

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

IN THE MATTER OF: )  
 )  
Mutual Insurance Company of Dearborn County )  
7538 Yorkridge Road )  
Guilford, IN 47022 )

Examination of Mutual Insurance Company of Dearborn County


**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 Insurance Company of Dearborn County, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on November 5, 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 Insurance Company of Dearborn County 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.

12/16/2015  
Date

  
Cynthia D. Donovan  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0051 8795**

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### **FINDINGS AND FINAL ORDER**

The Indiana Department of Insurance conducted an examination into the affairs of the Mutual Insurance Company of Dearborn County (hereinafter "Company") for the time period January 1, 2010 through December 31, 2014.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on October 7, 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 November 5, 2015 and was received by the Company on November 10, 2015.

The Company did not file any objections.

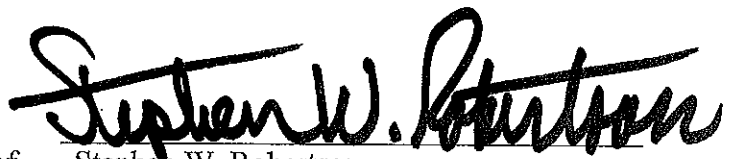
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Mutual Insurance Company of Dearborn County as of December 31, 2014.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Mutual Insurance Company of Dearborn County 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 16<sup>th</sup> day of  
December, 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 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**

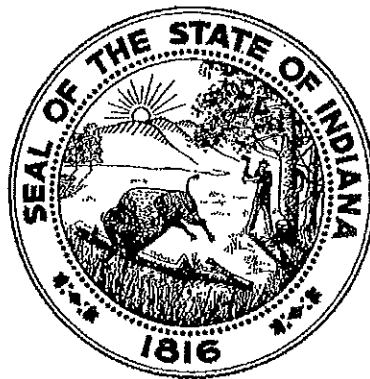
**OF**

**MUTUAL INSURANCE COMPANY OF DEARBORN COUNTY**

**NAIC Co. CODE 92321**

As of

December 31, 2014



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# STATE OF INDIANA

# IDOI

MICHAEL R. PENCE, Governor

**Indiana Department of Insurance**  
311 W. Washington Street, Suite 103  
Indianapolis, Indiana 46204-2787  
Telephone: (317) 232-2385  
Fax: (317) 232-5251  
Stephen W. Robertson, Commissioner

October 7, 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 3879, an examination has been made of the affairs and financial condition of:

**Mutual Insurance Company of Dearborn County**  
**7538 Yorkridge Road**  
**Guilford, Indiana 47022**

hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the offices of the Company in Guilford, 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, 2014, 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) 232-1991    STATE HEALTH INSURANCE 1-800-332-4674

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance as of the period ending December 31, 2009. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2010 through December 31, 2014, 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 on March 15, 1870, as the Mutual Insurance Association of Jackson, Manchester, and adjoining townships of Dearborn County, Indiana. It elected to come under Chapter 145, Acts 1919, on March 15, 1925, which was repealed by Acts 1972, P.L. 129-2003 and restated as Indiana Code (IC) 27-5.1 as pertains to farm mutual insurance companies.

The Company was founded for the purpose of safeguarding its members from loss against fire and lightning, and to distribute on the mutual insurance plan such loss as may occur in spite of reasonable precautions.

## CAPITAL AND SURPLUS

As of December 31, 2014, the Company had surplus of \$688,034 and 66 policyholders, who are the owners of the Company.

## TERRITORY AND PLAN OF OPERATION

The Company insures property for perils of fire and wind. The Company conducts business in the Indiana counties of Dearborn, Franklin, and Ripley.



## 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<br>Assets | Liabilities | Surplus    |
|------|--------------------|-------------|------------|
| 2014 | \$ 706,961         | \$ 18,927   | \$ 688,034 |
| 2013 | 721,118            | 19,615      | 701,503    |
| 2012 | 724,131            | 15,868      | 708,263    |
| 2011 | 728,443            | 16,134      | 712,309    |
| 2010 | 736,730            | 15,445      | 721,285    |

## MANAGEMENT AND CONTROL

### Directors

The corporate powers of the Company are vested in a Board of Directors (Board) consisting of seven (7) members. Directors serve a term of three (3) years and are elected on a staggered basis throughout a period of three (3) years. The following is a listing of persons serving as directors as of December 31, 2014:

| Name            | Address                |
|-----------------|------------------------|
| Leo Fuchs       | Sunman, Indiana        |
| Esther Hartman  | West Harrison, Indiana |
| Phyllis Joerger | Guilford, Indiana      |
| Amy Lunsford    | Sunman, Indiana        |
| Russell McCann  | Guilford, Indiana      |
| Tom McCann      | Guilford, Indiana      |
| Theresa Widolff | Guilford, Indiana      |

### Officers

The officers of the Company consist of a President, Vice President, Secretary, and Treasurer. Officers are elected at the Board meeting in January of each year 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, 2014.

| Name            | Office                  |
|-----------------|-------------------------|
| Esther Hartman  | President               |
| Russell McCann  | Vice President          |
| Theresa Widolff | 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, 2014.

## **OATH OF OFFICE**

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, 2014.

## **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 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 Hartford Fire Insurance Company. The bond has a coverage limit of \$25,000, with a \$500 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

Additionally, the Company has professional liability coverage in-force as of December 31, 2014.

## **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:

- *Aggregate Excess* – The Company's retention was \$6,847 for 2014 and the coverage limit is 100% of unlimited losses above retention.
- *Facultative* – Rates shall be determined by Grinnell on an individual basis. The Company agrees to provide Grinnell with all necessary information about the risk. Grinnell shall determine which risks are acceptable for facultative reinsurance.
- *Pollution Clean Up and Removal* – The Company shall cede 100% of the liability it assumes on coverage insured by the Pollution Clean Up and Removal Coverage Endorsement.

## 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, 2013 and 2014, were agreed to the respective Annual Statements.

MUTUAL INSURANCE COMPANY OF DEARBORN COUNTY  
 Assets, Liabilities and Surplus  
 As of December 31, 2014

|                               | Per Annual<br>Statement | Examination<br>Adjustments | Per Examination   |
|-------------------------------|-------------------------|----------------------------|-------------------|
| Bank Balances                 |                         |                            |                   |
| Subject to check              | \$ 49,960               | \$ -                       | \$ 49,960         |
| On interest                   | 655,752                 | -                          | 655,752           |
| Accrued interest              | 1,249                   | -                          | 1,249             |
| Totals                        | <u>\$ 706,961</u>       | <u>\$ -</u>                | <u>\$ 706,961</u> |
|                               |                         |                            |                   |
| Unpaid claims                 | \$ 3,000                | \$ -                       | \$ 3,000          |
| Unearned premium reserve      | 15,927                  | -                          | 15,927            |
| Total liabilities             | <u>18,927</u>           | <u>-</u>                   | <u>18,927</u>     |
| Surplus                       | 688,034                 | -                          | 688,034           |
| Total liabilities and surplus | <u>\$ 706,961</u>       | <u>\$ -</u>                | <u>\$ 706,961</u> |

MUTUAL INSURANCE COMPANY OF DEARBORN COUNTY  
Income Statement and Change in Surplus  
For the Year Ended December 31, 2014

|  | Per Annual<br>Statement | Examination<br>Adjustments | Per Examination |
|--|-------------------------|----------------------------|-----------------|
| <b>INCOME</b>                            |                         |                            |                 |
| Direct premiums written                  | \$ 31,937               | \$ -                       | \$ 31,937       |
| Less: Reinsurance premiums ceded         | (26,096)                | 26,096                     | -               |
| Net premiums written                     | 5,841                   | 26,096                     | 31,937          |
| Aggregate excess loss reinsurance paid   | -                       | (26,096)                   | (26,096)        |
| Total net premiums                       | 5,841                   | -                          | 5,841           |
| Income from investments                  | 6,703                   | -                          | 6,703           |
| Other income                             | 1,131                   | -                          | 1,131           |
| Total income                             | \$ 13,675               | \$ -                       | \$ 13,675       |
| <b>DISBURSEMENTS</b>                     |                         |                            |                 |
| Direct losses                            | \$ 42,500               | \$ -                       | \$ 42,500       |
| Less: Reinsurance recovered              | (35,653)                | -                          | (35,653)        |
| Net losses paid                          | 6,847                   | -                          | 6,847           |
| Operating expenses                       | 20,655                  | -                          | 20,655          |
| Total disbursements                      | 27,502                  | -                          | 27,502          |
| Net income                               | (13,827)                | -                          | (13,827)        |
| Change in accrued assets and liabilities | 358                     | -                          | 358             |
| Surplus, beginning of period             | 701,503                 | -                          | 701,503         |
| Surplus, end of period                   | \$ 688,034              | \$ -                       | \$ 688,034      |

### COMMENTS ON THE FINANCIAL STATEMENTS

In 2014, the Company erroneously reported reinsurance premiums ceded in the amount of \$26,096. An adjustment was made to reclassify this amount as aggregate excess loss reinsurance paid.

### OTHER SIGNIFICANT ISSUES

There were no significant issues found during the examination period requiring disclosure in this Report of Examination.

### 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.


**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 Insurance Company of Dearborn County as of December 31, 2014.

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.

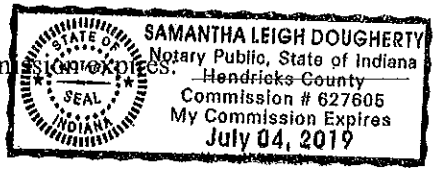
The attached Report of Examination is a true and complete report of condition of Mutual Insurance Company of Dearborn County as of December 31, 2014, as determined by the undersigned.

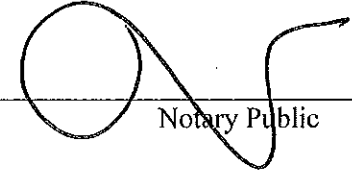
  
\_\_\_\_\_  
Tom Masterson, CFE  
Noble Consulting Services, Inc.

State of: Indiana  
County of: Marion

On this 27 day of October, 2015, before me personally appeared, Tom Masterson, 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 comm  **SAMANTHA LEIGH DOUGHERTY**  
Notary Public, State of Indiana  
Hendricks County  
Commission # 627605  
My Commission Expires  
July 04, 2019

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

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JAN 11 1917  
U. S. DEPARTMENT OF AGRICULTURE  
WASHINGTON, D. C.

