

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

IN THE MATTER OF:)
)
Grain Dealers Mutual Insurance Company)
55 West Street)
Keene, NH 03431)

Examination of Grain Dealers 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 Grain Dealers Mutual Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 16, 2016, 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 Grain Dealers 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.

6/3/2016

Date



Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0060 1312

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COUNTY OF MARION) COMMISSIONER OF INSURANCE

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55 West Street)
Keene, NH 03431)

Examination of Grain Dealers Mutual Insurance Company

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Grain Dealers Mutual Insurance Company (hereinafter "Company") for the time period January 1, 2010 through December 31, 2014.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on March 16, 2016.

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 May 16, 2016 and was received by the Company on May 20, 2016.

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 Grain Dealers Mutual Insurance Company as of December 31, 2014.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Grain Dealers 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 and Sealed this 3rd day of
June, 2016.

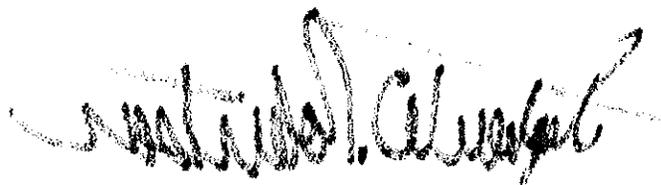

Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

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.

A handwritten signature in cursive script, appearing to read "Michael J. Alvarado". The signature is written in dark ink on a white background.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION

OF

GRAIN DEALERS MUTUAL INSURANCE COMPANY

NAIC Co. CODE 22098
NAIC GROUP CODE 0311

As of

December 31, 2014

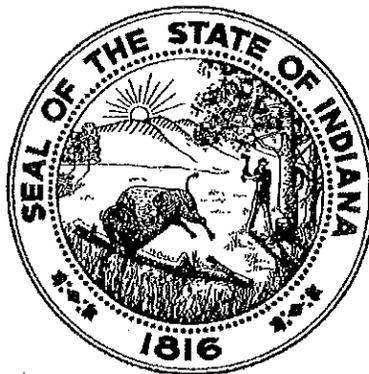


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STATE OF INDIANA

IDOI

MICHAEL R. PENCE, Governor

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

March 16, 2016

Honorable Stephen W. Robertson, 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 3853, an examination has been made of the affairs and financial condition of:

Grain Dealers Mutual Insurance Company
6201 Corporate Drive
Indianapolis, Indiana 46278

hereinafter referred to as the "Company", or "GDMIC", an Indiana domestic stock, property and casualty insurance company. The examination was conducted at the corporate offices of the Company in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2014, 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 1-800-622-4461	EXAMINATIONS/FINANCIAL SERVICES (317) 232-2390	MEDICAL MALPRACTICE (317) 232-2402	COMPANY RECORDS (317) 232-5692	STATE HEALTH INSURANCE PROGRAM 1-800-332-4674
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SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2009. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2010 through December 31, 2014, and included any material transactions and/or 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. 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.

The examination of GDMIC was called by the INDOI in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The INDOI will serve as the lead state on the examination. The Minnesota Department of Commerce accepted the invitation to participate on the coordinated examination of GDMIC for its domestic insurer Austin Mutual Insurance Company (AMIC), serving in the capacity of a participating state.

Both GDMIC and AMIC plan to incorporate a one-year roll-forward of the December 31, 2014 examination, so that both states will be able to participate in the December 31, 2015 coordinated examination that will be led by the Lead Regulator State of Florida in 2016. This will also allow for these companies to be on the same examination cycle as the Main Street America Group (MSA) going forward.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

GDMIC was incorporated on December 23, 1902, as the Grain Dealers National Fire Insurance Company. The present title was adopted on April 1, 1951. Business was confined to allied and fire lines until 1951, when charter powers were broadened to permit multiple line underwriting. On August 14, 1962, Companion Insurance Company (Companion), a wholly-owned subsidiary of GDMIC, was incorporated under the laws of Indiana and began business on October 29, 1962. Effective January 1, 1997, Companion discontinued writing direct lines. On December 30, 1999, Companion was merged into GDMIC.

On November 30, 2009, GDMIC entered into a Master Affiliation Agreement and Management and Services Agreement with NGM Insurance Company (NGMIC), a wholly-owned subsidiary of MSA.

CAPITAL AND SURPLUS

The Company is a mutual insurance company and has no shares authorized, issued, or outstanding. The Company did not pay dividends to policyholders during the examination period.

TERRITORY AND PLAN OF OPERATION

GDMIC is currently licensed to write property and casualty insurance in eighteen states (18), but is active in only six (6) states. GDMIC writes primarily auto liability, commercial multi-peril, homeowners, and physical damage with a business mix of 65% commercial lines and 35% personal lines. Its commercial lines business is primarily for small communities on "Main Street". The personal lines business (auto, dwelling and homeowners) is primarily in the same communities. These products are marketed mainly through independent agents. Premium growth in 2014 was primarily attributable to strong sales in the state of Oklahoma.

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus and Other Funds</u>	<u>Net Investment Income Earned</u>	<u>Net Income</u>
2014	\$ 8,458,532	\$ 2,028,991	\$ 6,429,541	\$ (17,330)	\$ (171,085)
2013	9,002,911	2,490,484	6,512,427	(78,996)	93,820
2012	8,920,420	4,233,167	4,687,253	(46,031)	(24,520)
2011	9,884,299	5,010,433	4,873,866	98,157	143,381
2010	18,746,022	11,084,169	7,661,853	1,037,485	1,323,575

The Company began ceding 100% of their underwriting results to NGMIC through an intercompany quota share reinsurance agreement beginning in 2010. The Company's liabilities have steadily decreased due to the Company paying off a note payable to the Federal Home Loan Bank in addition to the intercompany pooling agreement. Surplus decreased in 2011, 2012, and 2014 due to an increase in the minimum pension liability. The decline in surplus below \$5 million in 2012, prompted NMGIC to issue a \$1 million surplus note that was approved by the INDOI in 2013. The decline in investment income is due primarily to draw downs on the portfolio from substantial weather related claim payments (2010 to 2011) and declining interest rates throughout the examination period.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business and prudential affairs of the Company shall be managed by a Board of Directors (Board), composed of no less than seven (7) and no more than seventeen (17) directors. A majority of the Board shall consist of independent directors, who shall have no material relationship with the Company. Directors shall be elected annually by ballot of the members and shall hold office for one (1) year and until their successors are elected and qualified.

The following is a listing of persons serving as directors at December 31, 2014, and their principal occupations as of that date:

Name and Address	Principal Occupation
Terry L. Baxter Lyme, New Hampshire	Retired Executive
Cotton M. Cleveland New London, New Hampshire	Senior Associate – Management Consultant Mather Associates
John A. Delaney Neptune Beach, Florida	University President University of North Florida
Robert C. Doerr Jacksonville, Florida	Retired Executive
Albert H. Elfner III Boston, Massachusetts	Retired Investment Management
Eric S. Elliot Minnetonka Beach, Minnesota	President and Chief Executive Officer Therapeutics LLC
David N. Freeman Canton, Connecticut	Retired Insurance Executive
William D. Gunter Jr. Tallahassee, Florida	Insurance Agency Executive and Consultant Roger, Gunter, Vaughn Insurance, Inc.
Idalene F. Kesner Bloomington, Indiana	Associate Dean and Professor of Strategic Management Indiana University
James E. Morley Jr. Annapolis, Maryland	Retired Insurance Executive
Thomas M. Van Berkel Ponte Vedra Beach, Florida	Chairman, President and Chief Executive Officer NGM Insurance Company and affiliates within MSA

Officers

The Bylaws state that at the annual meeting of the Board, there shall be elected from their number a Chairperson and a President (who may be the same person), and an Executive Committee, all of whom shall serve for one year and until their respective successors are elected and qualified. The directors shall also elect a Secretary and a Treasurer, who need not be members of the Board and who shall serve at the pleasure of the Board. With the advice and consent of the Board, the President may appoint from time to time a General Counsel, additional Vice-Presidents, Assistant Secretaries, and such other corporate agents as may be necessary for the transaction of the business of the Company, all of whom shall serve at the pleasure of the President. The Board may elect or appoint any person to two (2) or more offices. All officers shall be subject to the authority of the Board; and in addition to their prescribed duties, shall perform such other duties as may be required of them by the Board.

The following is a list of key officers and their respective titles as of December 31, 2014:

<u>Name</u>	<u>Office</u>
Thomas M. Van Berkel	Chairman and Chief Executive Officer
Jeffrey B. Kusch	President
Edward J. Kuhl	Chief Financial Officer and Treasurer
Bruce R. Fox	Secretary

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, 2014.

OATH OF OFFICE

Indiana Code (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 noted that the Oaths of Office on file were not updated as of December 31, 2014. The Company subsequently completed an update of the Oaths of Office for applicable directors during the examination period. See the “**Other Significant Issues**” section of this Report of Examination.

CORPORATE RECORDS

Articles of Incorporation

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

Bylaws

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

Minutes

The Board meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The Company’s Bylaws state that the annual meeting shall be held on any day during the second week of March. For each year under review, the annual meeting of shareholders was held during the second week of March.

The Corporation committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit Committee, Compensation Committee, Corporate Governance Committee, Executive Committee, and Finance Committee.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the Company's upstream and insurance affiliates as of December 31, 2014:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
Main Street America Group Mutual Holdings, Inc.		FL
Main Street America Group, Inc.		FL
NGM Insurance Company	14788	FL
Grain Dealers Mutual Insurance Company	22098	IN
Spring Valley Mutual Insurance Company	11028	MN
Austin Mutual Insurance Company	13412	MN
Main Street America Financial Corporation		
Old Dominion Insurance Company	40231	FL
Main Street America Assurance Company	29939	FL
MSA Insurance Company	11066	SC
Main Street America Protection Insurance Corporation	13026	FL
Great Lakes Casualty Insurance Company	10787	MI

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Master Affiliation Agreement

The Company entered into a Master Affiliation Agreement with NGMIC effective November 30, 2009. Under this agreement, the Company and NGMIC will accomplish various mutually beneficial goals. These include, but are not limited to, expanded sources of distribution, provide more effective technology and other infrastructure services to the Company, allow NGMIC access to local market expertise of the Company, and strengthen the Company's financial condition. There were no fees paid during 2014, under this agreement.

Intercompany 100% Quota Share Reinsurance Agreement

The Company entered into an Intercompany 100% Quota Share Reinsurance Agreement with NGMIC effective November 30, 2010. Under this agreement, the Company cedes 100% of their net underwriting business, direct, assumed, or ceded to NGMIC. If there is an underwriting gain by NGMIC, the Company would receive a ceding commission based on the Company's contribution of total premiums. If there is an underwriting loss, the ceding commission will be \$0. There were no fees paid during 2014, under this agreement.

Management and Services Agreement

The Company entered into a Management and Services Agreement with NGMIC effective November 30, 2009. Under the agreement, NGMIC will provide various services to the Company, including, but not limited to, oversight of the Company's business operations, investment portfolio management, pricing and related actuarial and state filing services, claims management and services, and accounting and financial reporting. There were no fees paid during 2014, under this agreement.

FIDELITY BOND AND OTHER INSURANCE

The Company does not have any employees.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company does not have any employees. However, the Company sponsored a contributory defined benefit pension plan covering all vested former employees. As of December 31, 2014, \$1,700,000 was accrued for this liability.

STATUTORY AND SPECIAL DEPOSITS

The Company reported the following special deposits, at December 31, 2014:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For the Benefit of All Policyholders:		
Indiana	\$ 2,191,224	\$ 2,213,578
All Other Special Deposits:		
Missouri	461,185	466,638
New Mexico	436,265	440,408
North Carolina	592,930	591,528
Total Deposits	<u>\$ 3,681,604</u>	<u>\$ 3,712,152</u>

REINSURANCE

Reinsurance Pool

NGMIC is the lead company in an intercompany pooling agreement (the Pool) for MSA. NGMIC assumes 100% of the underwriting results of the Pool. NGMIC's subsidiary companies ceded 100% of their net underwriting results to the Pool. The subsidiaries receive no ceding commission or retrocession from NGMIC. NGMIC assumes 100% of the net underwriting results of GDMIC, Spring Valley Mutual Insurance Company (SVMIC), and Austin Mutual Insurance Company (AMIC) through separate quota share reinsurance agreements. The separate quota share agreements provide that GDMIC, SVMIC and AMIC will receive a ceding commission based on their share of the Pool.

Property and casualty excess of loss and catastrophe reinsurance coverage for the Pool is maintained by NGMIC with non-affiliates reinsurers. Facultative and certain auto facility and legacy cessions to non-affiliated reinsurers by the other Pool participants occur prior to the cession to the Pool.

Assumed Reinsurance

The Company assumed no reinsurance during the examination period.

Ceded Reinsurance

The Company cedes 100% of their underwriting results to NGMIC under the 100% Quota Share Reinsurance Agreement.

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, 2013 and December 31, 2014, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2010 through December 31, 2014, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

GRAIN DEALERS MUTUAL INSURANCE COMPANY

Assets

As of December 31, 2014

	Per Examination*
Bonds	\$ 5,563,578
Stocks:	
Preferred stocks	54,051
Common stocks	74,900
Real Estate:	
Properties held for sale	623,570
Cash, cash equivalents and short-term investments	1,245,161
Receivable for securities	6,797
Subtotals, cash and invested assets	7,568,057
Investment income due and accrued	51,839
Net deferred tax asset	838,636
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	8,458,532
Total	\$ 8,458,532

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

GRAIN DEALERS MUTUAL INSURANCE COMPANY
 Liabilities, Surplus and Other Funds
 As of December 31, 2014

	Per Examination*
Borrowed money and interest thereon	\$ 273,891
Payable to parent, subsidiaries and affiliates	54,730
Aggregate write-ins for liabilities	1,700,370
Total liabilities	2,028,991
Surplus notes	1,000,000
Unassigned funds (surplus)	5,429,541
Surplus as regards policyholders	6,429,541
Totals	\$ 8,458,532

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

GRAIN DEALERS MUTUAL INSURANCE COMPANY
Statement of Income
For the Year Ended December 31, 2014

	Per Examination*
DEDUCTIONS	
Losses incurred	\$ (1)
Total underwriting deductions	(1)
Net underwriting gain (loss)	1
INVESTMENT INCOME	
Net investment income earned	(17,330)
Net realized capital gains (losses) less capital gains tax	(153,756)
Net investment gain (loss)	(171,086)
OTHER INCOME	
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(171,085)
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(171,085)
Net income	\$ (171,085)

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

GRAIN DEALER MUTUAL INSURANCE COMPANY
Capital and Surplus Account Reconciliation

	2014	2013	2012	2011	2010
Surplus as regards policyholders, December 31 prior year	\$ 6,512,427	\$ 4,687,253	\$ 4,873,866	\$ 7,661,853	\$ 5,960,989
Net income	(171,085)	93,820	(24,520)	143,381	1,323,575
Change in net unrealized capital gains or (losses) less capital gains tax	3,875	1,705	9,219	25,763	(101,489)
Change in net deferred income tax	4,266,852	(147,434)	(766,539)	(2,740,132)	(1,332,884)
Change in nonadmitted assets	(3,955,286)	344,111	730,634	2,452,473	1,605,125
Change in provision for reinsurance	259,774	(243,633)	76,262	39,660	206,537
Change in surplus notes	-	1,000,000	-	-	-
Aggregate write-ins for gains and losses in surplus	(487,016)	776,605	(211,669)	(2,709,132)	-
Change in surplus as regards policyholders for the year	(82,886)	1,825,174	(186,613)	(2,787,987)	1,700,864
Surplus as regards policyholders, December 31 current year	<u>\$ 6,429,541</u>	<u>\$ 6,512,427</u>	<u>\$ 4,687,253</u>	<u>\$ 4,873,866</u>	<u>\$ 7,661,853</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2014, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

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. As directors are elected on an annual basis, new Oath of Office statements must be signed annually. During the review of the Oath of Offices statements, it was determined the directors had not signed a statement when elected each year. It was recommended that every director shall take and subscribe to an Oath of Office at the time of annual election to the Board. Subsequent to the examination period the Company completed an update of the Oaths of Office for applicable directors.

SUBSEQUENT EVENTS

Effective January 1, 2015, NGMIC amended the Intercompany 100% Quota Share Reinsurance Agreements where in NGMIC pays GDMIC, AMIC, and SVMIC commissions equal to 5% of net premiums ceded to the Pool.

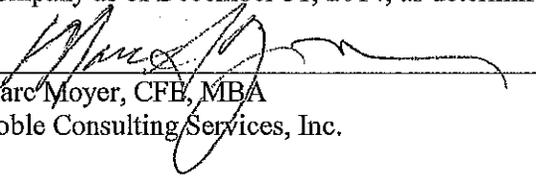
AFFIDAVIT

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., and actuarial assistance from Merlino & Associates, Inc., performed an examination of Grain Dealers Mutual Insurance Company, as of December 31, 2014.

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. 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 Grain Dealers Mutual Insurance Company as of December 31, 2014, as determined by the undersigned.



Marc Moyer, CFE, MBA
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

On this 17 day of March, 2015, before me personally appeared, Marc Moyer, 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  _____
Notary Public

THE UNIVERSITY OF CHICAGO
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