

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

IN THE MATTER OF:)
)
Grain Dealers Mutual Insurance Company)
6325 Digital Way, Suite 101)
Indianapolis, IN 46278)

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 February 21, 2017, 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.

3/6/17
Date

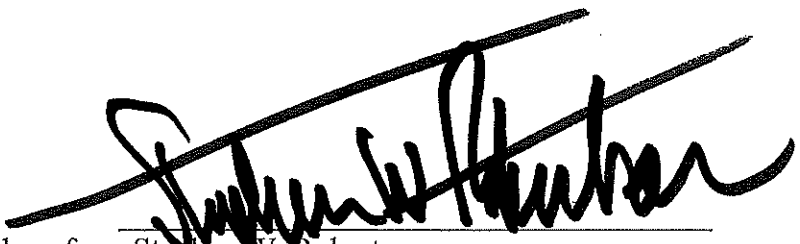

Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 9742

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 6th day of March, 2017.



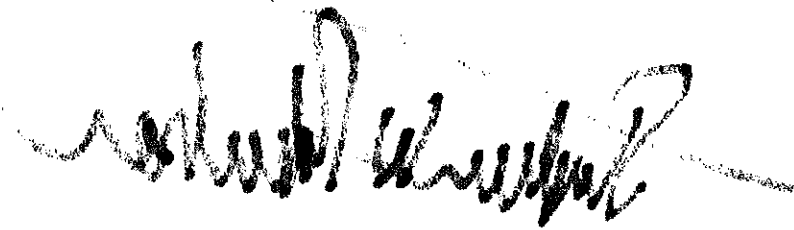
Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

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 black ink, appearing to read "Robert D. [unclear]". The signature is written in a cursive style and is positioned in the lower-left quadrant of the page.

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, 2015

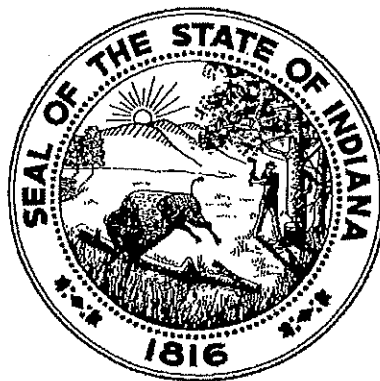


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STATE OF INDIANA

IDOI

ERIC HOLCOMB, 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

October 20, 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 3921, an examination has been made of the affairs and financial condition of:

Grain Dealers Mutual Insurance Company
6325 Digital Way, Suite 101
Indianapolis, Indiana 46278

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

The Report of Examination, reflecting the status of the Company as of December 31, 2015, 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
1-800-392-4674

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2014. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2015 through December 31, 2015, 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 examinations of the Florida domestic insurance companies of Main Street America Group (MSA) were called by the Florida Office of Insurance Regulation (FLOIR) in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. GDMIC is part of MSA. The FLOIR served as the lead state on the examination and the INDOI, Michigan Department of Insurance, Minnesota Department of Commerce and Financial Services, and South Carolina Department of Insurance served as participating states.

The FLOIR provided all actuarial services throughout the examination and conducted a review of the Company's loss reserves and loss adjustment expense reserves as of December 31, 2015. There were no actuarial adjustments resulting from the examination work performed by the FLOIR.

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 the state 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 therefore owned by its policyholders. The Company did not pay dividends to the 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', physical damage, and workers' compensation with a business mix of 68.3% commercial lines, 20.4% personal lines and 11.3% workers' compensation. Its commercial lines business is primarily for the rural/small town market, which has now evolved into including the suburban market and the businesses serving it. The personal lines business (auto, dwelling, and homeowners) is primarily written in the same market. These products are marketed mainly through independent agents. Premium growth remained level in 2015 with Oklahoma accounting for the largest percentage of the premiums written during the year.

Beginning January 1, 2010, GDMIC began ceding 100% to NGMIC, thereby reducing GDMIC's underwriting expenses to \$0.

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>
2015	\$ 9,015,583	\$ 2,308,036	\$ 6,707,547	\$ 125,375	\$ 894,622
2014	8,458,532	2,028,991	6,429,541	(17,330)	(171,085)

The Company cedes 100% of their underwriting results to NGMIC through an Intercompany Quota Share Reinsurance Agreement. There was an increase in surplus in 2015, which was offset by an increase in the minimum pension liability of approximately \$600,000. Net investment income earned increased during the year due to a combination of increased investment income earned and lower investment expenses. Net income increased during the year due mainly to an increase in net underwriting gains.

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, 2015 and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Terry L. Baxter Lyme, New Hampshire	Retired Insurance 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 Insurance 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 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 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 (1) 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, 2015:

Name	Office
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, 2015.

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. For the examination period, the Company provided current copies of the Oaths of Office for each director.

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 committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit Committee, Corporate Governance 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, 2015:

	<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
Old Dominion Insurance Company	40231	FL
Main Street America Assurance Company	29939	FL
MSA Insurance Company	11066	SC
Main Street America Protection Insurance Company	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 2015, 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 2015, 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 2015, under this agreement.

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 single loss coverage limit of \$5,000,000, with a \$100,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2015, including but not limited to private company directors and officers liability, employment practices liability and fiduciary liability.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company sponsors a contributory defined benefit pension plan covering all vested former employees. As of December 31, 2015, the Company was required to accrue an actuarially determined amount. Effective May 31, 2003, all vested benefits were frozen.

SPECIAL AND STATUTORY DEPOSITS

The Company reported the following special and statutory deposits, at December 31, 2015:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$ 2,134,592	\$ 2,154,792
All Other Special Deposits:		
Missouri	457,305	462,696
New Mexico	430,645	434,844
North Carolina	556,715	555,004
Total Deposits	<u>\$ 3,579,257</u>	<u>\$ 3,607,336</u>

REINSURANCE

Reinsurance Pool

NGMIC is the lead company in 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 reinsurance agreements provide that GDMIC, SVMIC, and AMIC will received 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-affiliated 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 minimal reinsurance from Pools and Associations during the year.

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 year ended December 31, 2015, were agreed to the respective Annual Statements. The Annual Statements for the year ended December 31, 2015, were agreed to 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, 2015

	Per Examination*
Bonds	\$ 6,816,398
Stocks:	
Common stocks	36,100
Cash, cash equivalents and short-term investments	445,108
Subtotals, cash and invested assets	7,297,606
Investment income due and accrued	54,733
Net deferred tax asset	875,210
Receivables from parent, subsidiaries and affiliates	788,034
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	9,015,583
Total	\$ 9,015,583

* 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, 2015

	Per Examination*
Losses	\$ -
Current federal and foreign income taxes (including \$(695) on realized capital gains (losses))	268
Aggregate write-ins for liabilities	2,307,768
Total liabilities	2,308,036
Surplus notes	1,000,000
Unassigned funds (surplus)	5,707,547
Surplus as regards policyholders	6,707,547
TOTALS	\$ 9,015,583

* 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, 2015

	Per Examination*
DEDUCTIONS	
Other underwriting expenses incurred	\$ (1,072,752)
Total underwriting deductions	(1,072,752)
Net underwriting gain or (loss)	1,072,752
INVESTMENT INCOME	
Net investment income earned	125,375
Net realized capital gains or (losses) less capital gains tax \$(695)	(279,242)
Net investment gain (loss)	(153,867)
OTHER INCOME	
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	918,885
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	918,885
Federal and foreign income taxes incurred	24,263
Net income	\$ 894,622

* 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
Capital and Surplus Account Reconciliation

	2015	2014
Surplus as regards policyholders, December 31 prior year	\$ 6,429,541	\$ 6,512,427
Net income	894,622	(171,085)
Change in net unrealized capital gains or (losses) less capital gains tax	1,098	3,875
Change in net deferred income tax	(63,047)	4,266,852
Change in nonadmitted assets	100,187	(3,955,286)
Change in provision for reinsurance	-	259,774
Change in surplus notes	-	-
Aggregate write-ins for gains and losses in surplus	(654,854)	(487,016)
Change in surplus as regards policyholders for the year	278,006	(82,886)
Surplus as regards policyholders, December 31 current year	\$ 6,707,547	\$ 6,429,541

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2015, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no other significant issues as of December 31, 2015, based on the results of this 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.

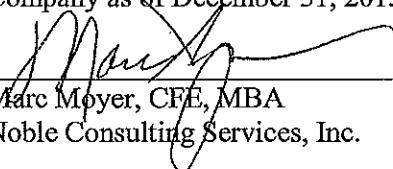
AFFIDAVIT

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 Grain Dealers Mutual Insurance Company, as of December 31, 2015.

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, 2015, as determined by the undersigned.

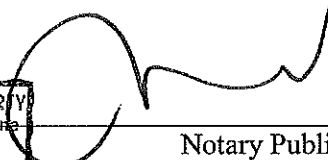
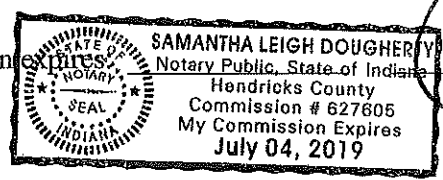


Marc Moyer, CFE, MBA
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

On this 20 day of October, 2016, 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

