

STATE OF INDIANA)
) SS:
COUNTY OF MARION)

BEFORE THE INDIANA
COMMISSIONER OF INSURANCE

CAUSE NUMBER: 7066-CO09-0330-008

IN THE MATTER OF:

Mid-State Farmers Mutual Insurance
Company

Respondent,

1008 Lincoln Highway E.
New Haven, IN 46774

NAIC No.: 92293

FILED

NOV 12 2009

STATE OF INDIANA
DEPT. OF INSURANCE

FINAL ORDER AND APPROVAL

The Indiana Department of Insurance ("Department") and Mid-State Farmers Mutual Insurance Company ("Respondent"), a licensed resident Indiana Farmers Mutual, signed an Agreed Entry which purports to resolve all issues involved in the above captioned action, and which has been submitted to the Commissioner of Insurance (the "Commissioner") for approval. (See Exhibit 'A' attached hereto)

The Commissioner, after reviewing the Agreed Entry, finds it has been entered into fairly and without fraud, duress or undue influence, and is fair and equitable between the parties. The Commissioner hereby incorporates the Agreed Entry as if fully set forth herein, and approves and adopts in full the Agreed Entry as a resolution of this matter.

IT IS THEREFORE ORDERED by the Commissioner of Insurance:

1. Respondent shall pay restitution of nineteen thousand eight hundred and fifty one dollars and ninety six cents (\$19,851.96) to Solomon Realty Group.

2. Respondent shall pay an administrative fine in the amount of fifteen thousand dollars (\$15,000.00), payable within thirty (30) days from the date this Final Order is filed.
3. Respondent shall create a claim manual to be submitted to the Department for approval within one hundred and twenty (120) days from the date this Final Order is filed.
4. The Department shall accept Respondent's compliance with the terms of this Final Order as full resolution of this matter.

ALL OF WHICH IS ORDERED this 12th day of November, 2009.



Carol Cutter, Commissioner
Indiana Department of Insurance

Distribution:

Laura Levenhagen
INDIANA DEPARTMENT OF INSURANCE
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Mid-State Farmers Mutual Insurance Company
c/o Stephen J. Harants
Miller & Harants
PO Box 332
New Haven IN 46774

STATE OF INDIANA)
) SS:
COUNTY OF MARION)

BEFORE THE INDIANA
COMMISSIONER OF INSURANCE

CAUSE NUMBER: 7066-CO09-0330-008

IN THE MATTER OF:

Mid-State Farmers Mutual Insurance
Company

Respondent,

1008 Lincoln Highway E.
New Haven, IN 46774

NAIC No.: 92293

FILED

NOV 12 2009

STATE OF INDIANA
DEPT. OF INSURANCE

AGREED ENTRY

This Agreed Entry is executed by Laura A. W. Levenhagen, Attorney for and on behalf of the Indiana Department of Insurance ("Department"), and Mid-State Farmers Mutual Insurance Company ("Respondent"), an insurance company licensed to do business in Indiana, to resolve all issues in the above cause number. This Agreed Entry is subject to the review and approval of Carol Cutter, Commissioner, Indiana Department of Insurance.

WHEREAS, Respondent is an insurance company with a statutory home office located in the State of Indiana and holding a Certificate of Authority to do business in the State of Indiana; and

WHEREAS, on August 31, 2006, Dorothy Keener ("Keener") sold a residential property located at 13319 Timbercrest Trail, Fort Wayne, IN 46814 (the "Property") to Ron Green ("Green") and Tiffany Schmitt ("Schmitt") pursuant to a Contract for Conditional Sale of Real Estate (the "Contract"); and

WHEREAS, Green and Schmitt insured the property with a homeowner's policy ("Policy") issued by Respondent as required by the Contract; and

WHEREAS, Keener had an insurable interest in the policy; and

WHEREAS, the residence on the insured premises suffered damage from vandalism in December of 2006; and

WHEREAS, Respondent originally adjusted the loss to the property with Green at seventy-five thousand dollars (\$75,000.00); and

WHEREAS, Respondent issued a check to Green and a company called Cook Construction & Concrete in the amount of fifty thousand dollars (\$50,000.00) with the remaining twenty five thousand dollars (\$25,000.00) to be paid upon completion of repairs to the property; and

WHEREAS, Respondent failed to make joint payment of the insurance proceeds to Keener by issuing payment only to Green and Cook Construction and Concrete; and

WHEREAS, Green cashed the check, did not have the property repaired, absconded with the money, and Green and Schmitt subsequently defaulted on the Contract; and

WHEREAS, Keener sold legal title to the property, her interest in the Contract, and her rights under the Policy to Solomon Realty Group ("SRG"); and

WHEREAS, SRG sought payment of their claim from Respondent for damage to the Property in the amount seventy five thousand dollars (\$75,000.00), the full replacement cost as originally adjusted by Respondent; and

WHEREAS, Respondent's defenses to the claim included that the Policy's assignment clause prohibited Keener from assigning her rights in a claim under the Policy

without Respondent's written consent, and that Respondent was only liable for the actual cash value of the loss, which it estimated between twelve thousand eight hundred dollars (\$12,800.00) and seventeen thousand eight hundred dollars (\$17,800.00), and not the replacement value of the damaged property; and

WHEREAS, SRG filed a complaint with the Department against Respondent; and

WHEREAS, the Department's position is that post loss assignments are valid under Indiana law, and that there is not support, legal or otherwise, to support the claim that Keener would be entitled to less protection than that provided under the terms of the policy; and

WHEREAS, the Department's position is that SRG was compelled to file civil suit against Respondent on November 26, 2008 to prevent the running of the policy's 'sue us' provision and thereby preserve any potential civil right of recovery; and

WHEREAS, the Department filed a Statement of Charges against the Respondent on April 2, 2009; and

WHEREAS, the Department, Respondent, and SRG attended a civil mediation on August 5, 2009, and Respondent settled the civil claim with SRG on terms acceptable to SRG, but did not reach an agreement to resolve the Department's action; and

WHEREAS, the Department and Respondent desire to resolve their differences and settle their issues without incurring the time and expense of a hearing;

IT IS, THEREFORE, NOW AGREED by and between the parties as follows:

1. The Commissioner has jurisdiction over the subject matter and Respondent in this administrative action.
2. This Agreed Entry is executed voluntarily by the parties.

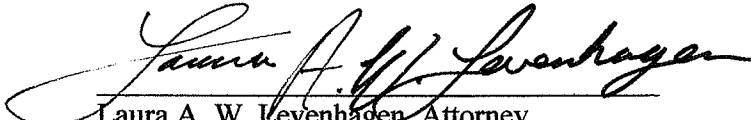
3. Respondent voluntarily and freely waives the right to a public hearing in this matter.
4. Respondent voluntarily and freely waives the right to judicial review of this matter.
5. The Department alleges Respondent's statements to SRG regarding the effect of the Policy's Assignment Clause and the type of coverage offered to mortgage holders under the Policy constituted a misrepresentation of the terms of the Policy and the benefits offered there under, in violation of Indiana Code § 27-4-1-4(a)(1)(A).
6. The Department alleges Respondent failed to attempt in good faith to effectuate prompt, fair, and equitable settlements of a claim in which liability has become reasonably clear, in violation of Indiana Code § 27-4-1-4.5(6).
7. The Department alleges Respondent misrepresented pertinent facts or insurance policy provisions relating to the coverage at issue, in violation of Indiana Code § 27-4-1-4.5(1).
8. The Department alleges Respondent compelled an insured to institute litigation to recover amounts due under an insurance policy by offering substantially less than the amounts ultimately recovered in actions brought by such insured, in violation of Indiana Code § 27-4-1-4.5(7).
9. The Department alleges Respondent failed to promptly provide a reasonable explanation of the basis in the insurance policy in relation to the facts or

applicable law for denial of a claim or for the offer of a compromise settlement, in violation of Indiana Code § 27-4-1-4.5(14).

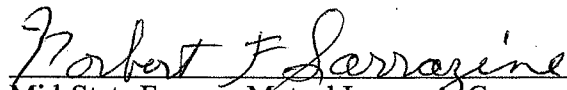
10. Respondent denies any violation of Indiana Code.
11. Respondent agrees to pay restitution of Nineteen Thousand Eight Hundred and Fifty One Dollars and Ninety Six Cents (\$19,851.96) to SRG.
12. Respondent agrees to pay an administrative fine in the amount of Fifteen Thousand dollars (\$15,000.00) to the Department. The payment is due within thirty (30) days of the filing of the Commissioner's Final Order in this matter.
13. Respondent agrees to create a claims manual to be submitted to the Department for approval within one hundred and twenty (120) days of the Commissioner's Final Order.
14. The Department agrees to accept Respondent's compliance with the agreement herein as full satisfaction of the issues in the Statement of Charges filed on April 2, 2009.
15. Respondent has carefully read and examined this agreement and fully understands its terms.
16. Respondent understands that failure to comply with any term in this agreement may result in the matter being set for hearing.

17. Respondent has been is represented by counsel Mark Ulmschneider, Steele, Ulmschneider & Malloy L.L.P., and Stephen J. Harants, Miller & Harants, in resolution of this matter.

10/30/09
Date Signed


Laura A. W. Levenhagen, Attorney
Indiana Department of Insurance

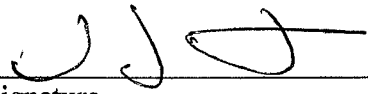
10/23/09
Date Signed


Mid-State Farmers Mutual Insurance Company
ROBERT F. SARRAZINE

STATE OF INDIANA)
) SS:
COUNTY OF ALLEN)

Before me a Notary Public for ALLEN County, State of Indiana,
personally appeared NORBERT F. SMARZNE, on behalf of Mid-State Farmers Mutual
Insurance Company, and being first duly sworn by me upon his/her oath, says that the facts
alleged in the foregoing instrument are true.

Signed and sealed this 23 day of OCTOBER, 2009.



Signature

STEPHEN J. HARATIS

Printed

My Commissioner expires: 7-12-16

County of Residence: ALLEN

STATE OF INDIANA)
) SS:
COUNTY OF MARION)

BEFORE THE INDIANA
COMMISSIONER OF INSURANCE

CAUSE NUMBER: 7066-CO09-0330-008

IN THE MATTER OF:

Mid-State Farmers Mutual Insurance
Company

Respondent,

1008 Lincoln Highway E.
New Haven, IN 46774

NAIC No.: 92293

EXHIBIT

A

FILED

NOV 12 2009

AGREED ENTRY

STATE OF INDIANA
DEPT. OF INSURANCE

This Agreed Entry is executed by Laura A. W. Levenhagen, Attorney for and on behalf of the Indiana Department of Insurance ("Department"), and Mid-State Farmers Mutual Insurance Company ("Respondent"), an insurance company licensed to do business in Indiana, to resolve all issues in the above cause number. This Agreed Entry is subject to the review and approval of Carol Cutter, Commissioner, Indiana Department of Insurance.

WHEREAS, Respondent is an insurance company with a statutory home office located in the State of Indiana and holding a Certificate of Authority to do business in the State of Indiana; and

WHEREAS, on August 31, 2006, Dorothy Keener ("Keener") sold a residential property located at 13319 Timbercrest Trail, Fort Wayne, IN 46814 (the "Property") to Ron Green ("Green") and Tiffany Schmitt ("Schmitt") pursuant to a Contract for Conditional Sale of Real Estate (the "Contract"); and

WHEREAS, Green and Schmitt insured the property with a homeowner's policy ("Policy") issued by Respondent as required by the Contract; and

WHEREAS, Keener had an insurable interest in the policy; and

WHEREAS, the residence on the insured premises suffered damage from vandalism in December of 2006; and

WHEREAS, Respondent originally adjusted the loss to the property with Green at seventy-five thousand dollars (\$75,000.00); and

WHEREAS, Respondent issued a check to Green and a company called Cook Construction & Concrete in the amount of fifty thousand dollars (\$50,000.00) with the remaining twenty five thousand dollars (\$25,000.00) to be paid upon completion of repairs to the property; and

WHEREAS, Respondent failed to make joint payment of the insurance proceeds to Keener by issuing payment only to Green and Cook Construction and Concrete; and

WHEREAS, Green cashed the check, did not have the property repaired, absconded with the money, and Green and Schmitt subsequently defaulted on the Contract; and

WHEREAS, Keener sold legal title to the property, her interest in the Contract, and her rights under the Policy to Solomon Realty Group ("SRG"); and

WHEREAS, SRG sought payment of their claim from Respondent for damage to the Property in the amount seventy five thousand dollars (\$75,000.00), the full replacement cost as originally adjusted by Respondent; and

WHEREAS, Respondent's defenses to the claim included that the Policy's assignment clause prohibited Keener from assigning her rights in a claim under the Policy

without Respondent's written consent, and that Respondent was only liable for the actual cash value of the loss, which it estimated between twelve thousand eight hundred dollars (\$12,800.00) and seventeen thousand eight hundred dollars (\$17,800.00), and not the replacement value of the damaged property; and

WHEREAS, SRG filed a complaint with the Department against Respondent; and

WHEREAS, the Department's position is that post loss assignments are valid under Indiana law, and that there is not support, legal or otherwise, to support the claim that Keener would be entitled to less protection than that provided under the terms of the policy; and

WHEREAS, the Department's position is that SRG was compelled to file civil suit against Respondent on November 26, 2008 to prevent the running of the policy's 'sue us' provision and thereby preserve any potential civil right of recovery; and

WHEREAS, the Department filed a Statement of Charges against the Respondent on April 2, 2009; and

WHEREAS, the Department, Respondent, and SRG attended a civil mediation on August 5, 2009, and Respondent settled the civil claim with SRG on terms acceptable to SRG, but did not reach an agreement to resolve the Department's action; and

WHEREAS, the Department and Respondent desire to resolve their differences and settle their issues without incurring the time and expense of a hearing;

IT IS, THEREFORE, NOW AGREED by and between the parties as follows:

1. The Commissioner has jurisdiction over the subject matter and Respondent in this administrative action.
2. This Agreed Entry is executed voluntarily by the parties.

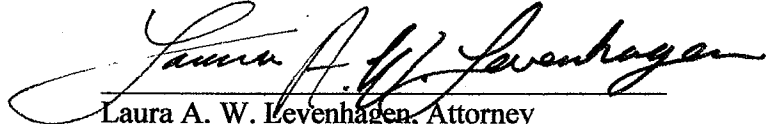
3. Respondent voluntarily and freely waives the right to a public hearing in this matter.
4. Respondent voluntarily and freely waives the right to judicial review of this matter.
5. The Department alleges Respondent's statements to SRG regarding the effect of the Policy's Assignment Clause and the type of coverage offered to mortgage holders under the Policy constituted a misrepresentation of the terms of the Policy and the benefits offered there under, in violation of Indiana Code § 27-4-1-4(a)(1)(A).
6. The Department alleges Respondent failed to attempt in good faith to effectuate prompt, fair, and equitable settlements of a claim in which liability has become reasonably clear, in violation of Indiana Code § 27-4-1-4.5(6).
7. The Department alleges Respondent misrepresented pertinent facts or insurance policy provisions relating to the coverage at issue, in violation of Indiana Code § 27-4-1-4.5(1).
8. The Department alleges Respondent compelled an insured to institute litigation to recover amounts due under an insurance policy by offering substantially less than the amounts ultimately recovered in actions brought by such insured, in violation of Indiana Code § 27-4-1-4.5(7).
9. The Department alleges Respondent failed to promptly provide a reasonable explanation of the basis in the insurance policy in relation to the facts or

applicable law for denial of a claim or for the offer of a compromise settlement, in violation of Indiana Code § 27-4-1-4.5(14).

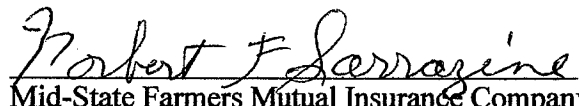
10. Respondent denies any violation of Indiana Code.
11. Respondent agrees to pay restitution of Nineteen Thousand Eight Hundred and Fifty One Dollars and Ninety Six Cents (\$19,851.96) to SRG.
12. Respondent agrees to pay an administrative fine in the amount of Fifteen Thousand dollars (\$15,000.00) to the Department. The payment is due within thirty (30) days of the filing of the Commissioner's Final Order in this matter.
13. Respondent agrees to create a claims manual to be submitted to the Department for approval within one hundred and twenty (120) days of the Commissioner's Final Order.
14. The Department agrees to accept Respondent's compliance with the agreement herein as full satisfaction of the issues in the Statement of Charges filed on April 2, 2009.
15. Respondent has carefully read and examined this agreement and fully understands its terms.
16. Respondent understands that failure to comply with any term in this agreement may result in the matter being set for hearing.

17. Respondent has been is represented by counsel Mark Ulmschneider, Steele, Ulmschneider & Malloy L.L.P., and Stephen J. Harants, Miller & Harants, in resolution of this matter.

10/30/09
Date Signed


Laura A. W. Levenhagen, Attorney
Indiana Department of Insurance

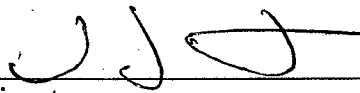
10/23/09
Date Signed


Mid-State Farmers Mutual Insurance Company
ROBERT F. SARRAZINE

STATE OF INDIANA)
) SS:
COUNTY OF ALLEN)

Before me a Notary Public for ALLEN County, State of Indiana,
personally appeared NORBERT F. SMARZNE, on behalf of Mid-State Farmers Mutual
Insurance Company, and being first duly sworn by me upon his/her oath, says that the facts
alleged in the foregoing instrument are true.

Signed and sealed this 23 day of OCTOBER, 2009.



Signature

STEPHEN J. HARANTS

Printed

My Commissioner expires: 7-12-16

County of Residence: ALLEN