STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

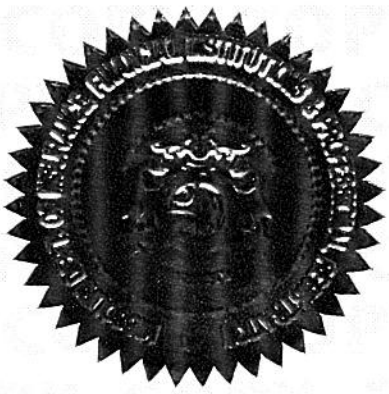
RE: Examination Report of St. Elizabeth Mutual Insurance Company for the period ended December 31, 2012

ORDER

After full consideration and review of the report of the financial examination of St. Elizabeth Mutual Insurance Company for the period ended December 31, 2012, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 380.061, RSMo [if Part I], or 380.491, RSMo [if Part II], adopt such report. After my consideration and review of such report are incorporated by reference and deemed to be my findings and conclusions to accompany this order.

Based on such findings and conclusions, I hereby ORDER St. Elizabeth Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations, if any, section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions; and (3) submit a signed copy of the minutes of the meeting which reflect a corporate resolution to the effect the Examination Report has been reviewed and accepted.

So ordered, signed and official seal affixed this 15th day of August 2013.



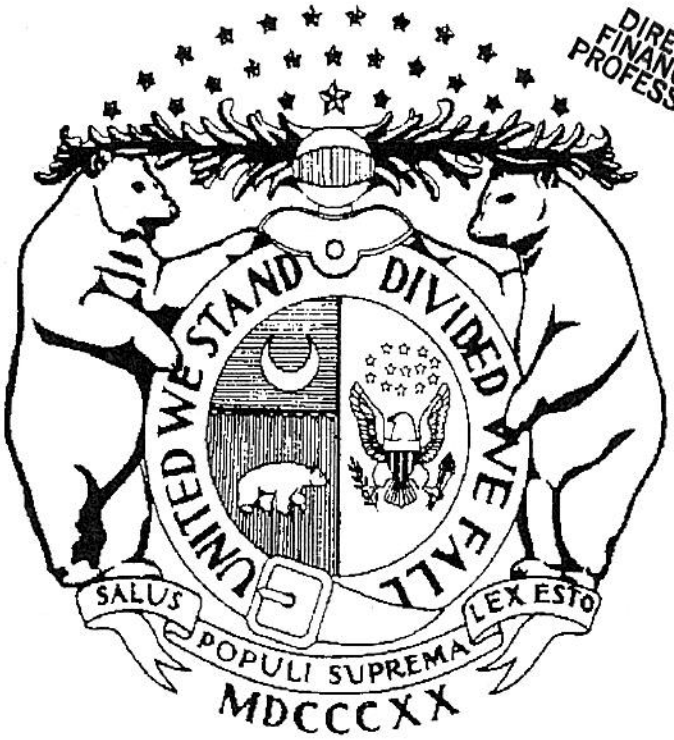
John M. Huff, Director
Department of Insurance, Financial Institutions and Professional Registration

REPORT OF THE
FINANCIAL EXAMINATION OF

ST. ELIZABETH MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2012

FILED
AUG 15 2013
DIRECTOR OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

Subject	Page
SALUTATION	1
SCOPE OF EXAMINATION:	
Period Covered	1
Procedures	1
Comments - Previous Examination Report	2
HISTORY:	
General	2
Management	2
Conflict of Interest	3
Corporate Records	3
FIDELITY BOND AND OTHER INSURANCE	4
EMPLOYEE BENEFITS	4
INSURANCE PRODUCTS AND RELATED PRACTICES:	
Territory and Plan of Operation	4
Policy Forms & Underwriting	4
GROWTH AND LOSS EXPERIENCE OF THE COMPANY	5
REINSURANCE:	
General	5
Assumed	5
Ceded	5
ACCOUNTS AND RECORDS	6
FINANCIAL STATEMENTS:	
Analysis of Assets	7
Liabilities, Surplus and Other Funds	7
Statement of Income	8
Capital and Surplus Account	8
NOTES TO THE FINANCIAL STATEMENTS	9
EXAMINATION CHANGES	9
SUBSEQUENT EVENTS	9
SUMMARY OF RECOMMENDATIONS	9
ACKNOWLEDGMENT, VERIFICATION AND SUPERVISION	10

May 20, 2013
St. Elizabeth, Missouri

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Sir:

In accordance with your examination warrant, a full-scope examination has been made of the records, affairs and financial condition of

ST. ELIZABETH MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company." The Company's administrative office is located at 160 South Walnut Street (P.O. Box 117), St. Elizabeth, Missouri 65075, telephone number (573) 493-2717. This examination began and was completed on May 20, 2013, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2007, and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2008, through December 31, 2012, and was conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP).

This examination also included material transactions and/or events occurring subsequent to the examination date, which are noted in this report.

Procedures

This examination was conducted using the guidelines set forth in the Financial Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the DIFP and statutes of the State of Missouri prevailed.

Comments-Previous Examination Report

There were no prior examination report comments or recommendations.

HISTORY

General

The Company was originally organized on December 8, 1899, and incorporated on February 27, 1930, as The St. Elizabeth Mutual Insurance Company of St. Elizabeth, Missouri. The Company currently operates as St. Elizabeth Mutual Insurance Company.

The Company has a Certificate of Authority dated August 13, 2003, and is covered by Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Insurance Companies). The Company's Certificate of Authority is renewed annually.

Management

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the third Thursday in January at the home office of the Company or at the St. Elizabeth Community Center if the home office is deemed to be insufficient by the Board of Directors. Special meetings of the members may be called by the President, by the Board of Directors, or by not less than one percent of the members. One percent of the members represented in person or by proxy shall constitute a quorum at any membership meeting.

The management of the Company is vested in the Board of Directors, who are elected from the general membership. The Board of Directors consists of eight members, serving staggered three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately six to eight times per year, and each director is compensated $100 per meeting attended.

Members serving on the Board of Directors as of December 31, 2012, were as follows:

Name and Address	Occupation	Term
Mark Adrian Eugene, Missouri	Banker	2011-2014
Kenneth Hammond Jefferson City, Missouri	Retired/ Part-time Inspector	2010-2013

Richard Juergensmeyer St. Elizabeth, Missouri	MFA Salesman/Farmer	2010-2013
Alfred Luetkemeyer St. Elizabeth, Missouri	Banker/Farmer	2012-2015
Dean Luetkemeyer St. Elizabeth, Missouri	Farmer/Construction/Insurance Agent	2012-2015
Robert Oligschlaeger St. Elizabeth, Missouri	Retired Farmer	2010-2013
Mark Reinkemeyer St. Elizabeth, Missouri	Retirement Home Employee	2011-2014
Victor Wilde St. Elizabeth, Missouri	Business Owner/Farmer/ Insurance Agent	2013-2016

The Board of Directors appoints for a term of one year, the officers of the Company. The officers of the Company serving at December 31, 2012, were as follows:

Victor Wilde	President
Dean Luetkemeyer	Vice-President
Alfred Luetkemeyer	Secretary-Treasurer

Conflict of Interest

The Company has written conflict of interest procedures for the disclosure of material conflicts of interest or affiliations by its directors and officers. The Company has its directors and officers sign conflict of interest statements on an annual basis. A review of the completed conflict of interest statements noted no potential material conflicts disclosed.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. Neither the Articles of Incorporation nor the Bylaws were amended during the examination period. The minutes of the membership and the Board of Directors' meetings were reviewed for the period under examination. The minutes and records of the Company appear to properly reflect corporate transactions and events.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of $50,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC, which is $50,000.

The Company carries liability coverage for its directors and officers and errors and omissions coverage for its agents. The Company self-insures its office building and contents, and purchases commercial general liability from an outside insurer.

The insurance coverage appears adequate.

EMPLOYEE BENEFITS

The Company has five part-time employees. Other than wages, the only benefit provided to the employees by the Company is paid time off.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the DIFP as an Extended Missouri Mutual Insurance Company operating under Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Insurance Companies). The Company writes fire, wind, and liability coverages. The Company's policies are marketed by nine agents, who receive a 15% commission.

Policy Forms and Underwriting Practices

The Company utilizes AAIS policy forms. Policies are written on a continuous period. Renewal billings are mailed directly to the insured. Inspections are performed by a part-time inspector, who is also a director. The Company President performs most of the claims adjusting, while reinsurer adjusters and independent adjusters are consulted if such need is determined by management. Rates are determined by the Board of Directors.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income	Underwriting Income	Net Income
2012	$2,493,609	$ 244,382	$875,412	$311,457	$ 55,992	$ 46,827	$ 94,727
2011	2,384,301	217,374	806,256	691,814	73,307	(122,855)	(60,658)
2010	2,441,673	190,184	769,893	685,924	82,955	(205,264)	(133,774)
2009	2,584,644	183,692	750,975	626,144	88,517	(206,559)	(135,873)
2008	2,695,610	180,969	729,562	216,687	94,836	101,842	167,239

At year-end 2012, 1,305 policies were in force.

REINSURANCE

General

The Company's reinsurance premium activity on a direct-written, assumed and ceded basis for the period under examination is shown below:

	2008	2009	2010	2011	2012
Direct	$ 729,562	$ 750,975	$ 769,893	$ 806,256	$ 875,412
Assumed	0	0	0	0	0
Ceded	(111,133)	(116,223)	(136,056)	(149,258)	(170,603)
Net	$ 618,429	$ 634,752	$ 633,837	$ 656,998	$ 704,809

Assumed

The Company does not reinsure other companies.

Ceded

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (the reinsurer) under an individual occurrence of loss with aggregate excess plan reinsurance agreement for property risks.

Under the individual occurrence of loss excess portion of the agreement, the Company retains $200,000 for each loss occurrence and the reinsurer's limits are $1 million per exposure, with the exception of farm machinery and equipment storage building which are limited to $2 million per exposure.

Under the aggregate excess portion of the agreement, the Company's annual aggregate net retention, or attachment point, is based upon the Company's five-year average fire loss ratio plus a load, which is mutually agreed upon. The reinsurer is liable for 100% of losses in excess of this retention. The attachment point for 2012 was $624,144.

Under the facultative reinsurance portion of the agreement the Company may cede to the reinsurer risks that exceed the individual risk limits outlined in the agreement. Rates are determined by the reinsurer on an individual basis.

The agreement also provides reinsurance for liability coverages. The Company cedes 100% of liability premiums and losses to the reinsurer and receives a 20% ceding commission.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that any assuming reinsurer should fail to perform its obligations under its reinsurance agreement with the Company.

ACCOUNTS AND RECORDS

The accounting records are maintained by the Company on a modified cash basis. The Company utilizes MIPS policy maintenance and accounting software by IMT Computer Services. The CPA firm of Bert Doerhoff, P.C., prepares the Company's tax filings.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2012, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the Financial Statements. (The failure of any column of numbers to add to its respective total is due to rounding or truncation.)

There may have been differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial, concerning their effect on the financial statements. Therefore, they were communicated to the Company and noted in the workpapers for each individual annual statement item.

ASSETS
December 31, 2012

Real Estate	$ 140,072
Cash on Deposit	1,751,557
Other Investments	600,000
Interest Due and Accrued	1,980
Total Assets	$ 2,493,609

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2012

Unearned Premiums	$ 243,666
Other Liabilities	716
Total Liabilities	$ 244,382
Guaranty Fund	$ 200,000
Other Surplus	2,049,227
Total Surplus	2,249,227
Total Liabilities and Surplus	$ 2,493,609

STATEMENT OF INCOME
For the Year Ending December 31, 2012

Net Premiums Earned	$ 677,650
Other Insurance Income	3,597
Net Losses & Loss Adjusting Expenses Incurred	(314,421)
Other Underwriting Expenses Incurred	(319,999)
Net Underwriting Income (Loss)	$ 46,827
Net Investment Income	55,992
Other Income	7,909
Gross Profit (Loss)	$ 110,728
Federal Income Tax	(16,001)
Net Income (Loss)	$ 94,727

CAPITAL AND SURPLUS ACCOUNT
December 31, 2012

Policyholders' Surplus, December 31, 2011	$ 2,166,927
Net Income (Loss)	94,727
Accrued Interest Adjustment	(12,427)
Policyholders' Surplus, December 31, 2012	$ 2,249,227

NOTES TO THE FINANCIAL STATEMENTS

There were no notes to the financial statements.

EXAMINATION CHANGES

There were no examination changes.

SUBSEQUENT EVENTS

At December 31, 2012, the Company had approximately $500,000 on deposit in a single financial institution. On December 31, 2012, the unlimited FDIC coverage on non-interest bearing accounts expired, and subsequent FDIC coverage is limited to $250,000 on all deposits in aggregate for a depositor in each FDIC-insured institution. As a result, approximately $250,000 of the Company's cash balance was uninsured after December 31, 2012.

SUMMARY OF RECOMMENDATIONS

Subsequent Events – Page 9

It is recommended the Company take necessary measures to ensure its cash deposits are adequately insured.

ACKNOWLEDGMENT

The assistance and cooperation extended by the employees of St. Elizabeth Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
)
County of Cole)

I, Shannon W. Schmoeger on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only the facts appearing upon the books, records or other documents of the company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Shannon W. Schmoeger, CFE
Financial Examiner
Missouri DIFP

Sworn to and subscribed before me this 26th day of June, 2013.

My commission expires:

March 5, 2017

Tammy S Rodieck
Notary Public

TAMMY S. RODIECK
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: March 05, 2017
Commission Number: 13751697

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Mark Nance, CFE, CPA
Audit Manager – Kansas City
Missouri DIFP

PO Box 117
160 South Walnut
St. Elizabeth, MO 65075

Phone: 573-493-2717
Fax: 573-493-2118
mutual2717@windstream.net

St. Elizabeth Mutual Insurance Company

RECEIVED
AUG 12 2013
MO. DEPT OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

August 10, 2013

Ms. Tammy Rodieck
Exam Coordinator
Financial Institutions and Professional Registration
Department of Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Dear Ms. Rodieck:

Board members have reviewed the Examination Report of July 23, 2013 and accept the examination as an accurate representation of the St. Elizabeth Mutual Insurance Company.

The Board and the management team at St. Elizabeth Mutual Insurance Company are fully aware of the FDIC regulation change of December 31, 2012 that limits deposits to $250,000 in any one FDIC-insured institution. In order to ensure that company cash deposits are always adequately insured, the company plans to transfer funds to a money market account in a nearby institution if cash balances should ever exceed $250,000 again. The Secretary and Assistant Secretary of the company will closely monitor the company's current checking account and money market account on a regular basis and transfer funds as necessary.

Currently, all cash accounts of the company within any one institution is under the $250,000 limit, thereby, all funds of the Company are adequately insured. Our response to the examination report may be included in any public document.

Sincerely,

Karen Wilde

Karen Wilde, Asst. Secretary