

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

IN THE MATTER OF:)

Ferdinand Farmers Mutual Insurance Company)
1405 Main Street, P.O. Box 263)
Ferdinand, Indiana 47532)

Examination of: **Ferdinand Farmers Mutual Insurance Company**


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 Ferdinand Farmers Mutual Insurance Company, 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 Ferdinand 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.

April 1, 2025
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7018 1130 0001 7982 7281

STATE OF INDIANA) BEFORE THE INDIANA
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IN THE MATTER OF:)
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Ferdinand Farmers Mutual Insurance Company)
1405 Main Street, P.O. Box 263)
Ferdinand, Indiana 47532)

Examination of: **Ferdinand Farmers Mutual Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Ferdinand Farmers Mutual Insurance Company (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 19, 2025.

The Company did not file any objections.

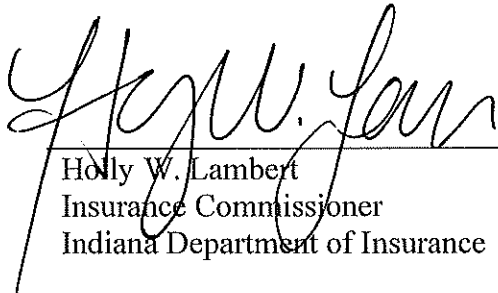
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Ferdinand Farmers Mutual Insurance Company as of December 31, 2022.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Ferdinand Farmers Mutual Insurance Company 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 1st 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

FERDINAND FARMERS MUTUAL INSURANCE COMPANY
NAIC Co. CODE 92305

As of
December 31, 2022

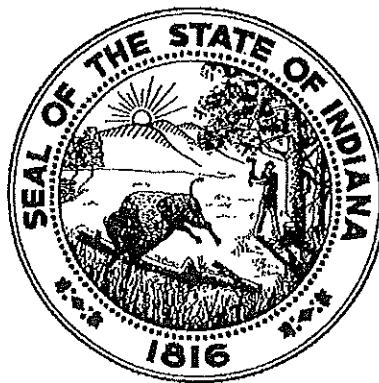


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STATE OF INDIANA

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/doi

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 4172, an examination has been made of the affairs and financial condition of:

Ferdinand Farmers Mutual Insurance Company
1405 Main Street, P.O. Box 263
Ferdinand, Indiana 47532

Ferdinand Farmers Mutual Insurance Company (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
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SCOPE OF EXAMINATION

Representatives of the Indiana Department of Insurance (the Department) last examined Ferdinand Farmers Mutual Insurance Company (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 1864. On March 14, 1919, it elected to come under Chapter 145, Acts 1919, and Indiana Code (IC) 27-5.1 of the Indiana Insurance Laws, as pertains to farm mutual companies.

On July 17, 1970, the Company merged with Farmers Mutual Insurance Company of Huntingburg, Indiana with the Company being the surviving company. The merger was not disapproved by the Department on July 24, 1970.

Effective January 1, 1991, the Company purchased Kemper Insurance Agency from James Kemper. The agreement was approved on January 7, 1991, by the Board of Directors (Board). In order to identify its association with the Company, Kemper Insurance Agency was renamed Ferdinand Farmers Insurance Agency.

In June 1995, the Company and German Mutual Fire Insurance Company (name changed to German Mutual Insurance Company (GMIC) effective March 1, 1998) entered into a management agreement whereby the Company would assume complete responsibility for the management of GMIC. On March 3, 2014, the Board and policyholders approved the merger of GMIC with the Company as the surviving company.

On July 23, 2003, Farmers Mutual Home Insurance Company of Bainbridge Township was merged into the Company with the Company being the surviving company. The merger was subsequently approved by the Board and policyholders on September 13, 2003.

Effective February 2, 2019, the Company's policyholders approved to amend its articles of incorporation to become an extended farm mutual insurance company in accordance with IC 27-5.1-2.

The purpose of the Company, as stipulated within its Amended Articles of Incorporation, is to transact any and all lawful business for which the Company is authorized under the provisions of the Indiana Code pertaining to farm mutual insurance companies.

SURPLUS

As of December 31, 2022, the Company had surplus, adjusted by this examination, of \$11,423,394 and 3,298 policies. The policyholders are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company provides insurance coverage for property losses to farm buildings, farm machinery and equipment, livestock, dwellings, mobile homes, small businesses, rural churches, and personal property. The Company conducts business in the Indiana counties of Crawford, Daviess, Dubois, Floyd, Gibson, Harrison, Jefferson, Knox, Marion, Martin, Monroe, Orange, Perry, Pike, Posey, Spencer, Vanderburgh, Vigo, Warrick and Washington.

GROWTH OF THE COMPANY

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

Year	Admitted Assets	Liabilities	Surplus
2022	\$ 14,452,121 ^A	\$ 3,028,727 ^A	\$ 11,423,394 ^A
2021	15,312,587	3,255,278 ^A	12,057,309 ^A
2020	14,067,959	2,859,494 ^A	11,208,465 ^A
2019	12,886,569	3,103,958 ^A	9,782,611 ^A
2018	11,647,275	2,608,363 ^A	9,038,912 ^A

MANAGEMENT AND CONTROL

Directors

The business of the Company is managed by the Board comprised of a minimum of six (6) and maximum of nine (9) directors. A majority of the Board constitutes a quorum for the transaction of business. Six directors serve for a term of three (3) years, and the director terms are arranged so that an equal number are elected at each annual meeting of the members. The remaining directors may be appointed by the Board for a term of one (1) year. The following is a listing of persons serving as directors as of December 31, 2022:

Name	City
John Becher, Jr.	Ferdinand, Indiana
Amy Dilger	Ferdinand, Indiana
Jeff Durlauf	Huntingburg, Indiana
Kurt Fleck	Ferdinand, Indiana
Debra Johnson	Ferdinand, Indiana
Gary Kemper	St. Anthony, Indiana
Erin Thewes	Celestine, Indiana
Ross Weyer	Birdseye, Indiana

^A Balances have been adjusted per the examination. See the Comments on the Financial Statements section of this Report of Examination.

Officers

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

Name	Office
Kurt Fleck	President
John Becher, Jr.	Vice President
Erin Thewes	Secretary
Amy Dilger	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, 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

The Company amended its Articles of Incorporation on February 2, 2019 to reflect the change to an extended farm mutual company. There were no other substantive changes made to the Articles of Incorporation during the examination period.

Bylaws

The Company amended its Bylaws on March 4, 2019. The primary changes were to expand the maximum number of directors, expand requirements and eligibility for director nominees, and to define a quorum of policyholders.

There were no other substantive changes made 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 is owned by its members and has affiliated investments in Ferdinand Farmers Insurance Agency and German Holdings LLC.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts through the purchase of a fidelity crime bond issued by Western Surety Company. The bond has a policy aggregate limit of liability of \$150,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2022, including but not limited to agent and broker professional liability, general liability, cyber liability, director and officer liability, and workers' compensation.

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 with Grinnell Mutual Reinsurance Company. The reinsurance program includes three (3) treaties, each of which are effective January 1, 2022, which are described below:

- *Property Per Risk Excess of Loss Reinsurance Contract* – The Company's retention under this agreement is the first \$150,000 of the ultimate net loss incurred by the Company per risk. The maximum reinsurance recovery is up to \$15,000,000 per risk including the Company retention and provided the Company provides timely notification to the Reinsurer of any risks exceeding \$15,000,000.
- *Property Catastrophe Excess of Loss Reinsurance* – The Company retains \$1,000,000 of the ultimate net losses incurred, per loss occurrence, net of all other reinsurance recoveries. The coverage limit is 100% of the Company's ultimate net loss in excess of the Company retention, per loss occurrence.
- *Property Aggregate Excess of Loss Reinsurance* – The Company retains \$3,000,000 of the ultimate net losses incurred, net of all other reinsurance recoveries. The coverage limit is 100% of the Company's ultimate net loss in excess of the Company retention with no limit to the reinsurance coverage.

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.

FERDINAND FARMERS MUTUAL INSURANCE COMPANY
Assets, Liabilities and Surplus
As of December 31, 2022

	Per Annual Statement	Examination Adjustments*	Per Examination
ASSETS			
Bonds	\$ 7,030,418	\$ -	\$ 7,030,418
Stocks	5,235,769	(378,883)	4,856,886
Bank balances	427,689	317,440	745,129
Real estate	207,921	-	207,921
Cash in office	200	-	200
Accrued interest	95,962	-	95,962
Agency investment	1,300,726	65,705	1,366,431
Investment in German Holdings LLC	149,174	-	149,174
Total Assets	<u>\$ 14,447,859</u>	<u>\$ 4,262</u>	<u>\$ 14,452,121</u>
LIABILITIES AND SURPLUS			
Liabilities			
Unpaid claims	\$ 370,205	\$ -	\$ 370,205
Less, reinsurance recoverable	-	-	-
Net unpaid claims	370,205	-	370,205
Ceded reinsurance balances payable	418	-	418
Premiums collected for other companies	33,177	-	33,177
Premiums received in advance	103,515	-	103,515
Unearned premium reserve	2,213,135	-	2,213,135
Restricted severance reserve	218,012	89,729	307,741
Members held in suspense	536	-	536
Total Liabilities	2,938,998	89,729	3,028,727
Surplus	11,508,861	(85,467)	11,423,394
Total Liabilities and Surplus	<u>\$ 14,447,859</u>	<u>\$ 4,262</u>	<u>\$ 14,452,121</u>

* The Company overstated its stocks and understated its bank balances and agency investment. The Company also understated its restricted severance reserve. The net impact to surplus as a result of these adjustments as an overstatement of \$85,467. See the Comments on the Financial Statements section of this Report of Examination.

FERDINAND FARMERS MUTUAL INSURANCE COMPANY
Income Statement and Change in Surplus
For the year ended December 31, 2022

	Per Annual Statement	Examination Adjustments*	Per Examination
INCOME			
Net premiums:			
Direct premiums written	\$ 4,261,376	\$ -	\$ 4,261,376
Plus: Reinsurance premiums assumed	335,425	-	335,425
Less: Reinsurance premiums ceded	(871,455)	-	(871,455)
Total net premiums written	3,725,346	-	3,725,346
Aggregate excess loss reinsurance paid	-	-	-
Total net premiums	3,725,346	-	3,725,346
Income from investments	383,774	-	383,774
Other income	17,993	-	17,993
Total income	4,127,113	-	4,127,113
DISBURSEMENTS			
Net losses paid:			
Direct losses	2,414,515	30	2,414,545
Less: Reinsurance recovered	(364,920)	-	(364,920)
Net losses paid	2,049,625	-	2,049,625
Operating expenses	1,414,375	-	1,414,375
Non-operating expenses	582,892	-	582,892
Total disbursements	4,046,892	-	4,046,892
CHANGE IN SURPLUS			
Net income	80,221	-	80,221
Change in accrued assets and liabilities	1,077,070	454,470	1,531,540
Change in unrealized gains (losses)	(1,014,694)	-	(1,014,694)
Surplus, beginning of period	11,366,264	(539,937)	10,826,327
Surplus, end of period	\$ 11,508,861	\$ (85,467)	\$ 11,423,394

* The Company had a mathematical error on its income statement related to net losses paid. The net impact of this adjustment did not impact surplus. The remaining adjustments relate to the net impact to current and prior year surplus for corrections to the restricted severance liability and asset valuations. See the Comments on the Financial Statements section of this Report of Examination.

COMMENTS ON THE FINANCIAL STATEMENTS

The Company recognized certain assets as stocks that should have been classified as bank balances and double counted certain assets. This caused an overstatement of \$378,883 in stocks and an understatement of \$317,440 in bank balances as of December 31, 2022. There was a net overstatement to 2022 surplus of \$61,443 as a result of these adjustments.

As of December 31, 2022, the Company understated its agency investment by a net amount of \$65,705 with an offsetting understatement to surplus.

As of December 31, 2022, the Company understated its restricted severance reserve by \$89,729 with an offsetting overstatement to surplus.

The Company had a mathematical error of \$30 on its 2022 income statement. This error did not impact surplus.

For years 2021 through 2018, the Company understated its restricted severance reserve by \$539,937, \$157,799, \$407,179 and \$286,879, respectively, with an offsetting overstatement to surplus. The Company has not consistently recognized the value of the restricted severance reserve equal to the market value of the underlying assets. The adjustments listed above were needed to equate the reserve to the asset value for each year.

The Company had mathematical errors on its December 31, 2019 balance sheet that resulted in liabilities and surplus being understated by \$252,000 and \$1,773,142, respectively.

OTHER SIGNIFICANT ISSUES

There were no significant issues identified as of December 31, 2022, based on the results of this examination.

SUBSEQUENT EVENTS

On August 28, 2023, the Company's Board voted to authorize a merger with Farmers Home Insurance Company of Knox County. The Company would be the surviving entity. The Company's Board directed that merger procedures will be followed as prescribed by Indiana insurance law.

There were no other 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.

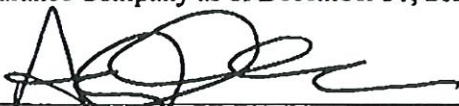
AFFIDAVIT

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 Ferdinand Farmers Mutual Insurance Company, as of December 31, 2022.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

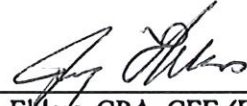
This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination by the Indiana Department of Insurance. Such procedures performed on this examination do not constitute an audit made in accordance 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 Ferdinand Farmers Mutual Insurance Company 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

