

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

IN THE MATTER OF:)
)
UFB Casualty Insurance Company)
225 South East Street)
Indianapolis, Indiana 46202)

Examination of: **UFB Casualty 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 UFB Casualty Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 31, 2022, 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 UFB Casualty 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.

June 24, 2022
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7019 0700 0000 3590 2553

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

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UFB Casualty Insurance Company)
225 South East Street)
Indianapolis, Indiana 46202)

Examination of: **UFB Casualty Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the UFB Casualty Insurance Company (hereinafter “Company”) for the time period January 1, 2016 through December 31, 2020.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on May 31, 2022.

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 May 31, 2022 and was received by the Company on June 2, 2022.

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 UFB Casualty Insurance Company as of December 31, 2020.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the UFB Casualty 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 24th day of
June, 2022.



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

UFB CASUALTY INSURANCE COMPANY
NAIC Co. CODE 23868
NAIC GROUP CODE 542

As of

December 31, 2020

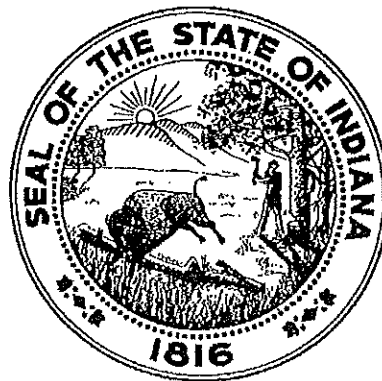


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STATE OF INDIANA

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 31, 2022

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 4082, an examination has been made of the affairs and financial condition of:

UFB Casualty Insurance Company
225 South East Street
Indianapolis, Indiana 46202-4056

hereinafter referred to as the "Company," an Indiana domestic stock, property and casualty insurance company. The examination was conducted at the offices of Noble Consulting Services, Inc., in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2020, is hereby 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
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SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI), and covered the period from January 1, 2011 through December 31, 2015. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2016 through December 31, 2020, 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, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

Rebecca Freitag, FCAS, MAAA and Merlinos & Associates, provided all actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2020.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as in the Indiana Code (IC) 27-1-3.1-10 and general information about the insurer and its financial condition. 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 separately communicated to the Company.

HISTORY

The Company was created and incorporated under the laws of the state of Indiana on December 31, 1985 and adopted its current name on February 21, 1986. The Company commenced business on March 1, 1986 and is a wholly-owned subsidiary of United Farm Family Mutual Insurance Company (UFFMIC).

The Company's ultimate controlling person is Indiana Farm Bureau, Inc. (IFBI), an Indiana non-for-profit agricultural membership cooperative. The Company's affiliates, UFFMIC, United Farm Family Life Insurance Company (UFFLIC), and United Home Life Insurance Company provide insurance to IFBI members and other consumers in Indiana and are collectively known as Indiana Farm Bureau Insurance.

CAPITAL AND SURPLUS

UFFMIC owned 100% of the Company's issued and outstanding stock as of the examination date. There were 1,000 authorized shares of common stock with a par value of \$10,000 per share and 200 shares issued and outstanding throughout the examination period.

DIVIDENDS TO STOCKHOLDERS

The Company paid no dividends to UFFMIC during the examination period.

The Company received no capital contributions from UFFMIC during the examination period.

TERRITORY AND PLAN OF OPERATION

The Company is a multiple line carrier primarily focused on personal lines business with small amount of direct commercial auto. The Company is licensed in the state of Indiana and its products are available only to members of IFBI.

The Company cedes 100% of its writings to its parent, UFFMIC, also an Indiana domiciled company. Beginning in 2019 all the Company's policies were renewed on UFFMIC paper.

On February 16, 2022, the Board of Directors voted on a resolution to dissolve the Company. (See the Subsequent Events section of this report.)

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus and Other Funds</u>	<u>Premiums Earned</u>	<u>Net Income</u>
2020	\$ 9,354,043	\$ 14,181	\$ 9,339,862	\$ 0	\$ 137,837
2019	9,219,986	17,316	9,202,670	0	170,422
2018	9,050,405	16,776	9,033,629	0	156,007
2017	8,899,513	22,255	8,877,258	0	107,781
2016	8,788,465	22,845	8,765,620	0	106,010

Admitted assets and surplus grew consistently during the exam period, which is attributed to the net income. The Company had net income each of the years due to the invested income. Liabilities decreased as the run-off business decreased during the exam period.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of thirteen (13) directors, each of whom shall be a citizen of the United States and a majority of the directors shall be residents of the state of Indiana. The shareholders, at each annual meeting, elect the members of the Board.

The following is a listing of persons serving as directors as of December 31, 2020, and his or her principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Isabella Chism Galveston, Indiana	Farmer Self-Employed
Kendell Culp Rensselaer, Indiana	Vice President Indiana Farm Bureau, Inc.
Marybeth Miskovic Feutz Princeton, Indiana	Farmer Self-Employed
Robert Geswein Floyds Knobs, Indiana	Farmer Self-Employed
Terry Hayhurst Terre Haute, Indiana	Farmer Self-Employed
Bruce Herr Warren, Indiana	Farmer Self-employed
Randall Kron Evansville, Indiana	President Indiana Farm Bureau, Inc.
Kevin Ousley Columbia City, Indiana	Farmer Self-Employed
Kermit Paris Milroy, Indiana	Farmer Self-Employed
Harold Parker LaPorte, Indiana	Farmer Self-Employed
Jonathan Sparks Greenfield, Indiana	Farmer Self-Employed
Kevin Underwood West Lafayette, Indiana	Farmer Self-Employed
David Wyeth ^A North Salem, Indiana	Farmer Self-Employed

Officers

The Bylaws state that the elected officers of the Company shall consist of a President, a non-operating Vice President who is a director, an Executive Vice President, one (1) or more operating Vice Presidents, a Treasurer, a Secretary, a General Counsel, and such other officers as may be chosen by the Board. Each of these officers is elected by the Board and shall hold office until the next annual meeting, until their death, resignation or renewal by the President, or resolution of the Board prior to such meeting date.

^A Effective December 10, 2021, David Wyeth resigned as a Director and Bruce Guernsey was elected to fill the unexpired term.

The following is a list of key officers and his or her respective titles as of December 31, 2020:

<u>Name</u>	<u>Office</u>
Joseph Martin ^B	Executive Vice President, Chief Executive Officer
Randall Kron	President
Kristin Keltner	Senior Vice President, General Counsel, Secretary
Mark Miske	Senior Vice President, Chief Financial Officer, Treasurer
Richard Kuster, Jr.	Senior Vice President, Marketing
Kevin Murphy ^C	Senior Vice President, Property and Casualty Operations
Gregory Clancy	Senior Vice President, Information Systems
Kendell Culp	Vice President
Jeffrey McDonald ^D	Vice President, Chief Actuary
Mark Sigler	Assistant Secretary

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, 2020.

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, 2020.

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 and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

^B Effective January 1, 2021, Kevin Murphy replaced Joseph Martin as the EVP, CEO.

^C Effective January 1, 2021, Jeffrey McDonald replaced Kevin Murphy as the SVP, P&C Operations.

^D Effective January 1, 2021, Brian Poole replaced Jeffrey McDonald as the VP, Chief Actuary.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. For each year under review, the annual meeting of policyholders was held as required.

The Company committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit Committee, Budget Committee, and Investment Committee.

AFFILIATED COMPANIES

Organizational Structure

The following organizational chart shows the Company's parent and subsidiaries as of December 31, 2020:

	NAIC Co. Code	Domiciliary State/Country
Indiana Farm Bureau, Inc		
Indiana Farm Bureau Members Health LLC		IN
United Farm Family Life Insurance Co.	69892	IN
United Home Life Insurance Company	69922	IN
UFB Properties ^B		IN
United Farm Family Mutual Insurance Co.	15288	IN
UFB Casualty Ins. Co.	20303	IN
Rural Insurance Agency, Inc.		IN
Peril Product, LLC		IN

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOL, as required, in accordance with IC 27-1-23-4.

Indemnity Reinsurance and Management Agreement

The Company has an Indemnity Reinsurance and Management Agreement whereby UFFMIC assumes 100% of the business of the Company. Under this agreement, UFFMIC indemnifies the Company for all lines of insurance written. In 2020, the Company did not pay a management fee to UFFMIC and UFFMIC did not pay ceding commission to the Company.

Consolidated Federal Income Tax Allocation Agreement

The Company has a Consolidated Tax Allocation Agreement with UFFMIC whereby UFFMIC files a consolidated federal income tax return. Under the agreement, the Company is charged or refunded the amount that the Company would be entitled to if it had filed separately. Also, the agreement establishes an escrow account, maintained by UFFMIC, in an amount equal to the amount actually paid by UFFMIC, and the amount due to/from the Company if an unconsolidated return had been filed. Settlement under the agreement occurs within thirty (30) days of filing, except where a refund is due. In this case, UFFMIC may defer settlement until thirty (30) days after receipt of the refund.

^B UFB Properties is 65% owned by UFFMIC and 35% by UFFLIC.

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 Travelers Casualty and Surety Company of America. The bond has a single loss coverage limit of \$3 million (\$6 million aggregate limit), with a \$50 thousand deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2020, including but not limited to corporate and county liability, directors' and officers' liability, employed lawyers' professional liability, excess liability, umbrella, and workers' compensation.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company has no employees, and therefore, there were no employee pension or insured plans. All personnel necessary to conduct business operations of the Company are provided by its affiliate, UFFMIC, pursuant to the Indemnity Reinsurance and Management Agreement. UFFMIC provides benefits to employees, and then passes proportional expenses, at cost, on to its affiliates. There were no costs allocated to the Company in 2020.

SPECIAL AND STATUTORY DEPOSITS

The Company reported the following deposits, as of December 31, 2020:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	<u>\$ 111,399</u>	<u>\$ 111,399</u>
Total Deposits	<u>\$ 111,399</u>	<u>\$ 111,399</u>

REINSURANCE

Assumed Reinsurance

The Company assumed no material amount of reinsurance premium or reserves during the examination period.

Ceded Reinsurance

The Company cedes 100% of written business to its parent company, UFFMIC.

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 balance prepared from the Company's general ledger for the year ended December 31, 2020 was agreed to the Annual Statement. The Annual Statement for the year ended December 31, 2020 was agreed to the independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

FINANCIAL STATEMENTS

UFB CASUALTY INSURANCE COMPANY

Assets

As of December 31, 2020

	<u>Per Examination*</u>
Bonds	\$ 7,722,146
Cash, cash equivalents and short-term investments	1,589,068
Subtotals, cash and invested assets	<u>9,311,214</u>
Investment income due and accrued	42,829
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>9,354,043</u>
TOTAL	<u>\$ 9,354,043</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

UFB CASUALTY INSURANCE COMPANY
Liabilities, Surplus and Other Funds
As of December 31, 2020

	Per Examination*
Taxes, licenses and fees	\$ 1,805
Current federal and foreign income taxes on realized capital gains (losses)	7,482
Net deferred tax liability	4,894
Total liabilities excluding protected cell liabilities	14,181
Total liabilities	14,181
Common capital stock	2,000,000
Gross paid in and contributed surplus	1,000,000
Unassigned funds (surplus)	6,339,862
Surplus as regards policyholders	9,339,862
TOTAL	\$ 9,354,043

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

UFB CASUALTY INSURANCE COMPANY
Statement of Income
For the Year Ended December 31, 2020

	Per Examination*
UNDERWRITING INCOME	
Premiums earned	\$ -
Total underwriting deductions	-
Net underwriting gain (loss)	-
INVESTMENT INCOME	
Net investment income earned	174,854
Net realized capital gains (losses) less capital gains tax	(942)
Net investment gain (loss)	173,912
OTHER INCOME	
Net income, before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	173,912
Dividends to policyholders	-
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	173,912
Federal and foreign income taxes incurred	36,075
Net income	\$ 137,837

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

UFB CASUALTY INSURANCE COMPANY
Capital and Surplus Account Reconciliation

	2020	2019	2018	2017	2016
Surplus as regards policyholders, December 31 prior year	\$ 9,202,670	\$ 9,033,629	\$ 8,877,258	\$ 8,765,620	\$ 8,661,375
Net income	137,837	170,422	156,007	107,781	106,010
Change in nonadmitted assets	(645)	(1,381)	364	3,857	(1,765)
Change in surplus as regards policyholders for the year	137,192	169,041	156,371	111,638	104,245
Surplus as regards policyholders, December 31 current year	<u>\$ 9,339,862</u>	<u>\$ 9,202,670</u>	<u>\$ 9,033,629</u>	<u>\$ 8,877,258</u>	<u>\$ 8,765,620</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2020, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no other significant issues as of December 31, 2020, based on the results of this examination.

SUBSEQUENT EVENTS

On February 16, 2022, the Board voted on a resolution to dissolve the Company. (See the Territory And Plan Of Operation section on page 3.)

There were no other events subsequent to the examination date and prior to the completion of field work 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., and actuarial assistance from Merlinos & Associates, Inc., performed an examination of UFB Casualty Insurance Company, as of December 31, 2020.

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 UFB Casualty Insurance Company as of December 31, 2020, as determined by the undersigned.



Vitaliy Kyryk, CFE
Noble Consulting Services, Inc.

Under the Supervision of:



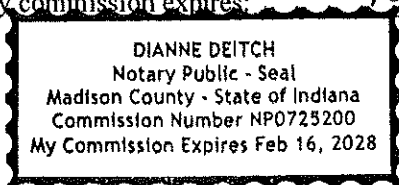
Jerry Ehlers, CFE, AES
Examinations Manager
Indiana Department of Insurance

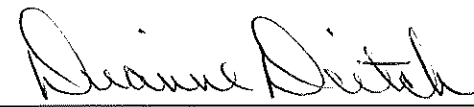
State of: Indiana
County of: Marion

On this 7th day of June, 2022, before me personally appeared, Vitaliy Kyryk and Jerry Ehlers, to sign this document.

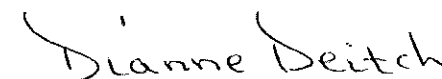
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: 2/16/2028





Notary Public



Notary Public

