

STATE OF INDIANA) BEFORE THE INDIANA
) SS:
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**

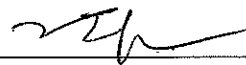
NOTICE OF ENTRY OF ORDER

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 October 29, 2018, 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.

12/21/18
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7016 2070 0001 1479 8285

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FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the DeKalb Farm Mutual Insurance Company (hereinafter “Company”) for the time period January 1, 2013 through December 31, 2017.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on June 26, 2018.

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 October 29, 2018 and was received by the Company on November 1, 2018.

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 DeKalb Farm Mutual Insurance Company as of December 31, 2017.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the DeKalb Farm 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 21 day of
December, 2018.


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, 2017

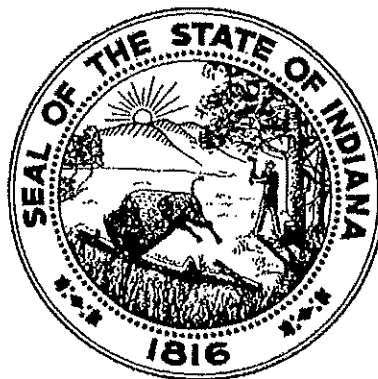


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

June 26, 2018

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 3985, an examination has been made of the affairs and financial condition of:

DeKalb Farm Mutual Insurance Company
525 West Michigan Avenue
Auburn, Indiana 46706

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 the offices of Noble Consulting Services, Inc., in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2017, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
317-232-2413

COMPANY COMPLIANCE
317-232-3495

CONSUMER SERVICES
317-232-2395/1-800-622-4461

FINANCIAL SERVICES
317-232-2390

MEDICAL MALPRACTICE
317-232-2402

COMPANY RECORDS
317-232-5692

STATE HEALTH INSURANCE PROGRAM
1-800-452-4800

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance as of the period ending December 31, 2012. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2013 through December 31, 2017, 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.

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

HISTORY

The Company was formed on 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

As of December 31, 2017, the Company had surplus of \$3,514,074 and 842 members, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

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

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 and adjusted per the examination:

Year	Admitted Assets	Liabilities	Surplus
2017	\$ 3,972,157	\$ 458,083	\$ 3,514,074
2016	3,608,320	396,823	3,211,497
2015	3,528,106	37,524	3,490,582
2014	3,468,997	369,630	3,099,367
2013	3,177,787	369,196	2,808,590 *

*The balances include immaterial balancing differences

MANAGEMENT AND CONTROL

Directors

The corporate powers of the Company are vested in a Board of Directors (Board) consisting of ten (10) directors. Directors are elected to serve three (3) year, staggered terms. The following is a listing of persons serving as directors as of December 31, 2017:

Name	Address
Charles Arnett	Butler, Indiana
Randall Deets	Waterloo, Indiana
David Gurtner	Waterloo, Indiana
Maynard Hine	Waterloo, Indiana
Nolan Johnson	Auburn, Indiana
Jason Kreischer	St. Joe, Indiana
Greg Newcomer	Butler, Indiana
John Pepple	Waterloo, Indiana
Francis Richter	Ashley, Indiana
Dennis Sutton	LaOtto, Indiana

Officers

The officers of the Company consist of a President, Vice President, Secretary, and a Treasurer. Officers are elected at the annual meeting of the Board and serve for a term of one (1) year. The following is a list of key officers and their respective titles as of December 31, 2017.

Name	Office
Randall Deets	President
Charles Arnett	Vice President
David Baughman	Secretary
Maynard Hine	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, 2017.

OATH OF OFFICE

Indiana Code 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 have subscribed to an oath as of December 31, 2017.

CORPORATE RECORDS

Articles of Association

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

Bylaws

There were no amendments 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 no affiliated companies.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Travelers Casualty and Surety Company of America. The bond has a blanket coverage of \$100,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2017, including but not limited to, agents errors and omission, business auto, commercial liability umbrella, commercial lines, cyber liability, directors errors and omission, employers liability, office building and contents, terrorism, 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 through Grinnell Mutual Reinsurance Company. The reinsurance program includes two (2) treaties, both effective January 1, 2017, which are described below.

- *Property Per Risk Excess of Loss Reinsurance* – This coverage limits the Company's liability on an individual occurrence of loss with a retention limit of \$200,000.
- *Property Aggregate Excess of Loss Reinsurance* – The Reinsurer agrees to indemnify the Company for 100% of their aggregate net losses, in excess of the retention limit of \$560,000.

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, 2016 and 2017, were agreed to the respective Annual Statements.

FINANCIAL STATEMENTS

DEKALB FARM MUTUAL INSURANCE COMPANY
Assets, Liabilities and Surplus
As of December 31, 2017

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>
Assets:			
Bonds	\$ 144,986	\$ -	\$ 144,986
Stocks - common	2,440,540	-	2,440,540
Bank balances + cash in office	1,354,632	-	1,354,632
Real Estate	31,999	-	31,999
Total Assets	<u>\$ 3,972,157</u>	<u>\$ -</u>	<u>\$ 3,972,157</u>
Liabilities and Surplus:			
Unpaid claims	\$ 25,213	\$ -	\$ 25,213
Less, reinsurance recoverable	-	-	-
Net unpaid claims	<u>25,213</u>	<u>-</u>	<u>25,213</u>
Taxes payable	60,216	-	60,216
Other unpaid expenses	3,928	-	3,928
Unearned premium reserve	368,726	-	368,726
Total liabilities	<u>458,083</u>	<u>-</u>	<u>458,083</u>
Surplus	<u>3,514,074</u>	<u>-</u>	<u>3,514,074</u>
Total liabilities and surplus	<u>\$ 3,972,157</u>	<u>\$ -</u>	<u>\$ 3,972,157</u>

DEKALB FARM MUTUAL INSURANCE COMPANY
Income Statement and Change in Surplus
For the Year Ended December 31, 2017

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination**</u>
Income:			
Premiums, net of reinsurance	\$ 620,913	\$ -	\$ 620,913
Interest and profit on investments	101,855	50,960	152,815 *
Other income	138,098	-	138,098
Total income	<u>860,866</u>	<u>50,960</u>	<u>911,826</u>
Disbursements:			
Losses, net of reinsurance	207,443	4,615	212,058 *
Operating expenses	380,387	-	380,387
Non-operating expenses	10,376	56,689	67,065 *
Change in ledger assets and liabilities	(39,917)	39,917	-
Total disbursements	<u>558,289</u>	<u>101,221</u>	<u>659,510</u>
Net Income	302,577	(50,261)	252,316
Change in non-admitted assets	-	50,261	50,261
Surplus, beginning of period	3,211,497	-	3,211,497
Surplus, end of period as reported	<u>\$ 3,514,074</u>	<u>\$ -</u>	<u>\$ 3,514,074</u>

*The Company understated its interest and profit on investments by \$50,960, understated losses net of reinsurance by \$4,615, and understated non-operating expenses by \$56,689.

**The Company reports the income statement on a cash basis. In order to properly reconcile the change in surplus, the change in ledger assets and liabilities amount reflects the reconciliation from cash to accrual basis.

COMMENTS ON THE FINANCIAL STATEMENTS

The Company understated its interest and profit from investments due to the cash to accrual change in capital gains of \$50,960. In the future, the Company should take appropriate measures to ensure the proper reporting of interest and profit or loss from investments.

The Company understated its losses, net of reinsurance, due to the cash to accrual change in liabilities of \$4,615. In the future, the Company should take appropriate measures to ensure the proper reporting of net losses.

The Company understated its non-operating expenses due to the cash to accrual change in tax expense of \$56,689. In the future, the Company should take appropriate measures to ensure the proper reporting of non-operating expense.

OTHER SIGNIFICANT ISSUES

There were no other significant issues noted during the examination.

SUBSEQUENT EVENTS

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

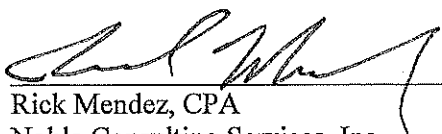
AFFIDAVIT

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., performed an examination of DeKalb Farm Mutual Insurance Company as of December 31, 2017.

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

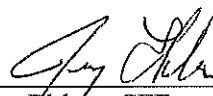
This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing 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 DeKalb Farm Mutual Insurance Company as of December 31, 2017, as determined by the undersigned.



Rick Mendez, CPA
Noble Consulting Services, Inc.

Under the supervision of,

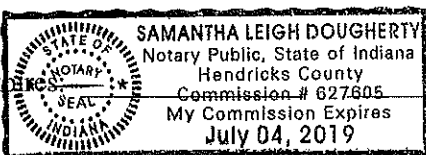
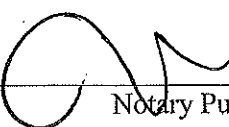


Jerry Ehlers, CFE
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 26 day of June, 2018, before me personally appeared, Rick Mendez 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 _____
 

Notary Public

