

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

IN THE MATTER OF:)
)
Farmers Mutual Rescue Insurance Company of LaGrange County)
124 North Detroit Street)
LaGrange, Indiana 46761)

Examination of: **Farmers Mutual Rescue Insurance Company of LaGrange County**

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Holly W. Lambert, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Farmers Mutual Rescue Insurance Company of LaGrange County any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on February 13, 2025 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 Farmers Mutual Rescue Insurance Company of LaGrange 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.

April 1, 2025
Date

Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7018 1130 0001 7982 7298

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

IN THE MATTER OF:

Farmers Mutual Rescue Insurance Company of LaGrange County
124 North Detroit Street
LaGrange, Indiana 46761

Examination of: **Farmers Mutual Rescue Insurance Company of LaGrange County**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Farmers Mutual Rescue Insurance Company of LaGrange County (hereinafter “Company”) for the time period January 1, 2018 through December 31, 2022.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on December 4, 2023.

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 February 13, 2025 and was received by the Company on February 24, 2025.

The Company did not file any objections.

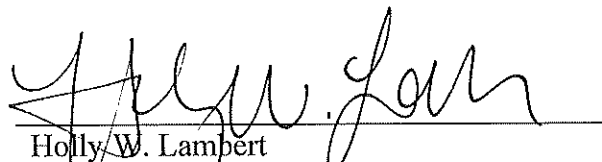
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Farmers Mutual Rescue Insurance Company of LaGrange County as of December 31, 2022.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Farmers Mutual Rescue Insurance Company of LaGrange 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 this 4th day of
April, 2025.


Holly W. Lambert
Insurance Commissioner
Indiana Department of Insurance

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.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

FARMERS MUTUAL RESCUE INSURANCE COMPANY OF
LAGRANGE COUNTY
NAIC Co. CODE 92303

As of

December 31, 2022

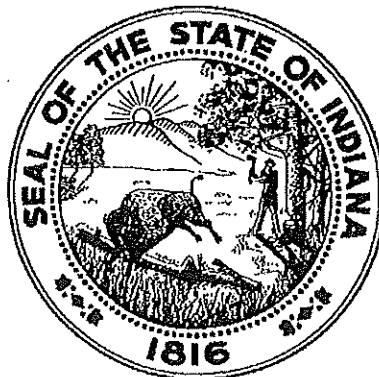


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STATE OF INDIANA

MIKE BRAUN, GOVERNOR

Indiana Department of Insurance

Holly W. Lambert, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-3520
Fax: 317-232-5251
Website: in.gov/idoi

December 4, 2023

Honorable Amy L. Beard, 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 4178, an examination has been made of the affairs and financial condition of:

Farmers Mutual Rescue Insurance Company of LaGrange County
124 North Detroit Street
LaGrange, Indiana 46761

Farmers Mutual Rescue Insurance Company of LaGrange County (the Company) is an Indiana domiciled, farm mutual insurance company.

Ingardus, LLC conducted the examination remotely with the cooperation of the Company.

The Report of Examination, reflecting the status of the Company as of December 31, 2022, is respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
317-232-2389

COMPANY COMPLIANCE
317-232-3495

CONSUMER SERVICES
317-232-2395/1-800-622-4461

FINANCIAL SERVICES
317-232-2390

MEDICAL MALPRACTICE
317-232-5253

COMPANY RECORDS
317-232-2383

STATE HEALTH INSURANCE PROGRAM
1-800-452-4800

SCOPE OF EXAMINATION

Representatives of the Indiana Department of Insurance (the Department) last examined Farmers Mutual Rescue Insurance Company of LaGrange County (the Company) for the period ending December 31, 2017. Ingardus, LLC (Ingardus) conducted the present risk-focused examination for the period from January 1, 2018 through December 31, 2022. The examination included all material transactions and 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. The examination included assessing the principles used and significant estimates made by management. Additionally, the examination evaluated 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. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but were separately communicated to the Department and/or the management of the Company.

HISTORY

The Company was organized in 1878 in LaGrange County, Indiana for the purpose of insuring its members against loss or damage by specified perils as described in the policy issued by the Company. The Company operates under farm mutual laws.

SURPLUS

As of December 31, 2022, the Company had surplus of \$2,977,141 and 284 policies. The policyholders are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company provides insurance coverage for real and personal property for farms, homes, lake cottages, and churches. The Company conducts business in the Indiana counties of Elkhart, LaGrange, Noble and Steuben.

GROWTH OF THE COMPANY

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

Year	Admitted Assets	Liabilities	Surplus
2022	\$ 3,241,496	\$ 264,355	\$ 2,977,141
2021	3,711,496	275,733	3,435,763
2020	3,085,215	237,624	2,847,591
2019	2,936,885	303,585 ^A	2,633,300 ^A
2018	2,542,561	249,186 ^A	2,293,375 ^A

MANAGEMENT AND CONTROL

Directors

The business of the Company is managed by a Board of Directors (Board) comprised of at least five (5) directors. Director are elected to serve a term of one (1) year. The following is a listing of persons serving as directors as of December 31, 2022:

Name	City
Steve Christner	Topeka, Indiana
Ron Hostetler	LaGrange, Indiana
Richard Long	LaGrange, Indiana
Mark Thompson	Topeka, Indiana
Jordan Younce	Wolcottville, Indiana
David Young	Wolcottville, Indiana

Officers

The officers of this Company are a President, a Vice President, and a Secretary-Treasurer. The following is a listing of the persons serving as officers of the Company as of December 31, 2022:

Name	Office
Richard Long	President
Vacant ^B	Vice President
Ron Hostetler	Secretary-Treasurer

^A The liabilities and surplus for 2018 and 2019 has been adjusted, per the examination. See the Comments on the Financial Statements section of this Report of Examination.

^B The Vice President position was vacant as of December 31, 2022, due to the death of an officer in 2022. The position was subsequently filled at the next annual meeting in 2023.

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, 2022.

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 subscribed to an oath as of December 31, 2022.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments to the Bylaws during the examination period.

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 does not have any affiliated companies.

FIDELITY BOND AND OTHER INSURANCE

The Company did not have a fidelity bond as of December 31, 2022. Based on the admitted assets and gross income of the Company, the Company is not in compliance with the prescribed minimum coverage specified by the NAIC. See the Other Significant Issues section of this Report of Examination.

The Company had additional types of coverage in-force at December 31, 2022, including but not limited to agents and brokers professional liability, commercial general liability, and directors and officers liability.

STATUTORY DEPOSITS

As a farm mutual insurer, the Company is not required to maintain a statutory deposit with the state of Indiana.

REINSURANCE

The Company's reinsurance program is placed through Guy Carpenter. The reinsurance program includes three (3) treaties, each effective January 1, 2022, which are described below:

- *Property Facultative Pro Rata Reinsurance Contract* — Cessions to this contract shall be limited to a maximum cession of \$250,000 with a minimum retention of \$5,000
- *Property Per Risk Excess of Loss Reinsurance Contract* — All risks are reinsured for up to \$375,000 in excess of the Company's minimum net retention of \$50,000.
- *Aggregate Excess of Loss Reinsurance Contract* — Coverage includes 95% of 1,590% of gross net written premium income in excess of 95% of gross net written premium income.

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, 2021 and 2022, agreed to the respective Annual Statements.

FARMERS MUTUAL RESCUE INSURANCE COMPANY OF LAGRANGE COUNTY
Assets, Liabilities and Surplus
As of December 31, 2022

	Per Annual Statement	Examination Adjustments*	Per Examination
ASSETS			
Stocks	\$ 2,330,001	\$ (82,199)	\$ 2,247,802
Bank balances	899,750	82,199	981,949
Reinsurance receivable on paid losses	11,745	-	11,745
Total Assets	<u>\$ 3,241,496</u>	<u>\$ -</u>	<u>\$ 3,241,496</u>
LIABILITIES AND SURPLUS			
Liabilities			
Unpaid claims	\$ 32,000	\$ -	\$ 32,000
Less, reinsurance recoverable	-	-	-
Net unpaid claims	32,000	-	32,000
Premiums collected for other companies - not remitted	28,272	-	28,272
Premiums received in advance	204,083	-	204,083
Total Liabilities	264,355	-	264,355
Surplus	2,977,141	-	2,977,141
Total Liabilities and Surplus	<u>\$ 3,241,496</u>	<u>\$ -</u>	<u>\$ 3,241,496</u>

* The Company overstated its stocks and understated its bank balances. There was no change to surplus as a result of these adjustments. See the Comments on the Financial Statements section of this Report of Examination.

FARMERS MUTUAL RESCUE INSURANCE COMPANY OF LAGRANGE COUNTY
Income Statement and Change in Surplus
For the year ended December 31, 2022

	<u>Per Annual Statement</u>
INCOME	
Net premiums:	
Direct premiums written	\$ 265,716
Less: Reinsurance premiums ceded	<u>(35,748)</u>
Total net premiums written	229,968
Aggregate excess loss reinsurance paid	<u>-</u>
Total net premiums	229,968
Income from investments	52,527
Other income	<u>28,272</u>
Total income	310,767
 DISBURSEMENTS	
Net losses paid:	
Direct losses	116,995
Less: Reinsurance recovered	<u>-</u>
Net losses paid	116,995
Operating expenses	129,231
Non-operating expenses	<u>28,321</u>
Total disbursements	274,547
 CHANGE IN SURPLUS	
Net income	36,220
Change in accrued assets and liabilities	362
Change in unrealized gains (losses)	(495,204)
Surplus, beginning of period	<u>3,435,763</u>
Surplus, end of period	<u><u>\$ 2,977,141</u></u>

COMMENTS ON THE FINANCIAL STATEMENTS

The Company had mathematical errors on its December 31, 2019 and 2018 balance sheets that resulted in liabilities being understated by \$32,000 and \$1,500, respectively and surplus being overstated by \$37,000 and \$1,500, respectively.

The Company recognized certain assets as stocks that should have been classified as bank balances. This caused an overstatement of \$82,199 in stocks and an understatement of \$82,199 in bank balances as of December 31, 2022. There was no change to surplus as a result of these adjustments.

OTHER SIGNIFICANT ISSUES

The Company did not have a fidelity bond as of December 31, 2022. The NAIC suggested minimum amount of fidelity insurance for the Company calculates to between \$50,001 and \$75,000. The suggested minimum amount of fidelity insurance is based on the Company's total admitted assets and gross income.

In 2023, the Company purchased fidelity insurance in the amount of \$50,000.

It is recommended that the Company continuously maintain a fidelity bond and become compliant with the recommended fidelity bond coverage range.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork that were considered material events requiring disclosure in this Report of Examination.


AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that she, in coordination with assistance from Ingardus, LLC, hereinafter collectively referred to as the "Examiners", performed an examination of the Farmers Mutual Rescue Insurance Company of LaGrange County, as of December 31, 2022.


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 by the Indiana Department of Insurance. 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 Farmers Mutual Rescue Insurance Company of LaGrange County as of December 31, 2022, as determined by the undersigned.


Angela L. Ohlmann, CPA, CGMA, CFE (Fraud), MCM
Ingardus, LLC
State of: Indiana
County of: Marion

Under the Supervision of:


Jerry Ehlers, CPA, CFE (Financial), AES
Examiner-in-Charge
Indiana Department of Insurance

On this 31st day of March, 2025, before me personally appeared, Angela L. Ohlmann and Jerry Ehlers, 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: October 4, 2025 
Notary Public

DARCY L. SHAWVER
NOTARY PUBLIC

SEAL

MARION COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 706053

Indiana Department of Insurance
NAIC Accredited

10 Farmers Mutual Rescue Insurance Company of LaGrange County
Financial Examination as of 12/31/2022

