

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

IN THE MATTER OF:)
)
Sauers Mutual Insurance Company)
17562 South County Road 500 West)
Seymour, IN 47274)

Examination of Sauers Mutual Insurance Company

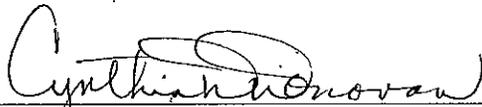
NOTICE OF ENTRY OF ORDER

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 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 April 11, 2016, 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.

5/27/2016
Date


Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0059 2108

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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, 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 February 10, 2016.

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 April 11, 2016 and was received by the Company on April 13, 2016.

The Company did not file any objections.

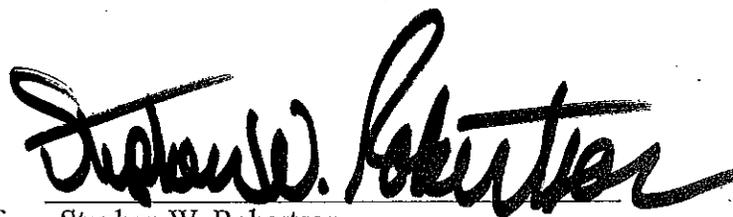
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

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, 2014.
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 and Sealed this 27th day of
May, 2016.


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 located in the lower-left quadrant of the page.

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

SAUERS MUTUAL INSURANCE COMPANY

NAIC Co. CODE 92330

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

February 10, 2016

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 3885, an examination has been made of the affairs and financial condition of:

Sauers Mutual Insurance Company
7799 North County Road 875 East
Seymour, Indiana 47274

hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the offices of the Company in Seymour, 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 INSUR. 1-800-332-4461

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 September 1, 1909, at which time it was known as The German Mutual Lightning, Fire and Storm Insurance Company of Sauers 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 as pertains to farm mutual insurance companies.

The Company primarily insures farm-related machinery, grain, hay, and livestock. It does not insure dwellings or buildings.

CAPITAL AND SURPLUS

As of December 31, 2014, the Company had surplus of \$1,958,680 and 161 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, as reported during the examination period:

Year	Admitted		Surplus
	Assets	Liabilities	
2014	\$ 2,066,546	\$ 107,866	\$ 1,958,680
2013	1,956,223	94,224	1,861,999
2012	1,970,367	79,590	1,890,777
2011	1,963,843	74,241	1,889,602
2010	1,921,460	59,836	1,861,624

MANAGEMENT AND CONTROL

Directors

The management of this Company shall be by a Board of Directors (Board) consisting of nine (9) members, who shall be elected by ballot, by the members of the Company. The term of office shall be one (1) year from the day of election, or until successors are elected and qualified. The following is a listing of persons serving as directors as of December 31, 2014:

Name ^A	Address
Curtis Benter	Seymour, Indiana
Doris Hackman	Seymour, Indiana
Harold Heideman	Seymour, Indiana
Nathan Newkirk	Seymour, Indiana
Paul Newkirk	Seymour, Indiana
Donald Rieckers	Seymour, Indiana
Michael Shoemaker	Brownstown, Indiana
Raymond Tormoehlen	Seymour, Indiana
Marvin Wischmeier	Brownstown, Indiana

^A The Company's directors act as agents for the policyholders and are not licensed producers therefore the Company is not in compliance with IC 27-1-15.6-3(b). See the **Other Significant Issues** section of this Report of Examination.

Officers

The officers of the Company shall consist of a President, a Vice President, a Secretary and Treasurer, who shall be elected by the Board. The following is a list of key officers and their respective titles as of December 31, 2014.

Name	Office
Paul Newkirk	President
Donald Rieckers	Vice President
Curtis Benter	Secretary
Doris Hackman	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 Ohio Casualty Insurance Company. The bond has a coverage limit of \$25,000, with a deductible of \$2,500. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

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's reinsurance program was written through Guy Carpenter, reinsurance intermediary, as follows:

- *Property Facultative Pro Rata Reinsurance Contract* – The Company shall be limited to a maximum cession of \$750,000 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 shall be liable in the aggregate in respect of losses occurring during the term of this contract for 100% of the ultimate net loss over and above an initial ultimate loss equal to the greater of \$63,400 or \$12.30 per \$1,000 of average net fire insurance in force, subject to a limit of liability to the reinsurer of 100% of the lesser of \$116,100 or \$15.00 per \$1,000 of average net fire insurance in force.
 - *Underlying Excess of Loss* – The reinsurer shall be 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, and further subject to a limit of liability to the reinsurer of \$75,000 each loss occurrence.

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.

SAUERS MUTUAL INSURANCE COMPANY
 Assets, Liabilities and Surplus
 As of December 31, 2014

	Per Annual Statement
PTP investments	\$ 325,327
Stocks	705,127
Bank Balances	
Subject to check	57,953
On interest	972,841
Reinsurance receivable on paid losses	3,214
Accrued interest	2,084
Totals	\$ 2,066,546
Unpaid claims (reported)	\$ 14,020
Less: reinsurance recoverable on unpaid losses	(13,253)
Net unpaid claims	767
Unearned premium reserve	106,512
Payroll taxes withheld and accrued	587
Total liabilities	107,866
Surplus	1,958,680
Total liabilities and surplus	\$ 2,066,546

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

	Per Annual Statement
INCOME	
Direct premiums written	\$ 114,256
Reinsurance premiums ceded	(75,367)
Net premium written	38,889
Aggregate excess loss reinsurance paid	(2,600)
Total net premiums	36,289
Income from investments	133,677
Other income	13,892
Total income	\$ 183,858
DISBURSEMENTS	
Direct losses	\$ 50,189
Reinsurance recovered	(33,742)
Net losses paid	16,447
Operating expenses	56,842
Total disbursements	73,289
Net income	110,569
Change in accrued assets and liabilities ^A	(13,888)
Surplus, beginning of period	1,861,999
Surplus, end of period	\$ 1,958,680

^A The Company reports some income statement items on a cash basis. In order to properly reconcile the change in surplus, the change in accrued assets and liabilities amount reflects the reconciliation from cash to accrual basis.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2014, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

IC 27-1-15.6-3(b) requires all producers writing business for the Company to be licensed. The examiners noted that members of the Board act as agents when dealing with policyholders and are not licensed producers.

It is recommended that the Company become compliant with IC 27-1-15.6-3(b).

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., performed an examination of Sauers Mutual Insurance Company 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 Sauers Mutual Insurance Company as of December 31, 2014, as determined by the undersigned.

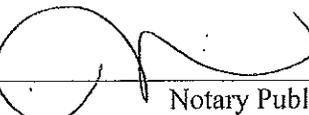


Tom Masterson, CFE
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

On this 18 day of February 2016, 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 commission  

Notary Public

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