

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

IN THE MATTER OF: )  
 )  
**Franklin County Farmers Mutual Insurance** )  
**Company** )  
**500 Main Street** )  
**Brookville, Indiana 47012** )

Examination of: **Franklin County Farmers 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 Franklin County Farmers Mutual Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on December 15, 2020, 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 Franklin County Farmers 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.

2/11/2021  
\_\_\_\_\_  
Date  
Roy Eft  
Chief Financial Examiner


**CERTIFIED MAIL NUMBER: 7017 3040 0000 9294 9810**



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 11<sup>th</sup> day of February, 2021.

  
\_\_\_\_\_  
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.

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

**FRANKLIN COUNTY FARMERS MUTUAL INSURANCE COMPANY**  
NAIC Co. CODE 92307

As of

December 31, 2018

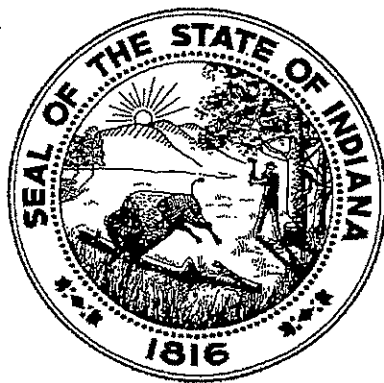


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# STATE OF INDIANA

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/idoi](http://in.gov/idoi)

August 12, 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 4027, an examination has been made of the affairs and financial condition of:

**Franklin County Farmers Mutual Insurance Company**  
500 Main Street  
Brookville, Indiana 47012

hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in Brookville, 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, 2018, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES    COMPANY COMPLIANCE    CONSUMER SERVICES    FINANCIAL SERVICES    MEDICAL MALPRACTICE    COMPANY RECORDS    STATE HEALTH INSURANCE PROGRAM  
317-232-2413    317-232-3495    317-232-2395/1-800-622-4461    317-232-2390    317-232-2402    317-232-5692    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, 2013. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2014 through December 31, 2018, 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 1900, in the state of Indiana, and elected to be governed as a Farm Mutual Insurance Company under Chapter 145, Acts 1919, in 1925. The Company insures losses to rural risks including farm and farm related structures, grain and hay, livestock, and machinery caused by earthquake, hail, fire, theft, vandalism and wind.

## CAPITAL AND SURPLUS

As of December 31, 2018, the Company had adjusted surplus of \$8,659,001. The Company has 1,207 members, who are the owners of the Company.

## TERRITORY AND PLAN OF OPERATION

The Company currently conducts business in the following Indiana counties: Dearborn, Decatur, Fayette, Franklin, Ripley, Rush, Union and Wayne.

The Company insures primarily farm property and equipment, as well as rented and residential dwellings. 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 and adjusted during the examination period:

Year	Admitted Assets	Liabilities	Surplus
2018	\$ 9,338,886 *	\$ 679,885 *	\$ 8,659,001 *
2017	8,710,324	568,871	8,141,453
2016	8,342,675	524,942	7,817,733
2015	8,318,905	513,603	7,805,302
2014	8,829,738	395,181	8,434,557

\*2018 Admitted assets, liabilities and surplus were adjusted to correct understated bank balances, overstated unpaid premiums, overstated agent balances, overstated accrued interest, and understated unpaid salaries and commissions.

## MANAGEMENT AND CONTROL

### Directors

The corporate powers of the Company are vested in a Board of Directors (Board) consisting of seven (7) directors. Directors are elected to serve three (3) year staggered terms. The following is a listing of persons serving as directors as of December 31, 2018:

Name	Address
Jerry Carpenter	Connersville, Indiana
Dennis Halpin	Metamora, Indiana
Charles Precht	Connersville, Indiana
Jeffrey Sauerland	Connersville, Indiana
Kenneth Webb	Brookville, Indiana
Dennis Weber	Liberty, Indiana
Paul Wiwi	Liberty, 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, 2018.

Name	Office
Jeffrey Sauerland	President
Dennis Halpin	Vice President
Kenneth Webb	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, 2018.

## **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, 2018.

## **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 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 \$100,000. The fidelity bond meets the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2018, including but not limited to, agent and broker professional liability, company professional liability, and director and officer professional liability insurance.

## 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 (Reinsurer). The reinsurance program includes two (2) treaties, effective January 1, 2018, which are described below.

- *Property Per Risk Excess of Loss Reinsurance* – This coverage limits the Company's liability on an individual occurrence of loss with a retention limit of \$300,000 per risk subject to a maximum reinsurance recovery of \$1,000,000 per risk. The agreement covers a maximum of four losses per risk for a maximum reinsurance recovery of \$4,000,000 per contract period.
- *Property Aggregate Excess of Loss Reinsurance* – The Reinsurer agrees to indemnify the Company for 100% of the Company's ultimate net losses incurred in excess of \$640,000, net of all other reinsurance recoveries.

## 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, 2017 and December 31, 2018, were agreed to the respective Annual Statements.

**FINANCIAL STATEMENTS**

FRANKLIN COUNTY FARMERS MUTUAL INSURANCE COMPANY  
Assets, Liabilities and Surplus  
As of December 31, 2018

	<u>Per Annual</u> <u>Statement</u>	<u>Examination</u> <u>Adjustments</u>	<u>Per</u> <u>Examination</u>
<b>Assets:</b>			
Bonds	\$ 875,503	\$ -	\$ 875,503
Stocks	189,662	-	189,662
Bank balances	7,463,863	276,000	7,739,863 *
Real estate	500,000	-	500,000
Cash in office	139	-	139
Unpaid premiums	35,707	(29,604)	6,103 *
Agent balances	6,168	(6,168)	- *
Accrued interest	47,982	(20,366)	27,616 *
Total assets	<u>\$ 9,119,024</u>	<u>\$ 219,862</u>	<u>\$ 9,338,886</u>
<b>Liabilities and Surplus:</b>			
Unpaid claims	\$ 61,724	\$ -	\$ 61,724
Less, reinsurance recoverable	-	-	-
Net unpaid claims	61,724	-	61,724
Unpaid salaries and commissions	6,168	4,322	10,490 *
Ceded reinsurance balances payable	17,270	-	17,270
Taxes payable	8,020	-	8,020
Other unpaid expenses	8,085	-	8,085
Premiums received in advance	21,007	-	21,007
Unearned premium reserve	554,674	-	554,674
Suspense account	(1,385)	-	(1,385)
Total liabilities	675,563	4,322	679,885
Surplus	8,443,461	215,540	8,659,001 *
Total liabilities and surplus	<u>\$ 9,119,024</u>	<u>\$ 219,862</u>	<u>\$ 9,338,886</u>

\* Surplus increased \$215,540 as a result of the examination process which included adjustments for understated cash of \$30,000 and a certificate of deposit of \$246,000, overstated unpaid premiums of \$29,604, overstated agent balances of \$6,168, overstated accrued interest of \$20,366 and understated unpaid salaries and commissions of \$4,322.

FRANKLIN COUNTY FARMERS MUTUAL INSURANCE COMPANY  
Income Statement and Change in Surplus  
For the Year Ended December 31, 2018

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination*</u>
<b>Income:</b>			
Premiums, net of reinsurance	\$ 812,196	\$ -	\$ 812,196
Interest and profit on investments	164,346	-	164,346
Other income, including proceeds of \$516,076 from Dearborn merger	<u>630,202</u>	<u>-</u>	<u>630,202</u>
Total income	<u>1,606,744</u>	<u>-</u>	<u>1,606,744</u>
<b>Disbursements:</b>			
Losses, net of reinsurance	259,656	-	259,656
Operating expenses	454,520	10,490	465,010 **
Non-operating expenses	229,989	-	229,989
Change in ledger assets and liability amounts	<u>360,571</u>	<u>(226,030)</u>	<u>134,541 *</u>
Total disbursements	<u>1,304,736</u>	<u>(215,540)</u>	<u>1,089,196</u>
Net income	302,008	215,540	517,548
Surplus, beginning of period	<u>8,141,453</u>	<u>-</u>	<u>8,141,453</u>
Surplus, end of period as reported	<u>\$ 8,443,461</u>	<u>\$ 215,540</u>	<u>\$ 8,659,001</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.

\*\* Surplus increased \$215,540 as a result of the examination process which included adjustments for understated cash of \$30,000 and a certificate of deposit of \$246,000, overstated unpaid premiums of \$29,604, overstated agents balances of \$6,168, and overstated accrued interest of \$20,366. Operating expenses were understated \$10,490 due to agent balances and unpaid salaries and commissions.

### **COMMENTS ON THE FINANCIAL STATEMENTS**

The Company understated its bank balances by \$276,000 as of December 31, 2018. It is recommended that the Company properly report bank balances in future Annual Statement filings.

The Company overstated its unpaid premiums by \$29,604 as of December 31, 2018. It is recommended that the Company properly report unpaid premiums in future Annual Statement filings.

The Company overstated its agent balances by \$6,168 as of December 31, 2018. It is recommended that the Company properly report agent balances in future Annual Statement filings.

The Company overstated its accrued interest by \$20,366 as of December 31, 2018. It is recommended that the Company properly report accrued interest in future Annual Statement filings.

The Company understated its unpaid salaries and commissions by \$4,322 as of December 31, 2018. It is recommended that the Company properly report unpaid salaries and commissions in future Annual Statement filings.

The Company understated its operating expenses by \$10,490 as of December 31, 2018. It is recommended that the Company properly report operating expenses in future Annual Statement filings.

### **OTHER SIGNIFICANT ISSUES**

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

### **SUBSEQUENT EVENTS**

At December 31, 2018, proceeds of \$523,755 for real estate sold in accordance with IC 27-1-13-3(e) were held in escrow and non-admitted. The proceeds were released to the Company in May 2019.

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 Franklin County Farmers Mutual Insurance Company as of December 31, 2018.

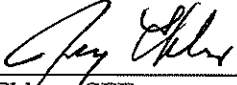
The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

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 Franklin County Farmers Mutual Insurance Company as of December 31, 2018, as determined by the undersigned.

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

Under the supervision of,

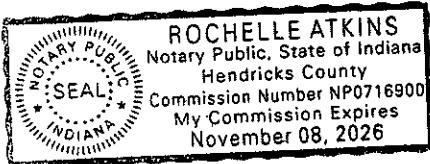
  
\_\_\_\_\_  
Jerry Ehlers, CFE  
Indiana Department of Insurance

State of: Indiana  
County of: Marion

On this 10<sup>th</sup> day of Sept, 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: Nov 8, 2026   
\_\_\_\_\_  
Notary Public



\_\_\_\_\_  
Notary Public

