

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

IN THE MATTER OF:)
)
Remington Farmers Mutual Insurance Company)
48 South Ohio Street)
Remington, IN 47977)

Examination of Remington 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 Remington Farmers Mutual Insurance Company, 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 Remington 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.

Date

3/11/2016

Cynthia D. Donovan

Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0056 4280

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48 South Ohio Street)
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Examination of Remington Farmers Mutual Insurance Company

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Remington 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 October 13, 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 December 18, 2015 and was received by the Company on December 21, 2015.

On January 12, 2016, 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, 2014.
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 11th day of March, 2016.

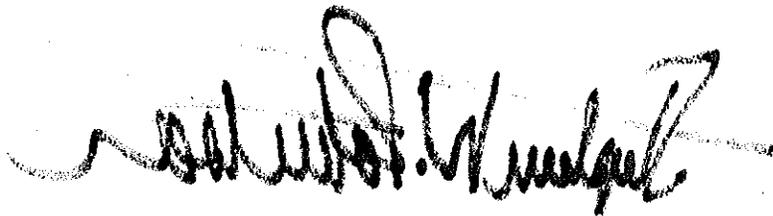

Stephen W. Robertson
Insurance Commissioner

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.

A handwritten signature in black ink, appearing to read "Robert W. Winkler". The signature is written in a cursive style with a large, looping initial "R" and a long horizontal stroke at the end.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

REMINGTON FARMERS MUTUAL INSURANCE COMPANY
NAIC Co. CODE 92285

As of

December 31, 2014

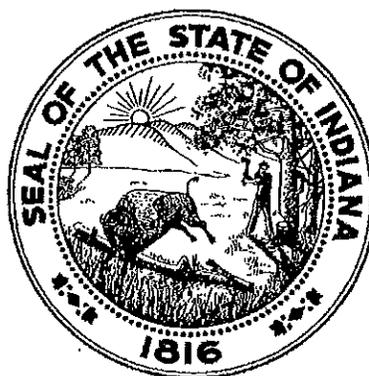


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STATE OF INDIANA

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

October 13, 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 3878, an examination has been made of the affairs and financial condition of:

Remington Farmers Mutual Insurance Company
48 South Ohio Street
PO Box 68
Remington, Indiana 47977

hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the offices of the Company in Remington, 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
1-800-622-4461

EXAMINATIONS/FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

SECURITIES/COMPANY RECORDS
(317) 232-1991

STATE HEALTH INSURANCE PR
1-800-332-4674

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) 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 on January 2, 1897, as Farmers Mutual Insurance Association of Benton. The Company elected to come under Chapter 145, Acts 1919, at the time the Company changed its name to its present name, 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.

CAPITAL AND SURPLUS

As of December 31, 2014, the Company had surplus as adjusted in the examination of \$3,967,708 and 1,817 policyholders, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company provides property and farm liability coverage. The farm liability coverage is written through Grinnell Mutual Reinsurance Company (Grinnell). As of December 31, 2014, the Company writes business in thirty-four (34) counties.

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	\$ 5,252,576	\$ 1,284,868 ^A	\$ 3,967,708 ^A
2013	4,424,887	1,055,560 ^B	3,369,327 ^B
2012	4,402,176	1,357,230 ^C	3,044,946 ^C
2011	4,300,262	1,080,989	3,219,273
2010	4,295,381	1,030,623	3,264,758

^A 2014 unearned premiums were adjusted by \$(407,231)

^B 2013 unearned premiums were adjusted by \$(356,659)

^C 2012 unearned premiums were adjusted by \$(275,311)

MANAGEMENT AND CONTROL

Directors

The business and financial affairs of the Company shall be managed by a Board of Directors (Board) consisting of six (6) members, to be elected at the annual meeting of the members of the Company for a term of three (3) years. No more than three (3) Board terms shall end at one (1) time. The following is a listing of persons serving as directors as of December 31, 2014:

Name	Address
Jeremy Brown	Boswell, Indiana
Gordon Denton	Chalmers, Indiana
Murray Marshall	West Lafayette, Indiana
Donald Miller	Goodland, Indiana
Donald Putt	Remington, Indiana
Cecil Zacher	Rensselaer, Indiana

Officers

At the annual meeting of the Board, the directors shall elect from among themselves for a term of one (1) year, a President, one (1) or more Vice Presidents, a Secretary, and a Treasurer and may appoint such additional officers as they deem necessary and prescribe their duties. The following is a list of key officers and their respective titles as of December 31, 2014.

Name	Office
Donald Miller	President
Gordon Denton	Vice President
Jeremy Brown	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

The Bylaws were amended on November 8, 2012, stating the Board shall consist of six (6) members.

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 wholly owns Remington Farm Mutual Agency, LLC (RFM Agency), which was created to collect various commissions. The RFM Agency has minimal activity and is combined in the Company's tax return. For this Report of Examination, the RFM Agency's equity is considered part of investments.

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 does not meet the prescribed minimum coverage specified by the NAIC. See the **Other Significant Issues** section of this Report of Examination.

STATUTORY DEPOSITS

As a farm mutual, 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 as follows:

- *Individual Occurrence of Loss Excess* – The Company's retention was \$275,000 for 2014 and the coverage limit was 100% above the retention subject to limitations.
- *Aggregate Excess* – The Company's retention was \$1,454,421 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.

REMINGTON FARMERS MUTUAL INSURANCE COMPANY
Assets, Liabilities and Surplus
As of December 31, 2014

	Per Annual Statement	Examination Adjustments	Per Examination
Bonds	\$ 1,716,288	\$ -	\$ 1,716,288
Stocks	3,141,521	-	3,141,521
Bank Balances			
Subject to check	267,916	-	267,916
Real estate	27,358	-	27,358
Unpaid Premiums			
Due after November 1	44,647	-	44,647
Accrued interest	23,800	-	23,800
Investment in RFM Agency	31,046	-	31,046
Totals	<u>\$ 5,252,576</u>	<u>\$ -</u>	<u>\$ 5,252,576</u>
Unpaid claims	\$ 101,225	\$ -	\$ 101,225
Less: reinsurance recoverable on unpaid losses	(79,525)	-	(79,525)
Net unpaid claims	21,700	-	21,700
Borrowed money	3,520	-	3,520
Taxes payable	61,147	-	61,147
Other unpaid expenses	51,254	-	51,254
Premiums received in advance	70,014	-	70,014
Unearned premium reserve	1,483,193	(407,231)	1,075,962
Agents' account	1,271	-	1,271
Total liabilities	<u>1,692,099</u>	<u>(407,231)</u>	<u>1,284,868</u>
Surplus	3,560,477	407,231	3,967,708
Total liabilities and surplus	<u>\$ 5,252,576</u>	<u>\$ -</u>	<u>\$ 5,252,576</u>

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

	Per Annual Statement	Examination Adjustments	Per Examination
INCOME			
Direct premiums written	\$ 2,717,227	\$ -	\$ 2,717,227
Less: Reinsurance premiums ceded	(482,552)	-	(482,552)
Total net premiums	2,234,675	-	2,234,675
Income from investments	135,447	-	135,447
Other income	8,016	-	8,016
Total income	\$ 2,378,138	\$ -	\$ 2,378,138
DISBURSEMENTS			
Direct losses	\$ 873,437	\$ -	\$ 873,437
Less: Reinsurance recovered	(323,119)	-	(323,119)
Net losses paid	550,318	-	550,318
Operating expenses	992,079	-	992,079
Non-operating expenses	74,966	-	74,966
Total disbursements	1,617,363	-	1,617,363
Net income	760,775	-	760,775
Change in accrued assets and liabilities	(212,966)	50,572	(162,394)
Surplus, beginning of period ^A	3,012,668	356,659	3,369,327
Surplus, end of period	\$ 3,560,477	\$ 407,231	\$ 3,967,708

^A 2013 unearned premiums were decreased by \$356,659.

COMMENTS ON THE FINANCIAL STATEMENTS

Unearned premiums had been consistently overstated for several years due to an error in the financial reporting process. For comparative purposes, adjustments were made in 2012, 2013, and 2014, in the amounts of \$(275,311), \$(356,659), and \$(407,231) respectively. The Company is aware of the financial reporting issue and has taken action to correct the issue.

OTHER SIGNIFICANT ISSUES

The fidelity bond in effect at the examination date did not meet the prescribed minimum coverage specified by the NAIC. It is recommended that the Company increase their fidelity bond coverage to \$75,000.

IC 27-1-13-3(c)(1) and IC 27-1-13-3(c)(8) state the amount invested in any single mutual fund shall not exceed 10% of admitted assets. The Company had a single mutual fund in excess of 10% of admitted assets as of December 31, 2014. It is recommended that the Company comply with the limitation by reducing its investment in the fund.

There were no further significant issues identified as of December 31, 2014, based on the results of this examination.

SUBSEQUENT EVENTS

Subsequent to the examination date and prior to the completion of fieldwork, the Company increased its fidelity bond coverage to meet the prescribed minimum coverage specified by the NAIC.

Additionally, the Company adjusted their investment portfolio to come into compliance with IC 27-1-13-3(c)(1) & IC 27-1-13-3(c)(8).

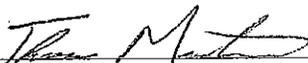
AFFIDAVIT

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 Remington 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 Remington 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 27 day of October, 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

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U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C.