

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

IN THE MATTER OF:)
)
Mutual Home Insurance Company)
102 Liberty Building)
Santa Claus, Indiana 47579)

Examination of **Mutual Home Insurance Company**

NOTICE OF ENTRY OF ORDER

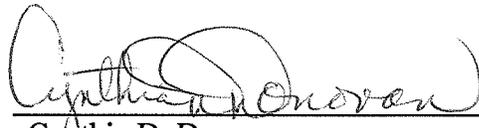
Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of **Mutual Home Insurance Company**, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on March 11, 2011, 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 **Mutual Home 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.

4/18/2011

Date



Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 8103

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102 Liberty Building)
Santa Claus, Indiana 47579)

Examination of **Mutual Home Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the **Mutual Home Insurance Company** (hereinafter "Company") for the time period January 1, 2005 through December 31, 2009.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on February 3, 2011.

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 March 11, 2011 and was received by the Company on March 15, 2011.

The Company did not file any objections.

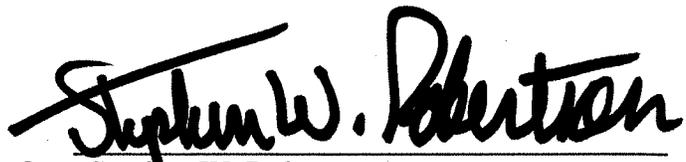
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the **Mutual Home Insurance Company** as of December 31, 2009.
2. That the Examiners' Recommendations are reasonable and necessary in order for the **Mutual Home 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 and Sealed this 18th day of
April, 2011.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

MUTUAL HOME INSURANCE COMPANY

NAIC Co. CODE 92320

As of

December 31, 2009

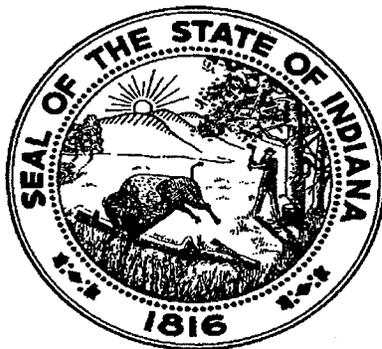


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STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

IDOI

INDIANA DEPARTMENT OF INSURANCE
311 W. WASHINGTON STREET, SUITE 300
INDIANAPOLIS, INDIANA 46204-2787
TELEPHONE: (317) 232-2385
FAX: (317) 232-5251

Stephen W. Robertson, Commissioner

February 4, 2011

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3635, an examination has been made of the affairs and financial condition of:

Mutual Home Insurance Company
102 Liberty Building P.O. Box 85
Santa Claus, IN 47579

hereinafter referred to as the "Company", an Indiana-domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in Santa Claus, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2009, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
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SECURITIES / COMPANY RECORDS
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SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance as of December 31, 2004. The present examination, covering the period from January 1, 2005, through December 31, 2009, was conducted by Noble Consulting Services, Inc. and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

We conducted our examination pursuant to and in accordance with the 2010 NAIC Financial Condition Examiners 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.

HISTORY

The Company was organized in January 1876, and elected to come under Chapter 145, Acts 1919, on August 31, 1934, which was repealed by Acts 1972, P.L. 129-2003 and restated as Indiana Code (IC) IC 27-5.1-1 as pertains to farm mutual insurance companies.

The purpose of the Company is to insure against loss from hazards permitted to be insured against by the farm mutual law under which it operates, and to distribute on the mutual insurance plan such loss as may occur from these hazards in spite of all reasonable precaution.

CAPITAL AND SURPLUS

As of December 31, 2009, the Company had surplus of \$170,490 and had 703 members, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

In accordance with the farm mutual laws, the Company may issue policies solely within the state of Indiana. As of December 31, 2009, the Company was transacting business in Spencer, Perry, Warrick, Dubois, Pike, Gibson, and Crawford counties.

GROWTH OF THE COMPANY

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

Year	Admitted		Member	Net Premium	Net Losses
	Assets	Liabilities			
2009	\$ 856,033	\$ 685,543	\$ 170,490	\$ 413,896	\$ 229,610
2008	774,598	634,478	140,120	411,529	368,100
2007	781,961	570,279	211,682	470,291	175,899
2006	760,907	713,362	47,545	506,609	516,412
2005	864,058	508,633	355,425	486,357	411,031

MANAGEMENT AND CONTROL

Members

Members (policyholders) of the Company are considered its owners. An annual meeting of members is held each year for the purpose of electing a Board of Directors and addressing such other business as may come before it. Each member is entitled to one vote for each issue where a vote is taken.

Directors

The corporate powers of the Company are vested in a Board of Directors consisting of seven members. Directors serve a term of three years. The following persons were serving as directors at December 31, 2009:

<u>Name of Director</u>	<u>Residence</u>	<u>Board Title</u>
Mark A. Lubbehusen	Dale, IN	President
David A. Lautner	Evanston, IN	Vice-President
Christina A. Lee	Dale, IN	Secretary/Treasurer
Phillip W. Miller	Gentryville, IN	Member
Melvin E. Held	Santa Claus, IN	Member
Daniel Collignon	Ferdinand, IN	Member
Louis Seifert	Dale, IN	Member

Officers

The officers of the Company consist of a president, vice-president, secretary, and treasurer. Officers are elected annually by the Board of Directors.

CONFLICT OF INTEREST

The Company was not aware of the requirement to have signed conflict of interest statements. See the Summary of Significant Findings.

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 corporation and will not knowingly violate any of the laws applicable to such corporation. The Company was not aware of the requirements to have signed oath of office statements. A template for the statements will be provided to the Company. See the Summary of Significant Findings.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

There were no amendments to the Articles of Incorporation or Bylaws during the examination period.

Minutes

Minutes from the Board of Directors meetings and the annual meeting of the members were reviewed for the period under examination through the fieldwork date. Minutes documented the Board's oversight of operations.

AFFILIATED COMPANIES

The Company is owned by its members. The Company also wholly owns Mutual Home Insurance Agency.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by its employees through a fidelity bond issued by Western Surety Company. The bond has blanket coverage of \$25,000. Based on the admitted assets and gross income of the Company, the Company is in compliance with the prescribed minimum coverage specified by the NAIC.

STATUTORY DEPOSITS

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

REINSURANCE

Reinsurance Assumed

The Company assumed no reinsurance during the exam period.

Reinsurance Ceded

The Company's reinsurance program is written through Grinnell Mutual Reinsurance Company. The 2009 policies are as follows:

The first occurrence of loss excess retention is \$75,000 and the aggregate excess retention is \$298,497.

Loss amounts that exceed \$1,000,000 for livestock/poultry/horse operations, commercial and public property, farm outbuildings, and dwellings are not considered in determining the Aggregate Net Loss.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records and supporting data were reviewed and tested to the extent deemed necessary. The Company uses Grinnell software for their general ledger and checking register. Material balances reflected in the December 31, 2009, Annual Statement was agreed to supporting documentation.

Mutual Home Insurance Company

Financial Statements

Assets, Liabilities, and Surplus

	As of December 31, 2009			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, 2008
Assets:				
Stocks	\$ 118,416		\$ 118,416	\$ 99,609
Bank balances	648,211		648,211	607,684
Cash in office	16		16	16
Unpaid premiums	82,059		82,059	79,896
Bills Receivable				(19,938)
Equipment and furniture	7,331		7,331	7,331
Total Assets	\$ 856,033		\$ 856,033	\$ 774,598
Liabilities and Surplus:				
Net unpaid claims	\$ 51,207		\$ 51,207	
Unpaid salaries and commissions	15,245		15,245	15,560
Borrowed money	310,957		310,957	310,000
Taxes payable				812
Premiums collected for other companies	23,095		23,095	20,357
Unearned premium reserve	285,039		285,039	287,749
Total liabilities	685,543		685,543	634,478
Surplus	170,490		170,490	140,120
Total liabilities and surplus	\$ 856,033		\$ 856,033	\$ 774,598

Mutual Home Insurance Company

Financial Statements

Statement of Income

	For the period ended December 31, 2009			December 31,
	* Per Annual Statement	Examination Adjustments	Per Examination	2008
Net Ledger Assets, January 1,	\$ 140,120		\$ 140,120	\$ 211,682
Income:				
Premiums, net of reinsurance	413,896	22,129	436,025	411,529
Interest on bank deposits	17,756		17,756	19,943
Premiums collected for other companies	11,969		11,969	13,255
Checks charged off	527		527	1,628
Increase in ledger liabilities	855	(855)		
Premium adjustment	1,692		1,692	
Federal income tax refund				5,974
Miscellaneous income	4,332		4,332	
Stock revaluation	18,807		18,807	22,262
Total income	469,834	21,274	491,108	474,591
Disbursements:				
Losses, net of reinsurance	229,610	51,207	280,817	357,427
Operating expenses	170,878	(1,127)	169,751	175,383
Non-operating expenses	10,011	159	10,170	13,343
Total disbursements	410,499	50,239	460,738	546,153
Net income	59,335	(28,965)	30,370	(71,562)
Net Ledger Assets, December 31,	\$ 199,455	\$ (28,965)	\$ 170,490	\$ 140,120

* Statement amounts in this column may differ as a result of adjustments to more accurately reflect the appropriate amount(s).

COMMENTS ON THE FINANCIAL STATEMENTS

There were no material adjustments to surplus for the current examination.

SUMMARY OF SIGNIFICANT FINDINGS

1. As noted in the Conflict of Interest section of this report, the Company does not have its Officers and Directors sign statements annually. In accordance with regulatory requirements, signed Conflict of Interest statements should be obtained from Officers and Board members annually.
2. As noted in the Oath of Office section of this report, the Company did not have signed Oath of Office statements on file. In accordance with IC 27-1-7-10(i), signed Oath of Office statements should be obtained from Board members and Officers on an annual basis. The Company has been forwarded a template for implementation.
3. The Company's reinsurance limit for individual occurrence is set at \$75,000, which exceeds the maximum allowed risk, as defined in IC 27-1-7-21. The Statute states the maximum allowed risk is 5% of surplus. The Company's current surplus is \$170,490 as of December 31, 2009. Five percent of this surplus amount is \$8,525.
4. The Company has consistently maintained loan balances during the exam period and the loan balances have been increasing in recent years. IC 27-5.1-2-36 requires farm mutuals to repay such loans within twelve months after the expenses were incurred which created the need to borrow. The Company is in non-compliance with the Statute and needs to immediately implement a strategy to eliminate the debt in 2011, which will be evidenced by the 2011 Annual Statement.

SUBSEQUENT EVENTS

No significant subsequent events were noted.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, a completed management representation letter in the standard NAIC format was obtained. This letter was executed by key financial personnel of the Company and provided to the IDOI.

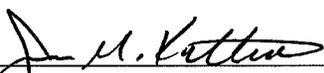
AFFIDAVIT

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., hereinafter collectively referred to as the "Examiners", performed an examination of **Mutual Home Insurance Company**, as of **December 31, 2009**.

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 2010 NAIC Financial Condition Examiner's 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 **Mutual Home Insurance Company**, as of **December 31, 2009**, as determined by the undersigned.



James M. Kattman, CFE
Noble Consulting Services, Inc.

State of:
County of:

On this 23 day of February 2011, before me personally appeared, James M. Kattman, 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: 3/1/18 