

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

IN THE MATTER OF:)
)
Bartholomew County German Mutual)
Insurance Company)
15909 N 179 W, P.O. Box 156)
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 amended by the Final Order, 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.

3/5/2019

Date
Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0274

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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, 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 28, 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.

On November 29, 2018, 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:

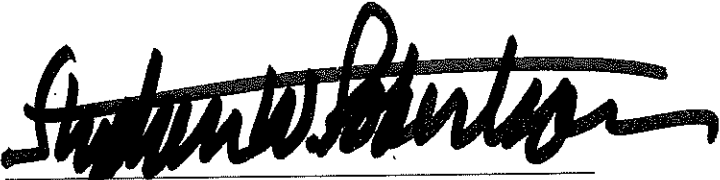
1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

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, 2017.
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 this March day of _____, 2019.



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.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

BARTHOLOMEW COUNTY GERMAN MUTUAL INSURANCE COMPANY
NAIC Co. CODE 92281

As of

December 31, 2017

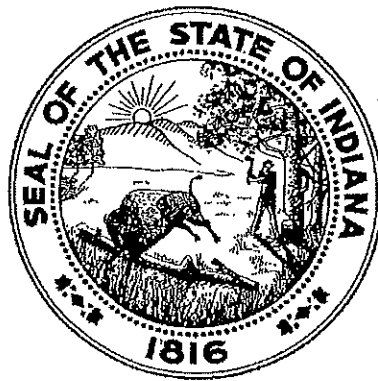


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STATE OF INDIANA

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/doi

June 28, 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 3983, an examination has been made of the affairs and financial condition of:

Bartholomew County German Mutual Insurance Company
15909 N 170 W, P.O. Box 156
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 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
317-232-2395/1-800-622-4451

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 organized in February, 1894, in Bartholomew County, Indiana by German immigrants for the purpose of providing insurance to its members against loss and damage to farm property and equipment.

CAPITAL AND SURPLUS

As of December 31, 2017, the Company had adjusted surplus of \$1,731,295 and 436 members, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

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

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 and adjusted per the examination:

Year	Admitted Assets	Liabilities	Surplus
2017	\$ 1,979,861 *	\$ 254,390	\$ 1,725,471*
2016	1,981,780	244,168	1,737,612
2015	1,853,922	276,846	1,577,076
2014	1,741,352	333,017	1,408,335
2013	1,811,737	312,716	1,499,021

*Assets were adjusted to correct understated carrying value of investments and re-class of bank balances to bonds.

MANAGEMENT AND CONTROL

Directors

The corporate powers of the Company are vested in a Board of Directors (Board) consisting of seven (7) 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
Tim Arnholt	Columbus, Indiana
Ray Burbrink	Edinburgh, Indiana
Carl Lienhoop	Hartsville, Indiana
Gregory Meyer	Columbus, Indiana
Marshall Middendorf	Columbus, Indiana
Donald Schroer	Columbus, Indiana
Stanley Smock	Edinburgh, 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
Marshall Middendorf	President
Carl Lienhoop	Vice President
Ray Burbrink	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, 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 Old Republic 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, Certified Acts of Terrorism, commercial general liability, cyber liability, directors and officers liability, and errors and omissions 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 Contract* – The Company shall retain the first \$135,000 of the Ultimate Net Loss incurred by the Company per Risk. The reinsurer shall pay the Company 100% of the Ultimate Net Loss incurred by the Company in excess of the Company Retention for each Risk, subject to a maximum reinsurance recovery of \$1,000,000 with automatic coverage to \$5,000,000 per Risk and an option for coverage to \$15,000,000 including the Company retention and provided the Company provide timely notification to the Reinsurer of any risks exceeding \$10,000,000.
- *Property Aggregate Excess of Loss Reinsurance* – This layer of coverage requires Company retention of \$300,000 in ultimate net losses incurred, net of all other reinsurance recoveries. This coverage limit is for 100% of the Company's ultimate net loss in excess of the Company retention with no maximum.

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

BARTHOLOMEW COUNTY GERMAN MUTUAL INSURANCE COMPANY
Assets, Liabilities and Surplus
As of December 31, 2017

	Per Annual Statement	Examination Adjustments	Per Examination	
Assets:				
Bonds	\$ 275,712	\$ 106,641	\$ 382,353	*
Stocks - Mutual Funds	532,824	17,280	550,104	*
Bank Balances	1,140,406	(108,007)	1,032,399	*
Accrued Interest	1,368	-	1,368	
State Tax Refund	13,637	-	13,637	
Total Assets	\$ 1,963,947	\$ 15,914	\$ 1,979,861	
 Liabilities and Surplus:				
Unpaid claims	\$ 149,128	\$ -	\$ 149,128	
Less, reinsurance recoverable	(143,304)	-	(143,304)	
Net unpaid claims	5,824	-	5,824	
Ceded reinsurance payable	12,510	-	12,510	
Unearned premium reserve	236,056	-	236,056	
Total liabilities	254,390	-	254,390	
Surplus	1,709,557	15,914	1,725,471	*
Total liabilities and surplus	\$ 1,963,947	\$ 15,914	\$ 1,979,861	

*As adjusted through the examination process, 2017 surplus increased by \$15,914 due to understated investment balances of \$15,914.

BARTHOLOMEW COUNTY GERMAN 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	\$ 331,433	\$ -	\$ 331,433
Interest and profit on investments	108,337	-	108,337
Other Income	2,304	-	2,304
Total income	<u>442,074</u>	<u>-</u>	<u>442,074</u>
Disbursements:			
Total of all net losses	301,749	-	301,749
Total operating expense	148,376	-	148,376
Total non-operating expense	27	-	27
Change in ledger assets and liabilities	19,977	(15,914)	4,063
Total disbursements	<u>470,129</u>	<u>(15,914)</u>	<u>454,215</u>
Net Income	(28,055)	15,914	(12,141)
Surplus, beginning of period	1,737,612	-	1,737,612
Surplus, end of period as reported	<u>\$ 1,709,557</u>	<u>\$ 15,914</u>	<u>\$ 1,725,471 *</u>

*As adjusted through the examination process, 2017 surplus increased by \$15,914 due to understated investment balances of \$15,914.

**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 understated its bond balance by \$106,641 as of December 31, 2017. This understatement was primarily due to a corporate bond security improperly classified as a CD and a minor adjustment to correct the carrying value to market value. In the future, the Company should take appropriate measures to ensure the proper reporting of bonds.

The Company understated its stock balance by \$17,280 as of December 31, 2017. This understatement was due to the carrying value of stocks adjusted to market value. In the future, the Company should take appropriate measures to ensure the proper reporting of stocks.

The Company overstated its bank balances by \$108,007 as of December 31, 2017. This overstatement was primarily due to a corporate bond security improperly classified as a CD and a minor adjustment to correct the carrying value to market value. In the future, the Company should take appropriate measures to ensure the proper reporting of bank balances.

OTHER SIGNIFICANT ISSUES

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

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.

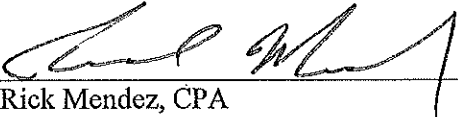
AFFIDAVIT

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 Bartholomew County German 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.

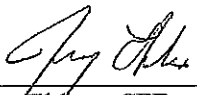
This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing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



Rick Mendez, CPA
Noble Consulting Services, Inc.

Under the supervision of,


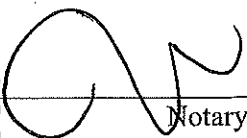


Jerry Ehlers, CFE
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 28 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

