

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

IN THE MATTER OF:)
)
Brotherhood Mutual Insurance Company)
6400 Brotherhood Way)
Fort Wayne, IN 46825)

Examination of: **Brotherhood Mutual 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 Brotherhood Mutual Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, 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 Brotherhood Mutual 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.

June 29, 2020
Date



Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7016 2070 0001 1479 8506

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

IN THE MATTER OF:)
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Brotherhood Mutual Insurance Company)
6400 Brotherhood Way)
Fort Wayne, IN 46825)

Examination of: **Brotherhood Mutual Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Brotherhood Mutual Insurance Company (hereinafter “Company”) for the time period January 1, 2014 through December 31, 2018.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on March 9, 2020.

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 May 19, 2020 and was received by the Company on May 26, 2020.

On June 15, 2020, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company’s response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2018.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance 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, as amended, 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, as amended. 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 29 day of
June, 2020.


Stephen W. Robertson
Insurance Commissioner

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

BROTHERHOOD MUTUAL INSURANCE COMPANY
NAIC Co. Code 13528

As of

December 31, 2018

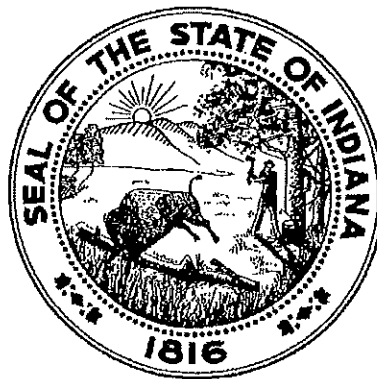


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner

311 W. Washington Street, Suite 103

Indianapolis, Indiana 46204-2787

Telephone: 317-232-2385

Fax: 317-232-5251

Website: in.gov/doi

March 9, 2020

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 4018, an examination has been made of the affairs and financial condition of:

Brotherhood Mutual Insurance Company
6400 Brotherhood Way
Fort Wayne, Indiana 46825

hereinafter referred to as the "Company", or "Brotherhood", an Indiana domestic mutual, property and casualty insurance company. The examination was conducted at the corporate offices of the Company in Fort Wayne, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2018, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
317-232-2389

COMPANY COMPLIANCE
317-232-3495

CONSUMER SERVICES
317-232-2395/1-800-622-4461

FINANCIAL SERVICES
317-232-2390

MEDICAL MALPRACTICE
317-232-2402

COMPANY RECORDS
317-232-5692

STATE HEALTH INSURANCE PROGRAM
1-800-452-4800

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) and covered the period from January 1, 2009 through December 31, 2013. The present risk focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2014 through December 31, 2018, 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, 2018.

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

Brotherhood was incorporated on August 20, 1935, under the name of Brotherhood Mutual Insurance Company of the Conference of the Defenseless Mennonite Church of North America, and assumed business and surplus of Brotherhood Aid Association of the Conference of Defenseless Mennonite Church of North America, a mutual aid society. Business commenced on November 17, 1935. The Company amended its Articles of Incorporation in 1945 to change its name to Brotherhood Mutual Insurance Company when its operations became independent of The Fellowship of Evangelical Churches, Inc.

Brotherhood is the ultimate controlling party and the only insurer in its holding company system consisting of nineteen (19) agencies and three (3) service organizations. The Company provides property and casualty insurance coverages to churches and related ministry risks throughout the United States.

CAPITAL AND SURPLUS

The Company has no common or preferred stock outstanding. The Company has no restrictions on unassigned surplus funds. There are no advances to surplus not repaid or balances held in special surplus funds. The portion of unassigned surplus represented or reduced by cumulative unrealized gains and losses totaled \$31.6 million as of December 31, 2018.

On August 25, 2004, the Company issued a \$22.0 million surplus note to the First Tennessee Bank N.A. in exchange

for cash. The note matures August 25, 2034. The Company issued a \$28.0 million surplus note on December 30, 2015, to Federated Mutual Insurance Company in exchange for cash. The note matures December 30, 2035. Each Payment of interest and principal of the surplus notes may be made only with prior approval of the Indiana Commissioner of Insurance and only to the extent the Company has sufficient surplus earnings to make such payment. Each payment of interest may be made only with the prior approval of the INDOI and only to the extent the Company has sufficient surplus earnings to make such payment. During 2018, the Company paid interest of \$2,961,187, with the prior approval of the INDOI. The surplus notes are subordinate to policyholder, claimant, and beneficiary claims, and all other classes of creditors other than the surplus note holders.

DIVIDENDS TO POLICYHOLDERS

The Company paid the following dividends to the policyholders during the examination period:

<u>Year</u>	<u>Total</u>
2018	\$ 363,422
2017	368,085
2016	795,084
2015	4,094,943
2014	<u>3,399,108</u>
Total	<u>\$ 9,020,642</u>

The Company is a mutual insurance company and has no common or preferred stock outstanding. The Company has no restrictions on unassigned surplus funds. There are also no restrictions on policyholder dividends. Since the Company has no common or preferred shares of stock issued or outstanding, there were no dividends to stockholders paid during the examination period.

TERRITORY AND PLAN OF OPERATION

Brotherhood writes commercial automobile, commercial multiple peril, fire, and workers' compensation coverages. The Company primarily offers insurance coverage to churches, and their related ministries. Brotherhood insures over 60,000 religious institutions across the country; these institutions account for most of the Company's written/earned premiums. The Company's target market consists of religious non-profit ministries including: churches' Kindergarten through Grade 12 schools; day care centers; camps, retreats, and conference centers; colleges and universities, district and administrative offices, youth ministries and organizations, and miscellaneous ministry organizations. Brotherhood is currently licensed in fifty (50) states and the District of Columbia and writes in forty-seven (47) states and the District of Columbia. Distribution of the insurance product is done by a highly specialized agency force of 118 agencies with the average agency servicing over 500 ministries and writing approximately \$4.2 million of ministry based premium.

GROWTH OF THE COMPANY

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

Year	Admitted Assets	Liabilities	Surplus and Other Funds	Premiums Earned	Net Income
2018	\$ 699,714,268	\$ 459,129,154	\$ 240,585,114	\$ 393,810,420	\$ (14,119,085)
2017	644,904,182	378,712,592	266,191,590	348,900,352	8,698,082
2016	600,708,650	355,993,466	244,715,184	324,339,595	12,248,635
2015	542,036,088	312,970,378	229,065,710	292,246,452	19,062,980
2014	469,732,018	280,381,442	189,350,576	261,962,175	10,003,458

The Company has a long history of positive net income. From 2014 through 2018, the Company produced favorable net investment income. During this time, premium growth did not significantly diverge from the Company's target which was between 7% to 9%. In 2018, the Company recorded a \$40 million net underwriting loss. This loss was primarily due to management's decision to undertake a reserve strengthening project. The project began in 2016 and will continue into 2019.

Total admitted assets increased in 2015 partially due to the funds invested from the Company's issuance of a \$28.0 million surplus note to Federated Mutual Insurance Company.

During 2018, the Company's surplus decreased \$25.6 million primarily due to the reserve strengthening project and the \$40 million net underwriting loss recorded that year.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of no less than nine (9) and no more than twelve (12) directors, of whom not more than five (5) at any time may be current or former employees of the Company. At least one (1) of the directors must be a resident of Indiana. The policyholders, at each annual meeting, elect the members of the Board.

The following is a listing of persons serving as directors as of December 31, 2018, and their principal occupations as of that date:

Name and Address	Principal Occupation
Michael James Allison Fort Wayne, Indiana	Chief Counsel and Corporate Secretary Brotherhood Mutual Insurance Company
John Lester Cooley Roanoke, Virginia	Partner and President CooleySublett, PLC
Garrett Wayne Cooper Fort Wayne, Indiana	Investment Strategist Pinnacle Consulting
Suzanne Allison Davis Greenville, Illinois	Vice President, Dean and Chief Legal Officer Greenville University
Chris Lee Goeglein Fort Wayne, Indiana	Managing Principal True North Strategic Advisors, LLC
Matthew Gordon Hirschy Fort Wayne, Indiana	Senior Vice President and Treasurer Brotherhood Mutual Insurance Company
Sammy Tanwan Mah Baltimore, Maryland	President and Owner Higher Potential, LLC
Mark Andrew Robison Leo, Indiana	Chairman and President Brotherhood Mutual Insurance Company
Kathy Brooke Rogers Fort Wayne, Indiana	President and Chief Executive Officer KB Search Team
Ryan Henry Skoog Lakeville, Minnesota	Founder and President Fly for Good
Timothy John Emmanuel Turner Seattle, Washington	President and Chief Executive Officer Subsplash, Inc.
Robert Thomas Wallstrom Fort Wayne, Indiana	Chief Executive Officer Vera Bradley

Officers

The Bylaws state that the elected officers of the Company shall consist of the Chairman of the Board, a President, a Secretary, and a Treasurer, together with one (1) or more Vice Presidents of the Company (one or more of whom may be designated Senior or Executive Vice President by the Board), and any Assistant Vice Presidents who may be named by the Board. All officers shall be appointed and approved by the Board and shall serve for a term of one (1) year or until a successor is elected and qualified. The Chairman of the Board, President, Secretary, and Treasurer shall be members of the Board. The same individual may hold the offices of Chairman of the Board and President concurrently. The following is a list of key officers and their respective titles as of December 31, 2018:

<u>Name</u>	<u>Office</u>
Mark Andrew Robison	Chairman and President
Michael James Allison	Vice President and Secretary
Matthew Gordon Hirschy	Senior Vice President and Treasurer
Scott Allen Figgins	Senior Vice President - Insurance

CONFLICT OF INTEREST

Directors and officers are required to annually review and sign Conflict of Interest statements. 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, 2018.

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 all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2018.

CORPORATE RECORDS

Articles of Incorporation

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

Bylaws

An amendment to the Bylaws was made to various sections of the Bylaws including, but not limited to, the Board of Directors' term of office, duties of directors, electronic voting, and responsibilities of Committees of the Board. The Company adopted these amended and restated Bylaws on December 16, 2015.

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.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The Company's Bylaws state that the annual meeting of the policyholders shall be held at 10:00 a.m. of the third Tuesday in February of each year if such date is not legal holiday, and if a holiday, then on the first following day that is not a legal holiday. For each year under review, the annual meeting of policyholders was held within five (5) months following the close of each fiscal year.

The Company committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit Committee, Investment Committee, and Executive Committee.

AFFILIATED COMPANIES

Organizational Structure

The following organizational chart shows the Company's parent and subsidiaries as of December 31, 2018:

	<u>NAIC Co. Code</u>	<u>Domiciliary State</u>
Brotherhood Mutual Insurance Company	13528	IN
American Church Group, LLC		IN
American Church Group of Arizona, LLC		IN
American Church Group of California, LLC		IN
American Church Group of Colorado, LLC		IN
American Church Group of Dakotas, LLC		IN
American Church Group of Georgia, LLC		IN
American Church Group of Indiana, LLC		IN
American Church Group of Iowa, LLC		IN
LINC Holdings, LLC		IN
American Church Group of Kentucky, LLC		IN
American Church Group of Minnesota, LLC		IN
American Church Group of New England, LLC		IN
American Church Group of New Jersey, LLC		IN
American Church Group of New York, LLC		IN
American Church Group of North Carolina, LLC		IN
American Church Group of Northeast Ohio, LLC		IN
American Church Group of Ohio, LLC		IN
American Church Group of Texas, LLC		IN
American Church Group of Washington, LLC		IN
American Church Group of Wisconsin, LLC		IN
Brotherhood Mutual Insurance Services, LLC		IN
MinistryWorks, LLC		IN
Ministry Risk Management, LLC		CO

As of December 31, 2018, the Company had a \$14.4 million investment in American Church Group, LLC, a wholly owned subsidiary, in order to further invest in the independent agency system. This entity is used to fund the growth and expansion of the Company's independent agencies.

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.

Management Agreements

Brotherhood entered into management agreements with American Church Group, LLC (ACG), Brotherhood Mutual Insurance Services, LLC (BMIS) and MinistryWorks, LLC (MW) for the purpose of leasing employees to these entities. These entities are disregarded entities of Brotherhood for federal tax purposes.

Brotherhood signed management contracts with ACG, BMIS, and MW for 2018 through 2020 in January 2018. These agreements were filed with the INDOI in March 2018.

Brotherhood received \$1.2 million from ACG, \$1.9 million from BMIS and \$2.4 million from MW during 2018 as a result of these agreements.

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 CUMIS Insurance Society, Inc. The bond has a single loss coverage limit of \$2.0 million, with a \$50,000 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, 2018, including but not limited to audit expense, business automobile coverage, business credit card/travel advance, business travel accident, commercial general liability, commercial inland marine, commercial multiple peril, commercial property, counterfeit currency, counterfeit share draft or securities, cyber liability, electronic crime, errors and omission, excess and umbrella, extortion-kidnap/investigation expense, forgery or alteration, funds transfer, identity fraud, in transit, kidnap & ransom, lawyers professional liability, management liability, on premises, third-party vendor theft, and workers' compensation.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company participates in a contributory defined contribution plan (401k Plan) for eligible employees. For 2018 the Company's contribution to the plan was equal to 50% of a participant's first 5% contribution. The Company also makes a Safe Harbor Non elective contribution of 4% to each employee's 401(k) account, as well as a discretionary contribution of 0%-3% based on the employee's age and service years. Expenses for this plan were \$1.9 million in 2018 and \$1.9 million in 2017.

SPECIAL AND STATUTORY DEPOSITS

The Company reported the following deposits as of December 31, 2018:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$ 2,543,579	\$ 2,528,338
All Other Special Deposits:		
Arizona	1,113,845	1,102,971
California	17,517,696	17,574,285
Delaware	99,693	99,531
Georgia	79,107	79,625
Idaho	300,000	300,000
Massachusetts	149,540	148,032
New Mexico	328,988	328,453
North Carolina	319,020	318,500
Oregon	330,327	330,230
Tennessee	79,864	79,741
Total Deposits	<u>\$22,861,659</u>	<u>\$22,889,706</u>

*Exhibit includes immaterial rounding differences.

REINSURANCE

Ceded Reinsurance

In 2018, the Company reported \$85.6 million of ceded premiums which represents 17% of gross direct and assumed premiums. The Company's reinsurance program is primarily arranged through BMS Intermediaries, Inc., of Philadelphia, Pennsylvania. Members of the reinsurance broker team have served the Company since 1971. The Company has experienced no significant reinsurance collectability problems. There are no amounts of reinsurance in dispute.

During 2018 property excess of loss was \$1.0 million retention and aggregate catastrophic retention was \$55.2 million. The 2019 reinsurance program is in place with the changes from the 2018 program being the increase in workers' compensation excess of loss retention from \$1.0 million to \$1.5 million per occurrence. One other change from the 2018 program to the 2019 program was increase aggregate catastrophe retention from \$55.2 million to \$65.0 million.

<u>Description of reinsurance</u>	<u>Layers</u>	<u>Limits placed</u>
Casualty Excess of Loss	3	\$15,250,000 x/s \$750,000
Workers Compensation Excess of Loss	2	\$19,000,000 x/s \$1,000,000
Workers Compensation Catastrophe Excess of Loss	1	\$35,000,000 x/s \$20,000,000
Excess and Umbrella liability	3	70% quota share of \$1,000,000 \$14,000,000 x/s 1,000,000
Common Loss Excess of Loss	1	\$7,500,000 x/s \$3,000,000
Property Per-Risk Excess of Loss	4	\$24,000,000 x/s \$1,000,000

The Company has a 50% property quota share treaty for three (3) states. The liability of the reinsurer is limited to losses under policies covering property located within the territorial limits of Texas, Louisiana, and Virginia. The Property Quota Share replaced the Texas Wind and Hail Quota Share which expired on January, 1, 2018 on a cut-off basis.

In addition to reinsurance placed on a quota share or excess of loss basis, the company also maintains a catastrophe reinsurance program providing the following limits.

<u>Description of reinsurance</u>	<u>Layers</u>	<u>Limits placed</u>
Catastrophe Excess of Loss	4	\$90,000,000 x/s \$10,000,000
Aggregate Catastrophe Excess of Loss**		\$20,000,000 x/s \$55,250,000

** Covers the Company’s net retained liabilities under the property per-risk and property catastrophe program.

Assumed Reinsurance

The Company does not maintain an active assumed reinsurance program. Their primary reinsurance assumed account consists of a small participation in the National Council of Compensation Insurance reinsurance pool. This block of business accounted for approximately 82% of total assumed premiums of \$2.0 million and 97% of total assumed case loss and loss expense reserves of \$1.5 million in 2018.

The Company had no other individually significant assumed reinsurance balances in 2018.

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, 2017 and December 31, 2018, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2014 through December 31, 2018, were agreed to each year’s independent audit report without material exception. The Company’s accounting procedures, practices, and account records were deemed satisfactory.

FINANCIAL STATEMENTS

BROTHERHOOD MUTUAL INSURANCE COMPANY

Assets

As of December 31, 2018

	<u>Per Examination*</u>
Bonds	\$ 230,601,148
Stocks:	
Preferred stocks	340,746
Common stocks	162,914,302
Real estate	
Properties occupied by the Company	22,438,103
Properties held for the production of income	2,382,695
Cash, cash equivalents and short-term investments	42,369,218
Other invested assets	45,593,278
Receivables for securities	148,692
Subtotals, cash and invested assets	<u>506,788,182</u>
Investment income due and accrued	3,102,773
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	21,992,526
Deferred premiums, agents' balances and installments booked but deferred and not yet due	144,262,886
Accrued retrospective premiums	
Reinsurance:	
Amounts recoverable from reinsurers	4,228,458
Other amounts receivable under reinsurance contracts	1,776,295
Current federal and foreign income tax recoverable and interest thereon	6,613,605
Net deferred tax asset	7,115,661
Guaranty funds receivable or on deposit	58,027
Electronic data processing equipment and software	480,756
Receivables from parent, subsidiaries and affiliates	758,600
Aggregate write-ins for other than invested assets	2,536,499
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>699,714,268</u>
Totals	<u>\$ 699,714,268</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

BROTHERHOOD MUTUAL INSURANCE COMPANY
Liabilities, Surplus and Other Funds
As of December 31, 2018

	<u>Per Examination*</u>
Losses	\$ 156,863,036
Loss adjustment expenses	32,880,629
Commissions payable, contingent commissions and other similar charges	11,627,812
Other expenses	3,509,666
Taxes, licenses and fees	4,466,494
Unearned premiums	206,820,587
Advance premium	4,193,787
Ceded reinsurance premiums payable	34,867,300
Funds held by company under reinsurance treaties	1,081,456
Amounts withheld or retained by company for account of others	1,920,209
Payable to parent, subsidiaries and affiliates	223,711
Payable for securities	674,467
Total liabilities excluding protected cell liabilities	<u>459,129,154</u>
Total liabilities	<u>459,129,154</u>
Surplus notes	50,000,000
Unassigned funds (surplus)	190,585,114
Surplus as regards policyholders	<u>240,585,114</u>
Totals	<u>\$ 699,714,268</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

BROTHERHOOD MUTUAL INSURANCE COMPANY
Statement of Income
For the Year Ended December 31, 2018

	<u>Per Examination*</u>
UNDERWRITING INCOME	
Premiums earned	\$ 393,810,420
DEDUCTIONS	
Losses incurred	271,710,921
Loss adjustment expenses incurred	33,202,619
Other underwriting expenses incurred	129,108,626
Total underwriting deductions	<u>434,022,166</u>
Net underwriting gain (loss)	(40,211,746)
INVESTMENT INCOME	
Net investment income earned	7,566,338
Net realized capital gains (losses) less capital gains tax	7,706,828
Net investment gain (loss)	<u>15,273,166</u>
OTHER INCOME	
Net gain (loss) from agents' or premium balances charged off	(164,117)
Finance and service charges not included in premiums	1,528,143
Aggregate write-ins for miscellaneous income	633,358
Total other income	<u>1,997,384</u>
Net income, before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(22,941,196)
Dividends to policyholders	363,422
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(23,304,618)
Federal and foreign income taxes incurred	<u>(9,185,533)</u>
Net income	<u>\$ (14,119,085)</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

BROTHERHOOD MUTUAL INSURANCE COMPANY
Capital and Surplus Account Reconciliation

	2018	2017	2016	2015	2014
Surplus as regards policyholders, December 31 prior year	\$266,191,590	\$244,715,185	\$229,065,711	\$189,350,576	\$178,188,996
Net income	(14,119,085)	8,698,082	12,248,635	19,062,980	10,003,458
Change in net unrealized capital gains or (losses) less capital gains tax	(15,824,688)	12,806,305	2,656,665	(3,361,876)	958,481
Change in net deferred income tax	2,884,755	2,535,490	2,173,502	(159,211)	1,322,746
Change in nonadmitted assets	1,452,543	(2,563,472)	(1,569,528)	(3,976,148)	(1,051,535)
Change in provision for reinsurance	-	-	140,200	149,390	(71,570)
Change in surplus notes	-	-	-	28,000,000	-
Change in surplus as regards policyholders for the year	<u>(25,606,475)</u>	<u>21,476,405</u>	<u>15,649,474</u>	<u>39,715,135</u>	<u>11,161,580</u>
Surplus as regards policyholders, December 31 current year	<u>\$240,585,115</u>	<u>\$266,191,590</u>	<u>\$244,715,185</u>	<u>\$229,065,711</u>	<u>\$189,350,576</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2018, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no other significant issues to report.

SUBSEQUENT EVENTS

The Department reviewed the Company's request dated January 23, 2019 for a one-year waiver to comply with the reporting requirements related to Own Risk Solvency Assessment (ORSA) and the Model Audit Rule (MAR) in accordance with Indiana Code 27-1-23.5 and 760 Indiana Administrative Code 1-78-15, respectively. Based upon the information submitted, the Department granted the Company's request for a one-year waiver for the above filings. The initial ORSA filing will have a due date of December 31, 2020, instead of December 31, 2019, and the MAR filing will have a due date of August 1, 2022, instead of August 1, 2021.

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., and actuarial assistance from Merlinos & Associates, Inc., performed an examination of Brotherhood Mutual Insurance Company, as of December 31, 2018.

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 Brotherhood Mutual Insurance Company as of December 31, 2018, as determined by the undersigned.

Paul Ellis

Paul Ellis, CFE
Noble Consulting Services, Inc.

Under the Supervision of:

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

State of: Indiana
County of: Marion

On this 23rd day of March, 2020, before me personally appeared, Paul Ellis 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: Nov 8, 2026 Rochelle Atkins
Notary Public

Rochelle Atkins
Notary Public



NAIC Accredited

