

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

IN THE MATTER OF:)

Mutual Fire Insurance Company of French Township)
422 North 300 East)
Decatur, IN 46733)

Examination of Mutual Fire Insurance Company of
French Township

NOTICE OF ENTRY OF ORDER

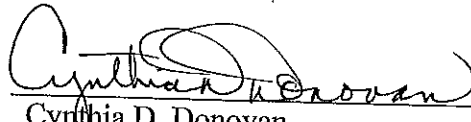
Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Mutual Fire Insurance Company of French Township, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on December 17, 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 Mutual Fire Insurance Company of French Township 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.

Date

January 30, 2015



Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0048 5634 88

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Examination of Mutual Fire Insurance Company of
French Township

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Mutual Fire Insurance Company of French Township (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 November 18, 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 December 17, 2014 and was received by the Company on December 30, 2014.

The Company did not file any objections.

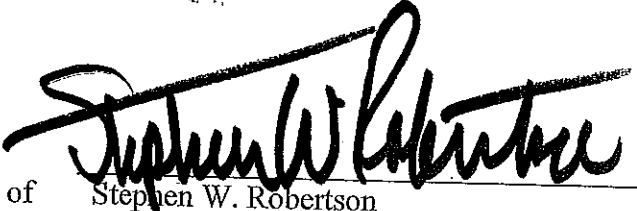
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Mutual Fire Insurance Company of French Township as of December 31, 2013.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Mutual Fire Insurance Company of French Township 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 30th day of
January, 2015.

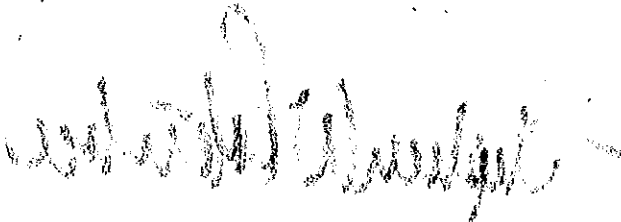

Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

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.

A handwritten signature in dark ink, appearing to read "Michael J. [unclear]", is written across the lower portion of the page. The signature is somewhat cursive and spans across several lines of the document's layout.

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

MUTUAL FIRE INSURANCE COMPANY OF FRENCH TOWNSHIP

NAIC Co. CODE 92318

As of

December 31, 2013

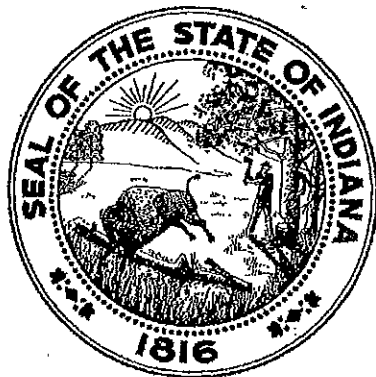


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STATE OF INDIANA

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

November 18, 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 3834, an examination has been made of the affairs and financial condition of:

Mutual Fire Insurance Company of French Township
422 North 300 East
Decatur, Indiana 46733

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 Decatur, 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

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 1882 and elected to operate under Chapter 145, Acts 1919 on May 12, 1926.

The Company's constitution states it is the objective of the Company to gather a number of members who promise to assist one another in losses resulting from fire, lightning, or multiple peril and to furnish such insurance to members at cost according to the conditions that only persons of good repute owning property outside the corporation limits of cities or towns can be admitted as members. Policyholders automatically become members.

CAPITAL AND SURPLUS

As of December 31, 2013, the Company had surplus of \$1,118,832 and had 693 policyholders, who are members of the Company.

TERRITORY AND PLAN OF OPERATION

The Company conducts business in nineteen (19) counties: Adams, Allen, Blackford, DeKalb, Hamilton, Howard, Huntington, Jay, Kosciusko, LaGrange, Marion, Miami, Noble, Putnam, Steuben, Union, Wabash, Wells, and Whitley.

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	\$1,532,178	\$ 413,346	\$ 1,118,832
2012	1,301,639	330,910	970,729
2011	1,370,107	288,907	1,081,200
2010	1,379,487	289,399	1,090,088
2009	1,268,895	299,722	969,173

The Company's number of policies has increased by 4% since 2009. The gross property risk in-force has increased by 21% and gross premiums written have increased by 18% for the same period. The 2012 decrease in surplus was a result of increased claims due to a significant weather event in the Company's service area.

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 five (5) year terms, on a staggered basis.

The following is a list of Board Members as of December 31, 2013:

Name	Address
Melvin Burkhardt	Decatur, Indiana
Kerry Kauffman	Decatur, Indiana
Jeff Lehman	Berne, Indiana
Philip Moser	Decatur, Indiana
Max Reinhard	Berne, Indiana
Arlene Stump	Decatur, 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. Officers are elected, on a five (5) year staggered basis, similar to the directorship noted above. The following is a list of officers as of December 31, 2013.

Name	Office
Max Reinhard	President
Philip Moser	Vice President
Arlene Stump	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, 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 and shareholder meeting minutes were reviewed for the period under examination through the fieldwork date.

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 St. Paul Fire and Marine Insurance Company. The bond has a single loss coverage limit of \$100,000 with a \$2,500 deductible. 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 Grinnell Mutual Reinsurance Company (Grinnell) as follows:

- *Individual occurrence of loss excess* – Grinnell assumes liability over the Company's retention of \$125,000 per each individual occurrence of loss.
- *Aggregate excess reinsurance* – Grinnell assumes liability when annual losses exceed the attachment point for aggregate net losses of \$402,481. Aggregate excess reinsurance above the attachment point is unlimited.

The Company's individual occurrence of excess loss on a single risk is greater than 10% of surplus, which does not comply with IC 27-1-13-6(a). See summary of Other Significant Issues, in this Report of Examination.

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.

MUTUAL FIRE INSURANCE COMPANY OF FRENCH TOWNSHIP
 Assets, Liabilities and Surplus
 As of December 31, 2013

	Per Examination*
Bonds	\$ 230,667
Stocks	895
Bank balances subject to check	13,487
Bank balances on interest	1,081,203
Accrued interest	2,940
Equipment and furniture	108
Suspense	78
Jackson National Life Annuity	202,800
Totals	\$ 1,532,178
Net unpaid claims	\$ 51,291
Ceded reinsurance balances payable	12,127
Taxes payable	2,451
Other unpaid expenses	560
Premiums collected in advance	14,616
Unearned premium reserve	332,301
Total liabilities	413,346
Surplus	1,118,832
Totals	\$ 1,532,178

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

MUTUAL FIRE INSURANCE COMPANY OF FRENCH TOWNSHIP
Income Statement and Change in Surplus
For the Year Ended December 31, 2013

	Per Examination*
INCOME	
Net Premiums Written	
Policy fees	\$ 566,143
Less, aggregate excess loss reinsurance	1,680
Total net premiums	(94,116)
Income from investments	473,707
Other income and adjustments	38,133
Total income	82,285
	\$ 594,125
EXPENSES AND CHANGE IN SURPLUS	
Net Losses Paid	
Less, received from aggregate excess loss reinsurance	\$ 231,830
Total of all net losses	(59,112)
Operating expenses	172,718
Non-Operating expenses	183,533
Total disbursements	288
Net Income (cash basis)	356,539
Change in liabilities **	237,586
Change in Surplus	(89,483)
Surplus, December 31, 2012	148,103
Surplus, December 31, 2013	970,729
	\$ 1,118,832

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

** 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

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 27-1-13-6 (a) states that no company organized to make any kind or kinds of insurance included in class II and class III of IC 27-1-5-1 may take, on any one (1) risk of whatever nature, a sum exceeding one-tenth (1/10) part of its paid-up capital, surplus, and contingent reserves, if any, if a stock company, or one-tenth (1/10) of its surplus and contingent reserves, if any, if other than a stock company. The Company's risk retention was \$125,000 on an individual loss, as of December 31, 2013, which is more than 11.0% of surplus, which was \$1,118,832 as of December 31, 2013. In 2014, the Company reduced their risk retention on individual losses to \$100,000, in order to comply with the statute. It is recommended the Company continue to monitor the ratio above, in order to ensure continued compliance with Indiana statutes.

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, beyond the decrease in risk retention noted in the Other Significant Issues section.

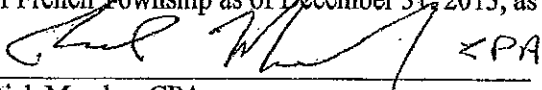
AFFIDAVIT

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 Mutual Fire Insurance Company of French Township, 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 Mutual Fire Insurance Company of French Township as of December 31, 2013, as determined by the undersigned.

 CPA

Rick Mendez, CPA
Noble Consulting Services, Inc.

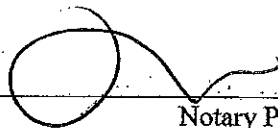
State of: Indiana
County of: Marion

On this 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 commis





Notary Public

