

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
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 Stephen W. Robertson, 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 4, 2014, 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.

March 7, 2014
Date

Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

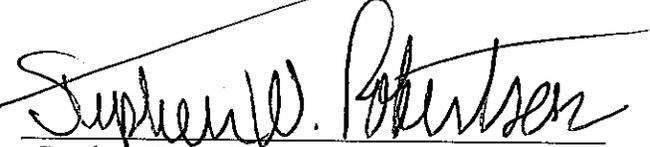
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2. That the Examiner's Recommendations are reasonable and necessary in order for the Farmers Mutual Rescue Insurance Company of LaGrange County to comply with the laws of the State of Indiana.

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 and Sealed this 7 day of
March, 2014.


Stephen W. Robertson
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, 2012

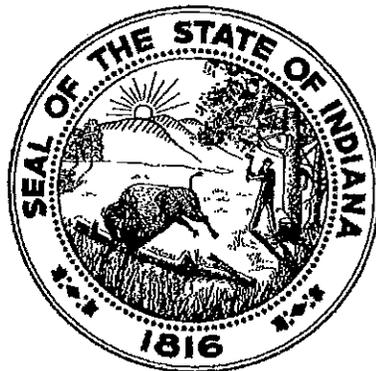


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STATE OF INDIANA

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

November 19, 2013

Stephen W. Robertson, Commissioner

Honorable Stephen W. Robertson, 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 3765, 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

hereinafter referred to as the "Company", an Indiana-domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in LaGrange, Indiana and at the offices of Noble Consulting Services, Inc., in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2012, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2007. The present risk-focused examination, covering the period from January 1, 2008 through December 31, 2012, was conducted by Noble Consulting Services, Inc., (Noble) on behalf of the state of Indiana.

Noble conducted the risk-focused examination pursuant to and 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, 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 formed in March, 1878, in LaGrange County, Indiana for the purpose of providing insurance to its policyholders against loss or damage by specified perils as described in its policies.

CAPITAL AND SURPLUS

The Company is owned by its 292 policyholders. As of December 31, 2012, the Company had surplus, as reported, of \$1,336,007.

TERRITORY AND PLAN OF OPERATION

The Company currently conducts business in the following three (3) counties: LaGrange, Noble, and Steuben.

The Company insures against real and personal property losses for churches, farms, homes, and lake cottages. Policies are written on a one (1) year basis.

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>Policyholder Surplus</u>
2012	\$ 1,530,007	\$ 194,000	\$ 1,336,007
2011	1,348,786	192,235	1,156,551
2010	1,384,787	183,354	1,201,433
2009	1,242,351	151,889	1,090,462
2008	1,176,648	120,150	1,056,498

MANAGEMENT AND CONTROL

Policyholders

An annual meeting of policyholders is held each year for the purpose of electing a Board of Directors and addressing such other business as may arise. Each policyholder is entitled to one (1) vote.

Directors

The corporate powers of the Company are vested in a Board of Directors consisting of at least five (5) policyholders. Directors are elected to serve a term of one (1) year. The following persons were serving as directors at December 31, 2012:

<u>Name</u>	<u>Residence</u>
Norman Bovee	LaGrange, IN
Steve Christner	Topeka, IN
Ronald Hostetler	LaGrange, IN
Richard Long	LaGrange, IN
Thomas Maskow	Howe, IN
Mark Thompson	Topeka, IN

Officers

The officers of the Company consist of a President, a Vice President, and a Secretary-Treasurer. Officers are elected at the annual meeting of the Board of Directors to serve a term of one (1) year. The following persons were serving as officers at December 31, 2012:

<u>Name</u>	<u>Title</u>
Richard Long	President
Thomas Maskow	Vice President
Ronald Hostetler	Secretary-Treasurer

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. Per review of the signed statements, it was noted that the directors and officers listed in the Management and Control section of this Report of Examination had completed Conflict of Interest statements during the exam period.

OATH OF OFFICE

Indiana Code (IC) 27-1-7-10(i) stipulates that every director must sign an Oath of Office. The Company was unable to provide the signed Oath of Office statements for all officers and directors listed in the Management and Control section of this Report of Examination.

See the Summary of Significant Findings section.

CORPORATE RECORDS

Articles of Incorporation

The Company was unable to provide their Articles of Incorporation as noted in the Summary of Significant Findings section.

Bylaws

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

Minutes

Minutes from the Board of Directors meetings and the annual meeting of the policyholders were reviewed for the period under examination through the fieldwork date. Minutes documented the Board of Director's oversight of operations.

FIDELITY BOND AND OTHER INSURANCE

The Company does not have a fidelity bond. 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 Handbook.

See the Summary of Significant Findings section.

REINSURANCE

The Company's reinsurance program is placed through Guy Carpenter, a reinsurance intermediary, with offices in Philadelphia, Pennsylvania. The Company's reinsurance contracts, effective January 1, 2012, include Combined Excess of Loss (including Per Risk and Aggregate), Supplemental Aggregate Excess of Loss, and Property Facultative Pro Rata coverages.

Combined Excess of Loss - Per Risk

The Reinsurer agrees to indemnify the Company for 100% of \$125,000, in excess of \$50,000 retention, net loss per risk and a \$250,000 occurrence limit.

Combined Excess of Loss - Aggregate

The ceiling for this coverage is 95% of an amount equal to 590% of Gross Net Written Premium Income (GNWPI), or 95% of \$1,451,400, whichever is the lesser, in excess of an amount equal to 110% GNWPI, or \$180,400, whichever is greater, which is the floor for this coverage.

Supplemental Aggregate Excess of Loss

The Reinsurer agrees to indemnify the Company for 100% of 1,000% of subject net premiums earned as respects losses and loss adjustment expenses, in excess of an amount equal to the sum of the Company's net retention plus coverage provided by the underlying Excess of Loss coverage.

Property Facultative Pro Rata Reinsurance

Under this reinsurance treaty, coverage is ceded on a risk by risk basis. The facultative coverage is used to limit the Company's overall retention based on their risk appetite.

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, which generates the trial balance at year-end. Material balances reflected in the December 31, 2012 Annual Statement and trial balance were agreed to supporting documentation.

FARMERS MUTUAL RESCUE INSURANCE COMPANY OF LAGRANGE COUNTY

FINANCIAL STATEMENTS

Assets, Liabilities, and Surplus

	As of December 31, 2012			
	<u>Per Annual</u> <u>Statement</u>	<u>Examination</u> <u>Adjustments</u>	<u>Per</u> <u>Examination</u>	<u>December 31,</u> <u>2011</u>
Assets:				
Stocks - common	\$ 743,577	\$ (66,837)	\$ 676,740	\$ 658,198 *
Bank balances	761,949	66,837	828,786	687,384 *
Unpaid premiums	24,481	-	24,481	3,204
Total Assets	\$ 1,530,007	\$ -	\$ 1,530,007	\$ 1,348,786
Liabilities and Surplus:				
Other unpaid expenses	\$ -	\$ -	\$ -	\$ 5,220
Premiums received in advance	117,800	-	117,800	112,209
Unearned premium reserve	76,200	-	76,200	74,806
Total liabilities	194,000	-	194,000	192,235
Surplus	1,336,007	-	1,336,007	1,156,551
Total liabilities and surplus	\$ 1,530,007	\$ -	\$ 1,530,007	\$ 1,348,786

* See Comments on the Financial Statements section.

FARMERS MUTUAL RESCUE INSURANCE COMPANY OF LAGRANGE COUNTY

FINANCIAL STATEMENTS

Statement of Income and Changes in Surplus

	As of December 31, 2012			
	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, 2011</u>
Income:				
Total net assessments, premiums, and fees	\$ 196,170	\$ -	\$ 196,170	\$ 150,357
Total income from investments	33,976	-	33,976	11,610
Other income	117,486	-	117,486	32,250
Total income	<u>347,632</u>	<u>-</u>	<u>347,632</u>	<u>194,217</u>
Disbursements:				
Total of all net losses	10,463	-	10,463	132,272
Total operating expenses	87,274	-	87,274	82,896
Total non-operating expenses	47,127	-	47,127	917
Change in ledger assets and liabilities	-	23,312	23,312	23,014 *
Total disbursements	<u>144,864</u>	<u>23,312</u>	<u>168,176</u>	<u>239,099</u>
Net income	202,768	(23,312)	179,456	(44,882)
Surplus, beginning of period as reported	1,156,551	-	1,156,551	1,201,433
Surplus, end of period as reported	<u>\$1,336,007</u>	<u>\$ -</u>	<u>\$ 1,336,007</u>	<u>\$ 1,156,551</u>

* The Company reports some income statement items on a cash basis. In order to properly reconcile the change in Surplus, the change in ledger assets and liabilities has been adjusted through the examination process by \$23,014 in 2011 and by \$23,312 in 2012.

COMMENTS ON THE FINANCIAL STATEMENTS

The Company reports some income statement items on a cash basis. In order to properly reconcile the change in surplus, the change in ledger assets and liabilities has been adjusted through the examination process by \$23,014 and \$23,312 in 2011 and 2012 respectively.

A cash balance of \$66,837 was incorrectly reported as common stock at December 31, 2012. It is recommended that the Company properly classify cash balances for future reporting periods.

As of December 31, 2012, the Company could not provide documentation that proved all common stock holdings listed in the 2012 Annual Statement were held in the name of the Company. See the Subsequent Events section below.

SUMMARY OF SIGNIFICANT FINDINGS

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 unable to provide signed Oath of Office statements for all officers and directors listed in the Management and Control section of this Report of Examination. It is recommended the Company obtain signed Oaths of Office for the current directors, and newly elected directors, in order to comply with the IC 27-1-7-10(i).

The Company was unable to provide their Articles of Incorporation. It is recommended the Board of Directors pass a resolution to approve and re-establish the necessary Articles of Incorporation, as well as provide an updated copy to the INDOL.

The Company was unable to provide an inforce fidelity bond. It is recommended the Company obtain and continuously maintain, a fidelity bond, which meets the prescribed minimum coverage specified by the NAIC Financial Condition Examiners Handbook.

SUBSEQUENT EVENTS

During 2013, the Company made arrangements for all common stock holdings to be held in a brokerage account in the name of the Company. All shares not previously accounted for as held in the name of the Company were shown to have been moved into the Company's account by October 31, 2013.

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

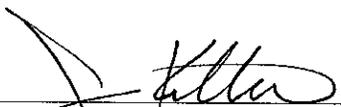
AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., hereinafter collectively referred to as the "Examiners", performed an examination of **Farmers Mutual Rescue Insurance Company of LaGrange County, as of December 31, 2012.**

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 2013 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 of Examination.

The attached Report of Examination is a true and complete report of the condition of **Farmers Mutual Rescue Insurance Company of LaGrange County, as of December 31, 2012**, as determined by the undersigned.



Jim Kattman, CFE
Noble Consulting Services, Inc.

State of: Indiana
County of: Hendricks

On this 29 day of January 2014, before me personally appeared, Jim 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

