

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

IN THE MATTER OF: )  
 )  
Growers Mutual Insurance Company )  
35 East Main Street )  
New Palestine, IN 46163 )

Examination of Growers 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 Growers Mutual Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on March 25, 2015, 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 Growers 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.

May 28, 2015  
Date

Cynthia D. Donovan  
Cynthia D. Donovan  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0057 9925 76**

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35 East Main Street )  
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### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Growers Mutual Insurance Company (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 March 15, 2015.

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 March 25, 2015 and was received by the Company on March 31, 2015.

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 Growers Mutual Insurance Company as of December 31, 2013.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Growers 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 28<sup>th</sup> day of May, 2015.

  
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).

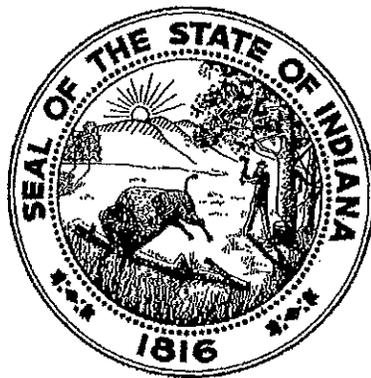
If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the 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**

**GROWERS MUTUAL INSURANCE COMPANY**  
NAIC Co. CODE 14563

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

March 13, 2015

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 3835, an examination has been made of the affairs and financial condition of:

**Growers Mutual Insurance Company**  
**35 East Main Street, PO Box 466**  
**New Palestine, Indiana 46163**

hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the corporate offices of the Company in New Palestine, 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 COMPANY COMPLIANCE CONSUMER SERVICES EXAMINATIONS/FINANCIAL SERVICES MEDICAL MALPRACTICE SECURITY

## 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 in 1868, in the state of Indiana, as the German Farmers' Aid Association Against Fire Losses of Marion and Adjoining Counties. On November 13, 1943, the Company elected to come under the Indiana Insurance Code, specifically Chapter 145, Acts 1919, as amended. The name of the Company was changed to Growers Mutual Insurance Company. The Company's Articles of Incorporation state the purpose of the Company shall be to insure its members against loss from hazards permitted to be insured against by the farm mutual law under which it operates and to distribute on the mutual insurance plan such loss as may occur in spite of reasonable precautions.

On December 30, 2009, the Company reorganized from a farm mutual insurer to a mutual insurance Company. The Company elected to change back to the farm mutual insurance company structure on September 24, 2012.

Rochester Farmers Mutual Insurance Company merged into the Company on December 31, 2013.

## CAPITAL AND SURPLUS

As of December 31, 2013, the Company had surplus of \$1,706,558 and had 936 policyholders, whom are the members of the Company.

## TERRITORY AND PLAN OF OPERATION

The Company is authorized to conduct business throughout the state of Indiana and currently services policyholders in forty (40) counties, which include; Adams, Bartholomew, Boone, Brown, Carroll, Cass, Clinton, Decatur, Delaware, Fayette, Fulton, Hamilton, Hancock, Hendricks, Henry, Huntington, Jackson, Jay, Jennings, Johnson, Kosciusko, Lawrence, Marshall, Montgomery, Morgan, Owen, Noble, Pulaski, Putnam, Randolph, Rush, Shelby, Starke, Tippecanoe, Tipton, Wabash, Wayne, Wells, White, and Whitney.

### GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company as reported during the examination period.

Year	Admitted Assets	Liabilities	Surplus
2013	\$ 2,192,940	\$ 486,382	\$ 1,706,558
2012	1,856,342	279,741	1,576,601
2011	2,007,726	263,774	1,743,952
2010	2,150,121	361,762	1,788,359
2009	2,310,672	319,881	1,990,791

### MANAGEMENT AND CONTROL

#### Directors

The Company's Articles of Incorporation direct that the power of the Company is vested in a Board of Directors. The number of directors shall not be less than five (5) nor more than seven (7). The directors are to be elected to two (2) year terms (on a staggered basis). The following is a list of Board members as of December 31, 2013:

Name	Address
Steven Brooks	Knightstown, Indiana
William Burnside	Freetown, Indiana
James Craig	Noblesville, Indiana
Timothy Craig	Carmel, Indiana
Marc Graber	Berne, Indiana
Eric Hubicki	Elgin, Illinois
J Michael Vaught	Bloomington, Indiana

IC 27-5.1-2-11(b) states that to be elected to the Board of a farm mutual insurance company, an individual must be the owner of an insurance policy issued by the farm mutual insurance company. The Company has board members that are not policyholders. See the Other Significant Issues section of this Report of Examination.

#### 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. Each officer is elected to a two (2) year term. The following is a list of officers as of December 31, 2013.

Name	Office
William Burnside	President
James L. Craig	Secretary and Treasurer

The Company did not have a Vice President in office at December 31, 2013, as required by its Bylaws. Please see the Other Significant Issues section of this Report of Examination.

## 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

The Articles of Incorporation were amended and restated on December 30, 2009, to recognize the change from a farm mutual insurer to a mutual insurance company. The Articles of Incorporation were again amended and restated on September 24, 2012, as a result of the conversion back to a farm mutual insurer.

### Bylaws

The Bylaws were amended on December 30, 2009, to recognize the change from a farm mutual insurer to a mutual insurance company. The Bylaws were again amended on September 24, 2012, as a result of the conversion back to a farm mutual insurer.

### Minutes

The Board and policyholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions noted in the minutes included the documentation of the Company's reinsurer terminating the contract effective January 1, 2013, and efforts to find a replacement reinsurer. In addition, discussions regarding the merger with Rochester Farmers Mutual Insurance Company were documented.

## AFFILIATED COMPANIES

The Company has no affiliates.

## 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 St. Paul Fire and Marine Insurance Company. The bond has a single loss coverage limit of \$250,000. The fidelity bond meets 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 liability, directors and officers liability, and workers' compensation liability.

## STATUTORY DEPOSIT

As a farm mutual insurer, the Company is not required to maintain a statutory deposit with the state of Indiana.

## REINSURANCE

The Company purchased reinsurance from Grinnell Mutual Reinsurance Company until January 1, 2013. Farmers Mutual Hail Insurance Company of Iowa ("FMH" or the "reinsurer") became the reinsurer in 2013. The following is a summary of the reinsurance program in place with FMH at the examination date:

- *First Per Risk Excess of Loss* – FMH assumes liability over the Company's retention of \$155,000 per risk, per each individual occurrence of loss not to exceed \$145,000. The liability of FMH shall be limited to \$290,000 with respect to any one loss occurrence, regardless of the number of risks involved.
- *Second Per Risk Excess of Loss* – This layer provides coverage per risk, per each individual occurrence of loss once the ultimate net loss is above \$300,000. The liability of FMH shall not exceed \$200,000 with respect to any one risk, any one loss occurrence. The liability of FMH shall be limited to \$200,000 with respect to any one risk, irrespective of the number of risks involved.
- *First Aggregate Excess of Loss* – FMH shall be liable for 100% of the Company's ultimate net loss in excess of 100% of the Company's gross net written premium income in any one annual period. The liability of FMH shall not exceed 85% of the Company's gross net written premium income in any one annual period on losses occurring during the respective annual period.
- *Second Aggregate Excess of Loss* – FMH shall be liable for 100% of the Company's ultimate net loss in excess of 185% of the Company's gross net written premium income in any one annual period. The liability of FMH shall not exceed 265% of the Company's gross net written premium income in any one annual period on losses occurring during the respective annual period.
- *Third Aggregate Excess of Loss* – FMH shall not be liable for any loss until the Company's ultimate net loss in the aggregate in any one annual period exceeds 450% of the gross net written premium income in any one annual period. The liability of FMH shall be 100% of 550% of the Company's gross net written premium income or \$2,929,080, whichever is the lesser of the Company's ultimate net loss in excess of 450% of the gross net written premium income in any one annual period.
- *Facultative Pro Rata* - The Company may cede and FMH may accept amounts of facultative liability under policies written on any one risk, on a pro rata basis, up to but not exceeding the limit of liability as stated on any facultative certificate issued by FMH.

## 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 December 31, 2013, were agreed to the respective Annual Statements.

GROWERS MUTUAL INSURANCE COMPANY  
Assets, Liabilities and Surplus  
As of December 31, 2013

ASSETS	<u>Per Examination*</u>
Stocks	\$ 1,500
Bank Balances:	
Subject to check	65,213
On interest	1,569,392
Cash in office	34
Real estate	130,966
Unpaid Premiums	130,396
Reinsurance receivable on paid losses	290,012
Accrued interest	503
Computer Equipment	4,924
Totals	<u>\$ 2,192,940</u>
<b>LIABILITIES AND SURPLUS</b>	
Unpaid claims reported	\$ 142,951
Unpaid claims incurred but not reported	13,000
Less: reinsurance recoverable on unpaid losses	<u>(137,951)</u>
Net unpaid claims	18,000
Unpaid salaries and commissions	21,167
Taxes payable	12,497
Other unpaid expenses	5,896
Premiums collected for other companies	3,705
Premiums received in advance	2,020
Unearned premium reserve	<u>423,097</u>
Total liabilities	486,382
Surplus	<u>1,706,558</u>
Total Liabilities and Surplus	<u>\$ 2,192,940</u>

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

GROWERS MUTUAL INSURANCE COMPANY  
Income Statement and Change in Surplus  
For the Year Ended December 31, 2013

	<u>Per Examination*</u>
<b>INCOME</b>	
Premiums earned	\$ 919,325
Aggregate excess loss reinsurance paid	(399,536)
Total net assessment, premiums and fees	<u>519,789</u>
Total income from investment	32,498
Other income and adjustments	131,278
Total income	<u>\$ 683,565</u>
<b>EXPENSES AND CHANGE IN SURPLUS</b>	
Losses	\$ 926,071
Received from aggregate excess loss reinsurance	(525,328)
Total of all net losses	<u>400,743</u>
Total operating expense	478,311
Total non-operating expense	72,133
Total disbursements	<u>951,187</u>
Net Income	(267,622)
Change in liabilities	61,785
Rochester net assets received in merger	335,794
Change in Surplus	<u>129,957</u>
Surplus, December 31, 2012	1,576,601
Surplus, December 31, 2013	<u>\$ 1,706,558</u>

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

## 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 Liabilities amount of \$61,785 reflects the reconciliation from cash to accrual basis.

### OTHER SIGNIFICANT ISSUES

IC 27-5.1-2-11(b) states that to be elected to the Board of a farm mutual insurance company, an individual must be the owner of an insurance policy issued by the farm mutual insurance company. The Company has board members that are not policyholders. It is recommended that the Company comply with IC 27-5.1-11(b) in future periods in its election of Board members.

Section 7.2 of the Company's Articles of Incorporation states a Director shall be not more than seventy-five (75) years of age at the time of election to the Board of Directors. Upon election of Norman Laufer to the Company's Board of Directors in April of 2013 the Company was not in compliance with its Bylaws. It is recommended that the Company comply with all sections of its Bylaws in future periods or modify the Bylaws.

Section 4.1 of the Company's Bylaws states the officers of the Company shall be the President, Secretary-Treasurer and Vice President. The Company did not have a Vice President in office at December 31, 2013. It is recommended that the company comply with all sections of its Bylaws in future periods.

### SUBSEQUENT EVENTS

In March 2014, the Company entered into a five (5) year service agreement with a former board member of Rochester Farmers Mutual Insurance Company. The Board is currently considering whether to continue with the service agreement.

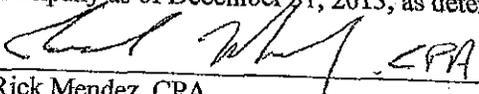
**AFFIDAVIT**

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 Growers Mutual Insurance Company, 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.

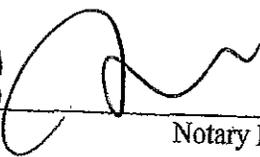
The attached Report of Examination is a true and complete report of condition of Growers Mutual Insurance Company as of December 31, 2013, as determined by the undersigned.

  
Rick Mendez, CPA  
Noble Consulting Services, Inc.

State of: Indiana  
County of: Marion

On this 13 day of March, 2013, 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 commis  
  
  
Notary Public

THE UNIVERSITY OF CHICAGO  
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