

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

IN THE MATTER OF:)
)
Newton County Farmers Mutual Insurance Association)
1280 West State Road 16)
Brook, IN 47922)

Examination of Newton County Farmers Mutual Insurance Association

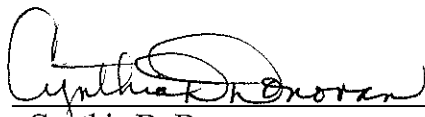
NOTICE OF ENTRY OF ORDER

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 Newton County Farmers Mutual Insurance Association, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on December 18, 2015, 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 Newton County Farmers Mutual Insurance Association 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.

2/22/2016
Date


Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0055 1761

STATE OF INDIANA) BEFORE THE INDIANA
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Newton County Farmers Mutual Insurance Association)
1280 West State Road 16)
Brook, IN 47922)

Examination of Newton County Farmers Mutual Insurance Association

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Newton County Farmers Mutual Insurance Association (hereinafter "Company") for the time period January 1, 2010 through December 31, 2014.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on November 11, 2015.

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 December 18, 2015 and was received by the Company on December 21, 2015.

The Company did not file any objections.

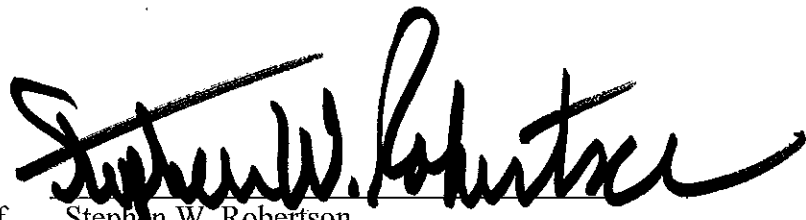
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Newton County Farmers Mutual Insurance Association as of December 31, 2014.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Newton County Farmers Mutual Insurance Association 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 and Sealed this 22nd day of
February, 2016.


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 "Christina M. ...". The signature is written in a cursive style with a large initial letter.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

NEWTON COUNTY FARMERS MUTUAL INSURANCE ASSOCIATION
NAIC Co. CODE 92322

As of

December 31, 2014

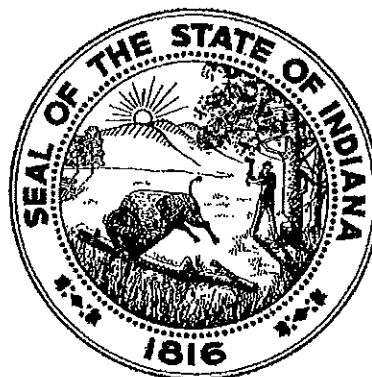


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STATE OF INDIANA

IDOI

MICHAEL R. PENCE, Governor

Indiana Department of Insurance

311 W. Washington Street, Suite 103

Indianapolis, Indiana 46204-2787

Telephone: (317) 232-2385

Fax: (317) 232-5251

Stephen W. Robertson, Commissioner

November 11, 2015

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 3880, an examination has been made of the affairs and financial condition of:

Newton County Farmers Mutual Insurance Association
1280 West State Road 16
Brook, Indiana 47922

hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the offices of the Company in Brook, 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, 2014, 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

SECURITIES/COMPANY RECORDS
(317) 232-1991

STATE HEALTH INSURANCE
1-800-332-4674

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance as of the period ending December 31, 2009. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2010 through December 31, 2014, 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 February 23, 1898, in Newton County, Indiana, as Farmers Mutual Insurance Association. It elected to come under Chapter 145, Acts 1919, on August 31, 1934, which was repealed by Acts 1972, P.L. 129-2003 and restated as Indiana Code (IC) 27-5.1 as pertains to farm mutual insurance companies.

The purpose of the Company shall be to safeguard its members, so far as possible, against property losses by reason of fire, lightning, multiple peril, and extended coverage including cyclone, hail, tornado, and windstorm and to distribute on the mutual insurance plan such losses as may occur from these hazards in spite of all reasonable precautions.

CAPITAL AND SURPLUS

As of December 31, 2014, the Company had surplus as adjusted in the examination of \$427,661 and 119 policyholders, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company provides primarily farm property coverage. The Company conducts business in the Indiana counties of Benton, Jasper, and Newton.

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
2014	\$ 469,661 ^A	\$ 42,000 ^A	\$ 427,661 ^A
2013	498,164 ^B	42,000 ^B	456,164 ^B
2012	510,896	42,000 ^C	468,896 ^C
2011	508,064	42,000 ^C	466,064 ^C
2010	538,546	42,000 ^C	496,546 ^C

^A 2014 admitted assets, liabilities, and surplus have been adjusted, per the examination. See Financial Statements section.

^B 2013 admitted assets were increased by \$22,565 (to record reinsurance receivable) and liabilities were increased by \$42,000 (to record unearned premiums).

^C For 2010-2012, liabilities were estimated and adjusted for comparative analysis.

MANAGEMENT AND CONTROL

Directors

The corporate powers of the Company shall be vested in a Board of Directors (Board) consisting of six (6) directors each elected for a term of three (3) years, with two (2) directors being elected each year. The following is a listing of persons serving as directors as of December 31, 2014:

Name	Address
Maxine Dyer	Brook, Indiana
Roy Kindig	Brook, Indiana
Tim Lohr	Kentland, Indiana
Betty Myers	Brook, Indiana
Rick Risley	Kentland, Indiana
James Whaley	Brook, Indiana

Officers

At the annual meeting of the Board, the Board shall elect for a term of one (1) year, a President, Vice-President, Treasurer, Secretary, and such additional officers as it deems necessary. The following is a list of key officers and their respective titles as of December 31, 2014.

Name	Office
James Whaley	President
Roy Kindig	Vice President
Maxine Dyer	Secretary
Betty Myers	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, 2014.

OATH OF OFFICE

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. 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, 2014.

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 does not have any 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 coverage limit of \$25,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company additionally has directors and officers liability and professional liability coverage as of December 31, 2014.

STATUTORY DEPOSITS

As a farm mutual insurer, the Company is not required to maintain a statutory deposit with the state of Indiana.

REINSURANCE

During the examination period, the Company purchased reinsurance from Grinnell Mutual Reinsurance Company (Grinnell) as follows:

- *Individual Occurrence of Loss Excess* – The Company’s retention was \$37,500 for 2014 and the coverage limit was 100% above the retention subject to limitations.
- *Aggregate Excess* – The Company’s retention was \$42,018 for 2014 and the coverage limit was 100% of unlimited losses above retention.
- *Facultative* – Rates shall be determined by Grinnell on an individual basis. The Company agrees to provide Grinnell with all necessary information about the risk. Grinnell shall determine which risks are acceptable for facultative reinsurance.
- *100% Scheduled Personal Property* – The Company shall cede 100% of the liability it assumes on items insured on the Special Personal Property Endorsement (Inland Marine).
- *Pollution Clean Up and Removal* – The Company shall cede 100% of the liability it assumes on coverage insured by the Pollution Clean Up and Removal Coverage Endorsement.

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, 2013 and 2014, were agreed to the respective Annual Statements.

NEWTON COUNTY FARMERS MUTUAL INSURANCE ASSOCIATION
 Assets, Liabilities and Surplus
 As of December 31, 2014

	Per Annual Statement	Examination Adjustments	Per Examination
Bonds	\$ 30,816	\$ -	\$ 30,816
Bank Balances			
Subject to check	50,126	-	50,126
On interest	340,000	-	340,000
Reinsurance receivable on paid losses	-	48,719	48,719
Totals	\$ 420,942	\$ 48,719	\$ 469,661
Unpaid claims	\$ -	\$ 1,679	\$ 1,679
Less: Reinsurance recoverable on unpaid claims	-	(1,679)	(1,679)
Net unpaid claims	-	-	-
Unearned premium reserve	-	42,000	42,000
Total liabilities	-	42,000	42,000
Surplus	420,942	6,719	427,661
Total liabilities and surplus	\$ 420,942	\$ 48,719	\$ 469,661

NEWTON COUNTY FARMERS MUTUAL INSURANCE ASSOCIATION
Income Statement and Change in Surplus
For the Year Ended December 31, 2014

	Per Annual Statement	Examination Adjustments	Per Examination
INCOME			
Direct premiums written	\$ 155,523	\$ -	\$ 155,523
Less: Reinsurance premiums ceded	(1,260)	-	(1,260)
Net premiums written	154,263	-	154,263
Aggregate excess loss reinsurance paid	90,594	-	90,594
Total net premiums	63,669	-	63,669
Income from investments	6,252	-	6,252
Other income	70	-	70
Total income	<u>\$ 69,991</u>	<u>\$ -</u>	<u>\$ 69,991</u>
DISBURSEMENTS			
Direct losses	\$ 102,113	\$ 1,679	\$ 103,792
Less: Reinsurance recovered	(16,582)	16,582	-
Net losses paid	85,531	18,261	103,792
Received from aggregate excess loss reinsurance	-	(44,415)	(44,415)
Total of all net losses	85,531	(26,154)	59,377
Operating expenses	39,117	-	39,117
Total disbursements	124,648	(26,154)	98,494
Net income	(54,657)	26,154	(28,503)
Surplus, beginning of period ^A	475,599	(19,435)	456,164
Surplus, end of period	<u>\$ 420,942</u>	<u>\$ 6,719</u>	<u>\$ 427,661</u>

^A 2013 admitted assets were increased by \$22,565 (to record reinsurance receivable) and liabilities were increased by \$42,000 (to record unearned premiums).

COMMENTS ON THE FINANCIAL STATEMENTS

In the 2014 and 2013 annual statements, the Company did not report reinsurance receivable on paid losses of \$48,719 and \$22,565 respectively. An adjustment in the amount of \$26,154 was made to net losses to correct these errors.

The Company did not report unpaid claims of \$1,679, or the offsetting reinsurance recoverable. Adjustments were made to the income statement to correct these errors.

The Company did not report an unearned premium reserve of \$42,000 in 2014 or 2013. An adjustment was made to the balance sheet, but the adjustment had no impact on 2014 net income.

In the 2014 income statement, the Company incorrectly reported aggregate reinsurance recovered of \$16,582 as individual occurrence reinsurance recovered. The amount was reclassified as received from aggregate excess loss reinsurance.

OTHER SIGNIFICANT ISSUES

There were no significant issues found during the examination period requiring disclosure in this Report of 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.

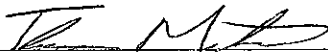
AFFIDAVIT

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 Newton County Farmers Mutual Insurance Association as of December 31, 2014.

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 Newton County Farmers Mutual Insurance Association as of December 31, 2014, as determined by the undersigned.




Tom Masterson, CFE
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

On this 11 day of November 2015, before me personally appeared, Tom Masterson, 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

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