

**Report of Examination of**

**German Farmers Mutual of Sardis Insurance Association  
Laings, Ohio**

**As of December 31, 2013**

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Columbus, Ohio

August 15, 2014

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

Dear Madam:

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

**German Farmers Mutual of Sardis Insurance Association**

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 43022 Six-Points Road, Laings, Ohio 43752.

A report of this examination is hereby respectfully submitted.

The Department last examined the Company as of December 31, 2010. Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2013.

**Scope of Examination**

The examination was conducted 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>
David Alleman	Assistant Manager, Wal-Mart
Sara Kraft	Retired
Gary McIntire	Retired
John G. Shaw	Retired
Tammy M. Wade	Administrative Assistant, AEP Construction
Robert Winkler	Retired

### Officers

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

<u>Name</u>	<u>Title</u>
David Alleman	President
John G. Shaw	Vice President
Janis Alleman	Secretary and Treasurer

### Insurance Holding Company System

The Company is a member of a holding company as defined in Section 3901.32 of the ORC. The following organization chart displays ownership of the Company and affiliated companies:

German Farmers Mutual of Sardis Insurance Association  
German Farmers of Sardis Insurance Agency

## **Reinsurance**

### **Ceded**

The Company has a per risk excess of loss agreement that covers losses above the Company's retention of \$50,000. An aggregate excess of loss agreements provides unlimited coverage for net losses above \$287,074.

All reinsurance agreements appear to transfer risk and have the NAIC required clauses.

### **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.

## **Financial Statements**

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

Statement of Assets, Liabilities, Surplus and Other Funds  
Statement of Income

## Statement of Assets, Liabilities, Surplus and Other Funds

### Admitted assets

#### Cash and invested assets:

Common stock	\$7,351
Cash	737,983
Total cash and invested assets	<u>745,334</u>

Investment income due and accrued	665
Amounts recoverable from reinsurers	13,530
Receivable from parent, subsidiaries and affiliates	9,183
Total admitted assets	<u>\$768,712</u>

### Liabilities, capital and other funds

#### Liabilities:

Unpaid losses	\$50,530
Unpaid loss adjustment expenses	1,146
Other expenses (excluding taxes, licenses and fees)	179
Taxes, licenses and fees (excluding federal income taxes)	891
Unearned assessment/premium reserve	111,651
Ceded reinsurance premiums payable	8,039
Funds held by company under reinsurance treaties	148
Amounts withheld or retained by company for account of others	3,329
Payable to parent, subsidiaries and affiliates	793
Aggregate write-ins for liabilities	1,782
Total liabilities	<u>178,488</u>

#### Capital and surplus:

Surplus as regards policyholders	590,224
Total capital and surplus	<u>590,224</u>
Total liabilities, capital and surplus	<u>\$768,712</u>

## Statement of Income and Expenses

Income	
Total assessment or premium income	\$426,104
Deduct premiums for reinsurance ceded to other companies	94,554
Net assessment income	<u>331,550</u>
Deductions	
Losses incurred	88,850
Loss expenses incurred	7,797
Other underwriting expense incurred	173,514
Total underwriting deductions	<u>270,161</u>
Net underwriting gain	61,389
Investment Income	
Net investment income	11,258
Net investment gain	<u>11,258</u>
Other Income	
Finance and service charges not included in premiums	3,715
Aggregate write-ins for miscellaneous income	31,739
Total other income	<u>35,454</u>
Net income, after capital gains tax and federal income taxes	108,101
Federal income taxes incurred	-
Net income	<u><u>\$108,101</u></u>

## Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2013, and is summarized as follows:

Total Admitted Assets	\$ <u>768,712</u>
Liabilities	\$ 178,488
Surplus	<u>590,224</u>
Total Liabilities and Surplus	\$ <u>768,712</u>

## Acknowledgement

In addition to the undersigned, the following representative of the Department participated in this examination: Methuselah E. Nyangoro, AES, CFE, CISA, CPA.

Respectfully,

  
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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 German Farmers Mutual of Sardis Insurance Association as of December 31, 2013.

*[Signature]*      10/1/14  
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/her knowledge and belief.

Subscribed and sworn to before me this 1 day of October, 2014.

*Elizabeth Chase*  
(Notary Public)

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