

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

IN THE MATTER OF:)
)
Sauers Mutual Insurance Company)
17562 South Co. Road 500W)
Seymour, Indiana 47274)

Examination of: **Sauers Mutual Insurance Company**

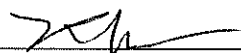
NOTICE OF ENTRY OF ORDER

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 Sauers 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 Sauers 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 6345

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

IN THE MATTER OF:)
)
Sauers Mutual Insurance Company)
17562 South Co. Road 500W)
Seymour, Indiana 47274)

Examination of: **Sauers Mutual Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Sauers Mutual Insurance Company (hereinafter “Company”) for the time period January 1, 2015 through December 31, 2019.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on May 26, 2021.

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 18, 2021 and was received by the Company on November 22, 2021.

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 Sauers Mutual Insurance Company as of December 31, 2019.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Sauers Mutual Insurance Company 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 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

SAUERS MUTUAL INSURANCE COMPANY
NAIC Co. CODE 92330

As of

December 31, 2019

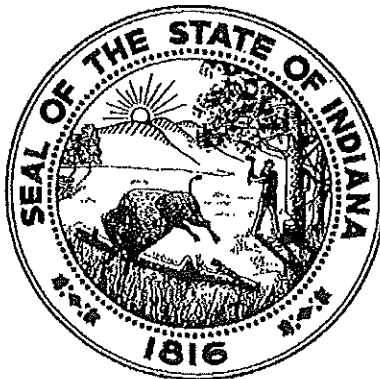


TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION.....	3
HISTORY.....	3
SURPLUS.....	3
TERRITORY AND PLAN OF OPERATION.....	3
GROWTH OF THE COMPANY.....	4
MANAGEMENT AND CONTROL.....	4
Directors.....	4
Officers.....	4
CONFLICT OF INTEREST.....	5
OATH OF OFFICE.....	5
CORPORATE RECORDS.....	5
Articles of Incorporation.....	5
Bylaws.....	5
Minutes.....	5
AFFILIATED COMPANIES.....	5
FIDELITY BOND.....	5
STATUTORY DEPOSITS.....	6
REINSURANCE.....	6
ACCOUNTS AND RECORDS.....	6
FINANCIAL STATEMENTS.....	7
COMMENTS ON THE FINANCIAL STATEMENTS.....	9
OTHER SIGNIFICANT ISSUES.....	9
SUBSEQUENT EVENTS.....	9
AFFIDAVIT.....	10



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 4072, an examination has been made of the affairs and financial condition of:

Sauers Mutual Insurance Company
17562 South Co Road 500W
Seymour, Indiana 47274

Sauers 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 Sauers 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 on September 1, 1909, at which time it was known as The German Mutual Lightning, Fire and Storm Insurance Company of Seymour, Jackson County, State of Indiana. The Company elected to operate under Chapter 145, Acts 1919, on April 26, 1919, 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 Constitution and Bylaws, is to safeguard its members insofar as possible against personal property losses and to distribute among all members on the mutual insurance plan such losses as may occur.

SURPLUS

As of December 31, 2019, the Company had surplus, as adjusted by this examination, of \$2,533,023 and 150 policyholders, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company provides grain, hay, livestock, and machinery coverage. The Company conducts business in the Indiana counties of Bartholomew, Jackson, Jennings, and Washington.

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Admitted Assets^A</u>	<u>Liabilities</u>	<u>Surplus^B</u>
2019	\$ 2,614,211	\$ 81,188	\$ 2,533,023
2018	2,208,918	96,686	2,112,232
2017	2,533,030	108,097	2,424,933
2016	2,405,434	109,241	2,296,193
2015	2,189,681	108,278	2,081,403

MANAGEMENT AND CONTROL

Directors

The business of the Company is managed by a Board of Directors (Board) comprised of nine (9) directors. A majority of the Board constitutes a quorum for the transaction of business. Each director serves for a term of one (1) year. The following is a listing of persons serving as directors as of December 31, 2019:

<u>Name</u>	<u>City</u>
Curtis Benter	Seymour, Indiana
Harold Heideman	Seymour, Indiana
Susan Holle	Columbus, Indiana
Gwendolyn Newkirk	Seymour, Indiana
Paul Newkirk	Seymour, Indiana
Donald Rieckers	Seymour, Indiana
Jay Rieckers	Seymour, Indiana
Michael Shoemaker	Brownstown, Indiana
Raymond Tormoehlen	Seymour, 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:

<u>Name</u>	<u>Office</u>
Paul Newkirk	President
Donald Rieckers	Vice President
Curtis Benter	Secretary
Susan Holle	Treasurer

^A 2019, 2018, 2017, 2016 and 2015 admitted assets have been adjusted, per the examination. See the Comments on the Financial Statements section of this Report of Examination.

^B 2019, 2018, 2017, 2016 and 2015 surplus has been adjusted, per the examination. See the Comments on the Financial Statements section of this Report of Examination.

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 all directors listed in the Management and Control section of this Report of Examination subscribed to an oath as of December 31, 2019.

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

The Company protects itself against loss from any fraudulent or dishonest acts through the purchase of a fidelity crime bond issued by Travelers Casualty and Surety Company of America. The bond has a policy aggregate limit of liability of \$25,000. The fidelity bond is not adequate to meet the prescribed minimum coverage specified by the NAIC. See the Other Significant Issues section of this Report of Examination.

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 Guy Carpenter & Co., LLC (Carpenter), reinsurance intermediary, as follows:

- *Property Facultative Pro Rata Reinsurance Contract* — The Company is limited to a maximum cession of \$950,000 on any one (1) risk, subject to a minimum net retention of \$25,000.
- *Combined Excess of Loss Reinsurance Contract* —
 - *Aggregate Excess of Loss* — The reinsurer is liable in the aggregate with respect to losses occurring during the term of this contract for 100% of the ultimate net loss over and above an initial ultimate loss equal to \$12.30 per \$1,000 of average net fire insurance in force; subject to a limit of liability to the reinsurer of 100% of \$15.00 per \$1,000 of average net fire insurance in force.
 - *Underlying Excess of Loss* — The reinsurer is liable in respect of each loss, each risk, for the ultimate net loss over and above an initial ultimate net loss of \$25,000 each loss, each risk, subject to a limit of liability to the reinsurer of \$25,000 each loss, each risk.

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, were agreed to the respective Annual Statements.

SAUERS FARMERS MUTUAL INSURANCE COMPANY
 Assets, Liabilities and Surplus
 As of December 31, 2019

	Per Annual Statement	Examination Adjustment*	Per Examination
ASSETS			
Stocks	\$ 1,986,063	\$ 337,328	\$ 2,323,391
Bank balances:			
Subject to check	82,692	-	82,692
On interest	207,434	-	207,434
Accrued interest	694	-	694
Total Assets	\$ 2,276,883	\$ 337,328	\$ 2,614,211
LIABILITIES AND SURPLUS			
Liabilities			
Premiums received in advance	81,094	-	81,094
Payroll taxes withheld and accrued	94	-	94
Total Liabilities	81,188	-	81,188
Surplus	2,195,695	337,328	2,533,023
Total Liabilities and Surplus	\$ 2,276,883	\$ 337,328	\$ 2,614,211

* The Company understated assets and surplus by \$337,328. See the Comments on the Financial Statements section of this Report of Examination.

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

	Per Annual Statement	Examination Adjustments**	Per Examination
INCOME			
Net premiums:			
Direct premiums written	\$ 110,901	\$ -	\$ 110,901
Less: Reinsurance premiums ceded	(77,014)	-	(77,014)
Total net premiums written	33,887	-	33,887
Aggregate excess loss reinsurance paid	(2,560)	-	(2,560)
Total net premiums	31,327	-	31,327
Income from investments	109,731	-	109,731
Other income	13,009	-	13,009
Total income	154,067	-	154,067
DISBURSEMENTS			
Net losses paid:			
Direct losses	135,487	-	135,487
Less: Reinsurance recovered	(111,041)	-	(111,041)
Net losses paid	24,446	-	24,446
Operating expenses	65,988	-	65,988
Non-operating expenses	28,400	-	28,400
Total disbursements	118,834	-	118,834
CHANGE IN SURPLUS			
Net income	35,233	-	35,233
Change in accrued assets and liabilities	15,331	-	15,331
Change in unrealized gains (losses)	-	370,227	370,227
Surplus, beginning of period	2,145,131	(32,899)	2,112,232
Surplus, end of period	\$ 2,195,695	\$ 337,328	\$ 2,533,023

** The Company understated surplus by \$337,328. See the Comments on the Financial Statements section of this Report of Examination.

COMMENTS ON THE FINANCIAL STATEMENTS

The Company misstated its assets and surplus for unrealized gain (loss) on its stocks for each year ended December 31, 2015, 2016, 2017, 2018, and 2019. Adjustments of \$119,038, \$306,449, \$309,700, (\$32,899) and \$337,328, respectively, were made to correct the error in this Report of Examination.

OTHER SIGNIFICANT ISSUES

The Company's fidelity bond as of December 31, 2019 was \$25,000. The NAIC suggested minimum amount of fidelity insurance for the Company calculates to between \$50,000 and \$75,000. The suggested minimum amount of fidelity insurance is based on the Company's total admitted assets and gross income.

It is recommended that the Company becomes compliant with the recommended fidelity bond coverage.

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 Sauers 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 Sauers 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

