

STATE OF INDIANA)
) SS:
COUNTY OF MARION)

IN THE MARION CIRCUIT COURT

CAUSE NO. 49C01-1409-PL-032212

STEPHEN W. ROBERTSON, as the Commissioner)
of the Department of Insurance of the)
State of Indiana,)

Petitioner,)

v.)

FARMERS MUTUAL AID ASSOCIATION)

Respondent.)

**VERIFIED PETITION FOR APPROVAL OF PLAN FOR DISTRIBUTION AND
DISSOLUTION**

Stephen W. Robertson, Commissioner of the Department of Insurance of the State of Indiana, in his capacity as Rehabilitator ("Rehabilitator") of Farmers Mutual Aid Association ("FMAA" or the "Company"), by counsel, hereby submits this Verified Petition for Approval of Plan for Distribution and Dissolution ("Petition for Approval") regarding FMAA, and in support hereof, states as follows:

**I.
BACKGROUND**

1. Pursuant to Ind. Code § 27-1-1-2, Stephen W. Robertson is the duly appointed Insurance Commissioner ("Commissioner") of the Department of Insurance of the State of Indiana ("Department"). This Court appointed the Commissioner as Rehabilitator of FMAA by the Consent Order of Rehabilitation entered on December 8, 2014 ("Rehabilitation Order"), pursuant to Ind. Code § 27-9-3.

2. FMAA is an Indiana domiciled farm mutual insurance company, which did business only in Indiana.

3. FMAA was managed by Everett Cash Mutual Insurance Company ("ECMI") of Pennsylvania from approximately December of 1997 until the entry of the Rehabilitation Order. The officers and directors of FMAA and ECMI were identical. ECMI had entered into annual reinsurance agreements with FMAA, reinsuring all FMAA policies since 1998.

4. Management of ECMI proposed to the Department in approximately July of 2011 to dissolve FMAA within one year. That dissolution never occurred. Meanwhile, ECMI moved policyholder members of FMAA to ECMI policies.

5. As of the Rehabilitation Order, FMAA had only eleven policies in force. Those policies insured only certain personal property of FMAA's and ECMI's directors, such as golf clubs and jewelry.¹ The annual premiums on those eleven policies totaled approximately \$7,000.² Despite this minute policy count and low annual aggregate premium, ECMI had been taking an annual management fee of \$50,000 from FMAA.³

6. After the Department expressed concerns regarding this excessive management fee arrangement, the President and Director of ECMI and FMAA, Mr. Randy Shaw, met with the Department on June 25, 2014. Mr. Shaw represented that management of ECMI and FMAA would provide a plan of dissolution that would return the net surplus of FMAA to former non-director members who were policyholders of the Company before they were moved to ECMI. The Department never received a plan of distribution and dissolution from FMAA or ECMI.

7. On August 22, 2014, the Commissioner issued a notice to each of the Officers and Directors of FMAA, pursuant to Ind. Code § 27-5.1-2-18 (a) that the Commissioner had determined that FMAA was conducting business in an unsafe manner ("Notice"). A true and

¹ All of the directors of FMAA and ECMI, except for one Indiana director, were listed as residing in Pennsylvania, yet, upon information and belief, all of the personal property covered by the policies was located in Kendallville, Indiana. This was apparently to meet the requirement set out in Ind. Code § 27-5.1-2-19 that risks insured by a farm mutual company must be located in Indiana.

² Those eleven policies have now expired.

³ ECMI subsequently lowered the annual management fee to \$5,000, after the Pennsylvania Department of Insurance raised an issue with the excessive fee.

correct copy of the Notice is attached hereto as Exhibit A. The Notice instructed that, pursuant to Ind. Code § 27-5.1-2-18 (b), FMAA was required, on or before September 22, 2014, to establish and provide to the Department a plan of dissolution that would determine the proper distribution of net surplus to members who held policies between 2008 and 2012, and that the plan should not provide any preference to FMAA's directors and officers or to ECMI. The Notice also cautioned that if FMAA did not timely provide such a plan, the Department would take further action, which could include dissolution and liquidation under Ind. Code § 27-9.

8. FMAA did not respond to the Notice, and submitted no plan of dissolution to the Department. The Commissioner therefore instituted proceedings in this Court to enjoin FMAA from conducting any further business transactions, in accordance with Ind. Code § 27-5.1-2-18 (c), and this Court entered an order to that effect on October 7, 2014.

9. The Commissioner also instituted this rehabilitation proceeding, in accordance with Ind. Code § 27-5.1-2-18 (d).

10. The Rehabilitator has authority under Ind. Code § 27-9-3-3 to determine if the "reorganization, consolidation, conversion, reinsurance, merger or other transformation of the insurer is appropriate" and, if so, to prepare and submit plans to the Court for its review and approval, after such notice and hearing as the Court may prescribe. The Court may either approve or disapprove the plan, or may modify it and approve it as modified. Any plan approved under this section must be, in the judgment of the Court, fair and equitable to all parties concerned. If the plan is approved, the Rehabilitator shall carry out the plan. Ind. Code § 27-9-3-3(g) and (h).

11. The Rehabilitator has now formulated a plan of dissolution and distribution that would provide for the proper distribution of net surplus to member policyholders of FMAA who held policies between 2008 and 2012, other than FMAA's directors and officers who held only

token personal property policies as set out above. These years were chosen to maximize the number of former member policyholders who will receive distributions. The data available to the Rehabilitator for FMAA policies goes back to 2008. All FMAA member policyholders had been moved to ECMI by the end of 2012. The Company will be dissolved after the distribution.

II.

PLAN FOR DISTRIBUTION OF NET SURPLUS

12. The Rehabilitator, to determine the appropriate distribution to each member policyholder, has used the following method of calculation:

The amount of premium received by FMAA from each individual member policyholder during policy years 2008-2012, Divided By the total amount of premium received by FMAA from all member policyholders for policy years 2008-2012, Times the amount of net surplus remaining after payment of all Company debts, administrative expenses and fees.

13. For example: If FMAA had issued an individual member a policy for each of the five years from 2008-2012 and received a premium of \$600 each year from that member, there would have been \$3,000 in premium received from that individual member. If FMAA has \$200,000 in net surplus remaining after all debts are paid by the Company, and received \$663,659 in total premium from 2008 to 2012 from all member policyholders, then in this example, the calculation would be $\$3,000 / \$663,659 \times \$200,000$. The amount due to this member policyholder would be \$904.08. Every member policyholder's distribution amount will be unique to each individual, and will depend on the number of policies held and premiums paid by each member during policy years 2008-2012.

14. It is estimated that FMAA will have approximately \$200,000 in net surplus to distribute, after payment of all debts, administrative expenses and fees.

15. The Rehabilitator will provide a letter to member policyholders regarding the distribution of net surplus, in substantially the form attached hereto as Exhibit B.

16. Any payments mailed to the member policyholders that are returned undeliverable or not cashed will be deposited with the clerk of the circuit court in LaGrange County, Indiana, where the principal Indiana office of FMAA was located, to be distributed to the lawful owners, as provided by Ind. Code § 27-1-10-4.

III.

PLAN FOR DISSOLUTION

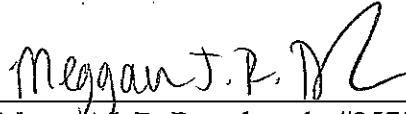
17. FMAA has no remaining current member policyholders. The officers' and directors' authority was suspended by the Rehabilitation Order, and all of their powers now rest with the Rehabilitator, pursuant to Ind. Code § 27-9-3-3 (e). There are therefore no persons with voting power with respect to FMAA, other than the Rehabilitator. The officers and directors of FMAA failed to submit a plan of dissolution to the Department under Ind. Code § 27-5.1-2-18. The Company is therefore subject to dissolution by the Rehabilitator under Ind. Code § 27-5.1-2-18 (d). An order dissolving FMAA issued by this Court will be sufficient to dissolve the Company. The Department will also cancel the certificate of authority of the Company. FMAA is not registered with the Secretary of State, as it was not required to so register under the Indiana Code when it was formed, therefore no filing is required with that office.

18. The Rehabilitator will provide notice of this Petition for Approval to the officers and directors of ECMI, and publish public notice on the Department website.

WHEREFORE, the Commissioner respectfully requests that the Court enter an Order in the form attached hereto as Exhibit C which:

- (a) Approves the plan for distribution and dissolution set out herein;
- (b) Instructs the Rehabilitator to distribute net surplus in accordance with that plan;
- (c) Orders dissolution of the Company, subsequent to the distribution;
- (d) Approves the form of Exhibit B; and

(e) For all further just relief.



Meggan J. R. Brumbaugh, #25750-29-A
Attorney for Petitioner, Stephen W. Robertson,
Commissioner, Indiana Department of Insurance,
in his capacity as Rehabilitator of Farmers Mutual
Aid Association

INDIANA DEPARTMENT OF INSURANCE
311 West Washington Street, Suite 103
Indianapolis, Indiana 46204
(317) 232-0143

VERIFICATION

I, Cynthia D. Donovan, Chief Financial Examiner of the Indiana Department of Insurance, affirm under the penalties of perjury that the foregoing representations are true to the best of my knowledge, information, and belief, and based on the books and records of FMAA and the Department.

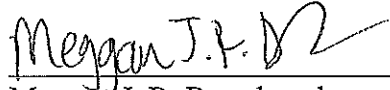


Cynthia D. Donovan
Chief Financial Examiner
Indiana Department of Insurance

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing has been deposited in the U.S. Mail, first class postage prepaid, this 6th day of January, 2016, addressed to the following:

Randy Shaw, President
Farmers Mutual Aid Association
2256 Rock Hill Church Road
Everett, Pennsylvania 15537



Meggan J. R. Brumbaugh

18180303.2



STATE OF INDIANA

MICHAEL R. PENCE, 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

Randy F. Shaw, President
Farmers Mutual Aid Association
2256 Rock Hill Church Road
Everett, Pennsylvania 15537

Shirley I. Mock, Secretary
Farmers Mutual Aid Association
217 Water Street
Everett, Pennsylvania 15537

Kerry S. Foor, Treasurer
Farmers Mutual Aid Association
831 West Street
Everett, Pennsylvania 15537

Jerry L. Stanner, Director
Farmers Mutual Aid Association
1230 W 650 N, Box 384
Howe, Indiana 46746

Mark N. Barnhart, Director
822 Walnut Street
Roaring Spring, Pennsylvania 16673

Larry R. Webber, Director
550 Knight Road
Gettysburg, Pennsylvania 17325

Kenneth C. Stover, Director
817 New Street
Roaring Spring, Pennsylvania 16673

Donn C. Whetstone, Director
218 East First Street
Everett, Pennsylvania 15537

George H. Brindenbaugh, Director
161 Nursery Lane
Martinsburg, Pennsylvania 16662

Bette B. Slayton, Director
2272 Dibert Road
Bedford, Pennsylvania 15522

Richard Rowan, Director
426 Briar Lane
Chambersburg, Pennsylvania 17201

Jeffrey S. Whetstone, Director
122 West Main Street
Everett, Pennsylvania 15537

August 22, 2014

Re: Farmers Mutual Aid Association (FMAA or the "Company")

To the Officers and Directors of FMAA:

This letter is written notice under Indiana Code § 27-5.1-2-18 (a) that the Commissioner of the Indiana Department of Insurance ("Department") has determined that FMAA is conducting business in an unsafe manner.

EXHIBIT

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ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 238-0697

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 PRO
1-800-332-4674

The Department learned during its recent financial examination of FMAA that the Company currently only insures property of its officers and directors, which are also the officers and directors of Everett Cash Mutual Insurance Company (ECM), and yet ECM received a \$50,000 management fee last year for managing FMAA. After the Department expressed concerns regarding this excessive fee arrangement, Randy Shaw met with the Department on June 25, 2014, and promised to provide a plan of dissolution that returned surplus to the non-director policyholders who were members of the company before they were moved elsewhere. The Department has received no such plan from FMAA. Instead, recent correspondence from Mr. Shaw indicates an intent on the part of ECM to assess FMAA for reinsurance losses. The Department is not aware of any valid basis for such an assessment. It has become clear that FMAA is being operated only in the best interest of ECM and/or its officers and directors, and that the interests of its previous members have been ignored. This is an unsafe manner in which to operate a farm mutual insurance company.

Pursuant to Indiana Code § 27-5.1-2-18 (b), the Company must, on or before September 22, 2014, establish and provide to the Department a plan of dissolution to remedy the above concerns. The Department expects to receive a plan of dissolution, with reasonable deadlines, that will determine the proper distribution of surplus to FMAA policyholders who held policies between 2008 and 2012. The plan should not provide any preference to the Company's directors and officers or to ECM. If FMAA does not timely provide such a plan that remedies the Department's concerns, the Department will take further action which could include dissolution and liquidation under Indiana Code Title 27 Chapter 9.

Questions regarding this notice should be directed to John Murphy, Attorney, Ice Miller LLP, at (317) 236-2292.

Sincerely,

Stephen W. Robertson
Insurance Commissioner



STATE OF INDIANA

MICHAEL R. PENCE, Governor

IDOI

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

January __, 2016

NOTICE OF DISTRIBUTION OF FUNDS TO FORMER MEMBERS

TO: Former Members of Farmers Mutual Aid Association ("FMAA" or the "Company"):

FMAA has been placed into court ordered receivership by a Consent Order of Rehabilitation entered on December 8, 2014 ("Rehabilitation Order"), in the Marion County Circuit Court in Indianapolis, Indiana. The Court appointed the Commissioner of the Indiana Department of Insurance as Rehabilitator of FMAA ("Rehabilitator"). The Rehabilitator has been working to wind down the affairs of FMAA. The chief step in the wind down is the return of the remaining net surplus of the Company to the former FMAA members that held policies during policy years 2008 to 2012, in the form of a partial return of premiums on a pro-rata basis. To determine the appropriate distribution for each member policyholder, the Rehabilitator has used the following method of calculation:

The amount of premium received by FMAA from each individual member policyholder during policy years 2008-2012, Divided By the total amount of premium received by FMAA from all member policyholders for policy years 2008-2012, Times the amount of surplus remaining after payment of all Company debts, administrative expenses and fees.

A check for your return of net surplus is enclosed.

You will not be issued a 1099 for the enclosed payment. The Indiana Department of Insurance and the Rehabilitator are not in a position to offer tax advice, but there may be situations in which this refund (partial return of premiums) could have tax consequences to you, depending on your circumstances. The Department and Rehabilitator strongly suggest that you consult with your own tax advisor to discuss the potential tax consequences to you.

In accordance with Indiana Code 27-1-10-4 (d), when payments made to the member policyholders are returned undeliverable or not cashed they will be deposited with the clerk of the circuit court in LaGrange County, Indiana to be distributed to the lawful owners.

Please contact the Cynthia D. Donovan, Chief Financial Examiner, at (317) 232-2390 or cdonovan@idoi.in.gov with any questions you may have.

Please note that this distribution does not affect in any way your current insurance, insurance company, or agent.

EXHIBIT

B

118201959.2

ACCREDITED BY THE

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
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STATE HEALTH INSURANCE PRO
1-800-332-4674

STATE OF INDIANA)
) SS:
COUNTY OF MARION)

IN THE MARION CIRCUIT COURT

CAUSE NO. 49C01-1409-PL-032212

STEPHEN W. ROBERTSON, as the Commissioner)
of the Department of Insurance of the)
State of Indiana,)
)
 Petitioner,)
)
)
 v.)
)
FARMERS MUTUAL AID ASSOCIATION)
)
)
 Respondent.)

FINAL ORDER APPROVING PLAN FOR DISTRIBUTION AND OF DISSOLUTION

On the 6th day of January 2016, Stephen W. Robertson, Commissioner of the Department of Insurance of the State of Indiana ("Department"), in his capacity as Rehabilitator ("Rehabilitator") of Farmers Mutual Aid Association ("FMAA" or the "Company") submitted his Verified Petition for Approval of Plan for Distribution and Dissolution ("Petition for Approval") regarding FMAA, seeking approval of a plan for distribution of the net surplus of the Company to former member policyholders and to dissolve the Company (the "Plan").

Having considered the Petition for Approval and the exhibits thereto, and being duly advised, the Court now finds and concludes that:

1. FMAA is an Indiana domiciled farm mutual insurance company, which did business only in Indiana.
2. On August 22, 2014, the Commissioner issued a notice to each of the Officers and Directors of FMAA, pursuant to Ind. Code § 27-5.1-2-18 (a) that the Commissioner had determined that FMAA was conducting business in an unsafe manner ("Notice"). The Notice instructed that, pursuant to Ind. Code § 27-5.1-2-18 (b), FMAA was required, on or before

EXHIBIT

C

September 22, 2014, to establish and provide to the Department a plan of dissolution that would determine the proper distribution of net surplus to members who held policies between 2008 and 2012, and that the plan should not provide any preference to FMAA's directors and officers or to ECMI. The Notice also cautioned that if FMAA did not timely provide such a plan, the Department would take further action, which could include dissolution and liquidation under Ind. Code § 27-9.

3. FMAA did not respond to the Notice, and submitted no plan of dissolution to the Department. The Commissioner therefore instituted proceedings in this Court to enjoin FMAA from conducting any further business transactions, in accordance with Ind. Code § 27-5.1-2-18 (c), and this Court entered an order to that effect on October 7, 2014.

4. The Commissioner also instituted this rehabilitation proceeding, in accordance with Ind. Code § 27-5.1-2-18 (d).

5. The Rehabilitator has authority under Ind. Code § 27-9-3-3 to determine if the "reorganization, consolidation, conversion, reinsurance, merger or other transformation of the insurer is appropriate" and, if so, to prepare and submit plans to the Court for its review and approval, after such notice and hearing as the Court may prescribe. Ind. Code § 27-9-3-3(g) and (h).

6. The Rehabilitator has submitted a plan of distribution and dissolution that would provide for the proper distribution of net surplus to member policyholders of FMAA who held policies between 2008 and 2012, other than FMAA's directors and officers who held only token personal property policies. These years were chosen by the Rehabilitator to maximize the number of former member policyholders who will receive distributions. The data available to the Rehabilitator for FMAA policies goes back to 2008. All FMAA member policyholders had

been moved out of FMAA by the end of 2012. The Company will be dissolved after the distribution.

7. The Rehabilitator, to determine the appropriate distribution to each member policyholder, has used the following method of calculation:

The amount of premium received by FMAA from each individual member policyholder during policy years 2008-2012, Divided By the total amount of premium received by FMAA from all member policyholders for policy years 2008-2012, Times the amount of net surplus remaining after payment of all Company debts, administrative expenses and fees. .

8. The Rehabilitator has estimated that FMAA will have approximately \$200,000 in net surplus to distribute, after payment of all debts, administrative expenses and fees.

9. The Rehabilitator will provide a letter to member policyholders regarding the distribution of net surplus.

10. Any payments mailed to the member policyholders that are returned undeliverable or not cashed will be deposited with the clerk of the circuit court in LaGrange County, Indiana, where the principal Indiana office of FMAA was located, to be distributed to the lawful owners, as provided by Ind. Code § 27-1-10-4.

11. FMAA has no remaining current member policyholders. The officers' and directors' authority was suspended by the Rehabilitation Order, and all of their powers now rest with the Rehabilitator, pursuant to Ind. Code § 27-9-3-3 (e). There are therefore no persons with voting power with respect to FMAA, other than the Rehabilitator. The officers and directors of FMAA failed to submit a plan of dissolution to the Department under Ind. Code § 27-5.1-2-18. The Company is therefore subject to dissolution by the Rehabilitator under Ind. Code § 27-5.1-2-18 (d). An order dissolving FMAA issued by this Court will be sufficient to dissolve the Company. The Department will also cancel the certificate of authority of the Company. FMAA

is not registered with the Secretary of State, as it was not required to so register under the Indiana Code when it was formed, therefore no filing is required with that office.

12. The Rehabilitator will provide notice of this Petition for Approval to the officers and directors of ECMI, and publish public notice on the Department website

13. The Plan is in accordance with the provisions of Ind. Code § 27-5.1-2-18 and Ind. Code § 27-9-3-3(g).

14. The Plan is fair and equitable to all parties concerned.

IT IS, THEREFORE, ORDERED, ADJUDGED and DECREED that:

- a) The Plan is approved in all respects;
- b) The Rehabilitator shall distribute the net surplus of FMAA member policyholders of FMAA who held policies between 2008 and 2012, other than FMAA's directors and officers, in accordance with the Plan;
- c) The Company is ordered dissolved after the distribution of net surplus is completed, and shall be deemed dissolved upon cancellation of the Company's certificate of authority by the Department;
- d) This rehabilitation proceeding shall thereby be terminated upon dissolution;
- e) The form of Exhibit B is approved;

The Court expressly determines that there is no just reason for delay and expressly directs entry of this order as a final judgment.

Dated: _____

JUDGE, Marion Circuit Court

Copies to:

Meggan J. R. Brumbaugh
INDIANA DEPARTMENT OF INSURANCE
311 West Washington Street
Suite 103
Indianapolis, Indiana 46204

Randy Shaw, President
Farmers Mutual Aid Association
2256 Rock Hill Church Road
Everett, Pennsylvania 15537

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