

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

IN THE MATTER OF:)
)
Farmers Mutual Insurance Company of Tipton)
County)
701 West Jefferson Street)
Tipton, Indiana 46072)

Examination of: **Farmers Mutual Insurance Company of Tipton County**

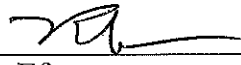
NOTICE OF ENTRY OF ORDER

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 Insurance Company of Tipton County, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on December 12, 2019, 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 Insurance Company of Tipton County 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.

3/30/2020
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7017 3040 0000 9294 9124

STATE OF INDIANA) BEFORE THE INDIANA
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Farmers Mutual Insurance Company of Tipton)
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701 West Jefferson Street)
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Examination of: **Farmers Mutual Insurance Company of Tipton County**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Farmers Mutual Insurance Company of Tipton County (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 February 14, 2019.

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 12, 2019 and was received by the Company on December 15, 2019.

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 Insurance Company of Tipton County as of December 31, 2017.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Farmers Mutual Insurance Company of Tipton County 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 30 day of March, 2020.

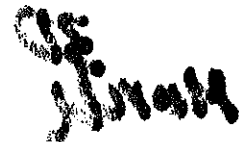

Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

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 large, dark, handwritten signature in black ink, appearing to be written in a cursive or stylized font.A smaller, dark, handwritten signature in black ink, appearing to be written in a cursive or stylized font.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

FARMERS MUTUAL INSURANCE COMPANY OF TIPTON COUNTY
NAIC Co. CODE 92302

As of

December 31, 2017

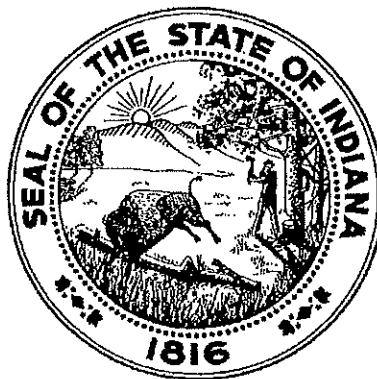


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January 29, 2019

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 3997, an examination has been made of the affairs and financial condition of:

Farmers Mutual Insurance Company of Tipton County
701 West Jefferson Street
Tipton, Indiana 46072

hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in Tipton, 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.

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 July 17, 1883, in Tipton County, Indiana, for the purpose of insuring its members' properties against loss.

The Company, operating under farm mutual laws, insures its members for loss and damage to farm property and structures.

CAPITAL AND SURPLUS

As of December 31, 2017, the Company had adjusted surplus of \$2,322,025. The Company has 1,207 members, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company currently conducts business in Blackford, Boone, Brown, Carroll, Cass, Clinton, Delaware, Elkhart, Grant, Greene, Hamilton, Howard, Johnson, Kosciusko, Madison, Marion, Miami, Owen, Parke, St. Joseph, Tipton, Vigo, Wabash, and White counties.

The Company primarily insures residential and farm property and equipment, as well as rural churches and stores. 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	\$ 2,888,597 *	\$ 566,572 *	\$ 2,322,025 *
2016	2,837,542	612,382	2,225,160
2015	3,080,743	653,121	2,427,622
2014	3,072,724	16,330 **	3,056,394 **
2013	3,091,221	10,954 **	3,080,267 **

*2017 Admitted assets, liabilities, and surplus were adjusted to correct understated bond balances and overstated unpaid losses.

**The Company did not report an Unearned Premium Reserve in 2013 and 2014.

MANAGEMENT AND CONTROL

Directors

The corporate powers of the Company are vested in a Board of Directors (Board) consisting of five (5) directors. Directors are elected to serve three (3) year terms. The following is a listing of persons serving as directors as of December 31, 2017:

Name	Address
Mark Boyer	Kempton, Indiana
Ben Grimme	Sharpsville, Indiana
Jeff McCorkle	Windfall, Indiana
Brady Peters	Sharpsville, Indiana
Ron Sottong	Atlanta, 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
Jeff McCorkle	President
Ron Sottong	Vice President
Norma Mattingly	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 with the exception of the Secretary/Treasurer listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2017.

See the Other Significant Issues section.

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. It was determined that not all of the directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2017.

See the Other Significant Issues section.

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 from the review of the Board and Annual Meeting minutes.

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 Travelers Casualty and Surety Company of America. The bond has a blanket coverage of \$250,000. 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 director and officer 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 Guy Carpenter. The reinsurance program includes three (3) treaties, all effective January 1, 2017, which are described below.

- *Property Per Risk Excess of Loss Reinsurance Contract* – All risks are reinsured for up to \$350,000 in excess of the Company's retention of \$50,000 and to the extent the net retention per risk of the Company does not exceed 0.2% of insurance in force. Further, the limit of liability to the Reinsurer is \$720,000 each Loss Occurrence.
- *Aggregate Excess of Loss Reinsurance Contract* – Under the terms of this agreement the Reinsurer shall be liable in the aggregate in respect of losses for 100% of the Ultimate Net Loss over and above an initial Ultimate Net Loss equal to the greater of \$682,250 or 90% of Gross Net Written Premium Income, subject to a limit of liability to the Reinsurer of the lesser of \$12,000,000 or 1,055% of Gross Net Written Premium Income.
- *Property Facultative Pro Rata Reinsurance Contract* – Cessions to this contract shall be limited to a maximum cession of \$1,000,000 on any one risk, subject to a minimum net retention of \$400,000.

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 December 31, 2017, were agreed to the respective Annual Statements.

FINANCIAL STATEMENTS

FARMERS MUTUAL INSURANCE COMPANY OF TIPTON COUNTY Assets, Liabilities and Surplus As of December 31, 2017

	Per Annual Statement	Examination Adjustments	Per Examination
Assets:			
Bonds	\$ 595,000	\$ 12,702	\$ 607,702 *
Stocks	774,763	-	774,763
Bank balances	1,276,419	-	1,276,419
Real estate	229,713	-	229,713
Total assets	<u>\$ 2,875,895</u>	<u>\$ 12,702</u>	<u>\$ 2,888,597</u>
Liabilities and Surplus:			
Unpaid claims	\$ 64,244	\$ (10,460)	\$ 53,784 *
Less, reinsurance recoverable	-	-	-
Net unpaid claims	64,244	(10,460)	53,784
Ceded reinsurance balances payable	28,147	-	28,147
Unearned premium reserve	478,518	-	478,518
Accrued payroll tax	6,123	-	6,123
Total liabilities	577,032	(10,460)	566,572
Surplus	2,298,863	23,162	2,322,025 *
Total liabilities and surplus	<u>\$ 2,875,895</u>	<u>\$ 12,702</u>	<u>\$ 2,888,597</u>

* As adjusted through the examination process, 2017 surplus increased \$23,162 (bond balances were understated \$12,702 and unpaid claims were overstated by \$10,460).

FARMERS MUTUAL INSURANCE COMPANY OF TIPTON COUNTY
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	\$ 865,578	\$ -	\$ 865,578
Interest and profit on investments	69,746	12,702	82,448 **
Other income	18,444	-	18,444
Total income	<u>953,768</u>	<u>12,702</u>	<u>966,470</u>
Disbursements:			
Losses, net of reinsurance	633,332	(10,460)	622,872 **
Operating expenses	324,266	-	324,266
Non-operating expenses	3,736	-	3,736
Change in ledger assets and liabilities	(81,269)	-	(81,269)
Total disbursements	<u>880,065</u>	<u>(10,460)</u>	<u>869,605</u>
Net income	73,703	23,162	96,865
Surplus, beginning of period	<u>2,225,160</u>	<u>-</u>	<u>2,225,160</u>
Surplus, end of period as reported	<u>\$ 2,298,863</u>	<u>\$ 23,162</u>	<u>\$ 2,322,025 **</u>

*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.

**As adjusted through the examination process, 2017 surplus increased by \$23,162 due to understated interest and capital gains on investments of \$12,702 and overstated losses, net of reinsurance of \$10,460.

COMMENTS ON THE FINANCIAL STATEMENTS

The Company understated its bond balances and interest and capital gains on investments by \$12,702 as of December 31, 2017. This understatement 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 bond balances, interest, and capital gains on investments.

The Company overstated its unpaid claims and losses, net of reinsurance by \$10,460 as of December 31, 2017. This understatement 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 unpaid claims and losses, net of reinsurance.

OTHER SIGNIFICANT ISSUES

It was determined that all directors and officers with the exception of the Secretary/Treasurer listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2017. See the Subsequent Events section of this Report of Examination.

The Company was not able to provide Oath of Office Statements for all directors listed on their Annual Statement as of December 31, 2017. In the future, the Company should take appropriate measures to come into compliance with IC 27-1-7-10(i).

SUBSEQUENT EVENTS

The Secretary/Treasurer listed in the Management and Control section of this Report of Examination retired from the Company in March 2018.

There were no other 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 Farmers Mutual Insurance Company of Tipton County 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 Insurance Company of Tipton County as of December 31, 2017, as determined by the undersigned.



Jim Kattman, CFE
Noble Consulting Services, Inc.

Under the supervision of,

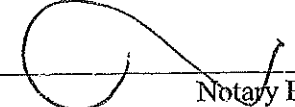


Jerry Ehlers, CFE
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 12 day of February, 2019, before me personally appeared, Jim Kattman 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: July 4, 2019  _____
Notary Public

