

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

IN THE MATTER OF: )  
 )  
Harrison County Farmers Mutual Fire Insurance )  
Company )  
7060 Depauw Church Road South East )  
Elizabeth, IN 47117 )

Examination of Harrison County Farmers Mutual Fire  
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 Harrison County Farmers Mutual Fire Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on March 19, 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 Harrison County Farmers Mutual Fire 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 20, 2015  
Date

Cynthia D. Donovan  
Cynthia D. Donovan  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0057 2926 52**

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### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Harrison County Farmers Mutual Fire 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 6, 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 19, 2015 and was received by the Company on March 23, 2015.

The Company did not file any objections.

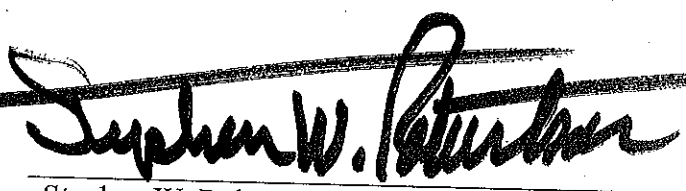
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Harrison County Farmers Mutual Fire Insurance Company as of December 31, 2013.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Harrison County Farmers Mutual Fire 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 20<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.

*[Handwritten signature]*

**STATE OF INDIANA**

**Department of Insurance**

**REPORT OF EXAMINATION**

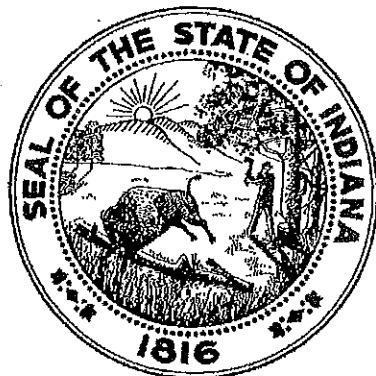
**OF**

**HARRISON COUNTY FARMERS MUTUAL FIRE INSURANCE  
COMPANY**

**NAIC Co. CODE 92314**

As of

December 31, 2013



## TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION.....	3
HISTORY.....	3
CAPITAL AND SURPLUS.....	3
TERRITORY AND PLAN OF OPERATION.....	3
GROWTH OF THE COMPANY.....	4
MANAGEMENT AND CONTROL.....	4
Directors.....	4
Officers.....	4
CONFLICT OF INTEREST.....	5
OATH OF OFFICE.....	5
CORPORATE RECORDS.....	5
Articles of Association.....	5
Bylaws.....	5
Minutes.....	5
AFFILIATED COMPANIES.....	5
FIDELITY BOND AND OTHER INSURANCE.....	5
STATUTORY DEPOSITS.....	6
REINSURANCE.....	6
ACCOUNTS AND RECORDS.....	6
FINANCIAL STATEMENTS.....	7
Assets, Liabilities and Surplus.....	7
Income Statement and Change in Surplus.....	8
COMMENTS ON THE FINANCIAL STATEMENTS.....	9
OTHER SIGNIFICANT ISSUES.....	9
SUBSEQUENT EVENTS.....	9
AFFIDAVIT.....	10



# 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 6, 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 3832, an examination has been made of the affairs and financial condition of:

**Harrison County Farmers Mutual Fire Insurance Company**  
7060 Depauw Church Road South East  
Elizabeth, Indiana 47117

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 Elizabeth, 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    SECURITIES/COMPANY RECORDS (317) 232-2401    STATE HEALTH INSURANCE PROGRAM

## 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 1877. The purpose of the Company is to safeguard its members against losses from fire, hail, lightning, theft, vandalism, wind, and other perils and to distribute on the mutual insurance plan, such losses as may occur in spite of reasonable precautions.

On July 24, 2013, the Company was notified that their reinsurance contract would not be renewed, and the Company would not have reinsurance coverage after December 31, 2013. The Company attempted to obtain reinsurance from other carriers, without success, and explored merger options, but could not come to agreeable terms.

On November 29, 2013, the Board unanimously agreed to adopt a resolution submitting the question of dissolution to members. On December 6, 2013, members were notified that the Company would cease offering insurance coverage, effective December 31, 2013 and any unearned premium would be returned. Members were also informed of the pending dissolution process.

## CAPITAL AND SURPLUS

As of December 31, 2013, the Company had surplus of \$857,353 and had 441 policyholders, whom are the members of the Company.

## TERRITORY AND PLAN OF OPERATION

The Company conducted business in Crawford, Floyd, Harrison, and Washington counties. As of December 31, 2013, the Company ceased offering insurance coverage.



## 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	\$ 922,110	\$ 64,757	\$ 857,353
*2012	799,658	25,994	773,664
*2011	839,501	135,401	704,100
*2010	732,888	140,564	592,324
*2009	645,180	165,560	479,620

*\*The Company did not report unearned premiums, unpaid claims, reinsurance recoverables, or other unpaid expenses as liabilities in their Annual Statements. Liabilities for each year have been adjusted to reflect reasonable estimates, in order to provide more accurate comparative data.*

## MANAGEMENT AND CONTROL

### Directors

The Company's Articles of Association direct that the power of the Company is vested in a Board of Directors, whose members are elected to five (5) year terms (on a staggered basis), such that each year, one (1) directorship is filled. The following is a listing of persons serving as directors, as of December 31, 2013:

Name	Address
Bill Curts	Corydon, Indiana
Marla Miller	Elizabeth, Indiana
Terry Miller	Elizabeth, Indiana
Martha Wolfe	Depauw, Indiana
Sherrill Wolfe	Depauw, 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. Each officer is elected to a five (5) year term, staggered similarly to the directorships noted above. The following is a listing of officers and their respective titles, as of December 31, 2013.

Name	Office
Sherrill Wolfe	President
Bill Curts	Vice President
Marla Miller	Secretary
Terry Miller	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 Association

There were no amendments made to the Articles of Association during the examination period.

#### Bylaws

There were no amendments made to the Bylaws during the examination period.

#### Minutes

The Board and Members 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 to not renew their contract after December 31, 2013, the Company's efforts to find other reinsurers, consider merger options, and the eventual decision to adopt a resolution submitting the question of dissolution to members.

### 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 its employees through a fidelity bond issued by CNA Surety. The bond has a single loss coverage limit of \$25,000. 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, directors and officers liability, management indemnity, 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 Grinnell Mutual Reinsurance Company (Grinnell) as follows:

- *Individual occurrence of loss excess* – Grinnell assumes liability over the Company's retention of \$50,000 per each individual occurrence of loss.
- *Aggregate excess reinsurance* – Grinnell assumes liability when annual losses exceed the attachment point for aggregate net losses of \$143,671. Aggregate excess reinsurance above the attachment point is unlimited.

Grinnell did not renew the Company's reinsurance contract beyond December 31, 2013.

### 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.

HARRISON COUNTY FARMERS MUTUAL FIRE INSURANCE COMPANY  
 Assets, Liabilities and Surplus  
 As of December 31, 2013

ASSETS	Per Annual Statement	Adjustments	Per Examination
Bonds	\$ 200,875	\$ -	\$ 200,875
Stocks	27,300	-	27,300
Bank Balances subject to check	218,682	-	218,682
Bank Balances on interest	475,253	-	218,682
<b>Total Assets</b>	<b>\$ 922,110</b>	<b>\$ -</b>	<b>\$ 922,110</b>

LIABILITIES AND SURPLUS	Per Annual Statement	Adjustments	Per Examination
Taxes payable	\$ 1,757	\$ -	\$ 1,757
Unearned premium reserve	-	63,000	63,000
<b>Total Liabilities</b>	<b>1,757</b>	<b>63,000</b>	<b>64,757</b>
Surplus*	920,354	(63,000)	857,353
<b>Total Liabilities and Surplus</b>	<b>\$ 922,110</b>	<b>\$ -</b>	<b>\$ 922,110</b>

\* A rounding error of \$1 was carried forward from the 2013 Annual Statement amount for Surplus. Calculated balances in the above table may not total properly due to this immaterial error.

HARRISON COUNTY FARMERS MUTUAL FIRE INSURANCE COMPANY  
Income Statement and Change in Surplus  
For the Year Ended December 31, 2013

INCOME	Per Annual Statement	Adjustments	Per Examination
Net premiums paid	\$ 141,412	\$ -	\$ 141,412
Income from investment	6,472	-	6,472
Increase in ledger liabilities	1,348	(1,348)	-
Total income	<u>\$ 149,232</u>	<u>\$ (1,348)</u>	<u>\$ 147,884</u>
<b>EXPENSES AND CHANGE IN SURPLUS</b>			
Direct Losses*	\$ 88,102	\$ -	\$ 88,102
Less reinsurance recovered	(109,414)	-	(109,414)
Total of all net losses	(21,311)	-	(21,311)
Operating expenses	50,513	-	50,513
Non-Operating expenses	448	-	448
Total disbursements	29,649	-	29,649
Net Income (cash basis)	119,583	(1,348)	118,235
Change in liabilities**	(2,149)	(36,066)	(38,215)
Unrecognized gain on stock	3,669	-	3,669
Change in Surplus	121,103	(37,414)	83,689
Surplus, December 31, 2012	799,250	(25,586)	773,664
Surplus, December 31, 2013	<u>\$ 920,353</u>	<u>\$ (63,000)</u>	<u>\$ 857,353</u>

\* A rounding error of \$1 was carried forward from the 2013 Annual Statement amount for Direct Losses. Calculated balances in the above table may not total properly due to this immaterial error.

\*\* 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 reflects the reconciliation from cash to accrual basis.

### COMMENTS ON THE FINANCIAL STATEMENTS

As of December 31, 2013, the Company did not report any unearned premiums. An adjustment was made in the amount of \$63,000 to record unearned premiums as of December 31, 2013.

Liabilities were not reported in the financial statements for previous years of the examination period. Estimates were made to more accurately present the Growth of the Company exhibit on page 4 of this Report of Examination.

For the purpose of this Report of Examination, the increase in ledger liabilities was adjusted in order to present net income properly.

### OTHER SIGNIFICANT ISSUES

On July 10, 2014, the INDOI issued an Order of Supervision to the Company. Section C (3) of the Order of Supervision states "...Company shall not, without the prior written consent of the Supervisor or the Commissioner...(3) Make any payments of any kind;". On July 19, 2014, the Company made payments for services in the amount of \$2,208 without the approval of the INDOI. It is recommended that the Order of Supervision be followed in detail going forward.

### SUBSEQUENT EVENTS

In the first quarter of 2014, unearned premiums were returned to members. On July 10, 2014, the INDOI issued an Order of Supervision to the Company. The Company is currently in the process of dissolving and returning surplus to its members.

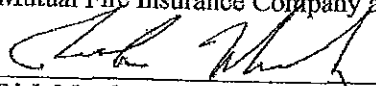
**AFFIDAVIT**

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 Harrison County Farmers Mutual Fire 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 Harrison County Farmers Mutual Fire Insurance Company as of December 31, 2013, as determined by the undersigned.

 CPA  
Rick Mendez, CPA  
Noble Consulting Services, Inc.

State of: Indiana  
County of: Marion

On this 6 day of March, 2015, 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

**SAMANTHA LEIGH DOUGHERTY**  
Notary Public, State of Indiana  
Hendricks County  
Commission # 827605  
My Commission Expires  
July 04, 2019

