

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

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

Examination of **Patrons Mutual Fire Insurance Company**

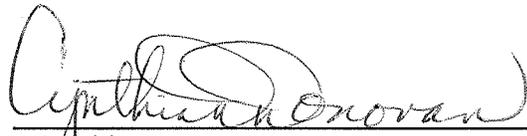
NOTICE OF ENTRY OF ORDER

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 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 **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.

4/25/2011
Date



Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 8127

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Patrons Mutual Fire Insurance Company)
415 Walnut Street)
Lawrenceburg, Indiana 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, 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 January 16, 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 7, 2011 and was received by the Company on March 11, 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 **Patrons Mutual Fire Insurance Company** as of December 31, 2009.
2. That the Examiners' 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 25th day of
April, 2011.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

PATRONS MUTUAL FIRE INSURANCE COMPANY

NAIC Co. CODE 92323

As of

December 31, 2009

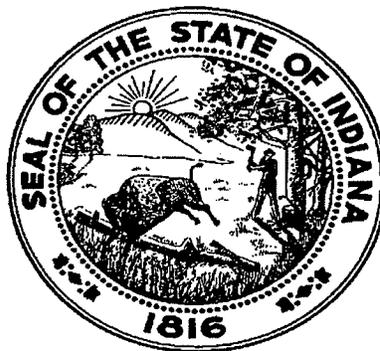


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STATE OF INDIANA

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

January 17, 2011

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 3653, an examination has been made of the affairs and financial condition of:

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

hereinafter referred to as the "Company", an Indiana-domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in Lawrenceburg, 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 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. 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. 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 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) 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, 2009, the Company had surplus of \$665,746 and had 573 members, 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 Ripley, Dearborn, Decatur, Jefferson, Ohio, Switzerland, and Bartholomew.

GROWTH OF THE COMPANY

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

Year	Admitted		Member	Net Premium	Net Losses
	Assets	Liabilities	Surplus	Written	Paid
2009	\$ 872,431	\$ 206,685	\$ 665,746	\$ 274,611	\$ 108,486
2008	852,537	221,086	631,451	293,433	150,777
2007	811,584	223,593	587,991	315,123	50,247
2006	690,894	223,542	467,352	321,186	171,145
2005	663,180	21,277	641,903	388,155	173,079

Premiums earned are stated net of reinsurance premiums paid and claims losses are stated net of reinsurance recovered.

MANAGEMENT AND CONTROL

Members

Members of the Company are considered its owners. An annual meeting of members is held 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.

Directors

The corporate powers of the Company are vested in a Board of Directors not to exceed twelve members. Directors serve a term of four years and are elected at the annual meeting of members. The following persons were serving as Directors at December 31, 2009:

<u>Name of Director</u>	<u>Residence</u>	<u>Board Title</u>
Aaron Rolf	Milan, IN	President
Keith Dils	Aurora, IN	Vice-President
George Ammerman	Sunman, IN	Secretary, Treasurer
Kathy Dils	Aurora, IN	Member
James Ertel	Osgood, IN	Member
Delores Rolf	Lawrenceburg, IN	Member
David Rolf	Greensburg, IN	Member
James Rolf	Osgood, IN	Member

Officers

The officers of the Company consist of a president, vice-president, secretary and treasurer. Officers are elected at the annual meeting of the members and serve for a term of one year.

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 were not reviewing and signing conflict of interest statements annually. 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 was not aware of the requirement for Oath of Office statements. See the summary of significant findings.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

The Articles of Incorporation and Bylaws of the Company were reviewed. The Articles of Incorporation were amended and restated October 21, 2006, while the Bylaws were revised May 8, 2006.

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 Hummel Insurance Group, LLC. The bond has blanket coverage of \$50,000. Based on the admitted assets and gross income of the Company, the Company's coverage exceeds the prescribed minimum coverage specified by the NAIC.

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 2009 policies were described as follows:

Individual Occurrence of Loss Excess:

Retention is \$100,000 and the coverage limit is 100% excess of retention.

Aggregate Excess:

Retention is \$171,571 and the coverage limit is 100% excess of retention.

Loss amounts that exceed \$100,000 are not considered in determining the Aggregate Net Loss 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 uses a computerized accounting system for their general ledger. Material balances reflected in the December 31, 2009, Annual Statement and trial balance were agreed to supporting documentation.

Patrons Mutual Fire Insurance Company

Financial Statements

Assets, Liabilities, and Surplus

	As of December 31, 2009			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, 2008
Assets:				
Stocks	\$ -	\$ -	\$ -	\$ -
Bank balances				
Subject to check	72,159	-	72,159	78,767
On interest	772,813	-	772,813	740,007
Real Estate	13,106	-	13,106	14,581
Cash in Office	132	-	132	686
Unpaid premiums due after 11/1	3,499	-	3,499	4,160
Accrued interest	8,980	-	8,980	12,374
Equipment and furniture	440	-	440	660
Federal income tax recoverable	1,302	-	1,302	1,302
Total Assets	\$ 872,431	\$ -	\$ 872,431	\$ 852,537
Liabilities and Surplus				
Unpaid salaries and commissions	20,348	-	20,348	19,539
Ceded reinsurance balances payable	2,983	-	2,983	3,277
Taxes payable	1,229	-	1,229	1,229
Premiums received in advance	4,675	-	4,675	6,841
Unearned premium reserve	177,450	-	177,450	190,200
Total liabilities	206,685	-	206,685	221,086
Surplus	665,746	-	665,746	631,451
Total liabilities and surplus	\$ 872,431	\$ -	\$ 872,431	\$ 852,537

Patrons Mutual Fire Insurance Company

Financial Statements

Statement of Income

	* Per Annual Statement	Examination Adjustments	Per Examination	December 31, 2008
Net Ledger Assets, January 1,	\$ 631,451	\$ -	\$ 631,451	\$ 587,991
Income:				
Premiums, net of reinsurance	274,611	12,750	287,361	300,926
Membership and policy fees	15,995	-	15,995	17,703
Interest received on bank deposits	25,471	(3,394)	22,077	34,120
Other interest	4,200	-	4,200	1,064
Rents received	-	-	-	3,600
Federal income tax refund	-	-	-	12,224
Indiana income tax refund	-	-	-	5,522
Prior period adjustment	4,976	-	4,976	27,582
Total income	325,253	9,356	334,609	402,741
Disbursements:				
Losses, net of reinsurance	108,486	-	108,486	150,777
Operating expenses	189,011	-	189,011	206,204
Non-operating expenses	4,468	(1,651)	2,817	2,300
Total disbursements	301,965	(1,651)	300,314	359,281
Net income	23,288	11,007	34,295	43,460
Net Ledger assets, December 31,	\$ 654,739	\$ 11,007	\$ 665,746	\$ 631,451

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

COMMENTS ON THE FINANCIAL STATEMENTS

There were no 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 does not have its officers and Directors sign statements annually. In accordance with regulatory requirements, signed Conflict of Interest statements should be obtained from officers and Board members annually.
2. As noted in the Oath of Office section of this report, the Company was not aware of the Oath of Office requirement. In accordance with regulatory requirements IC 27-1-7-10(i), signed Oath of Office statements should be obtained from officers when they are elected.
3. As noted in the financial statements section of this report, an examination adjustment was made to premiums, interest received on bank deposits, and non-operating expenses. This was due to premiums being understated and interest received on bank deposits and non-operating expenses being overstated.

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.

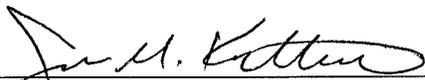
AFFIDAVIT

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 **Patrons Mutual Fire Insurance Company**, as of **December 31, 2009**.

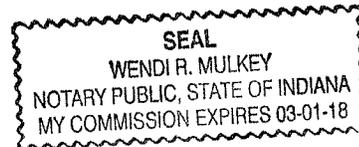
The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

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 **Patrons Mutual Fire Insurance Company**, as of **December 31, 2009**, as determined by the undersigned.



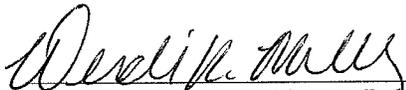
James M. Kattman, CFE
Noble Consulting Services, Inc.



State of:
County of:

On this 21 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 

Notary Public