

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

IN THE MATTER OF:)
)
Sauers Mutual Insurance Company)
17562 North County Road 500 West)
Seymour, Indiana 47274)

Examination of **Sauers 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 **Sauers 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 **Sauers 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 January 19, 2011 Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 7700

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

IN THE MATTER OF:)
)
Sauers Mutual Insurance Company)
17562 North County Road 500 West)
Seymour, Indiana 47274)

Examination of Sauers Mutual Insurance Company

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the **Sauers 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 November 15, 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 24, 2010.

On December 28, 2010 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:

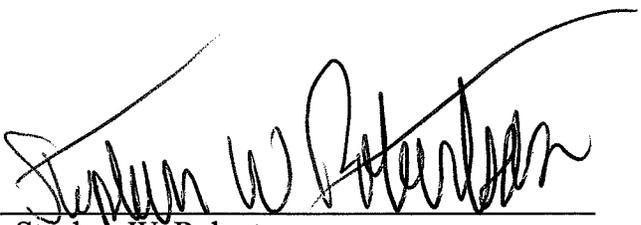
1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

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 19th day of
January, 2011.



Stephen W. Robertson
Insurance Commissioner

.STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

SAUERS MUTUAL INSURANCE COMPANY

NAIC Co. CODE 92330

As of

December 31, 2009

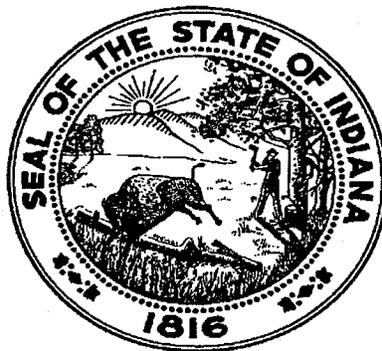


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STATE OF INDIANA

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 16, 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 3656, an examination has been made of the affairs and financial condition of:

Sauers Mutual Insurance Company
17562 South County Road 500 West
Seymour, IN 47274

hereinafter referred to as the "Company", an Indiana-domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in Seymour, 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 Company was organized on September 1, 1909, at which time it was known as "The German Mutual Lightning, Fire and Storm Insurance Company of Sauers Jackson County, State of Indiana." It elected to come under IC 27-5-1, Chapter 145, Acts 1919, of the Indiana Insurance Laws, as pertains to farm mutual companies, on April 26, 1919.

The Company primarily insures farm-related machinery, livestock, and hay and grain. It does not insure dwellings or buildings.

CAPITAL AND SURPLUS

As of December 31, 2009, the Company had surplus of \$1,837,025 and had 165 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 Bartholomew, Jackson, Jennings, and Washington. It has no current plans for acquiring new business through expansion.

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 Assets</u>	<u>Liabilities</u>	<u>Member Surplus</u>	<u>Change in Surplus</u>	<u>Premiums Earned</u>	<u>Claims Losses</u>
2009	\$ 1,899,212	\$ 62,187	\$ 1,837,025	\$ 45,662	\$ 27,281	\$ 5,606
2008	1,849,607	58,244	\$ 1,791,363	\$ 32,878	25,179	39,587
2007	1,812,092	53,607	\$ 1,758,485	\$ 55,070	25,111	5,770
2006	1,763,790	60,375	\$ 1,703,415	\$ 42,405	23,992	18,401
2005	1,708,926	47,916	\$ 1,661,010	\$ 20,625	(27,027)	1,965

Premiums earned are stated net of reinsurance premiums paid. 2005 was the first year that the Company used accrual based accounting for their reporting.

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 consisting of nine members. Directors serve a term of one year and are elected at the annual meeting of members. Nine 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>
Paul Newkirk	Seymour, IN	President
Curtis Benter	Seymour, IN	Secretary
Doris Hackman	Seymour, IN	Treasurer
Don Rieckers	Seymour, IN	Vice-President
Marvin Wischmeier	Brownstown, IN	Member
Raymond Tormoehlen	Seymour, IN	Member
Nathan Newkirk	Seymour, IN	Member
Harold Heideman	Seymour, IN	Member
Michael Shoemaker	Brownstown, IN	Member

Officers

Indiana Department of Insurance
NAIC Accredited

The officers of the Company consist of a president, vice-president, secretary and treasurer. Officers are elected at the reorganization meeting following the annual meeting of the Directors 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 had reviewed and signed their statements in August and September of 2010.

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 signed Oath of Office statements as of September of 2010.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

There were no amendments to the Articles of Incorporation during the examination period. Bylaws could not be located.

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 The Ohio Casualty Insurance Company. The bond has blanket coverage of \$3,000. Based on the admitted assets and gross income of the Company, the prescribed minimum coverage specified by the NAIC should be \$25,000. The Company was notified of the minimum requirement and committed to immediately increasing the coverage. See the Summary of Significant Findings section of this report.

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 Guy Carpenter, a reinsurance intermediary. The 2009 policies were described as follows:

Cessions to the contract are limited to an amount equal to eight times the Company's net retention plus the amount ceded to the Company's working reinsurance contracts, subject to a minimum net retention of \$25,000 and to a maximum cession hereunder of \$400,000 on any one risk covered hereunder. However, if the cession is greater than \$250,000, the maximum cession as respects any one animal shall not exceed \$250,000.

The reinsurer is liable in the aggregate in respect of losses occurring during the term of the contract for 100% of the ultimate net loss over and above an initial ultimate net loss equal to the greater of \$59,900 or \$12.30 per \$1,000 of average net fire insurance in force, subject to a limit of liability to the reinsurer of 100% of the lesser of \$109,600 or \$15.00 per \$1,000 of average net fire insurance in force.

The reinsurer shall be liable in respect of each loss, each risk, for the ultimate net loss over and above an initial ultimate net loss of \$25,000 each loss, each risk, subject to a limit of liability to the Reinsurer of \$25,000 each loss, each risk, and further subject to a limit of liability to the reinsurer of \$75,000 each loss occurrence.

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 that includes significant liability accounts, including unpaid claims and unearned premiums. In order to fulfill their reporting requirements, Blue and Co. calculates liabilities, as needed, and incorporates them into documents like the Annual Statements. Material balances reflected in the December 31, 2009 Annual Statement and trial balance were agreed to supporting documentation.

Sauers Mutual Insurance Company

Financial Statements

Assets, Liabilities, and Surplus

	As of December 31, 2009			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, 2008
Assets:				
Bank balances				
Subject to check	\$ 178,150	\$ -	\$ 178,150	\$ 114,552
On interest	1,710,197	-	1,710,197	1,708,013
Reinsurance Receivable on paid losses	1,322	-	1,322	14,813
Accrued interest	9,114	-	9,114	10,566
Prepaid facultative	429	-	429	1,477
Aggregate premium receivable	-	-	-	186
Total Assets	\$ 1,899,212	\$ -	\$ 1,899,212	\$ 1,849,607
Liabilities and Surplus				
Unearned premium reserve	\$ 56,873	\$ -	\$ 56,873	\$ 53,535
Payroll taxes withheld and accrued	467	-	467	414
Facultative/aggregate prems payable	4,847	-	4,847	4,295
Total liabilities	62,187	-	62,187	58,244
Surplus	1,837,025	-	1,837,025	1,791,363
Total liabilities and surplus	\$ 1,899,212	\$ -	\$ 1,899,212	\$ 1,849,607

Sauers Mutual Insurance Company

Financial Statements

Statement of Income

	For the period ended December 31, 2009			December 31, 2008
	Per Annual Statement	Examination Adjustments	Per Examination	
Surplus, January 1,	\$ 1,791,363	\$ -	\$ 1,791,363	\$ 1,758,485
Income:				
Premiums, net of reinsurance	27,281	-	27,281	25,179
Aggregate excess loss reinsurance paid	(2,443)	-	(2,443)	(2,414)
Interest received on bank deposits	72,157	-	72,157	77,224
Profit on sale of investment	-	-	-	43
Salvage received	-	-	-	12,000
Return of prior year facultative premium	66	-	66	-
Total income	<u>97,061</u>	<u>-</u>	<u>97,061</u>	<u>112,032</u>
Disbursements:				
Losses, net of reinsurance	5,606	-	5,606	39,587
Operating expenses	45,793	-	45,793	39,418
Non-operating expenses	-	-	-	149
Total disbursements	<u>51,399</u>	<u>-</u>	<u>51,399</u>	<u>79,154</u>
Net income	<u>45,662</u>	<u>-</u>	<u>45,662</u>	<u>32,878</u>
Ledger assets, December 31,	<u>\$ 1,837,025</u>	<u>\$ -</u>	<u>\$ 1,837,025</u>	<u>\$ 1,791,363</u>

COMMENTS ON THE FINANCIAL STATEMENTS

No significant issues noted.

SUMMARY OF SIGNIFICANT FINDINGS

As noted in the Fidelity Bond and Other Insurance section of this report, the Company did not meet the NAIC minimum requirements for their fidelity bond. In accordance with NAIC regulations, the Company should increase their fidelity bond coverage in order to meet the minimum specified amount. The Company has subsequently purchased adequate 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.

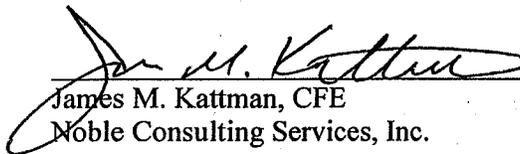
AFFIDAVIT

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

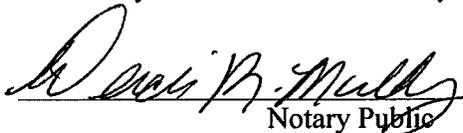

James M. Kattman, CFE
Noble Consulting Services, Inc.

State of:
County of:

On this 22 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: 3/1/15


Notary Public

