

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

IN THE MATTER OF:)
)
S & O Farmers Mutual Insurance Company)
P.O. Box 180)
Rising Sun, Indiana 47040)

Examination of: S & O Farmers Mutual Insurance Company


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Amy L. Beard, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of S & O Farmers Mutual Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on November 18, 2021, 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 S & O Farmers Mutual 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.

December 22, 2021
Date

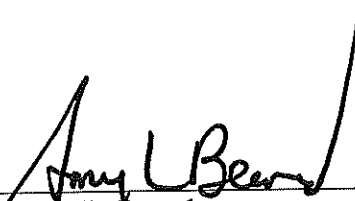

Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7018 1130 0001 7982 6369

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 this 22 day of
December, 2021.



Amy L. Beard
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.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

S & O FARMERS MUTUAL INSURANCE COMPANY
NAIC Co. CODE 92329

As of

December 31, 2019

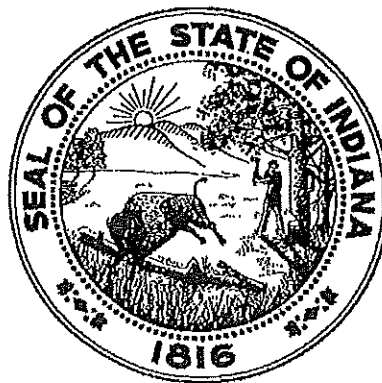


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Amy L. Beard, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

May 26, 2021

Honorable Amy L. Beard, 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 4069, an examination has performed of the affairs and financial condition of:

S & O Farmers Mutual Insurance Company
P.O. Box 180
Rising Sun, Indiana 47040

S & O Farmers Mutual Insurance Company (the Company) is an Indiana domiciled farm mutual insurance company.

Ingardus, LLC conducted the examination remotely with the cooperation of the Company.

The Report of Examination, reflecting the status of the Company as of December 31, 2019, is respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
317-232-2389

COMPANY COMPLIANCE
317-232-3495

CONSUMER SERVICES
317-232-2395/1-800-622-4461

FINANCIAL SERVICES
317-232-2390

MEDICAL MALPRACTICE
317-232-2402

COMPANY RECORDS
317-232-5692

STATE HEALTH INSURANCE PROGRAM
1-800-452-4800

SCOPE OF EXAMINATION

Representatives of the Indiana Department of Insurance (the Department) last examined S & O Farmers Mutual Insurance Company for the period ending December 31, 2014. Ingardus, LLC conducted the present risk-focused examination for the period from January 1, 2015 through December 31, 2019. The examination included all material transactions and 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. The examination included assessing the principles used and significant estimates made by management. Additionally, the examination evaluated 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. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but were separately communicated to the Department and/or the management of the Company.

HISTORY

The Company was organized in 1878 and elected to operate 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) 27-5.1, which applies to farm mutual insurance companies.

The purpose of the Company, as stipulated within its Articles of Incorporation, is to insure farm dwellings and other farm buildings, and the contents of such buildings, farm machinery and other farm equipment, farm products, livestock, schoolhouses, churches and other risks as are owned principally by farmers.

SURPLUS

As of December 31, 2019, the Company had surplus of \$917,526 and 1,530 policyholders, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company provides insurance coverage for homeowners, farm owners, rental dwellings, rural buildings, contents, farm equipment and some commercial buildings. The Company conducts business in the Indiana counties of Bartholomew, Clark, Dearborn, Decatur, Fayette, Franklin, Hancock, Jackson, Jefferson, Jennings, Madison, Monroe, Ohio, Ripley, Rush, Scott, Shelby, Switzerland, Union, Washington and Wayne.

GROWTH OF THE COMPANY

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

Year	Admitted Assets	Liabilities	Surplus
2019	\$ 1,474,596	\$ 557,070	\$ 917,526
2018	1,084,791	551,572	533,219
2017	1,226,050	521,086	704,964
2016	1,093,209	542,929	550,280
2015	1,592,702	513,675	1,079,027

MANAGEMENT AND CONTROL

Directors

The business of the Company is managed by a Board of Directors (Board) comprised of seven (7) directors. A majority of the Board constitutes a quorum for the transaction of business. Each director serves for a term of three (3) years, and the terms of the office is arranged so that an equal number may be elected at each annual meeting of the members. The following is a listing of persons serving as directors as of December 31, 2019:

Name	City
Shafe Boles	Philpot, Kentucky
Roger Bovard	Rising Sun, Indiana
Eldon Fancher	Rising Sun, Indiana
Earl Ketenbrink	Rising Sun, Indiana
Sam Fox	Rising Sun, Indiana
Dan Monroe	Dillsboro, Indiana
Larry Thieman	Bennington, Indiana

Officers

The officers of this Company are a President, a Vice President, a Treasurer, and a Secretary. The following is a listing of the persons serving as officers of the Company as of December 31, 2019:

Name	Office
Sam Fox	President
Shafe Boles	Vice President
Earl Ketenbrink	Secretary/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, 2019.

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 not all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2019. See the Other Significant Issues section of this Report of Examination.

CORPORATE RECORDS

Articles of Incorporation

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

Bylaws

There were no amendments 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 through the purchase of a fidelity crime bond issued by Western Surety Company. The bond has a policy aggregate limit of liability of \$50,000. 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, 2019, including but not limited to business liability, directors and officers liability, professional liability, employers' liability, and workers' compensation.

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* – The Company’s retention was \$53,000 for 2019 and the coverage limit was 100% above the retention subject to limitations.
- *Aggregate Excess* – The Company’s retention was \$640,000 for 2019 and the coverage limit was 100% of unlimited losses above the retention.
- *Facultative* – Rates will be determined by Grinnell on an individual basis. The Company agrees to provide Grinnell with all the necessary information about the risk known to the Company. Grinnell will determine which risks are acceptable for facultative reinsurance.

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, 2018 and 2019, agreed to the respective Annual Statements.

S & O FARMERS MUTUAL INSURANCE COMPANY
 Assets, Liabilities and Surplus
 As of December 31, 2019

	<u>Per Annual Statement</u>
ASSETS	
Stocks	\$ 582,302
Bank balances:	
Subject to check	550,240
On interest	236,000
Cash in office	200
Real estate	56,302
Unpaid premiums	19,922
Reinsurance receivable	22,000
Accrued interest	857
Equipment and furniture	6,773
Total Assets	<u>\$ 1,474,596</u>
 LIABILITIES AND SURPLUS	
Liabilities	
Unpaid salaries and commissions	\$ 17,593
Ceded reinsurance balances payable	28,570
Taxes payable	2,704
Premiums received in advance	3,676
Unearned premium reserve	504,527
Total Liabilities	<u>557,070</u>
Surplus	917,526
Total Liabilities and Surplus	<u>\$ 1,474,596</u>

S & O FARMERS MUTUAL INSURANCE COMPANY
Income Statement and Change in Surplus
For the year ended December 31, 2019

	Per Annual Statement
INCOME	
Net premiums:	
Direct premiums written	\$ 1,360,558
Less: Reinsurance premiums ceded	(408,722)
Total net premiums written	951,836
Membership and policy fees	39,570
Total net premiums	991,406
Income from investments	32,429
Other income	-
Total income	1,023,835
 DISBURSEMENTS	
Net losses paid:	
Direct losses	503,829
Less: Reinsurance recovered	(233,951)
Net losses paid	269,878
Operating expenses	409,336
Non-operating expenses	27,143
Total disbursements	706,357
 CHANGE IN SURPLUS	
Net income	317,478
Change in accrued assets and liabilities	6,339
Change in unrealized gains (losses)	60,490
Surplus, beginning of period	533,219
Surplus, end of period	\$ 917,526

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2019, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

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." The Company believed that the Oaths of Office were only meant for the officers and not all directors of the Company. Accordingly, four (4) of the directors did not have executed Oaths of Office for the year ended December 31, 2019.

It is recommended that the Company becomes compliant with IC 27-1-7-10(i). The Company is aware of the issue and took action to correct it for future years.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork that were considered material events requiring disclosure in this Report of Examination.

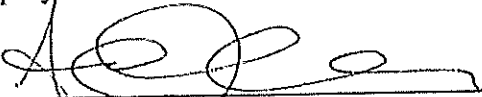
AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that she, in coordination with assistance from Ingardus, LLC, hereinafter collectively referred to as the "Examiners", performed an examination of the S & O Farmers Mutual Insurance Company, as of December 31, 2019.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

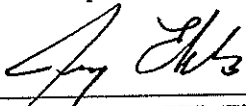
This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination by the Indiana Department of Insurance. Such procedures performed on this examination do not constitute an audit made in accordance 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 S & O Farmers Mutual Insurance Company as of December 31, 2019, as determined by the undersigned.



Angela L. Ohlmann, CPA, CGMA, CFE (Fraud), MCM
Ingardus, LLC
State of: Indiana
County of: Marion

Under the Supervision of:

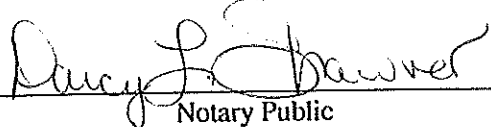


Jerry Ehlers, CPA, CFE (Financial), AES
Examiner-in-Charge
Indiana Department of Insurance

On this 21st day of December, 2021, before me personally appeared, Angela L. Ohlmann and Jerry Ehlers, 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: October 4, 2025



Notary Public

DARCY L. SHAWVER
NOTARY PUBLIC
SEAL
MARION COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 706053

Indiana Department of Insurance
NAIC Accredited

