

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

IN THE MATTER OF:)
)
Southeastern Indiana Health Organization, Inc.)
417 Washington Street)
Columbus, Indiana 47201)

**Examination of Southeastern Indiana Health
Organization, Inc.**

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 **Southeastern Indiana Health Organization, Inc.**, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on August 1, 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 **Southeastern Indiana Health Organization, Inc.** 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.

9/9/11

Date



Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 8691

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

IN THE MATTER OF:)
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Southeastern Indiana Health Organization, Inc.)
417 Washington Street)
Columbus, Indiana 47201)

Examination of **Southeastern Indiana Health
Organization, Inc.**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the **Southeastern Indiana Health Organization, Inc.** (hereinafter "Company") for the time period January 1, 2006 through December 31, 2010.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on July 11, 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 August 1, 2011 and was received by the Company on August 3, 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 **Southeastern Indiana Health Organization, Inc.** as of December 31, 2010.
2. That the Examiner's Recommendations are reasonable and necessary in order for the **Southeastern Indiana Health Organization, Inc.** 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 9th day of
September, 2011.



Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

SOUTHEASTERN INDIANA HEALTH ORGANIZATION, INC.
NAIC Co. CODE 95812

As of
December 31, 2010



TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION	2
HISTORY.....	2
CAPITAL AND SURPLUS.....	3
TERRITORY AND PLAN OF OPERATION.....	3
GROWTH OF THE COMPANY.....	4
MANAGEMENT AND CONTROL.....	5
Directors.....	5
Officers.....	6
CONFLICT OF INTEREST.....	6
CORPORATE RECORDS.....	6
Articles of Incorporation and Bylaws.....	6
Minutes.....	6
AFFILIATED COMPANIES.....	7
Organizational Structure.....	7
Affiliated Agreements.....	7
FIDELITY BOND AND OTHER INSURANCE.....	8
STATUTORY AND SPECIAL DEPOSITS.....	8
REINSURANCE.....	8
RESERVES.....	8
ACCOUNTS AND RECORDS.....	9
FINANCIAL STATEMENTS.....	10
Assets.....	10
Liabilities, Capital and Surplus.....	11
Statement of Revenue and Expenses.....	12
COMMENTS ON THE FINANCIAL STATEMENTS.....	13
OTHER SIGNIFICANT ISSUES.....	13
SUBSEQUENT EVENTS.....	13
AFFIDAVIT	



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

July 12, 2011

Stephen W. Robertson, Commissioner

Honorable Joseph Torti, III
Chair, NAIC Financial Condition (E) Committee
Superintendent, State of Rhode Island
Department of Business Regulation
Division of Insurance Regulation
1511 Pontiac Avenue, Building 69-2
Cranston, Rhode Island 02920-4407

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

Dear Superintendent and Commissioner:

Pursuant to the authority vested in Appointment Number 3672, an examination has been made of the affairs and financial condition of:

Southeastern Indiana Health Organization, Inc.
417 Washington Street
Columbus, Indiana 47201

hereinafter referred to as the "Company," an Indiana domestic health maintenance organization. The examination was conducted at the corporate offices of the Company in Columbus, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2010, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
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CONSUMER SERVICES
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EXAMINATIONS / FINANCIAL SERVICES
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SECURITIES / COMPANY RECORDS
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SCOPE OF EXAMINATION

The Company was last examined by representatives of Noble Consulting Services, Inc. (Noble) as of the period ending December 31, 2007. The present risk-focused examination was conducted by Noble and covered the period from January 1, 2008 through December 31, 2010, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

David M. Shepherd, FCAS, MAAA, of Merlinos and Associates, Inc. was appointed by the Indiana Department of Insurance (IDOI) and conducted a review of the Company's statutory reserves as of December 31, 2010. There were no actuarial adjustments or recommendations resulting from the review performed by Merlinos and Associates, Inc.

We conducted our risk-focused examination pursuant to and 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. The working papers prepared by Blue and Company, LLC, the Company's independent auditors, in their audit of the Company's accounts for the year ended December 31, 2010, were reviewed. A portion of the auditor's working papers have been incorporated into the working papers of the examination and have been utilized for the purposes of this examination in accordance with the provisions contained in the Handbook.

HISTORY

The Company is a not-for-profit tax paying health maintenance organization (HMO) incorporated in 1986. The Company has no owners or shareholders; however, it shares a common Board of Directors with an affiliate, Southeastern Indiana Health Operations, Inc. (SIHOPS). SIHOPS is also an Indiana not-for-profit organization, and manages the day-to-day operations of the Company as authorized by a joint Administrative Services Agreement (ASA) in exchange for payment of a management fee.

The Company is only licensed in the state of Indiana and provides group health coverage primarily in the southern region of the State. The Company remains a niche player in the small group fully insured market.

The Company owns SIHO, LLC, an Indiana limited liability company. SIHOPS owns SIG Insurance Services, Inc., SIHO Foundation, SIHOPS, LLC, and a portion of SIHO Network, LLC. Both the Company and SIHOPS are affiliated with Columbus Regional Hospital, Schneck Medical Center, Bloomington Hospital and Health Systems, and Multi-county Physicians (MCP), who are all equal "members" of both companies.

CAPITAL AND SURPLUS

As of December 31, 2010, the Company had no common or preferred stock outstanding. The Company reported no capital stock and gross paid-in and contributed surplus totaling \$5,216,517 as of December 31, 2010.

The Company and SIHOPS entered into a Promissory Note and Subordination Agreement effective December 20, 2010. Pursuant to the terms of this agreement, SIHOPS will loan the Company \$300,000 as a promissory note to be repaid over a seven (7) year period with an interest rate of 1.6%. This agreement was not disapproved by the IDOI on February 11, 2011.

On December 31, 2009, the Company received notes valued at \$371,000 from MCP, one (1) of the current four (4) affiliated members of the Company, in order to bring the level of contributed capital on par with the other three (3) affiliated members. The notes are comprised of one (1) at \$85,500 that pays interest at .69% for thirty-six (36) months, and a second note at \$285,500 that pays interest at 2.61%, and principal payments for ninety-two (92) months.

TERRITORY AND PLAN OF OPERATION

The Company, along with the business of third party administrator operations, provides fully insured and self funded health plans for more than 57,500 members. The Company's primary product is point of service comprehensive medical small group insurance with a focus on local employers with two (2) to fifty (50) members. The Company's products offer numerous features and services. The Company does promote Health Savings Accounts as well. The Company utilizes local agents and brokers to market its business. The Company does all of its own underwriting, the brokers do not accept risk or issue proposals/policies directly to the customers.

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Admitted</u> <u>Assets</u>	<u>Liabilities</u>	<u>Capital and</u> <u>Surplus</u>	<u>Total</u> <u>Revenues</u>	<u>Net Income</u>
2010	\$ 9,769,539	\$ 5,224,345	\$ 4,545,194	\$ 50,269,869	\$ 295,811
2009	10,501,457	6,584,868	3,916,589	48,325,761	(1,340,162)
2008	10,049,723	5,477,127	4,572,596	41,825,676	396,734

Admitted assets decreased to \$9.7 million at year-end 2010 resulting from a decrease in amounts recoverable from reinsurers, current tax refunds due, and amounts due from parent, subsidiaries, and affiliates. This decrease was partially offset by the Company eliminating its exposure to the volatile equity markets in August of 2010 on the disposal of all mutual fund investments, a bond maturity, and an increase in health care receivables. Admitted assets increased from 2008 to 2009 primarily due to common stock mutual fund acquisitions as a part of the Company's investment strategy. This increase was partially offset by a decrease in other invested assets and a decrease in amounts recoverable from reinsurers.

Liabilities decreased from 2009 to 2010 due largely in part to a decrease in general expenses due or accrued. Liabilities increased from 2008 to 2009 primarily due to unusually high utilization in December 2009 along with one (1) large claim.

Capital and surplus increased from 2009 to 2010 due to an increase in net income and as a result of the Company entering into the Promissory Note and Subordination Agreement with SIHOPS. Capital and surplus decreased from 2008 to 2009 as a result of the net loss incurred in 2009.

Net income increased from 2009 to 2010 in part due to an increase in premiums, but primarily due to the decrease of medical expenses and prescription drugs. Net income decreased from 2008 to 2009 primarily due to a decrease in premiums, and the fluctuation reflected in liabilities noted above.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Corporation are to be managed by a Board of Directors consisting of ten (10) members, each of whom, other than the President of the Corporation, shall be elected by the Physician and Hospital members. The Company and SIHOPS share the same Board of Directors. The directors of the Corporation serve as directors for the Company. The following is a listing of persons serving as directors for the Company and their principal occupations as of December 31, 2010:

<u>Name and Address</u>	<u>Principal Occupation</u>
David S. Barker Columbus, Indiana	President and Chief Executive Officer Southeastern Indiana Health Organization, Inc.
Bradford J. Bomba, Jr., M.D. Bloomington, Indiana	Internist Internal Medicine Associates
Terrence M. Greene, M.D. Bloomington, Indiana	Surgeon Bloomington Hospital
Daniel A. Walters, M.D. Seymour, Indiana	Family Practitioner Caring Family Physicians
Michael Dorenbusch, M.D. Columbus, Indiana	Surgeon Southern Indiana Surgery
Gary A. Meyer Seymour, Indiana	President Schneck Medical Center
James D. Bickel Columbus, Indiana	President and Chief Executive Officer Columbus Regional Hospital
John Fye, M.D. Seymour, Indiana	Family Practitioner Family Medical Center
Mark E. Moore Bloomington, Indiana	President Bloomington Hospital
David S. Wilson, M.D. Columbus, Indiana	Pulmonologist The Lung Center

Officers

The Bylaws state the principal officers of the Corporation shall be elected by the Board of Directors at the second regular meeting and consist of a President, a Secretary, and such other officers as the Board of Directors may from time to time elect. Each officer shall serve for one (1) year and until the officer's successor is elected and qualified. Any two (2) or more offices may be held by the same person, except the offices of the President and Secretary. The following is a list of key officers and their respective titles as of December 31, 2010:

<u>Name</u>	<u>Office</u>
David Barker	President and Chief Executive Officer
Gary Meyer	Secretary
Michael Clancy	Vice President, Information Technology
Jennifer Cutsinger	Vice President, Client Services
Richard Kramer	Vice President and Controller
Marc Rothbart	Senior Vice President and Chief Financial Officer

CONFLICT OF INTEREST

Directors are required to review and sign Conflict of Interest statements annually. It was determined that directors listed in the Management and Control section of this Report of Examination had not reviewed and signed their statements as of year-end 2010. See the Other Significant Issues section of this Report of Examination.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

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

Minutes

The Board of Directors meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted. During review of the Board of Directors meeting minutes, it was determined the officers of the Company were not elected by the Board of Directors in accordance with the Company's Bylaws. See the Other Significant Issues section of this Report of Examination.

AFFILIATED COMPANIES

Organizational Structure

The following organizational chart, effective as of December 31, 2010, shows the upstream affiliates from the Company to the ultimate controlling entity:

	<u>NAIC Co. Code</u>	<u>Domiciliary State</u>
Bloomington Hospital and Health Systems (Bloomington Hospital)		
Columbus Regional Hospital (CRH)		
Schneck Medical Center (SMC)		
Multi-county Physicians		
Southeastern Indiana Health Organization, Inc.	95812	IN
SIHO, LLC		
Southeastern Indiana Health Operations, Inc.		
SIHO Foundation		
SIG Insurance Services, Inc.		
SIHOPS, LLC		
SIHO Network, LLC*		

* SIHO Network, LLC is owned by SIHOPS (40%), Bloomington Hospital (20%), CRH (20%), and SMC (20%)

Affiliated Agreements

The following affiliated agreement was disclosed as part of the Form B – Holding Company Registration Statement and was filed with the IDOI as required, in accordance with Indiana Code 27-1-23-4.

Administrative Services Agreement

Effective July 1, 2003, the Company entered into the ASA, as amended, with SIHOPS. Under this agreement, SIHOPS shall supply all administrative functions and operating processes to the Company. The services to be performed include human resources, facilities management, tax, communications, printing, supplies, telecommunications, mail, information technology, executive strategic and operations management, records, sales and marketing, product management, corporate finance, and third party administration. The base compensation for services provided under the agreement is determined on the basis of the recovery of costs for such services plus 10%. During 2010, the Company paid \$2,925,000 for services provided under this agreement.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from fraudulent or dishonest acts by any employees through a fidelity bond with Travelers Insurance Company. The bond has blanket coverage of \$1,000,000. This amount meets the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2010, including, but not limited to, privacy liability and network risk, umbrella, worker's compensation, directors and officers liability, and managed care liability.

STATUTORY AND SPECIAL DEPOSITS

The Company reported a statutory deposit held for the benefit of all policyholders comprised of three (3) certificates of deposit, in the amount of \$200,000, each held with various banks at December 31, 2010, totaling \$600,000.

REINSURANCE

The Company has an HMO Excess Risk Reinsurance Agreement with ING Reinsurance, a division of ReliaStar Life Insurance Company. The deductible amount for such reinsurance coverage is \$200,000 of eligible charges for loss as to each member during the agreement term. The reinsurer is liable for 80% excess of retention for eligible services, with the maximum reinsurance coverage payable for eligible charges as to any one (1) member of \$1,000,000 per agreement period with a lifetime maximum of \$2,000,000 per member. In the event services for any individual member should exceed \$1,000,000 in a single year, the Company is at risk up to the insured's maximum lifetime benefit of \$2,000,000. The Company also reinsures 100% of its out-of-area services under an agreement with ING Reinsurance. In addition to medical benefits reinsurance, ReliaStar Life Insurance Company provides insolvency coverage at \$1,500,000.

RESERVES

Arthur L. Wilmes, FSA, MAAA, was appointed by the Board of Directors on December 16, 2009, to render an opinion on the statutory-basis loss reserves, actuarial liabilities, and related items for the year ended December 31, 2010.

The scope of the opinion was to examine the actuarial assumptions and methods used in determining loss reserves and related items, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials as of December 31, 2010. In forming the opinion, information prepared by the Company was relied upon. This information was evaluated for reasonableness and consistency. In other respects, the examination included such review of the actuarial assumptions and methods used and such tests of the calculations as considered necessary.

The 2010 opinion stated that the balances of reserves and related actuarial values concerning the Annual Statement items: 1) are in accordance with accepted actuarial standards consistently applied and fairly stated in accordance with sound actuarial principles; 2) are based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the statement was prepared; 3) meet the requirements of the insurance laws and regulations of the State of Indiana; 4) make a good and sufficient provision for all unpaid claims and other actuarial liabilities of the organization under the terms of its contracts and agreements; 5) are computed on the basis of assumptions and methods consistent with those used in computing the corresponding items in the annual statement of the preceding year-end; and 6) include appropriate provision for all actuarial items that ought to be established.

During the examination, it was determined that the material actuarial items in the Annual Statement of the Company are materially correct and fairly stated in accordance with statutory accounting practices prescribed or permitted by the Commissioner of Insurance of the State of Indiana.

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, 2009 and 2010, were materially reconciled to the respective Annual Statements. The Annual Statements for the years ended December 31, 2008 through 2010, were reconciled to each year's independent audit report with no exceptions noted.

Southeastern Indiana Health Organization, Inc.

Financial Statements

	<u>Assets</u>			
	As of December 31, 2010			
	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Assets:				
Stocks:				
Common stocks	\$ -	\$ -	\$ -	\$ 1,556,969
Cash, cash equivalents, and short-term investments	7,963,345	-	7,963,345	6,213,303
Other invested assets	-	-	-	455,286
Subtotals, cash and invested assets	\$ 7,963,345	\$ -	\$ 7,963,345	\$ 8,225,558
Investment income due and accrued	2,714	-	2,714	6,327
Premiums and considerations:				
Uncollected premiums and agents' balances in course of collection	61,947	-	61,947	120,412
Reinsurance:				
Amounts recoverable from reinsurers	32,000	-	32,000	153,438
Current federal and foreign income tax recoverable and interest thereon	-	-	-	283,592
Net deferred tax asset	84,697	-	84,697	255,862
Receivables from parent, subsidiaries and affiliates	333,852	-	333,852	662,776
Health care (\$1,252,000) and other amounts receivable	1,252,000	-	1,252,000	706,249
Aggregate write-ins for other than invested assets	38,984	-	38,984	87,243
Total assets	\$ 9,769,539	\$ -	\$ 9,769,539	\$ 10,501,457

Southeastern Indiana Health Organization, Inc.

Financial Statements

Liabilities, Capital and Surplus

	As of December 31, 2010			
	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Liabilities:				
Claims unpaid	\$ 4,602,800	\$ -	\$ 4,602,800	\$ 5,914,700
Unpaid claims adjustment expenses	145,500	-	145,500	203,400
Premiums received in advance	44,478	-	44,478	64,468
General expenses due or accrued	129,640	-	129,640	271,533
Ceded reinsurance premiums payable	91,650	-	91,650	74,063
Amounts due to parent, subsidiaries and affiliates	15,773	-	15,773	-
Aggregate write-ins for other liabilities	194,504	-	194,504	56,704
Total liabilities	\$ 5,224,345	\$ -	\$ 5,224,345	\$ 6,584,868
Gross paid in and contributed surplus	5,216,517	-	5,216,517	5,179,281
Surplus notes	300,000	-	300,000	-
Unassigned funds (surplus)	(971,323)	-	(971,323)	(1,262,692)
Total capital and surplus	\$ 4,545,194	\$ -	\$ 4,545,194	\$ 3,916,589
Total liabilities, capital and surplus	\$ 9,769,539	\$ -	\$ 9,769,539	\$ 10,501,457

Southeastern Indiana Health Organization, Inc.

Financial Statements

Statement of Revenue and Expenses

As of December 31, 2010

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Member Months	169,936	-	169,936	174,088
Net premium income	\$ 49,803,816	\$ -	\$ 49,803,816	\$ 48,020,411
Aggregate write-ins for other health care related revenues	466,053	-	466,053	305,350
Total revenues	\$ 50,269,869	\$ -	\$ 50,269,869	\$ 48,325,761
Hospital and Medical:				
Hospital/medical benefits	34,300,072	-	34,300,072	32,509,050
Other professional services	1,928,885	-	1,928,885	1,970,464
Outside referrals	1,626,473	-	1,626,473	1,816,584
Emergency room and out-of-area	2,249,280	-	2,249,280	2,371,253
Prescription drugs	6,300,648	-	6,300,648	7,467,454
Aggregate write-ins for other hospital and medical	177,375	-	177,375	188,847
Subtotal	\$ 46,582,733	\$ -	\$ 46,582,733	\$ 46,323,652
Less:				
Net reinsurance recoveries	2,743,357	-	2,743,357	2,872,017
Total hospital and medical	\$ 43,839,376	\$ -	\$ 43,839,376	\$ 43,451,635
Claims adjustment expenses, including \$183,145 cost containment expenses	1,489,567	-	1,489,567	1,506,079
General administrative expenses	4,660,242	-	4,660,242	5,009,780
Increase in reserves for life and accident and health contracts	(57,900)	-	(57,900)	-
Total underwriting deductions	\$ 49,931,285	\$ -	\$ 49,931,285	\$ 49,967,494
Net underwriting gain or (loss)	\$ 338,584	\$ -	\$ 338,584	\$ (1,641,733)
Net investment income earned	63,849	-	63,849	55,151
Net realized capital gains (losses)	43,931	-	43,931	34,630
Net investment gains (losses)	\$ 107,779	\$ -	\$ 107,779	\$ 89,781
Net income or (loss) after capital gains tax and before all other federal income taxes	\$ 446,364	\$ -	\$ 446,364	\$ (1,551,952)
Federal and foreign income taxes incurred	150,553	-	150,553	(211,790)
Net income (loss)	\$ 295,811	\$ -	\$ 295,811	\$ (1,340,162)
Capital and Surplus Account:				
Capital and surplus prior reporting year	\$ 3,916,589	\$ -	\$ 3,916,589	\$ 4,572,596
Net income or (loss)	\$ 295,811	\$ -	\$ 295,811	\$ (1,340,162)
Change in net unrealized capital gains or (losses)				
less capital gains tax	(5,845)	-	(5,845)	248,289
Change in net deferred income tax	1,403	-	1,403	92,313
Change in nonadmitted assets	37,236	-	37,236	(371,000)
Change in surplus notes	300,000	-	300,000	(450,000)
Capital changes:				
Transferred to surplus	(37,236)	-	(37,236)	-
Surplus adjustments:				
Paid in	37,236	-	37,236	1,164,553
Net change in capital and surplus	\$ 628,605	\$ -	\$ 628,605	\$ (656,007)
Capital and surplus end of reporting period	\$ 4,545,194	\$ -	\$ 4,545,194	\$ 3,916,589

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2010, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

As of December 31, 2010, the directors had not reviewed and signed conflict of interest statements since becoming members of the Board of Directors. The directors should review and sign conflict of interest statements on an annual basis.

The officers listed in the Management and Control section of this Report of Examination were not elected at the second regular Board of Directors meeting as stipulated in Article IV, Section 1 of the Company's Bylaws. The Board of Directors should elect the officers of the Company at the second regular Board of Directors meeting to be in compliance with the Bylaws.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork that were considered material events requiring disclosure in this Report of Examination.

AFFIDAVIT OF EXAMINER-IN-CHARGE

STATE OF INDIANA

Kara M. Thome, being duly sworn, states as follows:

I have been duly appointed as the Examiner-in-Charge for the examination of **Southeastern Indiana Health Organization, Inc.** as of December 31, 2010.

I have performed the examination of **Southeastern Indiana Health Organization, Inc.** at the direction of the Indiana Department of Insurance.

I have prepared workpapers and have reviewed the workpapers prepared by assisting examiners, which support the findings and conclusions of the examination consistent with the standards and procedures required by the Indiana Department of Insurance and the National Association of Insurance Commissioners' Financial Condition Examiners Handbook.

I have prepared the attached draft Report of Examination, which to the best of my knowledge and belief, accurately discloses the financial condition of **Southeastern Indiana Health Organization, Inc.** in accordance with the NAIC Accounting Practices and Procedures Manual and Indiana prescribed and permitted accounting practices as supported by the examination workpapers.

Kara M. Thome
Kara M. Thome

July 22, 2011
Date

Subscribed and sworn before me on this 22 day of July, 2011.



Samantha Leigh Dougherty
Notary Public
My commission expires July 04, 2019
County Hendricks County