

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

IN THE MATTER OF:)
)
Saint Celestine Mutual Fire Insurance Company)
1510 South Santine Road)
St. Anthony, Indiana 47575)

Examination of **Saint Celestine Mutual Fire 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 **Saint Celestine Mutual Fire Insurance Company**, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on March 10, 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 **Saint Celestine Mutual Fire 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.

4/28/2011

Date



Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 8134

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COUNTY OF MARION) COMMISSIONER OF INSURANCE

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Saint Celestine Mutual Fire Insurance Company)
1510 South Santine Road)
St. Anthony, Indiana 47575)

**Examination of Saint Celestine Mutual Fire Insurance
Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the **Saint Celestine Mutual Fire 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 January 25, 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 10, 2011 and was received by the Company on March 12, 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 **Saint Celestine Mutual Fire Insurance Company** as of December 31, 2009.
2. That the Examiners' Recommendations are reasonable and necessary in order for the **Saint Celestine Mutual Fire 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 28th day of April, 2011.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

SAINT CELESTINE MUTUAL FIRE INSURANCE COMPANY

NAIC Co. CODE 92326

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
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Stephen W. Robertson, Commissioner

January 26, 2011

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

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3655, an examination has been made of the affairs and financial condition of:

Saint Celestine Mutual Fire Insurance Company
1510 South Santine Road
St. Anthony, Indiana 47575

hereinafter referred to as the "Company", an Indiana-domiciled, farm mutual insurance company. The examination was conducted at the Company's corporate offices in St. Anthony, 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
(317) 232-2395
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SECURITIES / COMPANY RECORDS
(317) 232-1991

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 on May 9, 1868, 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) 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 by the farm mutual law under which it operates and to distribute on the mutual insurance plan such loss as may occur in spite of reasonable precautions.

CAPITAL AND SURPLUS

As of December 31, 2009, the Company had surplus of \$775,497 and had 279 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 Dubois, Daviess, Lawrence, Knox, Pike, Orange, Crawford, Perry, Warrick, Martin, Gibson, and Allen counties.

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Member Surplus</u>	<u>Net Premium Written</u>	<u>Net Losses Paid</u>
2009	\$ 776,335	\$ 838	\$ 775,497	\$ 56,825	\$ -
2008	722,793	848	721,945	62,596	48,257
2007	696,269	857	695,412	69,203	17,657
2006	637,788	857	636,931	62,134	53,982
2005	636,495	376	636,119	75,548	50,664

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 five members. Directors serve a term of two years. The following persons were serving as directors at December 31, 2009:

<u>Name of Director</u>	<u>Residence</u>	<u>Board Title</u>
Jeff Sander	Jasper, IN	President
Edward L. Reckelhoff	St. Anthony, IN	Secretary/Treasurer
Robert Hasenour	Jasper, IN	Member
Earl Hasenour	Celestine, IN	Member
Linus Senninger	Jasper, IN	Member

Officers

The officers of the Company consist of a president, vice-president, secretary, and treasurer. It was noted that a vice-president had not been elected after the retirement of Arthur Schnell in 2009. The Company intends to elect a new vice-president at their next annual meeting.

CONFLICT OF INTEREST

The Company was not aware of the requirement to have signed conflict of interest statements. A template for the statements will be provided to the Company. 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

Due to the Articles of Incorporation not being located during the last examination, the Company recreated them in March 2006. There were no amendments to the 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 and has no affiliated companies.

FIDELITY BOND AND OTHER INSURANCE

The Company does not own a fidelity bond. The NAIC minimum recommended coverage is \$25,000. See the Summary of Significant Findings.

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 \$30,000, the individual occurrence of loss retention is \$50,000, and the adjusted attachment point for aggregate net loss is \$47,743.

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 journals to record premiums, income, and expenses. Material balances reflected in the December 31, 2009, Annual Statement were agreed to supporting documentation.

Saint Celestine Mutual Fire Insurance Company

Financial Statements

Assets, Liabilities, and Surplus

	As of December 31, 2009			December 31,
	Per Annual Statement	Examination Adjustments	Per Examination	2008
Assets:				
Stocks - common	\$ 4,767		\$ 4,767	
Bank balances	771,568		771,568	722,793
Total Assets	\$ 776,335		\$ 776,335	\$ 722,793
Liabilities and Surplus:				
Taxes payable	\$ 838		\$ 838	\$ 848
Total liabilities	838		838	848
Surplus	775,497		775,497	721,945
Total liabilities and surplus	\$ 776,335		\$ 776,335	\$ 722,793

Saint Celestine Mutual Fire Insurance Company

Financial Statements

Statement of Income

	For the period ended December 31, 2009			December 31, 2008
	* Per Annual Statement	Examination Adjustments	Per Examination	
Net Ledger Assets, January 1,	\$ 721,945		\$ 721,945	\$ 695,412
Income:				
Premiums, net of reinsurance	56,825		56,825	62,596
Interest on investments	27,697	(230)	27,467	27,976
Commissions	431		431	408
Total income	84,953	(230)	84,723	90,980
Disbursements:				
Losses, net of reinsurance	11,244		11,244	48,257
Operating expenses	19,927		19,927	16,190
Non-operating expenses				
Total disbursements	31,171		31,171	64,447
Net income	53,782	(230)	53,552	26,533
Net Ledger Assets, December 31,	\$ 775,727	\$ (230)	\$ 775,497	\$ 721,945

* 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 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. The Company was also in non-compliance on this matter, in the previous exam. The Company has been forwarded a template for implementation.
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. As noted in the Fidelity Bond and Other Insurance section of this report, the Company did not own a fidelity bond. In accordance with NAIC regulations, the Company should purchase a fidelity bond in order to meet the minimum specified amount. The Company was also in non-compliance on this matter, in the previous exam.

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 **Saint Celestine Mutual Fire 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 **Saint Celestine Mutual Fire 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 

