

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

IN THE MATTER OF:)
)
German Mutual Insurance Company)
1405 Main Street)
Ferdinand, Indiana 47532)

Examination of 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 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 February 3, 2014, 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 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.

April 4, 2014
Date

Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0029 9633 99

STATE OF INDIANA)
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COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
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German Mutual Insurance Company)
1405 Main Street)
Ferdinand, Indiana)

Examination of German Mutual Insurance Company

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the 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 November 27, 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 February 3, 2014 and was received by the Company on February 10, 2013.

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 German Mutual Insurance Company as of December 31, 2012.
2. That the Examiner's Recommendations are reasonable and necessary in order for the German Mutual Insurance Company 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 and Sealed this 4 day of
April, 2014.



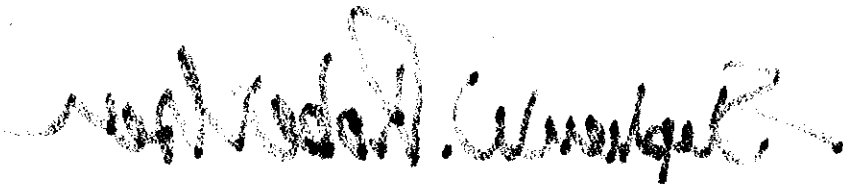
Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

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 handwritten signature in black ink, appearing to read "Michael J. ...". The signature is written in a cursive style and is positioned in the lower-left quadrant of the page.

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

GERMAN MUTUAL INSURANCE COMPANY

NAIC Co. CODE 92309

As of

December 31, 2012

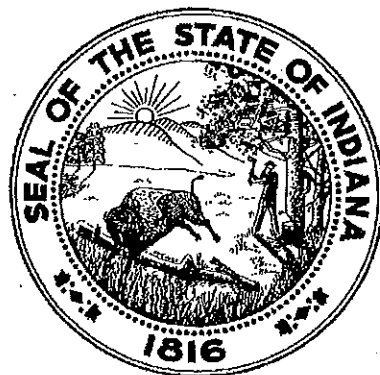


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STATE OF INDIANA

MICHAEL R. PENCE, Governor

November 27, 2013



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

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 3762, an examination has been made of the affairs and financial condition of:

German Mutual Insurance Company
1405 North Main Street
Ferdinand, Indiana 47532

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

CONSUMER SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
(317) 232-2395
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 1887. In June 1995, the Company entered into an agreement with Ferdinand Farmers Mutual Insurance Company (FFMIC), whereby the Company's operations and management, would be performed by FFMIC. Based on this management agreement, the Company pays FFMIC a management fee covering equipment, facilities, and staff.

CAPITAL AND SURPLUS

The Company is owned by its 88 policyholders. As of December 31, 2012, the Company reported policyholder surplus of \$384,597.

TERRITORY AND PLAN OF OPERATION

The Company currently conducts business in the following seven (7) counties: Crawford, Dubois, Harrison, Perry, Pike, Spencer, and Vanderburgh counties.

The Company provides homeowners coverage for its policyholders. 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 through the examination process:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Policyholder Surplus</u>
2012	\$ 447,169	\$ 62,572	\$ 384,597
2011	415,546	40,484	375,062
2010	435,954	34,961	400,993
2009	427,077	35,503	391,574
2008	405,560	31,218	374,342

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.

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 three (3) years. The following persons were serving as Directors at December 31, 2012:

<u>Name</u>	<u>Residence</u>
John Becher, Jr.	Dale, IN
Nicholas Dilger	Ferdinand, IN
Kurk Fleck	Saint Meinrad, IN
Debra Johnson	Ferdinand, IN
James Kemper	Ferdinand, IN
Patrick Lueken	Ferdinand, IN
Alan Weyer	Ferdinand, IN

Officers

The officers of the Company consist of a President, a Vice President, a Secretary, and a Treasurer. Officers are elected at the annual meeting of the Board of Directors to serve a term of one (1) year.

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

<u>Name</u>	<u>Title</u>
Patrick Lueken	President
James Kemper	Vice President
Debra Johnson	Secretary
Kurt Fleck	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 the directors and officers listed in the Management and Control section of this report fulfilled that requirement.

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 corporation. 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 Incorporation

There were no amendments to the Articles of Incorporation 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 the policyholders were reviewed for the period under examination through the fieldwork date. Minutes documented the Board of Director's oversight of operations.

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 Western Surety Company. The bond has blanket coverage of \$25,000. 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 and FFMIC are parties to a reinsurance treaty whereby the Company retains the first \$10,000 of each and every risk and cedes the remainder to FFMIC. The Company's reinsurance contract, effective January 1, 2012, consists of Individual Occurrence Excess of Loss coverage.

Individual Occurrence Excess of Loss

This coverage limits the Company's liability on an individual occurrence of loss with a retention limit of \$10,000.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The Company uses a computerized accounting system for their general ledger, which generates the trial balances at year-end. Material balances reflected in the December 31, 2012 Annual Statement and trial balance were agreed to supporting documentation.

GERMAN MUTUAL INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets, Liabilities, and Surplus

	As of December 31, 2012			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, 2011
Assets:				
Stocks - common	\$ 294,171	\$ (43,770) *	\$ 250,401	\$ 164,083
Bank balances	152,998	43,770 *	\$ 196,768	252,376
Members funds	-	-	-	(913)
Total Assets	<u>\$ 447,169</u>	<u>\$ -</u>	<u>\$ 447,169</u>	<u>\$ 415,546</u>
Liabilities and Surplus:				
Total unpaid losses	\$ 20,300	\$ -	\$ 20,300	\$ 2,000
Less: reinsurance recoverable on unpaid losses	-	-	-	-
Net Unpaid Claims	20,300	-	20,300	2,000
Ceded reinsurance balances payable	3,520	-	3,520	-
Taxes payable	8	-	8	-
Premiums received in advance	357	-	357	1,673
Unearned premium reserve	38,387	-	38,387	36,811
Total liabilities	62,572	-	62,572	40,484
Surplus	384,597	-	384,597	375,062
Total liabilities and surplus	<u>\$ 447,169</u>	<u>\$ -</u>	<u>\$ 447,169</u>	<u>\$ 415,546</u>

* A cash balance of \$43,770 was incorrectly reported as common stock at December 31, 2012.

GERMAN MUTUAL INSURANCE COMPANY

FINANCIAL STATEMENTS

Statement of Income and Changes in 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>
Income:				
Total net assessments, premiums, and fees	\$ 18,874	\$ -	\$ 18,874	\$ 17,372
Total income from investments	35,006	-	35,006	15,756
State income tax refund	-	-	-	126
Total income	<u>53,880</u>	<u>-</u>	<u>53,880</u>	<u>33,254</u>
Disbursements:				
Total of all net losses	3,615	-	3,615	42,280
Total operating expenses	16,802	-	16,802	11,382
Total non-operating expenses	1,840	-	1,840	-
Change in ledger assets and liabilities	-	22,088	22,088	5,523 *
Total disbursements	<u>22,257</u>	<u>22,088</u>	<u>44,345</u>	<u>59,185</u>
Net income	31,623	(22,088)	9,535	(25,931)
Surplus, beginning of period as reported	375,062	-	375,062	400,993
Surplus, end of period as reported	<u>\$ 384,597</u>	<u>\$ -</u>	<u>\$ 384,597</u>	<u>\$ 375,062</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 \$5,523 in 2011 and by \$22,088 in 2012.

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 \$5,523 and \$22,088 in 2011 and 2012 respectively.

A cash balance of \$43,770 was incorrectly reported as common stock at December 31, 2012. It is recommended that the Company properly classify cash balances for future reporting periods.

SUMMARY OF SIGNIFICANT FINDINGS

The examination resulted in no significant findings.

SUBSEQUENT EVENTS

Based on the review of events subsequent to the balance sheet date, it was determined the Company is reviewing a possible merger with Ferdinand Farmers Mutual Insurance Company.

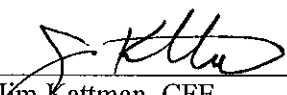
AFFIDAVIT

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 **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.

The attached Report of Examination is a true and complete report of condition of **German Mutual Insurance Company**, as of **December 31, 2012**, as determined by the undersigned.



Jim Kattman, CFE
Noble Consulting Services, Inc.

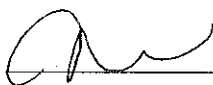
State of: Indiana
County of: Hendricks

On this 29 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





THE UNIVERSITY OF CHICAGO
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