

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

IN THE MATTER OF:)
)
St. Joseph's Mutual Home Insurance Company)
12954 East 1550 North)
St. Meinrad, IN 47577)

Examination of St. Joseph's Mutual Home Insurance Company

NOTICE OF ENTRY OF ORDER

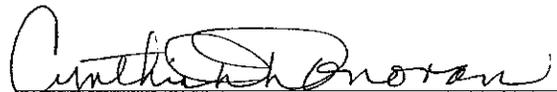
Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of St. Joseph's Mutual Home Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on March 28, 2016, 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 St. Joseph's 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.

Date

5/11/2016


Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0059 2092

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Examination of St. Joseph's Mutual Home Insurance Company

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the St. Joseph's Mutual Home Insurance Company (hereinafter "Company") for the time period January 1, 2010 through December 31, 2014.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on January 13, 2016.

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 28, 2016 and was received by the Company on March 30, 2016.

The Company did not file any objections.

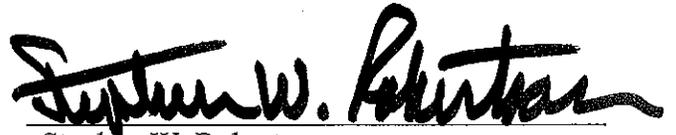
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the St. Joseph's Mutual Home Insurance Company as of December 31, 2014.
2. That the Examiner's Recommendations are reasonable and necessary in order for the St. Joseph's 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 11th day of
May, 2016.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

A handwritten signature in black ink, appearing to read "Michael W. [unclear]". The signature is written in a cursive style and is located at the bottom of the page.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION

OF

ST. JOSEPH'S MUTUAL HOME INSURANCE COMPANY
NAIC Co. CODE 92327

As of

December 31, 2014

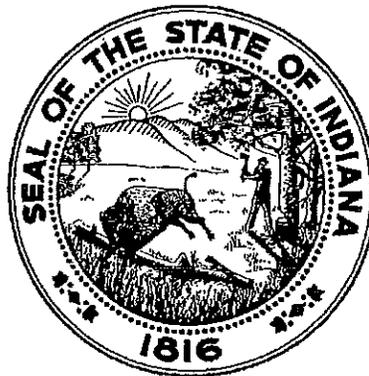


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STATE OF INDIANA

IDOI

MICHAEL R. PENCE, Governor

Indiana Department of Insurance
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: (317) 232-2385
Fax: (317) 232-5251
Stephen W. Robertson, Commissioner

January 13, 2016

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

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3883, an examination has been made of the affairs and financial condition of:

St. Joseph's Mutual Home Insurance Company
12954 East 1550 North
St. Meinrad, Indiana 47577

hereinafter referred to as the "Company", an Indiana domiciled, farm mutual insurance company. The examination was conducted at the offices of the Company in St. Meinrad, Indiana and the offices of Noble Consulting Services, Inc., in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2014, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
(317) 232-2395
1-800-633-4461

EXAMINATIONS/FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

SECURITIES/COMPANY RECORDS
(317) 232-1991

STATE HEALTH INSURANCE
1-800-332-4674

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance as of the period ending December 31, 2009. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2010 through December 31, 2014, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted 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.

HISTORY

The Company was organized in 1870, incorporated as a Voluntary Association in 1914 under the 1895 Act, later electing to operate under Chapter 145, Acts 1919, which was repealed by Acts 1972, P.L. 129-2003 and restated as Indiana Code (IC) 27-5.1, as pertains to farm mutual insurance companies.

The purpose of the Company is to insure its members against loss from hazards permitted to be insured against under the farm mutual laws and to distribute, on the mutual plan, such losses as may occur.

CAPITAL AND SURPLUS

As of December 31, 2014, the Company had surplus as adjusted in the examination of \$1,470,963 and 1,054 policyholders, who are the owners of the Company.

TERRITORY AND PLAN OF OPERATION

The Company provides rural farm coverage. The Company conducts business in the Indiana counties of Crawford, Dubois, Gibson, Martin, Orange, Perry, Pike, Spencer, Vanderburgh, and Warrick.

GROWTH OF THE COMPANY

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

Year	Admitted Assets	Liabilities	Surplus
2014	\$ 1,621,000	\$ 150,037 ^A	\$ 1,470,963 ^A
2013	1,634,197	167,868	1,466,329
2012	1,457,562	170,018	1,287,544
2011	1,402,564	155,231	1,247,333
2010	1,404,279	29,019	1,375,260

^A 2014 liabilities and surplus have been adjusted, per the examination. See the **Financial Statements** section.

MANAGEMENT AND CONTROL

Directors

The business and financial affairs of the Company shall be managed by a Board of Directors (Board), consisting of seven (7) members elected at the annual meeting of members. Directors shall serve for a term of three (3) years and until their successor is elected and qualified. The following is a listing of persons serving as directors as of December 31, 2014:

Name	Address
Maryetta Boehm	St. Meinrad, Indiana
Leon Dilger	Dale, Indiana
David Sitzman	Bristow, Indiana
Randal Sitzman	St. Meinrad, Indiana
Thomas Vaal	St. Meinrad, Indiana
Carol Waninger	Santa Claus, Indiana
Gary Waninger	St. Meinrad, Indiana

Officers

At the annual meeting of the Board, the Board shall elect a President, a Vice President, a Secretary, and a Treasurer, all for a term of one (1) year and until their successors are elected and qualified. At any Board meeting, the Board may elect or appoint such other officers, who need not be directors, as it may deem necessary for the transaction of the business of the Company. The following is a list of key officers and their respective titles as of December 31, 2014.

Name	Office
Gary Waninger	President
Leon Dilger	Vice President
Maryetta Boehm	Secretary
Thomas Vaal	Treasurer

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2014.

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 Company and will not knowingly violate any of the laws applicable to such Company. It was determined that not all of the directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2014. See the **Other Significant Issues** section of this Report of Examination.

CORPORATE RECORDS

Articles of Incorporation

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

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board minutes and the minutes from the annual meeting of the members were reviewed for the period under examination, through the fieldwork date. No significant issues or events were noted.

AFFILIATED COMPANIES

The Company does not have any affiliated companies.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Western Surety Company. The bond has a coverage limit of \$40,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

STATUTORY DEPOSITS

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

REINSURANCE

During the examination period, the Company's reinsurance program was written through Guy Carpenter, a reinsurance intermediary representing several companies, as follows:

- *Property Facultative Per Risk Excess of Loss Reinsurance Contract* – The coverage was \$240,000 each loss, each risk excess \$60,000 each loss, and each risk for covered cessions listed in the monthly bordereau provided by the Company for 2014.
- *Property Per Risk Excess of Loss Reinsurance Contract* – The coverage was 100% of \$40,000 in excess of \$20,000, per property risk for 2014
- *Aggregate Excess of Loss Reinsurance Contract* – The coverage was 90% of 272.5% of gross net written premium income or 90% of \$765,000, whichever was the lesser in excess of 77.5% of gross net written premium income or \$145,000, whichever was greater for 2014.
- *Supplemental Aggregate Excess of Loss Reinsurance Contract* – The coverage was 100% of 400% of gross net written premium income as respects all net losses and net loss adjustment expenses in excess of an amount equal to the Company's net retention and coverage provided by the Aggregate Excess of Loss Reinsurance Contract for 2014.

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, 2013 and 2014, were agreed to the respective Annual Statements.

ST. JOSEPH'S MUTUAL HOME INSURANCE COMPANY
 Assets, Liabilities and Surplus
 As of December 31, 2014

	Per Annual Statement	Examination Adjustments	Per Examination
Stocks	\$ 262,517	\$ -	\$ 262,517
Bank Balances			
Subject to check	67,454	-	67,454
On interest	271,089	-	271,089
Unpaid Premiums			
Due after November 1	44,965	-	44,965
Cash surrender value of life insurance	966,685	-	966,685
NAMIC	8,290	-	8,290
Totals	<u>\$ 1,621,000</u>	<u>\$ -</u>	<u>\$ 1,621,000</u>
Unpaid claims (reported)	\$ 3,116	\$ -	\$ 3,116
Premiums collected for other companies			
– not remitted	2,356	-	2,356
Unearned premium ^A	182,594	(52,057)	130,537
Unrealized gain on NAMIC	430	-	430
Reinsurance payable	13,598	-	13,598
Total liabilities	<u>202,094</u>	<u>(52,057)</u>	<u>150,037</u>
Surplus	<u>1,418,906</u>	<u>52,057</u>	<u>1,470,963</u>
Total liabilities and surplus	<u>\$ 1,621,000</u>	<u>\$ -</u>	<u>\$ 1,621,000</u>

^A The Company overstated unearned premiums by \$52,057. See the Comments on the Financial Statements section.

ST. JOSEPH'S MUTUAL HOME INSURANCE COMPANY
Income Statement and Change in Surplus
For the Year Ended December 31, 2014

	Per Annual Statement	Examination Adjustments	Per Examination
INCOME			
Direct premiums written	\$ 380,284	\$ -	\$ 380,284
Less: Reinsurance premiums ceded	(108,458)	-	(108,458)
Total net premiums	271,826	-	271,826
Income from investments	17,122	-	17,122
Other income	78,415	-	78,415
Total income	<u>\$ 367,363</u>	<u>\$ -</u>	<u>\$ 367,363</u>
DISBURSEMENTS			
Direct losses	\$ 202,676	\$ -	\$ 202,676
Operating expenses	145,045	-	145,045
Non-operating expenses	411	-	411
Total disbursements	348,132	-	348,132
Net income	19,231	-	19,231
Change in accrued assets and liabilities ^B	(68,452)	52,057	(16,395)
Unrealized gain	1,798	-	1,798
Surplus, beginning of period	1,466,329	-	1,466,329
Surplus, end of period	<u>\$ 1,418,906</u>	<u>\$ 52,057</u>	<u>\$ 1,470,963</u>

^B The Company reports some income statement items on a cash basis. In order to properly reconcile the change in surplus, the change in accrued assets and liabilities amount reflects the reconciliation from cash to accrual basis. See the **Comments on the Financial Statements** section.

COMMENTS ON THE FINANCIAL STATEMENTS

The Company overstated the reported amount in its financial statement for unearned premium by \$52,057 as of December 31, 2014. The Company's reinsurance calculation is based on gross revenue, despite the fact that the reinsurer is paid in full in the first month of each policy term. The \$52,057 overstatement to unearned premiums represents the offsetting prepaid balance paid to Guy Carpenter.

OTHER SIGNIFICANT ISSUES

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 Company and will not knowingly violate any of the laws applicable to such Company. It was determined that not all of the directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2014. It is recommended that every director, when elected (or re-elected), subscribe to an oath to comply with IC 27-1-7-10(i).

SUBSEQUENT EVENTS

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

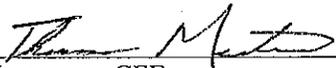
AFFIDAVIT

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., performed an examination of St. Joseph's Mutual Home Insurance Company as of December 31, 2014.

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 NAIC Financial Condition Examiners 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 St. Joseph's Mutual Home Insurance Company as of December 31, 2014, as determined by the undersigned.

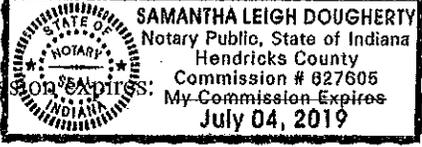
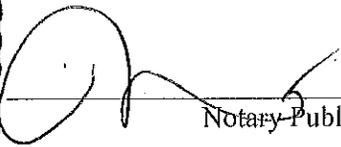


Tom Masterson, CFE
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

On this 14 day of January, 2016, before me personally appeared, Tom Masterson, 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:  

Notary Public

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