liabilities and Surplus</b>				
Unearned premium reserve	14,164	-	\$ 14,164	14,347
Total liabilities	14,164	-	14,164	14,347
Surplus	721,358	2,302	723,660	719,319
Total liabilities and surplus	\$ 735,522	\$ 2,302	\$ 737,824	\$ 733,666

**Mutual Insurance Company of Dearborn County**

**Financial Statements**

**Statement of Income**

	For the period ended December 31, 2009			December 31, 2008
	* Per Annual Statement	Examination Adjustments	Per Examination	
<b>Net Ledger assets, January 1,</b>	\$ 712,372	\$ 6,947	\$ 719,319	\$ 706,424
<b>Income:</b>				
Premiums, net of reinsurance	7,772	183	7,955	8,615
Interest received on bank deposits	19,993	604	20,597	25,744
Liability commissions	373	-	373	291
Treasury refund	259	-	259	1,909
Premium refund reinsurance	-	-	-	60
<b>Total income</b>	<b>28,397</b>	<b>787</b>	<b>29,184</b>	<b>36,619</b>
<b>Disbursements:</b>				
Losses, net of reinsurance	(2,193)	6,947	4,754	4,453
Operating expenses	20,089	-	20,089	19,271
Non-operating expenses	-	-	-	-
<b>Total disbursements</b>	<b>17,896</b>	<b>6,947</b>	<b>24,843</b>	<b>23,724</b>
<b>Net income</b>	<b>10,501</b>	<b>(6,160)</b>	<b>4,341</b>	<b>12,895</b>
<b>Net Ledger assets, December 31,</b>	<b>\$ 722,873</b>	<b>\$ 787</b>	<b>\$ 723,660</b>	<b>\$ 719,319</b>

\* Statement amounts in this column may differ as a result of adjustments to more accurately reflect the the appropriate amount(s).

## **COMMENTS ON THE FINANCIAL STATEMENTS**

There were no material adjustments to surplus for the current examination.

### **SUMMARY OF SIGNIFICANT FINDINGS**

1. As noted in the Conflict of Interest section of this report, the Company did not have a conflict of interest policy or signed conflict of interest policies for its Directors or officers. In accordance with the regulatory requirements, the Company should have its Directors and officers sign conflict of interest statements annually.
2. 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 regulatory requirements, signed Oaths of Office statements should be obtained from Board members on an annual basis.
3. As also noted in the previous exam, the Company continues to make numerous clerical errors in the preparation of their Annual Statements. The Company needs to ensure that future reports comply with submission requirements.

### **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 **Mutual Insurance Company of Dearborn County**, 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 **Mutual Insurance Company of Dearborn County**, as of **December 31, 2009**, as determined by the undersigned.

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

State of:  
County of:

On this 4 day of January 2011, 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 

