

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

IN THE MATTER OF:)
)
Farmers Mutual Aid Society of Farmers Retreat)
415 Columbia Street, Suite 3400)
Lafayette, Indiana 47901)

Examination of: **Farmers Mutual Aid Society of Farmers Retreat**

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 Farmers Mutual Aid Society of Farmers Retreat, 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 Farmers Mutual Aid Society of Farmers Retreat 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: 7005 3110 0002 4444 0281

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Lafayette, Indiana 47901)

Examination of: **Farmers Mutual Aid Society of Farmers Retreat**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Farmers Mutual Aid Society of Farmers Retreat (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 July 13, 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 2, 2018.

The Company did not file any objections.

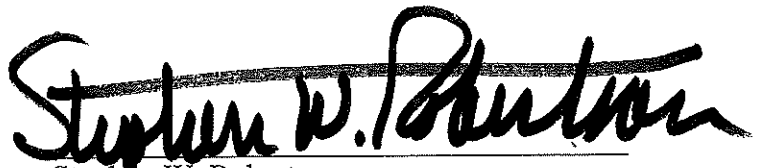
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Farmers Mutual Aid Society of Farmers Retreat as of December 31, 2017.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Farmers Mutual Aid Society of Farmers Retreat 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

FARMERS MUTUAL AID SOCIETY OF FARMERS RETREAT
NAIC Co. CODE 92292

As of

December 31, 2017.

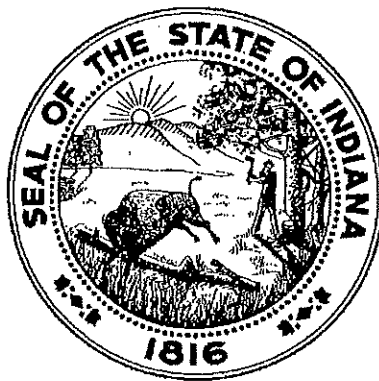


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STATE OF INDIANA

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

July 13, 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 3987, an examination has been made of the affairs and financial condition of:

Farmers Mutual Aid Society of Farmers Retreat
415 Columbia Street, Suite 3400
Lafayette, Indiana 47901

Hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in Lafayette, Indiana and the offices of Noble Consulting Services, Inc., in Indianapolis, Indiana. The Company has subsequently merged with Mutual of Indiana and is located at the address noted above.

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
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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 organized on September 30, 1870, and elected to come under Chapter 145, Acts 1919 of the Indiana Insurance Laws on January 1, 1925. The purpose of the Company is to insure losses to rural risks including farm and farm-related structures, grain and hay, livestock, and machinery caused by fire, hail, theft/vandalism, and wind.

CAPITAL AND SURPLUS

As of December 31, 2017, the Company had adjusted surplus of \$ 598,451 and 239 members, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company currently conducts business in the following five (5) counties: Dearborn, Jefferson, Ohio, Ripley, and Switzerland.

The Company insures against property losses to rural risks including contents, dwellings, farm buildings and equipment, grain, and supplies. 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		Surplus
	Assets	Liabilities	
2017	\$ 656,117	\$ 57,666 *	\$ 598,451 *
2016	666,291	214,828	451,463
2015	693,273	73,849	619,424
2014	699,108	78,630	620,478
2013	686,069	56,460	629,609

*Liabilities were adjusted to correct overstated unpaid claims and understated reinsurance recoverable.

MANAGEMENT AND CONTROL

Directors

The corporate powers of the Company are vested in a Board of Directors (Board) consisting of nine (9) members. 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
Ross Cutter	Dillsboro, Indiana
Sherman Hughes	Dillsboro, Indiana
Howard Luke	Dillsboro, Indiana
Paul Luke	Dillsboro, Indiana
Vincent Owen	Rising Sun, Indiana
Chris Schmaltz	Milan, Indiana
Bob Sommer	Dillsboro, Indiana
Gary Thomas	Cross Plains, Indiana
Melissa Walston	Dillsboro, Indiana

Officers

The officers of the Company consist of a President, Vice President, Secretary, and 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
Sherman Hughes	President
Paul Luke	Vice President
Melissa Walston	Secretary and 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, 2016. Since the Company no longer exists, officers and directors did not sign Conflict of Interest 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 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 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 Western Surety Company. The bond has a blanket coverage of \$50,000. 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 and brokers professional liability and directors and officers professional liability.

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 \$42,000.
- *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 \$54,000 of ultimate net losses incurred, net of all other reinsurance recoveries.

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

FARMERS MUTUAL AID SOCIETY OF FARMERS RETREAT
Assets, Liabilities and Surplus
As of December 31, 2017

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>
Assets:			
Stocks	\$ 8,996	\$ -	\$ 8,996
Bank balances	646,618	-	646,618
Accrued interest	503	-	503
Total assets	<u>\$ 656,117</u>	<u>\$ -</u>	<u>\$ 656,117</u>
Liabilities and Surplus:			
Unpaid claims	\$ 20,000	\$ (16,924)	\$ 3,076
Less, reinsurance recoverable	-	(19,581)	(19,581)
Net unpaid claims	20,000	(36,505)	(16,505) *
Unearned premium reserve	72,946	-	72,946
Accrued payroll taxes	1,225	-	1,225
Total liabilities	<u>94,171</u>	<u>(36,505)</u>	<u>57,666</u>
Surplus	<u>561,946</u>	<u>36,505</u>	<u>598,451</u> *
Total liabilities and surplus	<u>\$ 656,117</u>	<u>\$ -</u>	<u>\$ 656,117</u>

* As adjusted through the examination process, 2017 surplus increased by \$36,505 (unpaid claims were overstated by \$16,924 and reinsurance recoverable was understated by \$19,581).

FARMERS MUTUAL AID SOCIETY OF FARMERS RETREAT
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	\$ 80,625	\$ -	\$ 80,625
Interest and profit on investments	5,907	-	5,907
Other income	-	-	-
Total income	<u>86,532</u>	<u>-</u>	<u>86,532</u>
Disbursements:			
Losses, net of reinsurance	(75,330)	125,000	49,670
Operating expenses	50,657	-	50,657
Non-operating expenses	120,155	(120,155)	-
Change in ledger assets and liabilities	<u>(119,433)</u>	<u>119,433</u>	<u>-</u>
Total disbursements	<u>(23,951)</u>	<u>124,278</u>	<u>100,327</u>
Net income	110,483	(124,278)	(13,795)
Surplus, beginning of period	<u>451,463</u>	<u>160,783</u>	<u>612,246</u>
Surplus, end of period as reported	<u>\$ 561,946</u>	<u>\$ 36,505</u>	<u>\$ 598,451 *</u>

* As adjusted through the examination process, 2017 surplus increased by \$36,505 due to overstated unpaid claims and understated reinsurance recoverables. Losses net of reinsurance were understated by \$125,000 and prior year reinsurance recoverables were understated by \$160,783. The adjustments impact 2016 and 2017 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 accrued asset and liability amounts reflect the reconciliation from cash to accrual basis.

COMMENTS ON THE FINANCIAL STATEMENTS

The Company overstated its unpaid claims by \$16,924 and understated its reinsurance recoverables by \$19,581 as of December 31, 2017, which resulted in overstating net unpaid claims by \$ 36,505. This overstatement had a material impact on the Company's financial statements. In the future, the Company should take appropriate measures to ensure the proper reporting of net unpaid claims and reinsurance recoverables.

The Company understated its losses, net of reinsurance by \$125,000 as of December 31, 2017. The Company understated its reinsurance recoveries by \$160,783 as of December 31, 2016 which impacted beginning surplus. These understatements had a material impact on the Company's 2016 and 2017 financial statements. In the future, the Company should take appropriate measures to ensure the proper reporting of losses.

OTHER SIGNIFICANT ISSUES

There were no other significant issues of note during the examination period.

SUBSEQUENT EVENTS

Subsequent to the examination date the Company was merged with and into the Mutual of Indiana Insurance Company. The merger was finalized and successfully completed on May 3, 2018. The INDOI did not disapprove the merger.

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 Farmers Mutual Aid Society of Farmers Retreat as of December 31, 2017.

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

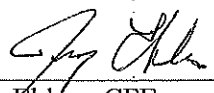
This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing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



Rick Mendez, CPA
Noble Consulting Services, Inc.

Under the supervision of,

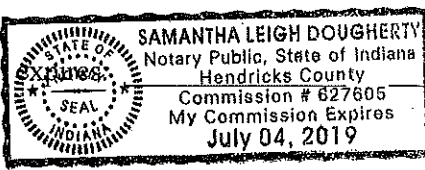
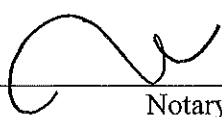


Jerry Ehlers, CFE
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 13 day of July, 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  

Notary Public

