

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

IN THE MATTER OF:)
)
Everence Insurance Company)
1110 North Main Street)
Goshen, Indiana 46528)

Examination of: **Everence Insurance Company**


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 Everence Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on June 8, 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 Everence 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.

July 8, 2021
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7018 1130 0001 7982 6178

STATE OF INDIANA)
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COUNTY OF MARION) COMMISSIONER OF INSURANCE

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Everence Insurance Company)
1110 North Main Street)
Goshen, Indiana 46528)

Examination of: **Everence Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Everence Insurance Company (hereinafter “Company”) for the time period January 1, 2015 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 May 28, 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 June 8, 2021 and was received by the Company on June 11, 2021.

The Company did not file any objections.

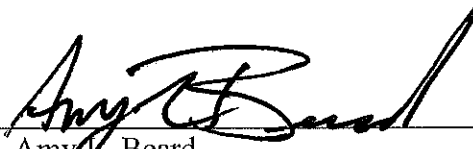
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Everence Insurance Company as of December 31, 2019.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Everence 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 this 8 day of
July, 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

EVERENCE INSURANCE COMPANY
NAIC Co. CODE 74209
NAIC GROUP CODE 4616

As of

December 31, 2019

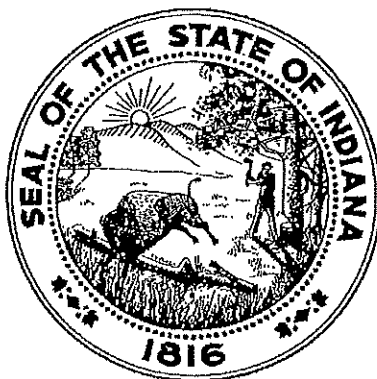


TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION.....	2
HISTORY.....	2
CAPITAL AND SURPLUS.....	2
DIVIDENDS TO STOCKHOLDERS.....	2
TERRITORY AND PLAN OF OPERATION.....	3
GROWTH OF THE COMPANY.....	3
MANAGEMENT AND CONTROL.....	3
Directors.....	3
Officers.....	4
CONFLICT OF INTEREST.....	4
OATH OF OFFICE.....	4
CORPORATE RECORDS.....	4
Articles of Incorporation.....	4
Bylaws.....	5
Minutes.....	5
AFFILIATED COMPANIES.....	5
Organizational Structure.....	5
Affiliated Agreements.....	5
FIDELITY BOND AND OTHER INSURANCE.....	6
PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS.....	6
STATUTORY DEPOSITS.....	6
REINSURANCE.....	6
Ceded Reinsurance.....	6
Assumed Reinsurance.....	6
ACCOUNTS AND RECORDS.....	7
FINANCIAL STATEMENTS.....	8
Assets.....	8
Liabilities, Surplus and Other Funds.....	9
Summary of Operations.....	10
Capital and Surplus Account Reconciliation.....	11
COMMENTS ON THE FINANCIAL STATEMENTS.....	12
OTHER SIGNIFICANT ISSUES.....	12
SUBSEQUENT EVENTS.....	12
AFFIDAVIT.....	13



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/idoi

May 28, 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 4062, an examination has been made of the affairs and financial condition of:

Everence Insurance Company
1110 North Main Street
Goshen, Indiana 46528

hereinafter referred to as the "Company", or "EIC", an Indiana domestic stock, life, and health insurance company. The examination was conducted at the corporate offices of the Company in Goshen, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2019, 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, 2010 through December 31, 2014. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2015 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.

Mark E. Alberts, FSA, MAAA, of Alberts Actuarial Consulting, LLC, 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 incorporated February 4, 1987, as ShareNet Insurance, and commenced business on August 1, 1988, as a stock life insurance company. On December 5, 1992, the Company changed its name from ShareNet Insurance to MMA Insurance Company (MIC). The Company was formed to provide group life and accident and health insurance for persons not qualifying as members of its fraternal parent, Everence Association, Inc. (EAI).

In 2010, the Company changed its name from MIC to EIC, to align the Company's goal of broadening its customer reach. The Company is a wholly owned subsidiary of Everence Holdings, Inc. (EHI), a noninsurance holding company which is a wholly owned subsidiary of EAI.

CAPITAL AND SURPLUS

As of December 31, 2019, the Company had 10,000 authorized shares of common stock. Of that, 5,000 shares were issued, and 5,000 shares were outstanding with a par value of \$1,000 per share. The Company had no preferred stock outstanding.

DIVIDENDS TO STOCKHOLDERS

The Company did not pay any dividends to stockholders during the examination period.

TERRITORY AND PLAN OF OPERATION

The Company is currently licensed in sixteen (16) states. The Company's primary line of business is Group Care. Group Care is the third-party administration of the self-insured medical plans. The Company expects this line of business to grow steadily.

At the end of 2013, the Company discontinued writing its fully insured group health insurance product. Furthermore, no additional contributions have been received for the Certificate of Deposit Annuities product since 2010, and this line of business is now in run-off mode.

GROWTH OF THE COMPANY

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

Year	Admitted Assets	Liabilities	Surplus and Other Funds	Premiums and Annuities	Net Income
2019	\$ 20,823,026	\$ 6,097,986	\$ 14,725,040	\$ 0	\$ 103,674
2018	20,736,078	6,098,400	14,637,678	0	216,894
2017	20,976,947	6,592,986	14,383,961	(106)	364,716
2016	22,859,880	8,845,466	14,014,414	(569)	741,859
2015	22,487,643	9,201,032	13,286,611	119	91,097

*The balances include immaterial balancing differences

The decrease in admitted assets and liabilities in 2017 was primarily associated with a reduction in the annuity line of business.

The increase in surplus and other funds is primarily a function of net income.

MANAGEMENT AND CONTROL

Directors

The Company is governed by a Board of Directors (Board). The Bylaws state that the Board shall be composed of four (4) to ten (10) members. Directors are elected to four (4) year terms. At least one (1) individual must reside in the state 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:

Name and Address	Principal Occupation
Jaime Alvarez Goshen, Indiana	Chief Financial Officer Everence Services, L.L.C.
Rod Diller Goshen, Indiana	Senior Vice President, Sales and Distribution Everence Services, L.L.C.
Ken Hochstetler Goshen, Indiana	President and CEO Everence Services, L.L.C.

Chad Horning
Goshen, Indiana

Chief Investment Officer
Everence Services, L.L.C.

George Merryman^a
Granger, Indiana

Controller
Everence Services, L.L.C.

Officers

The Bylaws state that the elected officers of the Company shall consist of a President, Vice President, Treasurer, and a Secretary. Each of these officers is elected by the Board and shall hold office one (1) year or until their respective successors are duly chosen and have qualified.

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

<u>Name</u>	<u>Office</u>
Kenneth Hochstetler	President
Jaime Alvarez	Secretary
George Merryman ^b	Treasurer
Rod Diller	Vice President

CONFLICT OF INTEREST

Directors and officers are required to 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, 2019.

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. The Company could not provide current Oath of Office statements for all of the directors listed in the Management and Control section of this Report of Examination. The Company is not in compliance with IC 27-1-7-10(i). See Other Significant Issues section of this Report of Examination.

CORPORATE RECORDS

Articles of Incorporation

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

^a Lisa Nussbaum replaced George Merryman as Director during 2020

^b Lisa Nussbaum replaced George Merryman as the Treasurer during 2020

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.

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. For each year under review, the annual meeting of shareholders was held within five (5) months following the close of each fiscal year.

AFFILIATED COMPANIES

Organizational Structure

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

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
Everence Association, Inc.	57991	IN
Everence Holdings, Inc.		IN
Everence Trust Company		IN
Everence Insurance Company	74209	IN
Everence Securities, Inc.		IN
Everence Capital Management, Inc.		IN
Everence Real Estate Holdings		IN
MMA Distribution, Inc.		IN
Everence Services, L.L.C.		IN
Mennonite Church Buildings, Inc.		IN
The Mennonite Foundation, Inc.		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.

Office Lease Agreement

On January 1, 2016, the Company and Mennonite Church Buildings, Inc. (MCB), entered into an Office Lease Agreement. Under this agreement, MCB leases office space to the Company. In 2019, the Company paid \$113,534 to MCB for the services received.

Employment Servicing and Facilities Sharing Agreement

On January 1, 2017, the Company and Everence Services, L.L.C., (ES) entered into an Employment Servicing and Facilities Sharing Agreement. Under this agreement, ES provides the Company with employees and general office services. In 2019, the Company paid \$1.9 million to ES for the services received.

Compensation Servicing Agreement

On January 1, 2015, the Company and MMA Distribution, Inc. (MMAD), entered into a Compensation Servicing Agreement. Under this agreement, MMAD provides the Company with its sales and distribution system. In 2019, the Company paid \$92,276 to MMAD for the services received.

Tax Sharing Agreement

On January 1, 2014, the Company and EHI, its parent company, entered into a Tax Sharing Agreement. Under this agreement, the Company files a consolidated tax return with its parent and other affiliates. The method of allocation between the companies is based upon separate tax return calculations.

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 Federal Insurance Company. 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, 2019, including but not limited to commercial property liability, executive liability, professional liability, umbrella liability, and workers' compensation liability.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company has no employees, but rather purchases management and services from ES; therefore, the Company has no deferred compensation, retirement plans, nor other post-retirement benefit plans.

STATUTORY DEPOSITS

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

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$ 1,670,913	\$ 1,701,963
All Other Special Deposits		
Arizona	244,335	248,980
Ohio	100,872	106,732
Virginia	219,772	219,798
Total Deposits	<u>\$ 2,235,892</u>	<u>\$ 2,277,473</u>

REINSURANCE

Ceded Reinsurance

The Company ceded no reinsurance during the period covered by this examination.

Assumed Reinsurance

The Company assumed no reinsurance during the period covered by this examination.

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, 2018 and December 31, 2019, were agreed to the respective independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

FINANCIAL STATEMENTS

EVERENCE INSURANCE COMPANY

Assets

As of December 31, 2019

	<u>Per Examination*</u>
Bonds	\$ 17,865,198
Mortgage loans on real estate:	
First liens	164,056
Cash, cash equivalents and short-term investments	1,965,537
Other invested assets	<u>276,089</u>
Subtotals, cash and invested assets	20,270,881
Investment income due and accrued	151,407
Amounts receivable relating to uninsured plans	23,271
Net deferred tax asset	23,423
Receivables from parent, subsidiaries and affiliates	207,458
Health care and other receivables	<u>146,586</u>
Totals**	<u>\$ 20,823,026</u>

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

** The balances include immaterial balancing differences.

EVERENCE INSURANCE COMPANY
Liabilities, Surplus and Other Funds
As of December 31, 2019

	Per Examination*
Aggregate reserve for life contracts	\$ 5,232,284
Aggregate reserve for accident and health contracts	87,400
Contract claims:	
Life	200
General expenses due or accrued	(5,468)
Taxes, licenses and fees due or accrued, excluding federal income taxes	100,000
Amounts withheld or retained by reporting entity as agent or trustee	466,419
Remittances and items not allocated	2,257
Miscellaneous liabilities:	
Asset valuation reserve	121,180
Payable to parent, subsidiaries and affiliates	93,715
Total liabilities	6,097,986
Common capital stock	5,000,000
Gross paid in and contributed surplus	11,452,829
Unassigned funds (surplus)	(1,727,790)
Surplus	9,725,040
Total	14,725,040
Totals**	\$ 20,823,026

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

** The balances include immaterial balancing differences.

EVERENCE INSURANCE COMPANY
Summary of Operations
For the Year Ended December 31, 2019

	Per Examination*
Net investment income	\$ 561,459
Amortization of Interest Maintenance Reserve (IMR)	(865)
Miscellaneous Income:	
Aggregate write-ins for miscellaneous income	690,589
Totals	1,251,183
Annuity benefits	9,581
Surrender benefits and withdrawals for life contracts	237,199
Increase in aggregate reserves for life and accident and health contracts	92,671
Totals**	339,452
Commissions on premiums, annuity considerations and deposit-type contract funds	92,276
General insurance expenses and fraternal expenses	617,391
Insurance taxes, licenses and fees, excluding federal income taxes	8,184
Totals	1,057,303
Net gain from operations before dividends to policyholder, refunds to members and federal income taxes	193,879
Federal and foreign income taxes incurred	81,078
Net gain from operations after taxes and before realized capital gains	112,801
Net realized capital gains less capital gains tax	(9,128)
Net income**	\$ 103,674

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

** The balances include immaterial balancing differences.

EVERENCE INSURANCE COMPANY
Capital and Surplus Account Reconciliation

	2019	2018	2017	2016	2015
Capital and surplus, December 31 prior year	\$ 14,637,678	\$ 14,383,961	\$ 14,014,414	\$ 13,286,611	\$ 13,264,726
Net income	103,674	216,894	364,716	741,859	91,097
Change in net unrealized capital gains or (losses) less capital gains tax	155,062	86,276	139,980	98,340	71,520
Change in net deferred income tax	72,912	(15,351)	89,959	10,369	(12,878)
Change in nonadmitted assets	(241,314)	(39,796)	(290,749)	(98,407)	(90,388)
Change in asset valuation reserve	(2,971)	5,694	65,640	(24,358)	(37,466)
Net change in capital and surplus for the year	87,362	253,717	369,546	727,803	21,885
Capital and surplus, December 31 current year**	<u>\$ 14,725,040</u>	<u>\$ 14,637,678</u>	<u>\$ 14,383,961</u>	<u>\$ 14,014,414</u>	<u>\$ 13,286,611</u>

** The balances include immaterial balancing differences.

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.

OTHER SIGNIFICANT ISSUES

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. The Company could not provide current Oath of Office statements for all of the directors listed in the Management and Control section of this Report of Examination.

It is recommended that every director take and subscribe to an Oath of Office at the time of their annual election to the Board.

SUBSEQUENT EVENTS

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 the Company'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 he, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Alberts Actuarial Consulting, LLC, performed an examination of Everence Insurance Company, as of December 31, 2019.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

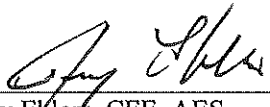
This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing 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 the condition of Everence Insurance Company as of December 31, 2019, as determined by the undersigned.



Vitaliy Kyryk, CFE
Noble Consulting Services, Inc.

Under the Supervision of:



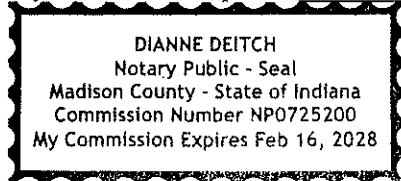
Jerry Ehlers, CFE, AES
Examinations Manager
Indiana Department of Insurance

State of: Indiana
County of: Marion


On this 4 day of June, 2021, before me personally appeared, Vitaliy Kyryk 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: 2-16-2028



Indiana Department of Insurance
NAIC Accredited



Notary Public



Notary Public

