

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

IN THE MATTER OF: )  
 )  
DeKalb Farm Mutual Insurance Company )  
525 West Michigan Avenue )  
Auburn, Indiana 46706 )

Examination of DeKalb Farm 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 DeKalb Farm Mutual Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on September 23, 2013, 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 DeKalb Farm 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.

October 25, 2013  
Date

Cynthia D. Donovan  
Cynthia D. Donovan  
Chief Financial Examiner

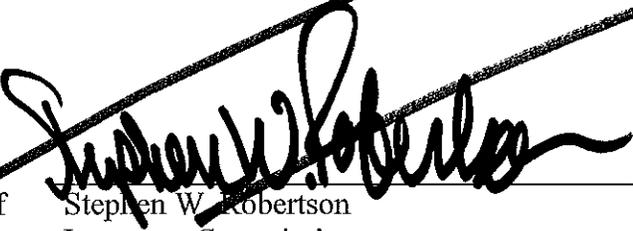
**CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0022 1811 58**



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 25<sup>th</sup> day of  
October, 2013.

  
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.

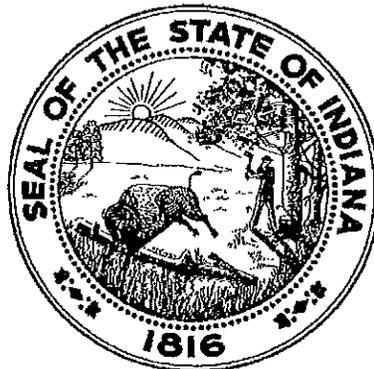
Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

**STATE OF INDIANA**  
**Department of Insurance**  
**REPORT OF EXAMINATION**  
**OF**

**DEKALB FARM MUTUAL INSURANCE COMPANY**  
NAIC Co. CODE 92289

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

Stephen W. Robertson, Commissioner

August 29, 2013

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 3760, an examination has been made of the affairs and financial condition of:

**DeKalb Farm Mutual Insurance Company**  
525 West Michigan Avenue  
Auburn, Indiana

hereinafter referred to as the "Company", an Indiana-domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in Auburn, 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

AGENCY SERVICES  
(317) 232-2413

COMPANY COMPLIANCE  
(317) 233-0697

CONSUMER SERVICES  
(317) 232-2395  
In-State 1-800-622-4461

EXAMINATIONS / FINANCIAL SERVICES  
(317) 232-2390

MEDICAL MALPRACTICE  
(317) 232-2402

SECURITIES / COMPANY RECORDS  
(317) 232-1991

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance as of the period ending December 31, 2007. The present 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 March 18, 1878, in DeKalb County, Indiana by farmers and citizens of DeKalb County who desired to be part of a reliable insurance company.

## CAPITAL AND SURPLUS

The Company is owned by its 1,018 policyholders. As of December 31, 2012, the Company reported policyholder surplus of \$2,546,924.

## TERRITORY AND PLAN OF OPERATION

The Company currently conducts business in four (4) counties: Allen, DeKalb, Noble, and Steuben counties.

The Company insures against property losses to rural risks including: businesses, churches, farm buildings, grain, livestock, and machinery. 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	\$ 2,957,146	\$ 410,222	\$ 2,546,924
2011	2,998,863	409,338	2,589,525
2010	3,084,717	427,202	2,657,515
2009	2,938,893	437,560	2,501,333
2008	2,682,553	474,679	2,207,874

## MANAGEMENT AND CONTROL

### Policyholders

An annual meeting of policyholders is held 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 ten (10) policyholders. Directors are elected to serve three (3) year, staggered terms. The following persons were serving as Directors at December 31, 2012:

<u>Name</u>	<u>Residence</u>
Charles Arnett	Butler, IN
Randall Deetz	Waterloo, IN
David Gurtner	Waterloo, IN
Maynard Hine	Waterloo, IN
Nolan Johnson	Auburn, IN
Greg Newcomer	Butler, IN
Michael Penland	Auburn, IN
John Pepple	Waterloo, IN
Francis Richter	Ashley, IN
Dennis Sutton	Laotto, IN

### Officers

The officers of the Company consist of a President, a Vice President, a Secretary, and a Treasurer. Officers are elected at the annual meeting of the Board of Directors to serve a term of three (3) years.

The following persons were serving as officers at December 31, 2012:

<u>Name</u>	<u>Office</u>
Randall Deetz	President
Charles Arnett	Vice President
David Baughman	Secretary
Maynard Hine	Treasurer

### CONFLICT OF INTEREST

Officers and Directors 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.

### 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 corporation and will not knowingly violate any of the laws applicable to such Company. Per review of the signed statements, it was noted that all Directors and officers listed in the Management and Control section of this Report of Examination had completed Oath of Office statements.

### CORPORATE RECORDS

#### Articles of Association

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

#### Bylaws

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

#### Minutes

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

## FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by its employees through a fidelity bond issued by St. Paul Fire and Marine Insurance Company. The bond has blanket coverage of \$100,000. Based on the admitted assets and gross income of the Company, the Company is in compliance with the prescribed minimum coverage specified by the NAIC.

## REINSURANCE

The Company's reinsurance program is written through Grinnell Mutual Reinsurance Company (Reinsurer), of Grinnell, Iowa. The Company's reinsurance contract, effective January 1, 2012, consists of Individual Occurrence and Aggregate Excess of Loss coverages.

### Individual Occurrence of Loss Excess

This coverage limits the Company's liability on an individual occurrence of loss with a retention limit of \$200,000. Losses under this layer are experience-rated based on a five (5) year loss ratio

### Aggregate Excess of Loss

The Reinsurer agrees to indemnify the Company for 100% of their aggregate net losses, in excess of the retention limit of \$533,617. Losses under this layer are experience-rated based on a five (5) year loss ratio.

## 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 utilizes 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.

**DEKALB FARM MUTUAL INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Assets, Liabilities, and Surplus**

	As of December 31, 2012			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, 2011
<b>Assets:</b>				
Bonds	\$ 166,767	\$ -	\$ 166,767	\$ 298,159
Stocks - common	1,530,680	-	1,530,680	863,013
Bank balances	1,221,420	-	1,221,420	1,804,103
Real Estate	38,279	-	38,279	33,477
Accrued interest	-	-	-	111
Total Assets	<u>\$ 2,957,146</u>	<u>\$ -</u>	<u>\$ 2,957,146</u>	<u>\$ 2,998,863</u>
 <b>Liabilities and Surplus</b>				
Total Unpaid losses	\$ 23,432	\$ -	\$ 23,432	14,290
Less: reinsurance recoverable on unpaid losses	-	-	-	-
Net unpaid claims	23,432	-	23,432	14,290
Unpaid salaries and commissions	6,488	-	6,488	6,853
Taxes payable	6,617	-	6,617	6,639
Other unpaid expenses	4,889	-	4,889	11,255
Unearned premium reserve	368,796	-	368,796	370,301
Total liabilities	410,222	-	410,222	409,338
Surplus	2,546,924	-	2,546,924	2,589,525
Total liabilities and surplus	<u>\$ 2,957,146</u>	<u>\$ -</u>	<u>\$ 2,957,146</u>	<u>\$ 2,998,863</u>

**DEKALB FARM MUTUAL INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Statement of Income and Changes in Surplus**

	As of December 31, 2012			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, 2011
<b>Income:</b>				
Total net assessment, premiums and fees	\$ 623,731	\$ -	\$ 623,731	\$ 640,351
Total income from investment	115,900	-	115,900	179,764
Other income	48,768	-	48,768	34,978
Total income	<u>788,399</u>	<u>-</u>	<u>788,399</u>	<u>855,093</u>
<b>Disbursements:</b>				
Total of all net losses	451,207	-	451,207	382,136
Total operating expense	312,083	-	312,083	327,539
Total non-operating expense	59,883	-	59,883	110,042
Change in ledger assets and liabilities	-	7,827	7,827	103,366 *
Total disbursements	<u>823,173</u>	<u>7,827</u>	<u>831,000</u>	<u>923,083</u>
Net income	(34,774)	-	(42,601)	(67,990)
Surplus, beginning of period	2,589,525	-	2,589,525	2,657,515
Surplus, end of period	<u>\$ 2,554,751</u>	<u>\$ -</u>	<u>\$ 2,546,924</u>	<u>\$ 2,589,525</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 \$7,827 in 2012 and by \$103,366 in 2011.

## 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 \$7,827 in 2012 and by \$103,366 in 2011.

## SUMMARY OF SIGNIFICANT FINDINGS

The examination resulted in no significant findings.

## SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of field work, 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 **DeKalb Farm Mutual Insurance Company**, 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 condition of **DeKalb Farm Mutual Insurance Company**, as of **December 31, 2012**, as determined by the undersigned.



Rick Mendez, CPA  
Noble Consulting Services, Inc.

State of:  
County of:

On this 7 day of October 2013, before me personally appeared, Rick Mendez, 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



