

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
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 sent to you on May 26, 2015, 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.

Date

7/10/2015



Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0045 8008

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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, 2009 through December 31, 2013.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on March 27, 2015.

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 26, 2015 and was received by the Company on May 29, 2015.

The Company did not file any objections.

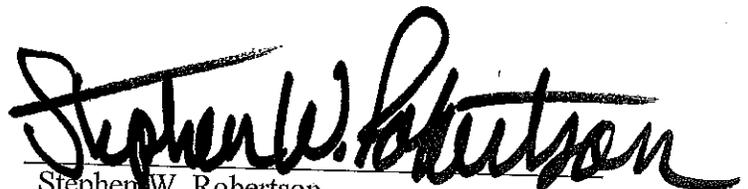
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Brotherhood Mutual Insurance Company as of December 31, 2013.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Brotherhood Mutual Insurance Company to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed and Sealed this 10th day of
July, 2015.


Stephen W. Robertson
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.

A handwritten signature in black ink, appearing to read "M. J. ...". The signature is written in a cursive style and is located in the lower-left quadrant of the page.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

BROTHERHOOD MUTUAL INSURANCE COMPANY
NAIC Co. CODE 13528

As of

December 31, 2013



TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION.....	2
HISTORY.....	2
CAPITAL AND SURPLUS.....	2
DIVIDENDS TO POLICYHOLDERS.....	3
TERRITORY AND PLAN OF OPERATION.....	3
GROWTH OF THE COMPANY.....	4
MANAGEMENT AND CONTROL.....	4
Directors.....	4
Officers.....	5
CONFLICT OF INTEREST.....	5
OATH OF OFFICE.....	6
CORPORATE RECORDS.....	6
Articles of Incorporation.....	6
Bylaws.....	6
Minutes.....	6
AFFILIATED COMPANIES.....	7
Organizational Structure.....	7
Affiliated Agreements.....	7
FIDELITY BOND AND OTHER INSURANCE.....	8
PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS.....	8
STATUTORY DEPOSITS.....	9
REINSURANCE.....	9
Ceded Reinsurance.....	9
Assumed Reinsurance.....	10
ACCOUNTS AND RECORDS.....	10
FINANCIAL STATEMENTS.....	11
Assets.....	11
Liabilities, Surplus and Other Funds.....	12
Statement of Income.....	13
Capital and Surplus Account Reconciliation.....	14
COMMENTS ON THE FINANCIAL STATEMENTS.....	15
OTHER SIGNIFICANT ISSUES.....	15
SUBSEQUENT EVENTS.....	15
AFFIDAVIT.....	16



STATE OF INDIANA

IDOI

MICHAEL R. PENCE, Governor

Indiana Department of Insurance
311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204-2787
Telephone: (317) 232-2385
Fax: (317) 232-5251
Stephen W. Robertson, Commissioner

March 27, 2015

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 3841, 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, 2013, is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance as of the period ending December 31, 2008. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2009 through December 31, 2013, 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 and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles, and Annual Statement instructions, when applicable to domestic state regulations.

HISTORY

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 the 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 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 ten (10) agencies and three (3) service organizations. The Company provides property and casualty insurance coverage to churches and related ministry risks throughout the United States. The Company is headquartered in Fort Wayne, Indiana.

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. There are no balances held in special surplus funds. The unassigned surplus on December 31, 2013, totaled \$156,188,996.

Effective August 25, 2004, the Company issued a surplus note to the First Tennessee Bank N.A. in exchange for cash. The surplus note has a carrying value and par value of \$22 million, matures August 25, 2034, and is administered by Wilmington Trust Company, as trustee. Each payment of interest and principal of the surplus note may be made only with the prior approval of the Indiana Commissioner of Insurance and only to the extent the Company has sufficient surplus earnings to make such payment. During 2013, the Company paid \$815,281 in interest on the surplus note. The surplus note is subordinate to claimant and beneficiary claims, policyholder, and all other classes of creditors other than the surplus note holders.

DIVIDENDS TO POLICYHOLDERS

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

<u>Year</u>	<u>Total</u>
2013	\$ 2,904,139
2012	2,142,192
2011	1,901,435
2010	2,066,968
2009	2,043,951
Total	<u>\$11,058,685</u>

TERRITORY AND PLAN OF OPERATION

Brotherhood specializes in insuring churches and related ministries, which account for all of the Company's premiums. The Company offers various lines of business including coverage for commercial automobile, commercial multiple peril, fire, and workers' compensation. Risks insured include camp buildings, churches, clergy dwellings, church offices, denominational headquarters, schools, and other church related organizations. Brotherhood is licensed in fifty (50) states, and writes in forty three (43) states and the District of Columbia.

Brotherhood provides commercial lines products with unique coverages for churches and related ministries. The "Ministry First" program was launched in 2000 and was designed to protect churches, as well as churches with schools, churches with daycare centers, camps, Christian colleges and universities, Christian schools, denominational headquarters, and miscellaneous ministry operations. The "Passport to Ministry" program was also created in 2000 and serves to provide protection to missionary groups under the sponsorship of churches and related ministries who are traveling outside of the United States. Coverages for the Passport to Ministry program include foreign general liability, foreign accidental medical and sickness for non-employee volunteers, and various other pertinent coverages. The "Ministry Essentials" commercial multi-peril program was launched in 2011 to meet the basic coverage and pricing requirements of small, less complicated church risks. In 2014, the Company launched the "Faith Ventures" program which offers travel medical insurance with primary coverage offered in collaboration with Fly For Good, an unaffiliated travel company.

Brotherhood's business is produced through nearly one hundred twenty (120) independent agencies that specialize in the religious marketplace. All policies are issued on a non-assessable basis and dividends are paid to qualified policyholders depending on loss experience.

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
2013	\$ 443,294,255	\$ 265,105,262	\$ 178,188,996	\$ 236,163,086	\$ 9,490,733
2012	384,885,706	225,170,962	159,714,744	203,560,841	7,283,209
2011	347,431,725	201,314,868	146,116,857	178,586,425	(15,753,669)
2010	337,779,296	188,143,698	149,635,598	167,154,543	2,583,452
2009	327,501,159	183,991,621	143,509,538	161,116,401	5,433,200

** The admitted assets are \$3 less than total liabilities and surplus as regards policyholders on the 2013 Annual Statement due to a rounding error.

The Company has experienced positive net income for nine (9) of the last ten (10) years. In 2012 and 2013, the Company resumed this trend due primarily to net investment gains and net underwriting gains. Due to a strong retention rate and expansion into new states, earned premiums increased during each year of the examination period. Admitted assets and surplus all continued to grow with the exception of 2011, when the Company experienced a significant underwriting loss due to unusually high frequency and severity of catastrophe losses.

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 at December 31, 2013, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Michael James Allison Fort Wayne, Indiana	Chief Counsel and Secretary Brotherhood
James Arnold Blum Fort Wayne, Indiana	Director Brotherhood
John Lester Cooley Roanoke, Virginia	President CooleySublett, PLC
Garrett Wayne Cooper Fort Wayne, Indiana	Chief Operating Officer Ambassador Enterprises
Phillip Alvin Dabill* Naples, Florida	Chairman and Chief Executive Office Bon Vivant of Florida, Inc.
Chris Lee Goeglein Fort Wayne, Indiana	Managing Principal True North Strategic Advisors, LLC
Ronald Joe Habegger Fort Wayne, Indiana	Retired President Fellowship of Evangelical Churches

Matthew Gordon Hirschy Fort Wayne, Indiana	Vice President and Treasurer Brotherhood
Sammy Tanwan Mah Baltimore, Maryland	President Higher Potential, LLC
Pamela Joyce Moret Minneapolis, Minnesota	Sr. Vice President Thrivent Financials for Lutherans
Mark Andrew Robison Fort Wayne, Indiana	President and Chairman Brotherhood
Kathy Brooke Rogers Fort Wayne, Indiana	President KB Search Team

* Effective February 18, 2014, Phillip Dabill is no longer a member of the Board.

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, 2013:

<u>Name</u>	<u>Office</u>
Mark Andrew Robison	Chairman and President
Michael James Allison	Vice President and Secretary
Daniel Berdett Book	Vice President of Sales
Scott Allen Figgins	Vice President of Underwriting
Matthew Gordon Hirschy	Vice President and Treasurer
David Aaron Lantz	Vice President of Claims
Daryl Gene Pannabecker	Vice President of Information Systems
Mitzi Lee Thomas	Vice President of Marketing
Kathleen Joy Turpin	Vice President of Human Resources
Hugh Walter White	Vice President of Strategic Relationships

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, 2013.

OATH OF OFFICE

Indiana Code (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, 2013.

CORPORATE RECORDS

Articles of Incorporation

The Board amended the Articles of Incorporation to say that the maximum number of directors for this corporation will be twelve (12). This amendment was effective on October 18, 2011.

Bylaws

An amendment to the Bylaws was made to coordinate with the above mentioned change in the Articles of Incorporation to increase the maximum number of Board members to twelve (12). This amendment was effective on October 18, 2011.

Brotherhood's Bylaws list the Pension Committee as one (1) of the standing committees of the Board. Since the pension plan closed in December 2012 there was no longer a Pension Committee despite the Bylaws requirement. See the Other Significant Issues and Subsequent Events sections of this Report of Examination.

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 date and time of the annual meeting of shareholders is to be held at 10:00 am on the third Tuesday in February of each year if such date is not a legal holiday, and if it is a holiday, then on the first following day that is not a legal holiday. For each year under review, the annual meeting of shareholders was held at the specified date and time following the close of each fiscal year.

Brotherhood committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit Committee, Executive Committee, Executive Compensation Committee, Investment Committee, Nomination Committee, and Pension Committee.

AFFILIATED COMPANIES

Organizational Structure

The following organizational chart shows the Company and its subsidiaries as of December 31, 2013:

	<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 Indiana, LLC		IN
American Church Group of Iowa, 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 Wisconsin, LLC		IN
Brotherhood Mutual Insurance Services, LLC		IN
MinistryWorks, 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.

Customer Services and Marketing Services Agreement

Effective January 1, 2012, Brotherhood Mutual Insurance Services, LLC (BMIS) and Brotherhood entered into an Amended Customer Services and Marketing Services Agreement (BMIS Agreement) in which Brotherhood shall provide customer services and marketing services to insurance agencies with whom BMIS has contracted to provide such services. In consideration for the services performed by Brotherhood under this BMIS Agreement, BMIS shall pay Brotherhood the following fees:

- Expenses Incurred: The amount of expenses incurred by Brotherhood to provide the services described within this BMIS Agreement, excluding Employee Plan of Incentive Compensation and employee benefits.
- Employee Benefits: Employee benefit costs of 15% of Brotherhood marketing services department salaries and 25% of Brotherhood customer services department salaries.
- Profit: 10% of the sum of the amounts described above.
- BMIS paid Brotherhood fees totaling \$1,479,121 in 2013.
- Also, Brotherhood will pay BMIS 5% of the written insurance premium generated by BMIS.
- Brotherhood paid BMIS \$1,650,787 in 2013.

Payroll Services Agreement

Effective January 1, 2012, MinistryWorks, LLC (MinistryWorks) and Brotherhood entered into an Amended Payroll Services Agreement (MinistryWorks Agreement) in which MinistryWorks shall utilize the services of certain Brotherhood employees (Employees) to perform payroll services to churches and related ministries (Customers) with whom MinistryWorks has contracted to provide such services. In consideration for the Employees provided by Brotherhood to perform services under this MinistryWorks Agreement, MinistryWorks shall pay Brotherhood the following fees:

- Expenses Incurred: The amount of expenses incurred by Brotherhood to provide the services described within this MinistryWorks Agreement, excluding Employee Plan of Incentive Compensation and employee benefits.
- Employee Benefits: Employee benefit costs of 25% of Brotherhood payroll services department salaries.
- Profit: 10% of the sum of the amounts described above will be paid to Brotherhood as a profit margin.
- MinistryWorks paid Brotherhood fees totaling \$746,328 in 2013.

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 St. Paul Fire and Marine Insurance Company. The bond has a single loss coverage limit of \$1.25 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 at December 31, 2013, including but not limited to commercial auto, employer's liability, general liability, property, and workers' compensation.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company no longer sponsors a noncontributory defined benefit pension plan. At December 31, 2012, the defined benefit plan was liquidated and no future contributions are required.

The Company participates in a contributory defined contribution plan (401(k) Plan) for eligible employees. For 2012 and 2013, the Company's contribution to the plan is equal to half (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 up to 3% based on the employee's age and service years. Expense for this plan was \$1,173,246 and \$1,293,025 in 2012 and 2013, respectively.

The Company has a non-qualified deferred compensation plan that was available to certain past employees and directors. Under the terms of the plan, these participants elected to defer until retirement a portion of their annual remuneration. The Company makes contributions to this plan sufficient to provide for benefit payments required under the plan. The net present value of accumulated plan benefits for participants, computed as of the participant's normal retirement date, was \$279,693 and \$191,236 at December 31, 2012, and 2013, respectively.

STATUTORY DEPOSITS

The Company reported the following statutory deposits at December 31, 2013:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$ 2,599,210	\$ 2,618,648
All Other Special Deposits:		
Arizona	1,102,841	1,126,816
California	6,645,862	7,017,902
Delaware	101,240	105,346
Georgia	82,414	90,005
Idaho	309,053	337,518
Massachusetts	101,786	115,546
Nevada	305,359	346,638
New Mexico	303,721	316,038
North Carolina	329,399	359,714
Oregon	205,874	224,852
Tennessee	80,992	84,277
Total Deposits	<u>\$12,167,751</u>	<u>\$12,743,299</u>

REINSURANCE

Ceded Reinsurance

In 2013, the Company reported \$75.6 million of ceded premiums which represents 23% of gross direct and assumed premiums. While some of the reinsurance is placed directly by the Company, the majority is handled through BMS Intermediaries, Inc., a duly qualified reinsurance intermediary. The corporate standard for counterparty financial strength is a minimum of an "A-" rating from AM Best and the Company has experienced no write-offs of any balances due from its reinsurers during the current examination period.

Reinsurance programs are structured to limit the Company's per-risk exposure to a maximum of \$750,000 for property risks and \$500,000 for workers' compensation and casualty risks. Following is a summary of the primary ceded contracts in place during 2013 and the limits reinsured under each series of treaties.

<u>Description of reinsurance</u>	<u>Limits placed</u>
Casualty Excess of Loss – 3 layers	\$10,750,000 x/s \$500,000
Workers Compensation Excess of Loss – 2 layers	\$19,500,000 x/s \$500,000
Excess and Umbrella liability – 3 layers	95% quota share of \$1,000,000 \$9,000,000 x/s \$1,000,000
Property Per-Risk Excess of Loss – 4 layers	\$24,250,000 x/s \$750,000
Boiler and Machinery – 1 layer	100% quota share of risk

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>Limits placed</u>
Catastrophe Excess of Loss – 4 layers	\$80,000,000 x/s \$7,500,000
Aggregate Catastrophe Excess of Loss**	\$20,000,000 x/s \$15,000,000

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

Most of the Company's reinsurance treaties are syndicated among multiple reinsurers and involve balances less than 2% of the Company's surplus to policyholders. Following is a table reflecting ceded premiums and total reinsurance recoverables which are individually greater than \$4 million at December 31, 2013.

<u>Company Name</u>	<u>2013 Ceded Premiums</u>		<u>2013 Reinsurance Recoverable</u>	
Swiss Reinsurance America Corporation	\$ 5,834,000	7.7%	\$ 5,227,000	6.7%
The Travelers Indemnity Company	11,025,000	14.6%	6,801,000	8.7%
The Toa-Re Insurance Company of America	4,975,000	6.6%	6,744,000	8.7%
Hannover Ruckversicherungs AG	6,051,000	8.0%	5,012,000	6.4%
Everest Reinsurance Company	4,331,000	5.7%	4,698,000	6.0%
Lloyd's Syndicate 2003	8,965,000	11.9%	8,440,000	10.8%
Scor Reinsurance Company	3,062,000	4.0%	4,869,000	6.2%
Total of above companies	<u>\$44,243,000</u>	<u>58.5%</u>	<u>\$ 41,791,000</u>	<u>53.6%</u>
Total ceded in 2013	<u>\$75,624,000</u>		<u>\$ 77,930,000</u>	

The Company had no other significant reinsurance ceded at December 31, 2013.

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 65% of total assumed premiums of \$1.6 million and 83% of total assumed case loss and loss expense reserves of \$1.3 million in 2013.

The Company had no other individually significant assumed reinsurance balances in 2013.

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 balance prepared from the Company's general ledger for the year ended December 31, 2013 was agreed to the 2013 Annual Statement. The Annual Statements for the years ended December 31, 2009 through December 31, 2013, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

BROTHERHOOD MUTUAL INSURANCE COMPANY

Assets

As of December 31, 2013

	<u>Per Examination*</u>
	\$ 148,664,593
Bonds	
Stocks:	
Common stocks	126,424,780
Real estate:	
Properties occupied by the company	18,682,395
Properties held for the production of income	2,395,425
Cash, cash equivalents and short-term investments	19,720,110
Other invested assets	8,829,392
Receivables for securities	45,903
Subtotals, cash and invested assets	324,762,598
Investment income due and accrued	2,677,423
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	19,979,075
Deferred premiums, agents' balances and installments booked but deferred and not yet due	83,888,736
Reinsurance:	
Amounts recoverable from reinsurers	5,106,420
Other amounts receivable under reinsurance contracts	1,910,172
Current federal and foreign income tax recoverable and interest thereon	414,742
Net deferred tax asset	1,183,893
Guaranty funds receivable or on deposit	78,754
Electronic data processing equipment and software	848,409
Receivables from parent, subsidiaries and affiliates	234,571
Aggregate write-ins for other than invested assets	2,209,462
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	443,294,255
TOTALS**	\$ 443,294,255

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

** The total assets are \$3 more than total liabilities and surplus as regards policyholders on the 2013 Annual Statement due to a rounding error.

BROTHERHOOD MUTUAL INSURANCE COMPANY
Liabilities, Surplus and Other Funds
As of December 31, 2013

	Per Examination*
Losses	\$ 81,372,905
Loss adjustment expenses	19,862,665
Commissions payable, contingent commissions and other similar charges	12,852,991
Other expenses	3,862,392
Taxes, licenses and fees	3,373,061
Unearned premiums	125,986,800
Advance premium	3,548,602
Ceded reinsurance premiums payable	11,082,094
Funds held by company under reinsurance treaties	200,520
Amounts withheld or retained by company for account of others	1,589,586
Provision for reinsurance	218,020
Payable to parent, subsidiaries and affiliates	150,197
Derivatives	18,725
Payable for securities	986,705
Total liabilities excluding protected cell liabilities	265,105,262
Total liabilities	265,105,262
Surplus notes	22,000,000
Unassigned funds (surplus)	156,188,996
Surplus as regards policyholders	178,188,996
TOTALS**	\$ 443,294,258

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

** The total assets are \$3 more than total liabilities and surplus as regards policyholders on the 2013 Annual Statement due to a rounding error.

BROTHERHOOD MUTUAL INSURANCE COMPANY
Statement of Income
For the Year Ended December 31, 2013

	<u>Per Examination*</u>
UNDERWRITING INCOME	
Premiums earned	\$ 236,163,086
DEDUCTIONS	
Losses incurred	133,641,096
Loss adjustment expenses incurred	18,675,974
Other underwriting expenses incurred	79,832,415
Total underwriting deductions	<u>232,149,485</u>
Net underwriting gain (loss)	4,013,600
INVESTMENT INCOME	
Net investment income earned	6,246,294
Net realized capital gains (losses) less capital gains tax	3,068,963
Net investment gain (loss)	<u>9,315,257</u>
OTHER INCOME	
Net gain (loss) from agents' or premium balances charged off	(646,191)
Finance and service charges not included in premiums	1,351,468
Aggregate write-ins for miscellaneous income	39,898
Total other income	<u>745,174</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	14,074,032
Dividends to policyholders	2,904,139
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	11,169,893
Federal and foreign income taxes incurred	1,679,160
Net income	<u>\$ 9,490,733</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

	2013	2012	2011	2010	2009
Surplus as regards policyholders, December 31 prior year	\$ 159,714,741	\$ 146,116,856	\$ 149,635,597	\$ 143,509,537	\$ 130,679,945
Net income	9,490,733	7,283,209	(15,753,669)	2,583,452	5,433,200
Change in net unrealized capital gains or (losses) less capital gains tax	8,421,985	4,377,951	(3,266,486)	3,121,843	7,771,594
Change in net deferred income tax	1,392,836	1,961,573	527,127	251,517	(793,689)
Change in nonadmitted assets	(759,871)	(1,162,586)	2,413,128	333,434	388,857
Change in provision for reinsurance	(71,427)	1,137,737	(1,100,520)	(164,186)	29,630
Cumulative effect of changes in accounting principles	-	-	17,004,189	-	-
Aggregate write-ins for gains and losses in surplus	-	-	(3,342,510)	-	-
Change in surplus as regards policyholders for the year	18,474,255	13,597,885	(3,518,741)	6,126,060	12,829,592
Surplus as regards policyholders, December 31 current year**	<u>\$ 178,188,996</u>	<u>\$ 159,714,741</u>	<u>\$ 146,116,856</u>	<u>\$ 149,635,597</u>	<u>\$ 143,509,537</u>

** The Surplus as regards policyholders on Page 4 of the Annual Statement does not agree with the Surplus as regards policyholders on Page 3 of the Annual Statement due to rounding errors in 2009, 2010, 2011, and 2012.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2013, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

As discussed in the Corporate Records section of this Report of Examination, Brotherhood's Bylaws list the Pension Committee as one (1) of the standing committees of the Board. In violation of those Bylaws, the Company has not held Pension Committee meetings since 2012. It is recommended the Company resume holding Pension Committee meetings or amend its Bylaws to remove the Pension Committee requirement.

SUBSEQUENT EVENTS

Effective February 17, 2015, the Company's Board reestablished the Pension Committee and resumed Pension Committee meetings.

There were no other events subsequent to the examination date, and prior to the completion of fieldwork, that were considered material events requiring disclosure in the Report of Examination.

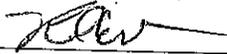
AFFIDAVIT

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 Merlino & Associates, Inc., hereinafter collectively referred to as the "Examiners", performed an examination of Brotherhood Mutual Insurance Company, as of December 31, 2013.

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, 2013, as determined by the undersigned.



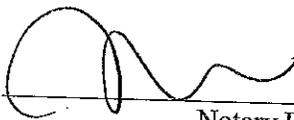
Roy Eft, CFE
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

On this 27 day of March, 2015, before me personally appeared, Roy Eft, 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:  SAMANTHA LEIGH DOUGHERTY
Notary Public, State of Indiana
Hendricks County
Commission # 627605
My Commission Expires
July 04, 2019



Notary Public

