

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

IN THE MATTER OF: )  
 )  
Mutual Insurance Association of Southern Indiana )  
1133 West Mill Road, Suite 111 )  
Evansville, Indiana 47710 )

**Examination of Mutual Insurance Association of  
Southern Indiana**

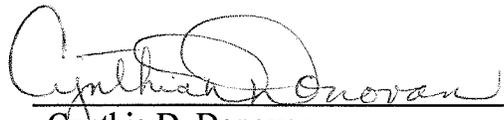
**NOTICE OF ENTRY OF ORDER**

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 Association of Southern Indiana**, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on March 8, 2011, 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 Association of Southern Indiana** 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.

4/28/2011  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Cynthia D. Donovan  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 8226**

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

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Mutual Insurance Association of Southern Indiana )  
1133 West Mill Road, Suite 111 )  
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**Examination of Mutual Insurance Association of  
Southern Indiana**

### **FINDINGS AND FINAL ORDER**

The Indiana Department of Insurance conducted an examination into the affairs of the **Mutual Insurance Association of Southern Indiana** (hereinafter "Company") for the time period January 1, 2005 through December 31, 2009.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on January 18, 2011.

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 8, 2011 and was received by the Company on March 11, 2011.

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 Association of Southern Indiana** as of December 31, 2009.
2. That the Examiners' Recommendations are reasonable and necessary in order for the **Mutual Insurance Association of Southern Indiana** 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 April, 2011.

  
Stephen W. Robertson  
Insurance Commissioner  
Indiana Department of Insurance

**STATE OF INDIANA**

**Department of Insurance**

**REPORT OF EXAMINATION**

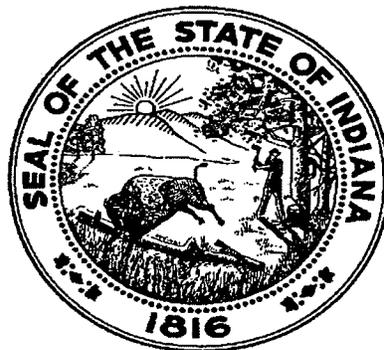
**OF**

**MUTUAL INSURANCE ASSOCIATION OF SOUTHERN  
INDIANA**

**NAIC Co. CODE 92268**

As of

December 31, 2009



**TABLE OF CONTENTS**

SALUTATION.....	1
SCOPE OF EXAMINATION .....	2
HISTORY.....	2
CAPITAL AND SURPLUS.....	2
TERRITORY AND PLAN OF OPERATION.....	2
GROWTH OF THE COMPANY.....	3
MANAGEMENT AND CONTROL.....	3
CONFLICT OF INTEREST.....	4
OATH OF OFFICE.....	4
CORPORATE RECORDS.....	4
AFFILIATED COMPANIES.....	4
FIDELITY BOND AND OTHER INSURANCE.....	4
STATUTORY DEPOSITS.....	4
REINSURANCE.....	5
ACCOUNTS AND RECORDS.....	5
FINANCIAL STATEMENTS.....	6
Assets, Liabilities, and Surplus.....	6
Statement of Income.....	7
COMMENTS ON THE FINANCIAL STATEMENTS.....	8
SUMMARY OF SIGNIFICANT FINDINGS.....	8
SUBSEQUENT EVENTS.....	8
MANAGEMENT REPRESENTATION.....	8
AFFIDAVIT.....	9



# STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

# IDOI

**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

January 19, 2011

Honorable Stephen W. Robertson  
Insurance 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 3640, an examination has been made of the affairs and financial condition of:

**Mutual Insurance Association of Southern Indiana**  
**1133 W Mill Road, Suite 111**  
**Evansville, IN 47710**

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

The Report of Examination, reflecting the status of the Company as of December 31, 2009, 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  
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 December 31, 2004. The present examination, covering the period from January 1, 2005, through December 31, 2009, was conducted by Noble Consulting Services, Inc. and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

We conducted our examination pursuant to and in accordance with the 2010 NAIC Financial Condition Examiners 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.

## **HISTORY**

The Company was organized on September 12, 1899, and elected to come under Chapter 145, Acts 1919, on August 31, 1934, which was repealed by Acts 1972, P.L. 129-2003 and restated as Indiana Code (IC) IC 27-5.1 as pertains to farm mutual insurance companies.

The purpose of the Company is 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 such losses on the mutual plan.

## **CAPITAL AND SURPLUS**

As of December 31, 2009, the Company had surplus of \$7,771,930 and had 2,919 members (policyholders), who are the owners of the Company.

## **TERRITORY AND PLAN OF OPERATION**

In accordance with the farm mutual laws, the Company may issue policies solely within the state of Indiana. As of December 31, 2009, the Company was transacting business in the Indiana counties of Davies, Dubois, Gibson, Knox, Perry, Pike, Posey, Spencer, Vanderburgh, Warrick, and Crawford.

## GROWTH OF THE COMPANY

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

<b>Year</b>	<b>Admitted Assets</b>	<b>Liabilities</b>	<b>Member Surplus</b>	<b>Net Premium Written</b>	<b>Net Losses Paid</b>
2009	\$ 8,671,587	\$ 899,657	\$ 7,771,930	\$ 1,696,010	\$ 1,223,587
2008	7,786,608	695,858	7,090,750	1,622,724	1,883,191
2007	9,266,876	906,494	8,360,382	1,490,408	477,039
2006	8,734,076	799,841	7,934,235	1,426,868	1,242,782
2005	8,391,870	1,032,952	7,358,918	1,370,918	1,134,096

## MANAGEMENT AND CONTROL

### Members

Members of the Company are considered its owners. An annual meeting of members is held for the purpose of electing a Board of Directors and addressing such other business as may come before the members. Each member is entitled to one vote for each issue where a vote is taken.

### Directors

The corporate powers of the Company are vested in a Board of Directors consisting of seven members. Directors serve a term of three years and are elected at the annual meeting of members. Two are elected each year, with the exception of every third year, where three are elected. The following persons were serving as Directors at December 31, 2009:

<u>Name of Director</u>	<u>Residence</u>	<u>Board Title</u>
Thomas R. Benton	Mt. Vernon, IN	Member
Clenneth Kohlmeyer	Elberfeld, IN	President
Ronald Krueger	Owensville, IN	Vice-President
Perry Ireland	Lynnville, IN	Member
Larry Johnson	Ft. Branch, IN	Member
William J. Wehr	Jasper, IN	Member
Richard L. Blankenship	Cynthiana, IN	Secretary/Treasurer

### Officers

The officers of the Company consist of a president, vice-president, secretary, and treasurer. Officers are elected at the annual meeting of the members and serve for a term of one year.

## **CONFLICT OF INTEREST**

The Company requires Officers and Directors to review and sign Conflict of Interest Statements on an annual basis. Per review of the signed statements, it was noted that the Officers and Directors listed in the management and control section of this report had reviewed and signed their statements for 2009.

## **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 corporation and will not knowingly violate any of the laws applicable to such corporation. The Company had signed Oath of Office statements for the year of 2009.

## **CORPORATE RECORDS**

### **Articles of Incorporation and Bylaws**

There were no amendments to the Bylaws during the examination period. The following amendments were made to the Articles of Incorporation:

1. The annual meeting was changed to the third Saturday of February instead of January.
2. The Company changed the definition of a quorum as advised by the auditor from the previous examination.

### **Minutes**

Minutes from the Board of Directors meetings and the annual meeting of the members were reviewed for the period under examination through the fieldwork date. Minutes documented the Board's oversight of operations.

## **AFFILIATED COMPANIES**

The Company is owned by its members and has no 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 St. Paul Fire and Marine Insurance Company. The bond has blanket coverage of \$100,000. 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.

## **STATUTORY DEPOSITS**

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

## REINSURANCE

### Reinsurance Assumed

The Company assumed no reinsurance during the exam period.

### Reinsurance Ceded

The Company's reinsurance program is written through Grinnell Mutual Reinsurance Company. The 2009 policies were described as follows:

Individual Occurrence of Loss Excess: Retention is \$250,000 and the coverage limit is 100% excess of retention. Aggregate Excess: Retention is \$1,502,164 and the coverage limit is 100% excess of retention.

Loss amounts that exceed \$1,000,000 are not considered in determining the Aggregate Net Loss for livestock/poultry/horse operations, commercial and public property, farm outbuildings, and dwellings.

## 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 has an accounting system which keeps their general ledger. Material balances reflected in the December 31, 2009, Annual Statement and trial balance were agreed to supporting documentation.

**Mutual Insurance Association of Southern Indiana**

**Financial Statements**

**Assets, Liabilities, and Surplus**

	As of December 31, 2009			December 31, 2008
	Per Annual Statement	Examination Adjustments	Per Examination	
<b>Assets:</b>				
Bonds	\$ 3,737,188		\$ 3,737,188	\$ 3,513,772
Stocks	\$ 3,917,902		3,917,902	\$ 3,299,211
Bank balances				
Subject to check	84,997		84,997	133,099
On interest	812,378		812,378	643,055
Cash in office	2,449		2,449	203
Unpaid premiums due after 11/1	42,676		42,676	29,159
Reinsurance receivable on paid losses				98,250
Accrued interest	68,365		68,365	63,668
NAMIC	5,632		5,632	6,191
<b>Total Assets</b>	<b>\$ 8,671,587</b>		<b>\$ 8,671,587</b>	<b>\$ 7,786,608</b>
<b>Liabilities and Surplus</b>				
Net unpaid claims	247,500		247,500	25,000
Other unpaid expenses	9,375		9,375	4,500
Premiums received in advance	51,709		51,709	69,441
Unearned premium reserve	555,592		555,592	572,385
Reinsurance payable	27,107		27,107	23,353
Uncashed checks	8,374		8,374	1,179
<b>Total liabilities</b>	<b>899,657</b>		<b>899,657</b>	<b>695,858</b>
Surplus	7,771,930		7,771,930	7,090,750
<b>Total liabilities and surplus</b>	<b>\$ 8,671,587</b>		<b>\$ 8,671,587</b>	<b>\$ 7,786,608</b>

**Mutual Insurance Association of Southern Indiana**

**Financial Statements**

**Statement of Income**

	<b>For the period ended December 31, 2009</b>			
	<b>* Per Annual Statement</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>	<b>December 31, 2008</b>
<b>Net Ledger Assets, January 1,</b>	<b>\$ 7,090,750</b>		<b>\$ 7,090,750</b>	<b>\$ 8,360,382</b>
<b>Income:</b>				
Premiums, net of reinsurance	1,696,010	(53,962)	1,642,048	1,504,222
Aggregate excess loss reinsurance paid	(136,340)		(136,340)	
Net interest received on bonds	177,450	4,697	182,147	181,082
Increase in adjustment on bonds	505,786		505,786	(1,477,567)
Dividends received	143,965		143,965	162,962
Interest received on bank deposits	12,461	75	12,536	17,373
Other interest				1,452
Profit on sale of investment	2,613		2,613	47,511
Salvage and subrogation	7,650		7,650	4,410
Sundry	7,318		7,318	19,400
Commissions	100,187		100,187	76,055
<b>Total income</b>	<b>2,517,100</b>	<b>(49,190)</b>	<b>2,467,910</b>	<b>536,900</b>
<b>Disbursements:</b>				
Losses, net of reinsurance	890,127	222,500	1,112,627	1,252,186
Operating expenses	662,033	7,195	669,228	626,676
Non-operating expenses		4,875	4,875	(72,330)
<b>Total disbursements</b>	<b>1,552,160</b>	<b>234,570</b>	<b>1,786,730</b>	<b>1,806,532</b>
<b>Net income</b>	<b>964,940</b>	<b>(283,760)</b>	<b>681,180</b>	<b>(1,269,632)</b>
<b>Net Ledger Assets, December 31,</b>	<b>\$ 8,055,690</b>	<b>\$ (283,760)</b>	<b>\$ 7,771,930</b>	<b>\$ 7,090,750</b>

\* Statement amounts in this column may differ as a result of adjustments to more accurately reflect the appropriate amount(s).

**COMMENTS ON THE FINANCIAL STATEMENTS**

There were no adjustments to surplus for the current examination.

**SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings noted during the course of the examination.

**SUBSEQUENT EVENTS**

No subsequent events noted, during the course of the exam.

**MANAGEMENT REPRESENTATION**

In support of contingencies and accuracy of information provided during the course of the examination, a completed management representation letter in the standard NAIC format was obtained. This letter was executed by key financial personnel of the Company and provided to the IDOI.

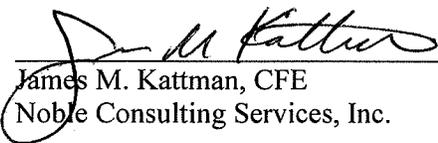
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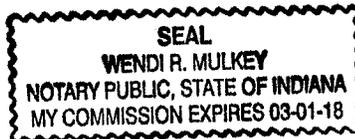
This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., hereinafter collectively referred to as the "Examiners", performed an examination of **Mutual Insurance Association of Southern Indiana**, as of **December 31, 2009**.

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 2010 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 **Mutual Insurance Association of Southern Indiana**, as of **December 31, 2009**, as determined by the undersigned.

  
James M. Kattman, CFE  
Noble Consulting Services, Inc.



State of:  
County of:

On this 21 day of January 2011, before me personally appeared, James M. 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: 3/1/18   
Notary Public