

Report of Examination of

Farmers Mutual Aid Association of Ottoville
Ottoville, Ohio

As of December 31, 2012

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Columbus, Ohio

January 16, 2014

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
Suite 300
Columbus, Ohio 43215

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

Farmers Mutual Aid Association of Ottoville

an Ohio domiciled, mutual protective property company, hereinafter referred to as the “Company.”

Scope of Examination

The Department last examined the Company as of December 31, 2008. The Department’s current examination covers the period of January 1, 2009 through and including December 31, 2012.

The Department conducted the examination in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate 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.

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:

<u>Name</u>	<u>Principal Occupation</u>
Mike Horstman	Farmer
John Grote	Retired
Tom Kriemeyer	Retired
Art Ricker	Retired
Bruce Von Sossan	Farmer

Officers

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

<u>Name</u>	<u>Title</u>
Norb Miller	President
Art Schnipke	Secretary and Treasurer

Insurance Holding Company System

The Company is not a member of an insurance holding company system as defined in ORC Section 3901.32.

Territory and Plan of Operations

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

Reinsurance

The Company has an aggregate excess of loss reinsurance contract that provides coverage of 100% of losses in excess of the company's retention of \$157,408.

The Company did not assume any reinsurance.

Financial Statements

The financial condition and the results of its operations for the year ending December 31, 2012 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 Changes in the Capital and Surplus Account

**Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2012**

Real estate	\$ 7,388
Cash	<u>502,833</u>
Subtotal, cash and invested assets	510,221
Investment income due and accrued	1,689
Assessments or premiums in the course of collection	2,408
Amounts recoverable from reinsurers	<u>67,365</u>
Total assets	<u><u>\$ 581,683</u></u>
Unpaid losses	\$ 67,364
Other expenses	3,572
Taxes, licenses and fees	1,345
Unearned assessment/premium reserve	79,065
Ceded reinsurance premiums payable	<u>2,519</u>
Total liabilities	153,865
Surplus	<u>427,818</u>
Total liabilities and surplus	<u><u>\$ 581,683</u></u>

Statement of Income
For the Year Ending December 31, 2012

Underwriting Income

Gross assessments/premiums earned	\$ 254,639
Deduct premiums for reinsurance ceded	<u>29,865</u>
Net assessments/premiums earned	<u>224,774</u>

Deductions

Losses incurred	140,192
Other underwriting expenses incurred	<u>152,921</u>
Total underwriting deductions	<u>293,112</u>
Net underwriting loss	<u>(68,339)</u>

Investment Income

Net investment income earned	<u>14,179</u>
Net investment gain	<u>14,179</u>

Other Income

Rental income	1,211
Salvage income	5,000
Other income	<u>2,771</u>
Total other income	8,982

Net loss	<u>\$ (45,177)</u>
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Surplus Account

Surplus as regards policyholders, December 31, 2011	\$ 472,995
Net loss	<u>(45,177)</u>
Change in surplus as regards policyholders for the year	<u>(45,177)</u>
Surplus as regards policyholders, December 31, 2012	<u>\$ 427,818</u>

Statement of Changes in the Capital and Surplus Account

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Capital and surplus, beginning of the year	<u>\$472,995</u>	<u>\$452,137</u>	<u>\$441,602</u>	<u>\$406,407</u>
Net income (loss)	<u>(45,177)</u>	<u>20,858</u>	<u>10,535</u>	<u>35,195</u>
Change in surplus during the year	<u>(45,177)</u>	<u>20,858</u>	<u>10,535</u>	<u>35,195</u>
Capital and surplus, end of the year	<u>\$427,818</u>	<u>\$472,995</u>	<u>\$452,137</u>	<u>\$441,602</u>

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2012, and is summarized as follows:

Total Admitted Assets	<u>\$ 581,683</u>
Liabilities	\$ 153,865
Surplus	<u>427,818</u>
Total Liabilities and Surplus	<u>\$ 581,683</u>

Acknowledgement

In addition to the undersigned, David T. Finkler, CPA, CFE, CISA, AES of the Department participated in 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 as of December 31, 2012.

[Signature] 1/16/14
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 knowledge and belief.

Subscribed and sworn to before me this 16 day of January, 2014.

[Signature]

Notary Public
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2017
My Commission Expires