

Report of Examination of

The Putnam County Farmers Mutual Insurance Company
Leipsic, Ohio

As of December 31, 2009

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Columbus, Ohio

October 13, 2010

Honorable Mary Jo Hudson
Director
State of Ohio
Department of Insurance (Department)
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215-1067

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), an examination was made of

The Putnam County Farmers Mutual Insurance Company

an Ohio domiciled, mutual protective property company, hereinafter referred to as the “Company.” The examination was conducted at the Company’s home office, located at 10049 State Route 613, Leipsic, Ohio 45856.

A report of this examination is hereby respectfully submitted.

The Department last examined the Company as of December 31, 2005. Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2009.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

Name	Principal Occupation
Tim Gable	Farmer
Leonard Michel	Farmer
Kenneth Niese	Farmer
Edward Schroeder	Retired

James Zachrich Farmer

Officers

As of the examination date, the following officers were elected and serving in accordance with the Company's Bylaws:

Name	Title
Carole Zachrich	President
James Zachrich	Vice President
Ron Lammers	Secretary and Treasurer

Insurance Holding Company System

The Company has a wholly agency, The Putnam County Farmers' Mutual Insurance agency, Inc.

Reinsurance

Ceded

The Company has a per risk excess of loss reinsurance agreement that provides coverage of \$975,000 above the Company's retention of \$25,000. An aggregate excess of loss agreement provides unlimited coverage above a retention of \$95,765.

Assumed

The Company did not assume any reinsurance.

Territory and Plan of Operations

The Company is licensed to do business in the State of Ohio.

Scope of Examination

One of the purposes of the examination was to make an assessment of the financial condition of the Company as of December 31, 2009. To substantiate the various items, tests were made either by complete audits of accounts or by sampling methods prescribed by the NAIC Examiner's Handbook. In selecting the examination procedures used, due consideration was given to the importance of each account to overall solvency. Transactions occurring subsequent to the date of the examination were reviewed to the extent deemed necessary.

In addition, the following items were reviewed during the course of this examination:

1. Company history;
2. fidelity bonds and other insurance;
3. officers', employees', and agents' welfare and pension plans;
4. growth of Company;
5. loss experience; and
6. pending litigation;

Financial Statements

The financial condition as reported and filed by the Company with the Department are reflected in the following:

Statement of assets, liabilities, surplus and other funds
Statement of income

Statement of Assets, Liabilities, Surplus and Other Funds

Assets	
Stocks	\$7,510
Cash on deposit	<u>168,359</u>
Cash and invested assets	<u>\$175,869</u>
Earned but unbilled premiums	10,327
Amounts recoverable from reinsurers	65
Electronic data processing equipment and software	4,785
Receivables from parent, subsidiaries and affiliates	<u>2,000</u>
Total Assets	<u>\$193,046</u>
Liabilities and Surplus	
Other expenses	\$175
Unearned assessment/premium reserve	9,822
Ceded reinsurance premiums payable	8,709
Aggregate write-ins for liabilities	<u>57,050</u>
Total liabilities	<u>75,756</u>
Surplus	<u>117,290</u>
Total liabilities and surplus	<u>\$193,046</u>

Statement of Income

Underwriting Income

Gross assessment or premium earned	\$316,510
Less: return assessments or premiums	<u>980</u>
Total assessment or premiums	315,530
Deduct premiums for reinsurance ceded to other companies	<u>111,779</u>
Net assessment income	<u>203,751</u>

Deductions

Losses incurred	100,535
Other underwriting expenses incurred	<u>96,544</u>
Total underwriting deductions	<u>197,079</u>
Net underwriting gain	<u>6,672</u>

Other income

Finance and service charges not included in premiums	5,430
Aggregate write-ins for miscellaneous income	<u>2,819</u>
Total other income	<u>8,249</u>

Net income	<u>\$14,921</u>
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Surplus account

Surplus as regards policyholders, December 31, 2008	<u>113,075</u>
Net income	14,921
Change in net unrealized capital gains	(1,278)
Change in net nonadmitted assets	(3,628)
Aggregate write ins for gains and losses in surplus	<u>(5,800)</u>
Change in surplus as regards policyholders for the year	<u>4,215</u>
Surplus as regards policyholders, December 31, 2009	<u>\$117,290</u>

Notes to the Financial Statements

Unpaid losses

The Company did not establish a reserve for unpaid losses due to the fact that it had exceeded the aggregate excess of losses under its reinsurance agreement therefore all losses that were incurred in 2009 and paid subsequent to December 31, 2009 would be covered under the reinsurance agreement.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2009, and is summarized as follows:

Total Admitted Assets	<u>\$ 193,046</u>
Liabilities	\$75,756
Surplus	<u>117,290</u>
Total Liabilities and Surplus	<u>\$ 193,046</u>

Acknowledgement

Appreciation is expressed for the assistance extended by the officers and employees of the Company during the course of this examination.

Respectfully,



David A. Cook, CFE
Assistant Chief Examiner
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination of The Putnam County Farmers Mutual Insurance Company as of December 31, 2009.

E. A. Cook 10/13/10
Assistant Chief Examiner Date

State of Ohio

County of Franklin

Personally appeared before me the above named David A. Cook personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 13 day of October, 2010.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2012