

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

IN THE MATTER OF: )  
 )  
Bartholomew County German Mutual Insurance Company )  
15909 North 170 West )  
Edinburgh, Indiana 46124 )

Examination of Bartholomew County German Mutual Insurance Company

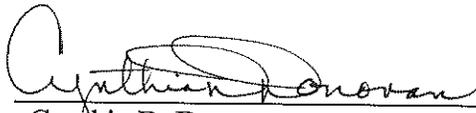
**NOTICE OF ENTRY OF ORDER**

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 Bartholomew County German Mutual Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on November 19, 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 Bartholomew County German 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.

February 20, 2014  
Date

  
Cynthia D. Donovan  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0028 1966 06**

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

IN THE MATTER OF: )  
 )  
Bartholomew County German Mutual Insurance Company )  
15909 North 170 West )  
Edinburgh, Indiana )

Examination of Bartholomew County German Mutual Insurance Company

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Bartholomew County German Mutual Insurance Company (hereinafter "Company") for the time period January 1, 2008 through December 31, 2012.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on October 22, 2013

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 November 19, 2013 and was received by the Company on November 21, 2013.

On December 3, 2013, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company's response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2012.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance 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, as amended, 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, as amended. 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 20 day of  
February, 2014.

Stephen W. Robertson  
Insurance Commissioner

## 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 "Michael J. Schmitt". The signature is written in a cursive style with a large initial "M".

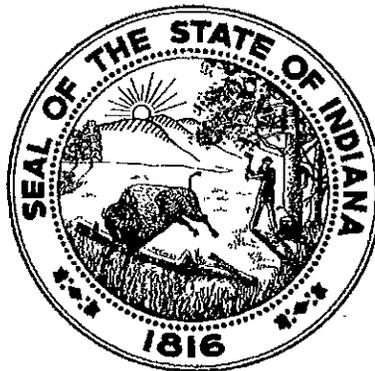
**STATE OF INDIANA**  
**Department of Insurance**  
**REPORT OF EXAMINATION**  
**OF**

**BARTHOLOMEW COUNTY GERMAN MUTUAL INSURANCE**  
**COMPANY**

NAIC Co. CODE 92281

As of

December 31, 2012



## TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION.....	2
HISTORY.....	2
CAPITAL AND SURPLUS.....	2
TERRITORY AND PLAN OF OPERATION.....	2
GROWTH OF THE COMPANY.....	3
MANAGEMENT AND CONTROL.....	3
Policyholders.....	3
Directors.....	3
Officers.....	3
CONFLICT OF INTEREST.....	4
OATH OF OFFICE.....	4
CORPORATE RECORDS.....	4
Articles of Association.....	4
Bylaws.....	4
Minutes.....	4
FIDELITY BOND AND OTHER INSURANCE.....	4
REINSURANCE.....	5
ACCOUNTS AND RECORDS.....	5
FINANCIAL STATEMENTS.....	6
Assets, Liabilities, and Surplus.....	6
Statement of Income and Changes in Surplus.....	7
COMMENTS ON THE FINANCIAL STATEMENTS.....	8
SUMMARY OF SIGNIFICANT FINDINGS.....	8
SUBSEQUENT EVENTS.....	8
AFFIDAVIT.....	9



# 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

October 22, 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 3758, an examination has been made of the affairs and financial condition of:

**Bartholomew County German Mutual Insurance Company**  
**15909 North 170 West**  
**Edinburgh, Indiana 46124**

hereinafter referred to as the "Company", an Indiana-domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in Edinburgh, 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) 232-2385  
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 organized in February, 1894, in Bartholomew County, Indiana by German immigrants for the purpose of providing insurance to its policyholders against loss and damage to farm property and equipment.

## **CAPITAL AND SURPLUS**

The Company is owned by its 492 policyholders. As of December 31, 2012, the Company reported policyholder surplus of \$1,529,433.

## **TERRITORY AND PLAN OF OPERATION**

The Company currently conducts business in the following seven (7) counties: Bartholomew, Brown, Decatur, Jackson, Jennings, Johnson, and Shelby counties.

The Company insures against property losses to farm buildings and contents, farm and rural dwellings and contents, farm equipment, livestock, and other farm personal property. 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	\$ 1,793,123	\$ 263,690	\$ 1,529,433
2011	1,742,339	214,710	1,527,629
2010	1,747,571	215,253	1,532,318
2009	1,677,540	225,815	1,451,725
2008	1,509,854	204,170	1,305,684

## 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 at the annual meeting.

### Directors

The corporate powers of the Company are vested in a Board of Directors consisting of seven (7) policyholders. Directors are elected to serve a term of one (1) year. The following persons were serving as Directors at December 31, 2012:

<u>Name</u>	<u>Residence</u>
Ray Burbrink	Edinburgh, IN
Lynn Glick	Columbus, IN
Carl Lienhoop	Hartsville, IN
Gregory Meyer	Columbus, IN
Marshall Middendorf	Columbus, IN
Donald Schroer	Columbus, IN
Stanley Smock	Edinburgh, IN

### Officers

The officers of the Company consist of a President, a Vice President, a Secretary, and a Treasurer. Officers are elected at a board meeting held immediately after the annual meeting of the Board of Directors.

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

<u>Name</u>	<u>Title</u>
Lynn Glick	President
Marshall Middendorf	Vice President
Ray Burbrink	Secretary and Treasurer

### **CONFLICT OF INTEREST**

Directors and officers 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 Old Republic Surety Company. The bond has blanket coverage of \$50,000. 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 Excess of Loss

This coverage limits the Company's liability on an individual occurrence of loss with a retention limit of \$100,000. 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 loss, in excess of the retention limit of \$244,525. 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.

**BARTHOLOMEW COUNTY GERMAN MUTUAL INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Assets, Liabilities, and Surplus**

	As of December 31, 2012			
	<u>Per Annual</u>	<u>Examination</u>	<u>Per</u>	<u>December 31,</u>
	<u>Statement</u>	<u>Adjustments</u>	<u>Examination</u>	<u>2011</u>
<b>Assets:</b>				
Bonds	\$641,305	\$ -	\$641,305	\$933,293
Bank balances	1,064,504	-	1,064,504	789,278
Reinsurance receivable on paid losses	82,417	-	82,417	15,590
Accrued interest	4,897	-	4,897	4,178
<b>Total Assets</b>	<b><u>\$1,793,123</u></b>	<b><u>\$ -</u></b>	<b><u>\$1,793,123</u></b>	<b><u>\$1,742,339</u></b>
<b>Liabilities and Surplus</b>				
Total unpaid losses	\$137,066	\$ -	\$137,066	\$ 289,814
Less: reinsurance recoverable on unpaid losses	<u>(98,114)</u>	<u>-</u>	<u>(98,114)</u>	<u>(289,814)</u>
Net unpaid claims	38,952	-	38,952	-
Unpaid salaries and commissions	1,074	-	1,074	3,000
Ceded reinsurance balances payable	9,688	-	9,688	7,550
Unearned premium reserve	<u>213,976</u>	<u>-</u>	<u>213,976</u>	<u>204,160</u>
<b>Total liabilities</b>	<b>263,690</b>	<b>-</b>	<b>263,690</b>	<b>214,710</b>
Surplus	<u>1,529,433</u>	<u>-</u>	<u>1,529,433</u>	<u>1,527,629</u>
<b>Total liabilities and surplus</b>	<b><u>\$1,793,123</u></b>	<b><u>\$ -</u></b>	<b><u>\$1,793,123</u></b>	<b><u>\$1,742,339</u></b>

**BARTHOLOMEW COUNTY GERMAN MUTUAL INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Statement of Income and Changes in Surplus**

	As of December 31, 2012			
	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, 2011</u>
<b>Income:</b>				
Total net assessments, premiums and fees	\$ 286,322	\$ -	\$ 286,322	\$ 309,970
Total income from investment	36,708	-	36,708	44,048
Other income	7,666	-	7,666	52,160
Total income	<u>330,696</u>	<u>-</u>	<u>330,696</u>	<u>406,178</u>
<b>Disbursements:</b>				
Total of all net losses	215,220	-	215,220	307,286
Total operating expense	132,212	-	132,212	121,699
Total non-operating expense	27	-	27	762
Change in ledger assets and liabilities	-	(18,567)	(18,567)	(18,880) *
Total disbursements	<u>347,459</u>	<u>(18,567)</u>	<u>328,892</u>	<u>410,867</u>
Net income	(16,763)	18,567	1,804	(4,689)
Surplus, beginning of period	1,527,629	-	1,527,629	1,532,318
Surplus, end of period	<u>\$ 1,529,433</u>	<u>\$ 18,567</u>	<u>\$ 1,529,433</u>	<u>\$ 1,527,629</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 (\$18,567) in 2012 and by (\$18,880) 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 (\$18,567) in 2012 and by (\$18,880) 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.

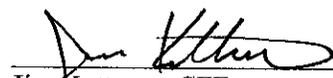
**AFFIDAVIT**

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 **Bartholomew County German 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 **Bartholomew County German Mutual Insurance Company**, as of **December 31, 2012**, as determined by the undersigned.

  
\_\_\_\_\_  
Jim Kattman, CFE  
Noble Consulting Services, Inc.

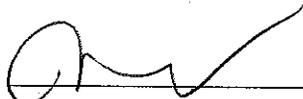
State of:  
County of:

On this 13 day of January 2014, before me personally appeared, Jim Kattman, 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



  
\_\_\_\_\_

