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

IN THE MATTER OF:)
)
Farmers Mutual Insurance Company of Noble County)
119 North Main Street)
Avilla, Indiana 46710-5200)

Examination of: **Farmers Mutual Insurance Company of Noble County**

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 Farmers Mutual Insurance Company of Noble County, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on November 28, 2018, 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 Farmers Mutual Insurance Company of Noble County 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.

2/13/2019
Date

Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0311

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

IN THE MATTER OF:	)
	)
Farmers Mutual Insurance Company of Noble County	)
119 North Main Street	)
Avilla, Indiana 46710-5200	)

Examination of: **Farmers Mutual Insurance Company of Noble County**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Farmers Mutual Insurance Company of Noble County (hereinafter "Company") for the time period January 1, 2013 through December 31, 2017.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on September 25, 2018.

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 28, 2018 and was received by the Company on December 4, 2018.

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 Farmers Mutual Insurance Company of Noble County as of December 31, 2017.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Farmers Mutual Insurance Company of Noble County 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 13 day of February, 2019.

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.

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

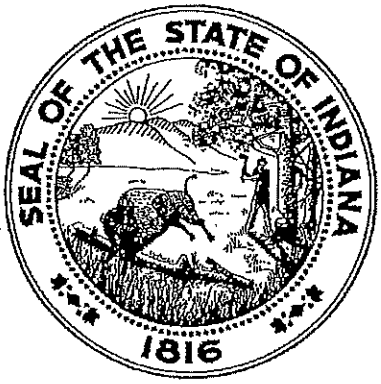
OF

FARMERS MUTUAL INSURANCE COMPANY OF NOBLE COUNTY

NAIC Co. CODE 92297

As of

December 31, 2017



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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance
Stephen W. Robertson, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

September 25, 2018

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 3989, an examination has been made of the affairs and financial condition of:

Farmers Mutual Insurance Company of Noble County
119 North Main Street
Avilla, Indiana 46710-5200

Hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in Avilla, 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, 2017, is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2012. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2013 through December 31, 2017, 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 in February, 1882 as Farmers Mutual Fire Insurance Company of Noble County and elected to come under Chapter 145, Acts 1919 in May, 1925. In 2003, the word "Fire" was removed from the Company's name.

CAPITAL AND SURPLUS

As of December 31, 2017, the Company had adjusted surplus of $ 1,283,724 and 2,541 members, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company currently conducts business in the following twenty-five (25) counties: Adams, Allen, Blackford, Brown, Cass, DeKalb, Delaware, Elkhart, Fulton, Grant, Hamilton, Huntington, Jay, Kosciusko, LaGrange, Madison, Miami, Noble, St. Joseph, Shelby, Steuben, Vigo, Wabash, Wells, and Whitley.

The Company's market focus is insuring homes valued between $40,000 and $150,000 and farm risks, including small "hobby farms" to large, multi-location farm operations. In addition, the Company will insure lower-valued rental dwellings and mobile home risks. Policies are three (3) year term renewed annually.

GROWTH OF THE COMPANY

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

Year	Admitted Assets	Liabilities	Surplus
2017	$ 1,554,687 *	$ 270,963	$ 1,283,724 *
2016	1,353,253	186,509	1,166,744
2015	1,118,390	224,318	894,072
2014	1,063,585	219,664	843,921
2013	879,237	186,242	692,995

*Assets were adjusted to correct understated carrying value of bonds.

MANAGEMENT AND CONTROL

Directors

The corporate powers of the Company are vested in a Board of Directors (Board) consisting of seven (7) members. Directors are elected to serve three (3) year, staggered terms. The following is a listing of persons serving as directors as of December 31, 2017:

Name	Address
Craig Bender	Albion, Indiana
Lawrence Biggerstaff	Kendallville, Indiana
Samuel Buckles	Cromwell, Indiana
Martin Huelsenbeck	Kendallville, Indiana
Jim Kiester	Kimmel, Indiana
William Ley	Avilla, Indiana
Harold Troyer	LaOtto, Indiana

Officers

The officers of the Company consist of a President, Vice President, Secretary, and Treasurer. Officers are elected at the annual meeting of the Board and serve for a term of one (1) year. The following is a list of key officers and their respective titles as of December 31, 2017.

Name	Office
Craig Bender	President
Harold Troyer	Vice President
Martin Huelsenbeck	Secretary
William Ley	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, 2017.

OATH OF OFFICE

Indiana Code 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, 2017.

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 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 any employees through a fidelity bond issued by Travelers Casualty and Surety Company of America. The bond has a blanket coverage of $250,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2017, including but not limited to, directors and officers professional liability.

STATUTORY DEPOSITS

As a farm mutual insurer, the Company is not required to maintain a statutory deposit with the state of Indiana.

REINSURANCE

The Company's reinsurance program is placed through Guy Carpenter. The reinsurance program includes three (3) treaties, all effective January 1, 2017, which are described below:

- *Property Per Risk Excess of Loss Reinsurance* - All risks are reinsured for up to $225,000 in excess of the Company's retention of $25,000.
- *Aggregate Excess of Loss Reinsurance* - Under the terms of this agreement the reinsurer shall be liable for 95% of 770% of gross net written premium income or 95% of $15,246,000, whichever is the lesser in excess of 57.5% of gross net written premium income or $759,000, whichever is greater.
- *Property Facultative Pro Rata Reinsurance* Contract - Cessions to this contract shall be limited to a maximum cession hereunder of $250,000 on any one (1) 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, 2016 and 2017, were agreed to the respective Annual Statements.

FINANCIAL STATEMENTS

FARMERS MUTUAL INSURANCE COMPANY OF NOBLE COUNTY
Assets, Liabilities and Surplus
As of December 31, 2017

	Per Annual Statement	Examination Adjustments	Per Examination	
Assets:				
Bonds	$ 41,864	$ 3,384	$ 45,248	*
Stocks	830,616	-	830,616	
Bank balances	654,850	-	654,850	
Real estate	18,775	-	18,775	
Unpaid premiums	6,730	-	6,730	
Accrued interest	668	-	668	
Federal income tax due	(2,000)	-	(2,000)	
State income tax due	(200)	-	(200)	
Total assets	$ 1,551,303	$ 3,384	$ 1,554,687	
Liabilities and Surplus:				
Unpaid claims	$ 336,132	$ -	$ 336,132	
Less, reinsurance recoverable	(286,132)	-	(286,132)	
Net unpaid claims	50,000	-	50,000	
Amounts withheld for the account of others	4,113	-	4,113	
Other unpaid expenses	19,455	-	19,455	
Premiums received in advance	27,931	-	27,931	
Unearned premium reserve	169,464	-	169,464	
Total liabilities	270,963	-	270,963	
Surplus	1,280,340	3,384	1,283,724	*
Total liabilities and surplus	$ 1,551,303	$ 3,384	$ 1,554,687	

* As adjusted through the examination process, 2017 surplus increased by $3,384 due to understated bond values.

FARMERS MUTUAL INSURANCE COMPANY OF NOBLE COUNTY
Income Statement and Change in Surplus
For the Year Ended December 31, 2017

	Per Annual Statement	Examination Adjustments	Per Examination**
Income:			
Premiums, net of reinsurance	$ 1,431,991	$ (349,375)	$ 1,082,616
Interest and profit on investments	53,545	3,384	56,929
Other income	23,255	-	23,255
Total income	1,508,791	(345,991)	1,162,800
Disbursements:			
Losses, net of reinsurance	713,288	(329,899)	383,389
Operating expenses	655,031	-	655,031
Non-operating expenses	7,400	-	7,400
Change in ledger assets and liabilities	19,476	(19,476)	-
Total disbursements	1,395,195	(349,375)	1,045,820
Net income	113,596	3,384	116,980
Surplus, beginning of period	1,166,744	-	1,166,744
Surplus, end of period as reported	$ 1,280,340	$ 3,384	$ 1,283,724 *

* As adjusted through the examination process, 2017 surplus increased by $3,384 due to understated bond balances. Reinsurance premiums ceded were understated by $349,375 and reinsurance due on claims was understated by $329,899.

**The Company reports some income statement items on a cash basis. In order to properly reconcile the change in surplus, the change in accrued asset and liability amounts reflect the reconciliation from cash to accrual basis.

COMMENTS ON THE FINANCIAL STATEMENTS

The Company understated its bond balance by $3,384 as of December 31, 2017, which resulted in also understating interest and profit on investments by the same amount. This understatement had a material impact on the Company's financial statements. In the future, the Company should take appropriate measures to ensure the proper reporting of bonds and interest and profit on investments.

The Company understated its reinsurance premiums ceded by $349,375 as of December 31, 2017. This understatement had a material impact on the Company's financial statements. In the future, the Company should take appropriate measures to ensure the proper reporting of reinsurance premiums ceded.

The Company understated its reinsurance due on claims by $329,899 as of December 31, 2017. This understatement had a material impact on the Company's financial statements. In the future, the Company should take appropriate measures to ensure the proper reporting of reinsurance due on claims.

OTHER SIGNIFICANT ISSUES

There were no other significant issues of note during the examination period.

SUBSEQUENT EVENTS

The Company has applied for extended farm mutual status in 2018. The Company awaits approval from INDOI as of the date of the 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 Farmers Mutual Insurance Company of Noble County as of December 31, 2017.

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 Farmers Mutual Insurance Company of Noble County as of December 31, 2017, as determined by the undersigned.

Jim Kattman, CFE
Noble Consulting Services, Inc.

Under the supervision of,

Jerry Ehlers, CFE
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 25 day of September 2018, before me personally appeared, Jim Kattman and Jerry Ehlers, to sign this document.

IN WITNESS WHEROF, 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: July 4, 2019

Notary Public