

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 Amy L. Beard, 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 July 15, 2021, 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.

8/17/2021
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7018 1130 0001 7982 6239

STATE OF INDIANA) BEFORE THE INDIANA
) SS:
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.**

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, 2017, through December 31, 2019.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on June 4, 2021.

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 July 15, 2021 and was received by the Company on July 19, 2021.

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 Org., Inc. as of December 31, 2019.
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 this 17 day of
August, 2021.



Amy L. Beard
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.

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

SOUTHEASTERN INDIANA HEALTH ORGANIZATION, INC.

NAIC Co. CODE 95812

As of

December 31, 2019

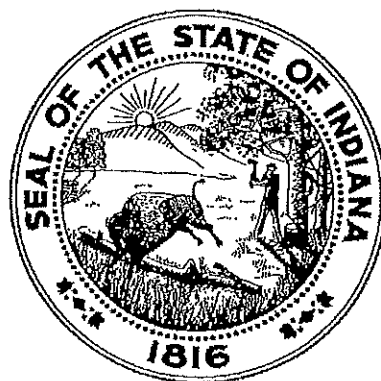


TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION.....	2
HISTORY.....	2
CAPITAL AND SURPLUS.....	2
DIVIDENDS TO STOCKHOLDERS.....	3
TERRITORY AND PLAN OF OPERATION.....	3
GROWTH OF THE COMPANY.....	3
MANAGEMENT AND CONTROL.....	4
Directors.....	4
Officers.....	4
CONFLICT OF INTEREST.....	4
CORPORATE RECORDS.....	5
Articles of Incorporation.....	5
Bylaws.....	5
Minutes.....	5
AFFILIATED COMPANIES.....	5
Organizational Structure.....	5
Affiliated Agreements.....	5
FIDELITY BOND AND OTHER INSURANCE.....	7
PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS.....	7
SPECIAL AND STATUTORY DEPOSITS.....	8
REINSURANCE.....	8
Quota Share Reinsurance Agreement.....	8
Stop Loss Agreement.....	8
ACCOUNTS AND RECORDS.....	8
FINANCIAL STATEMENTS.....	9
Assets.....	9
Liabilities, Capital and Surplus.....	10
Statement of Revenue and Expenses.....	11
Capital and Surplus Account Reconciliation.....	12
COMMENTS ON THE FINANCIAL STATEMENTS.....	13
SUBSEQUENT EVENTS.....	13
AFFIDAVIT.....	14



STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Amy L. Beard, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/doi

June 4, 2021

Honorable Amy L. Beard, 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 4054, 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", or "SIHO", an Indiana domestic health maintenance organization. The examination was conducted remotely with support from the corporate offices of the Company in Columbus, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2019, is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) and covered the period from January 1, 2014 through December 31, 2016. The present risk focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2017 through December 31, 2019, 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, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

Merlinos & Associates, Inc. provided all actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2019.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as in the Indiana Code (IC) 27-1-3.1-10 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

HISTORY

The Company was originally incorporated as an Indiana nonprofit corporation on December 18, 1986 and was licensed as a health maintenance organization (HMO) by the INDOI. On December 15, 2014, three (3) new entities were formed: SIHO Holding, Inc. (SIHO Holding), SIHO Merger Co, Inc. (SIHO Merger) and SIHOPS Merger Co, Inc.. On December 29, 2014, the INDOI issued an HMO license to SIHO Merger. SIHO merged with and into SIHO Merger effective January 1, 2015. SIHO Merger became the surviving entity and changed its name to Southeastern Indiana Health Organization, Inc. (SIHO), at the effective date of the merger. The effect of the transaction was to change the Company to a for-profit taxpaying entity.

SIHO Holding owns 100% of the stock of SIHO. As of December 31, 2019, SIHO Holding was owned by two (2) non-profit owners: Columbus Regional Hospital (CRH) and Jackson County Schneck Memorial Hospital, Inc. (Schneck). Each possessed an equal 50% ownership interest in SIHO Holding. See Subsequent Events section in this Report of Examination for ownership changes effective January 29, 2020.

CAPITAL AND SURPLUS

SIHO Holding owned 100% of the Company's issued and outstanding stock as of the examination date. The authorized number of shares is 10,000, issued on December 15, 2014.

DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends to SIHO Holding during the examination period:

<u>Year</u>	<u>Total</u>	<u>Ordinary Dividends</u>	<u>Extraordinary Dividends</u>
2019	\$ 800,000	\$ 800,000	-
2018	900,000	900,000	-
2017	-	-	-
Total	<u>\$ 1,700,000</u>	<u>\$ 1,700,000</u>	<u>-</u>

In accordance with IC 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year's surplus or the net income of such insurer of the prior year. The Company paid two (2) dividends during the examination period that were ordinary in nature and did not require prior regulatory approval. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

TERRITORY AND PLAN OF OPERATION

SIHO provides comprehensive health services to its members through contracts with independent physicians, pharmacies, and hospitals. The Company remains a niche player in the small group fully insured market. As of the examination date, 100% of membership is in small or large group comprehensive health coverage. Employer group products are distributed entirely through health agents and brokers. The Company re-entered the Affordable Care Act (ACA) regulated small group market segment in 2018.

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Total Revenues</u>	<u>Net Income</u>
2019	\$15,705,600	\$ 6,654,317	\$ 9,051,283	\$ 33,310,519	\$ 1,173,166
2018	\$13,602,312	\$ 4,686,939	\$ 8,915,373	\$ 34,103,668	\$ 596,749
2017	\$14,001,851	\$ 4,914,651	\$ 9,087,200	\$ 29,908,256	\$ 581,292

Assets increased in 2019 because of an increase in pharmacy rebates, a reduction in medical expense ratio and the withhold from claim payments under existing arrangements. Liabilities increased in 2019 due to the increases in accrued medical incentive pool, claims payable, federal income taxes payable and advanced premiums.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company shall be managed under the direction of a Board of Directors (Board) consisting of at least three (3) directors. Each director shall be elected for a term of office to expire at the first annual meeting of shareholders succeeding his or her election. At least one (1) of the directors must be a resident of Indiana.

The following is a listing of persons serving as directors as of December 31, 2019, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
John Sadtler Columbus, Indiana	President and Chief Executive Officer SIHO Insurance Services, Inc.
Richard Kramer Columbus, Indiana	Chief Financial Officer SIHO Insurance Services, Inc.
Joseph Sheehy, M.D. Columbus, Indiana	Medical Director SIHO Insurance Services, Inc.

Officers

Per the Company's bylaws, the officers of the Company shall consist of the President and the Secretary, each of whom shall be elected by the Board. The Board may, if it so determines, also elect from among its members a Chairman of the Board. The President of the Company may appoint such other officers or assistant officers as they may from time to time determine and define the duties thereof, none of whom need to be a director of the Company. Any two (2) or more offices may be held by the same person. Officers of the Company shall serve until their resignation, removal or incapacity; the election or appointment of an officer, however, does not itself create contract rights.

As of December 31, 2019, the Company is not in compliance with its bylaws as the Board had not elected an individual to the Secretary office. Please see the Subsequent Events section of this Report of Examination,

The following is a list of key officers and their respective titles as of December 31, 2019:

<u>Name</u>	<u>Office</u>
John Sadtler	President and Chief Executive Officer
Richard Kramer	Chief Financial Officer
Douglas Fauth	Vice President and General Counsel

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, 2019.

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 and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

The Board committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit and Compliance Committee and Governance and Compensation Committee.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the Company's parent and affiliates as of December 31, 2019:

	NAIC Co. Code	Domiciliary State/Country
Columbus Regional Hospital		IN
Schneck Medical Center		IN
SIHO Holding, Inc. d/b/a/ SIHO Insurance Services		IN
Genesis Re, Inc.		VT
Southeastern Indiana Health Organization, Inc.	95812	IN
Southeastern Indiana Health Operations, Inc.		IN
Corporate Administrative Services, LLC		IN
Corporate Consulting Services, LLC		IN
SIG Insurance Services, Inc.		IN
SIHO Network, LLC		IN

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Administrative Services Agreement

Effective July 1, 2003, SIHO, Southern Indiana Health Operations, Inc. (SIHOPS), SIG Insurance Services, Inc. (SIG), SIHO, LLC, SIHOPS, LLC, and SIHO Network, LLC entered into an Administrative Services Agreement (ASA). Effective January 1, 2015 and February 5, 2015, SIHO Holding, and Genesis Re, Inc., respectively, became parties to the agreement. The services to be performed include communications, corporate finance, executive strategic and operations management, facilities management, human resources, information technology, mail,

printing, product management, records, sales and marketing, supplies, tax, telecommunications, and third-party administration.

The base compensation for services provided under the ASA are determined on the basis of the recovery of costs for such services plus 10%. The ASA provides for potential additional compensation to be paid by SIHO to SIHOPS depending on the profitability of SIHO.

In 2017, the ASA was amended to add a provision for the refund of up to 100% of SIHO's fees paid under the agreement in order to maintain a risk-based capital (RBC) ratio at a 400% minimum.

During 2019, SIHOPS and SIHO Holding were collectively paid \$2,100,000 by SIHO under the ASA. No additional compensation was paid in 2019 pursuant to Section 4.05 of the ASA.

Network Arrangements

As an HMO, SIHO has a contracted network of providers who render medical and ancillary care to its members at fees specified in those contracts. SIHO's owners are among the network providers.

During 2019, SIHO paid \$2,934,131 to CRH and \$1,568,311 to Schneck pursuant to the network contracts.

In addition, SIHO's contracts with CRH and Schneck contain a withhold provision whose year-end allocations are determined by reference to SIHO's medical loss ratio during the year and its statutory RBC. The entire 2019 CRH and Schneck withholdings of \$322,862 and \$234,761, respectively, were returned to the providers on May 31, 2020.

Consolidated Tax Allocation Agreements

Effective August 1, 2017, the Company entered into a consolidated tax allocation arrangement with SIHO Holding and SIHO Holding's subsidiaries for both the prior and future tax years to address the use of refunds to offset potential tax liabilities that would affect SIHO, its assets, and/or risk-based capital amounts.

Pursuant to the terms of the consolidated tax arrangement, SIHO reimbursed SIHO Holding \$274,862 during 2019 for 2018 taxes. As of December 31, 2019, the Company reported current federal taxes payable of \$218,746 for 2019 taxes, which was subsequently paid to SIHO Holding on April 28, 2020.

417 Lease

Effective October 10, 2011, SIHO entered into a lease agreement with SIHOPS for its principal office building located at 417 Washington Street, Columbus, Indiana (the 417 Lease).

On February 21, 2013, SIHO and SIHOPS executed an amendment to the 417 Lease whereby the 417 Lease was amended to obligate SIHOPS to indemnify and hold SIHO and its officers, directors, and employees harmless from and against losses that arose as a result of SIHOPS' negligence. The indemnification provisions survive the termination of the 417 Lease.

On August 1, 2013, SIHO and SIHOPS executed a second amendment to the 417 Lease whereby the 417 Lease was further amended to eliminate the \$2,250,000 cap on the purchase price in the event SIHOPS exercised its option to purchase the leased real estate.

The term of the 417 Lease is for ten (10) years and the rent is \$22,000 monthly. SIHOPS, as lessee, is obligated to pay for all utilities, taxes, and insurance. During 2019 the rent was paid on schedule and neither party was in default under the lease.

415 Lease

On December 20, 2013, SIHO purchased from an unaffiliated third party, the building at 415 Washington Street,

Columbus, Indiana, which is connected to SIHO's and SIHOPS' home and principal executive office at 417 Washington Street in Columbus, Indiana. Effective the same date, SIHO leased the building to SIHOPS for monthly rent of \$2,200, which was the same monthly rent paid to the prior unaffiliated owner. During 2019 the rent was paid on schedule and neither party was in default under the lease.

Seymour Clinic Agreement

Beginning October of 2012, SIHO's former affiliate, Southern Indiana Primary Care (SIPC), operated an employer sponsored health and wellness medical facility called the "4 Your health Center." SIHO directly employed the clinical staff of this facility in order to comply with the corporate practice of medicine statutes. These expenses were transferred each month to the affiliate's books.

Effective November 12, 2012, SIHO and SIPC entered into The Employee Health Service Agreement (the Clinic Agreement). Among other things, the Clinic Agreement obligated SIPC to:

- Maintain a licensed professional staff and provide basic primary and preventative health care services in accordance with generally accepted medical practices in Seymour, Indiana;
- Dispense a formulary of common medications on-site;
- Provide ancillary services such as wellness and disease management programs; and
- Provide health care services to SIHO's fully insured members residing in Jackson County in exchange for a capitated per-member per-month fee.

On February 1, 2016, SIPC sold the assets and operations of the 4 Your Health Center (the clinic) to Schneck Medical Center and the Clinic Agreement likewise transferred to Schneck Medical Center. On December 29, 2017, SIHO dissolved SIPC.

Pursuant to the agreement, SIHO paid a total capitation of \$358,200 to the clinic during 2019.

Broker Agreement

SIG is an Indiana-licensed agency which collects commissions for the placement of policies with various HMOs and insurers, including SIHO. SIHO and SIG entered into a Broker Agreement originally dated July 23, 2015. In 2019, SIHO paid SIG \$86,467 for HMO policies placed with SIHO pursuant to the Broker Agreement.

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 Travelers Casualty & Surety Company of America. The bond has a single loss coverage limit of \$10 million with a \$100,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2019, including but not limited to business automobile, crime and fiduciary coverage, commercial general liability, employed lawyers errors and omission, employers' liability, management liability network risk, property, umbrella liability, and workers' compensation.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company has no employees and therefore it does not participate in any pension, stock ownership, or insurance plans. The costs for these types of plans are covered by the Company's ASA. Its affiliated Companies, SIHOPS or SIHO Holding, offers basic retirement benefits through company paid contributions to 401(k) plans and an

executive deferred compensation pension program for key executives. These plans do not have a material impact on the financial results of either affiliated organization.

SPECIAL AND STATUTORY DEPOSITS

The Company reported the following deposits as of December 31, 2019:

State	Book Value	Fair Value
Deposits for the Benefit of All Policyholders:		
Indiana	\$ 600,000	\$ 600,000
Total Deposits	\$ 600,000	\$ 600,000

REINSURANCE

Quota Share Reinsurance Agreement

SIHO has a quota share agreement with Companion Life Insurance Company. Under this agreement, SIHO cedes 100% of all eligible expenses for Point of Service and/or HMO Out of Plan Services covered by effective policies up to \$400,000 maximum per member, per agreement year. The Company ceded premiums of \$965,860 for the year ended December 31, 2019.

Stop Loss Agreement

The Company has a Specific Stop Loss agreement in place with Zurich American Insurance Company for eligible healthcare services provided to commercial members. The agreement covers 80% of losses incurred in excess of the specific retention. The Company retains the first \$200,000 for each member in New Albany, Indiana, and the first \$400,000 for all other members. The Company ceded premiums of \$663,745 for the year ended December 31, 2019.

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, 2018 and December 31, 2019, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2017 through December 31, 2019, were agreed to each year’s independent audit report without material exception.

FINANCIAL STATEMENTS

SOUTHEASTERN INDIANA HEALTH ORGANIZATION, INC.

Assets

As of December 31, 2019

	<u>Per Examination*</u>
Real estate:	
Properties occupied by the company	\$ 2,070,713
Cash	12,667,244
Subtotals, cash and invested assets	<u>14,737,957</u>
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	32,249
Reinsurance:	
Other amounts receivable under reinsurance contracts	214,922
Net deferred tax asset	154,369
Furniture and equipment, including health care delivery assets	9,683
Receivables from parent, subsidiaries and affiliates	32,201
Healthcare and other amounts receivable	524,219
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>15,705,600</u>
Total	<u>\$ 15,705,600</u>

* The balances reported above are reported in the 2020 Annual Statement, the prior year column, and have been used for examination purposes.

SOUTHEASTERN INDIANA HEALTH ORGANIZATION, INC.
Liabilities, Capital and Surplus
As of December 31, 2019

	Per Examination*
Claims unpaid	\$ 4,265,600
Accrued medical incentive pool and bonus amounts	576,715
Unpaid claims adjustment expenses	163,700
Aggregate health policy reserves, including the liability for medical loss ratio rebate per the Public Health Service Act	221,500
Premiums received in advance	394,455
General expenses due or accrued	230,352
Current federal and foreign income tax payable and interest thereon	416,804
Ceded reinsurance premiums payable	64,810
Amounts due to parent, subsidiaries and affiliates	258,151
Aggregate write-ins for other liabilities	62,230
Total liabilities	6,654,317
Aggregate write-ins for special surplus funds	108,000
Common capital stock	1
Gross paid in and contributed surplus	5,550,281
Unassigned funds (surplus)	3,393,001
Total capital and surplus	9,051,283
Total liabilities, capital and surplus	\$ 15,705,600

* The balances reported above are reported in the 2020 Annual Statement, the prior year column, and have been used for examination purposes.

SOUTHEASTERN INDIANA HEALTH ORGANIZATION, INC.
Statement of Revenue and Expenses
For the Year Ended December 31, 2019

	Per Examination*
Member Months	67,149
Net premium income	\$ 33,735,865
Change in unearned premium reserves and reserve for rate credits	(686,194)
Aggregate write-ins for other non-health revenues	260,848
Total revenues	33,310,519
Hospital and Medical:	
Hospital/Medical benefits	18,914,597
Other professional services	1,333,619
Outside referrals	430,283
Emergency room and out-of-area	2,050,749
Prescription drugs	4,749,540
Aggregate write-ins for other hospital and medical	640,396
Incentive pool, withhold adjustments and bonus amounts	576,715
Subtotal	28,695,899
Less:	
Net reinsurance recoveries	1,042,494
Total hospital and medical	27,653,405
Claims adjustment expenses including cost containment expenses	781,390
General administrative expenses	3,751,579
Total underwriting deductions	32,186,374
Net underwriting gain	1,124,145
Net investment income earned	465,825
Net investment gains	465,825
Net income after capital gains tax and before all other federal income taxes	1,589,970
Federal and foreign income taxes incurred	416,804
Net income	\$ 1,173,166

* The balances reported above are reported in the 2020 Annual Statement, the prior year column, and have been used for examination purposes.

SOUTHEASTERN INDIANA HEALTH ORGANIZATION, INC.
Capital and Surplus Account Reconciliation*

	2019	2018	2017
Capital and surplus prior year reporting	\$ 8,915,373	\$ 9,087,200	\$ 6,110,594
Net income	1,173,166	596,749	581,292
Change in net deferred income taxes	(63,646)	68,895	(87,503)
Change in nonadmitted assets	(158,217)	48,370	2,482,815
Capital Changes:			
Transferred to surplus	(15,389)	(41,640)	(41,247)
Surplus Adjustments:			
Paid in	15,389	41,640	41,247
Dividends to stockholders	(800,000)	(900,000)	-
Aggregate write-ins for gains or (losses) in surplus	(15,393)	14,159	2
Net change in capital and surplus	<u>135,910</u>	<u>(171,827)</u>	<u>2,976,606</u>
Capital and surplus end of reporting period	<u>\$ 9,051,283</u>	<u>\$ 8,915,373</u>	<u>\$ 9,087,200</u>

* No adjustments were made to ending capital and surplus as a result of this examination.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2019, based on the results of this examination.

SUBSEQUENT EVENTS

Effective January 29, 2020, Innovative Healthcare Collaboration of Indiana, LLC (IHCI) entered into a Share Purchase Agreement with SIHO Holding to purchase 250 common shares issued by SIHO Holding. IHCI is a joint venture between Community Health Network and Deaconess Health System. SIHO Holding is now owned by CRH, Schneck and IHCI with each possessing a 33.3% ownership of SIHO Holding.

The Company launched its Medicare Advantage product in 2020, with coverage beginning January 1, 2021.

Effective February 3, 2021, the Board elected Marc Rothbart to the office of Secretary.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The extent of the impact of COVID-19 on SIHO's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulatory decisions, and the impact on the financial markets, all of which are uncertain and cannot be predicted. Due to the timing of the examination and field work, the effects of the pandemic on this entity are not fully addressed within this examination report.


AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that she, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Merlino & Associates, Inc., performed an examination of Southeastern Indiana Health Organization, Inc., as of December 31, 2019.

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 Southeastern Indiana Health Organization, Inc as of December 31, 2019, as determined by the undersigned.



Elizabeth Nielson, CPA, CFE
Noble Consulting Services, Inc.

Under the Supervision of:



Jerry Ehlers, CFE, AES
Examinations Manager
Indiana Department of Insurance

DARCY L. SHAWVER
NOTARY PUBLIC

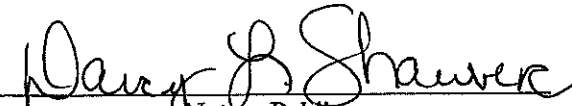
SEAL

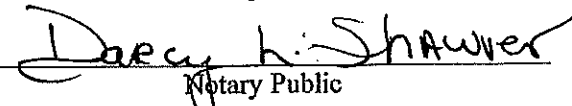
MARION COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 706053

State of: Indiana
County of: Marion

On this 17th day of June, 2021, before me personally appeared, Elizabeth Nielson and Jerry Ehlers, 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: October 4, 2025 
Notary Public


Notary Public

