

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

IN THE MATTER OF:)
)
First Farm Mutual Insurance Company of Jackson County, Indiana)
760 N. 500 E.)
Seymour, IN 47274)

Examination of First Farm Mutual Insurance Company of Jackson
County, Indiana

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 First Farm Mutual Insurance Company of Jackson County, Indiana, 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 First Farm Mutual Insurance Company of Jackson County, Indiana 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.

6/30/2016
Date


Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0060 6027

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County, Indiana

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the First Farm Mutual Insurance Company of Jackson County, Indiana (hereinafter "Company") for the time period January 1, 2009 through December 31, 2013.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on December 15, 2014.

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 February 9, 2015 and was received by the Company on February 13, 2015.

On March 10, 2015, 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, 2013.
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 30th day of
June, 2016.


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. ...". The signature is written in a cursive style and is located at the bottom left of the page.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION

OF

FIRST FARM MUTUAL INSURANCE COMPANY
OF JACKSON COUNTY, INDIANA

NAIC Co. CODE 92306

As of

December 31, 2013

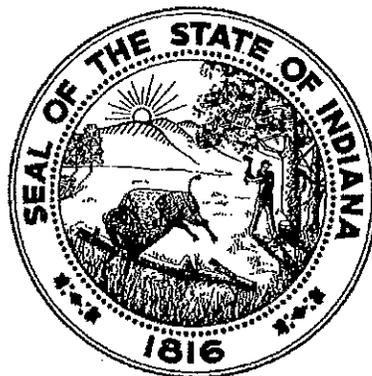


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STATE OF INDIANA

IDOI

MICHAEL R. PENCE, 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

December 15, 2014

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 3829, an examination has been made of the affairs and financial condition of:

First Farm Mutual Insurance Company of Jackson County, Indiana
760 N 500 E
Seymour, Indiana 47274

hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the offices of Blue & Company, LLC in Seymour, 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, 2013, 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 EXAMINATIONS/FINANCIAL SERVICES (317) 232-2390 MEDICAL MALPRACTICE (317) 232-2402 COMPANY RECORDS (317) 232-5692 STATE HEALTH INSURANCE PROGRAM 1-800-332-4674
1-800-622-4461

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2008. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2009 through December 31, 2013, 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 on November 3, 1881, under the Farm Mutual Insurance Company Act of 1881. The objective of the Company is to insure the property of its members against loss by fire or lightning and any other coverage as authorized by the Board of Directors, in accordance with applicable laws and regulations.

CAPITAL AND SURPLUS

As of December 31, 2013, the Company had surplus of \$1,013,562 and 394 policyholders, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company conducts business in Bartholomew, Jackson, Jennings, Lawrence, Scott, and Washington counties.

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
2013	\$ 1,192,465	\$ 178,903	\$ 1,013,562
2012	1,445,635	302,740	1,142,895
2011	1,478,928	181,190	1,297,738
2010	1,543,909	167,056	1,376,853
2009	1,495,367	154,778	1,340,589

MANAGEMENT AND CONTROL

Directors

The Company's Articles of Incorporation direct that the power of the Company is vested in a Board of Directors, whose members are elected to one (1) year terms. The following is a listing of persons serving as directors as of December 31, 2013:

<u>Name</u>	<u>Address</u>
Robert Benter	Brownstown, Indiana
Sara Benter	Seymour, Indiana
Gary Darlage	Brownstown, Indiana
Roy Darlage	Vallonia, Indiana
Richard Lambring	Seymour, Indiana
Jane Stuckwisch	Seymour, Indiana
Milton Stuckwisch	Seymour, Indiana

Officers

The Company's Bylaws state that the officers of the Company shall consist of a President, a Vice President, a Treasurer, and a Secretary. These officers shall serve until the next annual meeting and until their successors are elected, or until they resign or are removed from office by the Board of Directors. The following is a list of key officers and their respective titles as of December 31, 2013.

<u>Name</u>	<u>Office</u>
Milton Stuckwisch	President
Robert Benter	Vice President
Sarah Benter	Secretary
Jane Stuckwisch	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, 2013.

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 all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2013.

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 Ohio Casualty. The bond has a single loss coverage limit 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 at December 31, 2013, including but not limited to, management indemnity/directors and officers liability, and workers' compensation liability.

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 Guy Carpenter (Carpenter) as follows:

- *Property Facultative Pro Rata Reinsurance Contract* – Cessions to this contract will be limited to an amount equal to five (5) times the Company's net retention, plus the amount ceded to the Company's working reinsurance contracts, subject to a minimum net retention of \$30,000.
- *First Surplus Reinsurance Contract* – Cessions to this contract shall be limited to an amount equal to nine (9) times the Company's net retention, subject to a minimum net retention of \$5,000 and to a maximum cession of \$270,000 on any one (1) risk.
- *Aggregate Excess of Loss Reinsurance Contract* – Carpenter will be liable for 95% of the ultimate net loss greater than \$149,000.
- *Supplemental Aggregate Excess of Loss Reinsurance Contract* – Carpenter will be liable for 100% of ultimate net loss over the sum of its retention in other contracts plus Carpenter's limit of liability.

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, 2012 and 2013, were agreed to the respective Annual Statements.

FIRST FARM MUTUAL INSURANCE COMPANY OF JACKSON COUNTY, INDIANA
 Assets, Liabilities and Surplus
 As of December 31, 2013

	Per Examination*
Bonds	\$ 228,299
PTP Investments	9,899
Stocks	67,977
Bank balances subject to check	277,665
Bank balances on interest	578,916
Unpaid premiums due after November 1st	1,276
Reinsurance receivable on paid losses	18,799
Accrued interest	909
Equipment and furniture	325
Prepaid aggregate premium	8,400
Totals	\$ 1,192,465
Taxes payable	\$ 1,416
Unearned premium reserve	176,701
Payroll taxes withheld	786
Total liabilities	178,903
Surplus	1,013,562
Totals	\$ 1,192,465

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

FIRST FARM MUTUAL INSURANCE COMPANY OF JACKSON COUNTY, INDIANA
Income Statement and Change in Surplus
For the Year Ended December 31, 2013

	Per Examination*
INCOME	
Net premiums written	\$ 124,440
Less, aggregate excess loss reinsurance	(27,200)
Total net premiums	97,240
Income from investments	12,707
Total income	\$ 109,947
EXPENSES AND CHANGE IN SURPLUS	
Total of all net losses	\$ 180,106
Operating expense	59,081
Non-Operating expense	123,837
Total disbursements	363,024
Net Income (cash basis)	(253,077)
Change in liabilities**	123,744
Change in Surplus	(129,333)
Surplus, December 31, 2012	1,142,895
Surplus, December 31, 2013	\$ 1,013,562

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

**The Company reports the income statement on a cash basis. In order to properly reconcile the change in surplus, the change in liabilities amount reflects the reconciliation from cash to accrual.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2013, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

IC 27-1-15.6-3(b) states that an insurer shall require a person who sells, solicits, or negotiates insurance in the state of Indiana to be licensed. During the period of examination the Company made commission payments to non-licensed producers. It is recommended that the Company comply with IC 27-1-15.6-3(b) in the future and ensure commission payments are made only to licensed individuals and entities.

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.

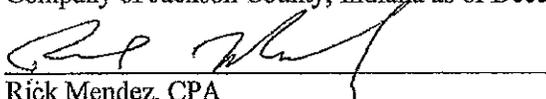
AFFIDAVIT

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., hereinafter collectively referred to as the "Examiners", performed an examination of First Farm Mutual Insurance Company of Jackson County, Indiana as of December 31, 2013.

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 First Farm Mutual Insurance Company of Jackson County, Indiana as of December 31, 2013, as determined by the undersigned.


Rick Mendez, CPA
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

On this 15 day of December, 2014, before me personally appeared, Rick Mendez, 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

