

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

IN THE MATTER OF:)
)
Newton County Farmers Mutual Insurance Association)
1280 West State Road 16)
Brook, Indiana 47922)

**Examination of Newton County Farmers Mutual
Insurance Association**

NOTICE OF ENTRY OF ORDER

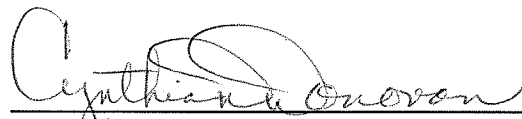
Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of **Newton County Farmers Mutual Insurance Association**, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on March 10, 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 **Newton County Farmers Mutual Insurance Association** 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.

4/18/2011

Date



Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 8097

STATE OF INDIANA) BEFORE THE INDIANA
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Newton County Farmers Mutual Insurance Association)
1280 West State Road 16)
Brook, Indiana 47922)

**Examination of Newton County Farmers Mutual
Insurance Association**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the **Newton County Farmers Mutual Insurance Association** (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 February 3, 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 10, 2011 and was received by the Company on March 12, 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 **Newton County Farmers Mutual Insurance Association** as of December 31, 2009.
2. That the Examiners' Recommendations are reasonable and necessary in order for the **Newton County Farmers Mutual Insurance Association** 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 18th day of April, 2011.



Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION

OF

NEWTON COUNTY FARMERS MUTUAL INSURANCE
ASSOCIATION
NAIC Co. CODE 92322

As of

December 31, 2009

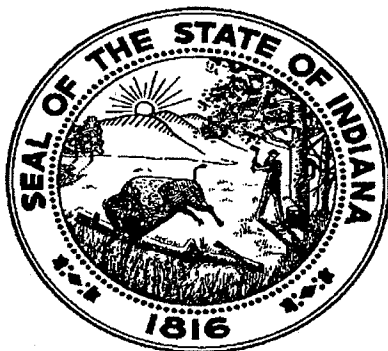


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STATE OF INDIANA

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

February 4, 2011

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
Secretary, Midwestern Zone
311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3652, an examination has been made of the affairs and financial condition of:

Newton County Farmers Mutual Insurance Association
1280 West State Road 16
Brook, IN 47922

hereinafter referred to as the "Company", an Indiana-domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in Brook, 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 formed on February 23, 1898, in Newton County, Indiana as Farmers Mutual Insurance Association. It 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) 27-5.11 as pertains to farm mutual insurance companies.

The purpose of the Company is to safeguard its members, so far as possible, against property losses by reason of fire, lightning, multiple peril, and extended coverage including windstorm, cyclone, tornado, and hail and to distribute on the mutual insurance plan such losses as may occur from these hazards in spite of all reasonable precautions.

CAPITAL AND SURPLUS

As of December 31, 2009, the Company had surplus of \$487,869 and had 123 members, 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 Benton, Newton, and Jasper counties.

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Member Surplus</u>
2009	\$ 532,238	\$ 44,369	\$ 487,869
2008	509,250	35,869	473,381
2007	531,004		531,004
2006	528,287		528,287
2005	517,839		517,839

MANAGEMENT AND CONTROL

Members

Members (policyholders) of the Company are considered its owners. An annual meeting of members is held each year for the purpose of electing a Board of Directors and addressing such other business as may come before it. 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. The following persons were serving as directors at December 31, 2009:

<u>Name of Director</u>	<u>Residence</u>	<u>Board Title</u>
John Kessler	Morocco, IN	President
Roy Kindig	Brook, IN	Vice-President
Maxine Dyer	Brook, IN	Secretary
Betty Myers	Brook, IN	Treasurer
James Whaley	Brook, IN	Member
Rick Risley	Kentland, IN	Member
J. Timothy Lohr	Kentland, IN	Member

Officers

The officers of the Company consist of a president, vice-president, secretary, and treasurer. Officers are elected annually by the Board.

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 Articles of Incorporation or Bylaws during the examination period.

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 Western Surety Company. The bond has blanket coverage of \$25,000. 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 2010 policies are as follows:

The first occurrence of loss excess has a retention of \$50,000 and a coverage limit of 100% above the retention. The aggregate excess has a retention of \$48,683 and a coverage limit of 100% of unlimited losses above retention.

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

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 does not have an actual accounting system. The premium account register is maintained in Excel and the operating account is maintained in Quicken. Material balances reflected in the December 31, 2009, Annual Statement were agreed to supporting documentation. Adjustments in the financial statements below are for the purpose of reconciling the change in surplus.

Newton County Farmers Mutual Insurance Association

Financial Statements

Assets, Liabilities, and Surplus

	As of December 31, 2009			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, 2008
Assets:				
Bonds	\$ 25,280		\$ 25,280	\$ 24,296
Stocks	20,000		20,000	20,000
Bank balances	486,958		486,958	464,954
Total Assets	\$ 532,238		\$ 532,238	\$ 509,250
Liabilities and Surplus:				
Net unpaid claims		\$ 18,531	\$ 18,531	\$ 10,031
Unearned premium reserve		25,838	25,838	25,838
Total liabilities		44,369	44,369	35,869
Surplus	532,238	(44,369)	487,869	473,381
Total liabilities and surplus	\$ 532,238		\$ 532,238	\$ 509,250

Newton County Farmers Mutual Insurance Association

Financial Statements

Statement of Income

	For the period ended December 31, 2009			December 31, 2008
	Per Annual Statement	Examination Adjustments	Per Examination	
Net Ledger Assets, January 1	\$ 509,250	\$ (35,869)	\$ 473,381	\$ 495,135
Income:				
Premiums, net of reinsurance	50,075		50,075	56,330
Interest on investments	16,892	(1,310)	15,582	22,218
Investment income - other				6,377
Miscellaneous income	533		533	
Adjustments	1,309		1,309	
Total income	68,809	(1,310)	67,499	84,925
Disbursements:				
Losses, net of reinsurance	14,718	8,500	23,218	65,596
Operating expenses	29,793		29,793	34,460
Non-operating expenses				6,623
Total disbursements	44,511	8,500	53,011	106,679
Net income	24,298	(9,810)	14,488	(21,754)
Net Ledger Assets, December 31	\$ 533,548	\$ (45,679)	\$ 487,869	\$ 473,381

COMMENTS ON THE FINANCIAL STATEMENTS

An examination adjustment was proposed to the Company's balance sheet and income statement. Unpaid claims and unearned premium reserve were both understated, see Financial Statement section of this report.

SUBSEQUENT EVENTS

No significant subsequent events were noted.

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.

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 **Newton County Farmers Mutual Insurance Association**, 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 **Newton County Farmers Mutual Insurance Association** as of **December 31, 2009**, as determined by the undersigned.



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

State of:
County of:

On this 23 day of February 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 