

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

IN THE MATTER OF:)
)
American Inter-Fidelity Exchange)
9223 Broadway, Suite A)
Merrillville, Indiana 46410)

Examination of: **American Inter-Fidelity Exchange**

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Holly W. Lambert, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of American Inter-Fidelity Exchange, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 23, 2025, 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 American Inter-Fidelity Exchange 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 6/30/2025 Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7018 1130 0001 7982 6796

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9223 Broadway, Suite A)
Merrillville, Indiana 46410)

Examination of: **American Inter-Fidelity Exchange**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the American Inter-Fidelity Exchange (hereinafter “Company”) for the time period January 1, 2019 through December 31, 2023.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on June 4, 2025.

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 23, 2025, and was received by the Company on June 2, 2025.

The Company did not file any objections.

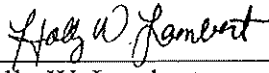
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the American Inter-Fidelity Exchange as of December 31, 2023.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the American Inter-Fidelity Exchange 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 30th day of
June, 2025.



Holly W. Lambert
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

AMERICAN INTER-FIDELITY EXCHANGE
NAIC Co. Code 40088

As of

December 31, 2023

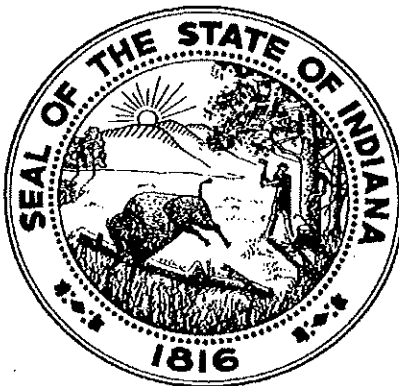


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STATE OF INDIANA

MIKE BRAUN, GOVERNOR

Indiana Department of Insurance

Holly W. Lambert, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-3520
Fax: 317-232-5251
Website: in.gov/doi

June 4, 2025

Honorable Holly Williams Lambert, 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 4201, an examination has been made of the affairs and financial condition of:

**American Inter-Fidelity Exchange
9223 Broadway, Suite A
Merrillville, Indiana 46410**

hereinafter referred to as the "Exchange" an Indiana domestic property and casualty reciprocal. The examination was conducted remotely with assistance from the corporate office staff in Merrillville, Indiana.

The Report of Examination, reflecting the status of the Exchange as of December 31, 2023, 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 317-232-5253	COMPANY RECORDS 317-232-2383	STATE HEALTH INSURANCE PROGRAM 1-800-452-4800
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SCOPE OF EXAMINATION

The Exchange was last examined by representatives of the Indiana Department of Insurance (INDOI) and covered the period from January 1, 2019, through December 31, 2023. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2019 through December 31, 2023, 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 Exchange, 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.

The actuarial specialist, Gregory M. Fanoë, FCAS, MAAA of Davies Group, provided all actuarial services throughout the examination and conducted a review of the Exchange's actuarial-related risks as of December 31, 2023.

In conducting the risk-focused examination, the INDOI, by its representatives, relied upon the independent audit reports and opinions contained therein rendered by BDO USA, LLP for each year of the examination period. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

All accounts and activities of the Exchange 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 Exchange's financial statements.

This examination report includes significant findings of fact, as mentioned 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 Exchange.

HISTORY

The Exchange was incorporated on September 10, 1981, under the laws of the state of Indiana as a reciprocal insurer providing coverage to its founding subscribers, a select group of carriers. In 1988, the Exchange became registered as a risk retention group (RRG) in Indiana pursuant to IC 27-7-10-13 and shortly thereafter began writing liability insurance coverage throughout the country to unaffiliated motor carriers. Upon its conversion to an RRG, the property lines of business were picked up by the Exchange's wholly owned subsidiary, Indiana Truckers Exchange (ITE).

On March 23, 1994, the Exchange was placed into rehabilitation by the INDOI. The INDOI issued an order terminating rehabilitation effective March 5, 2002. The Exchange entered into a Consent Order of

Supervision with the INDOI, effective for a period of three (3) years from January 1, 2001, through December 31, 2004. Subsequent to the expiration of the Consent Order, the Exchange entered into a Post-Consent Order Agreement, whereby the INDOI agreed to amend the Exchange's Certificate of Authority status from an RRG to a reciprocal. Presently, the Exchange is no longer operating under any regulatory restrictions.

CAPITAL AND SURPLUS

The Exchange is owned by its subscribers and, as such, has no authorized, issued, or outstanding common stock.

As of December 31, 2023, the Exchange had \$89 million in surplus as regards policyholders. Of this amount, \$79.5 million was from operations and reported in unassigned funds in the financial statement. The balance identified as gross paid in and contributed surplus was \$9.5 million.

MANAGEMENT AND CONTROL

Directors

The business affairs of the Exchange are managed by their Attorney-in-Fact, American Inter Fidelity Corporation (AIFC). The Bylaws of AIFC provide that the Board of Directors (Board) shall consist of at least five (5) members who shall be elected annually by a majority of the shareholders and until their successors are elected and qualified. Directors need not be shareholders unless stated as such in the Articles of Incorporation. The following is a listing of persons serving as directors as of December 31, 2023:

<u>Name and Location</u>	<u>Principal Occupation</u>
Harold E. Antonson Valparaiso, Indiana	Chief Financial Officer US 1 Industries, Inc.
Gage M. Blue Mount Pleasant, South Carolina	General Manager Carolina National Transportation, Inc.
Michael E. Kibler Sapphire, North Carolina	Retired
Rick A. Penney Sarasota, Florida	Independent Insurance Agent Exceter Insurance, Inc.
Robert I. Scissors* Chesterfield, Missouri	Retired
Lex L. Venditti Crown Point, Indiana	President American Inter-Fidelity Corporation

*Deceased, October 2024

Officers

The Bylaws of AIFC provide that the officers shall be a President, one (1) or more Vice Presidents, a Secretary, a Treasurer, and such other officers as may be appointed in accordance with the provisions of AIFC's Articles of Incorporation. The following is a list of key officers and their respective titles as of December 31, 2023:

<u>Name</u>	<u>Office</u>
Lex L. Venditti	President and Treasurer
Harold E. Antonson	Secretary
Michelle Blank	Vice President

CONFLICT OF INTEREST

AIFC's Code of Conduct requires that all directors and officers 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, 2023.

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, 2023.

CORPORATE RECORDS

Articles of Incorporation

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

Bylaws

There were no amendments made to the Bylaws of AIFC during the period under examination. The Company amended its Bylaws, effective December 19, 2017, to state that the Annual Meeting of the Shareholders for the election of directors and for the transaction of such other business, as may properly come before the meeting, shall be held within five (5) months after the close of each fiscal year.

There were no amendments made to the Bylaws of AIFC during the period under examination. However, the annual shareholders meetings for 2020, 2021, 2022 of this examination period were not held in accordance with the Bylaws of its Attorney-in-Fact, which states that such meetings be held in December of such respective years. IC 27-6-6-9 requires that the subscribers of the Attorney-in-Fact comply with the same standards as officers and directors for their annual meetings. Furthermore, this violates IC 27-1-7-

7(b), which requires annual meetings to be held within five (5) months of the fiscal close of December 31. (Please see the "Other Significant Findings" section of this report of examination regarding these issues.)

Minutes

The Board and annual meeting minutes were reviewed for the period under examination through the fieldwork date and significant actions were noted during each meeting.

AIFC's committee meeting minutes for the examination period and through the fieldwork date were reviewed for the Audit Committee and Investment Committee.

AFFILIATED COMPANIES

Organizational Structure

Schedule Y, Part 1- Organizational Chart of the Exchange's 2023 Annual Statement stated the Exchange's relationship with the other affiliated companies within the group as follows:

	NAIC CO. Code	Domiciliary State/County
American Inter-Fidelity Corporation Attorney-in-Fact		IN
American Inter-Fidelity Exchange	40088	IN
Indiana Truckers Exchange	10921	IN
US 1 Industries, Inc.		IN

The Exchange is a reciprocal insurer managed by AIFC, which was organized to provide services to the Exchange. The acceptance of the policy issued to the subscribers constitutes the insured's agreement to be bound by all terms and conditions contained in the Attorney-in-Fact Agreement. Three (3) individuals own AIFC: Harold E. Antonson, Lex L. Venditti, and Michael E. Kibler, who serve as Board members of the AIFC, two (2) of whom serve as officers.

ITE is a dormant insurance exchange whose surplus has been pledged to the Exchange by its common members. The Exchange's interest in ITE is reported on an equity basis as an invested asset.

Affiliated Agreements

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

Attorney-in-Fact Agreement

The Exchange is party to an Attorney-in-Fact Agreement whereby AIFC receives 7.5% of the Exchange's annual gross premiums and 25% of its annual net income. For 2023, the management company expenses were \$11.3 million respectively.

FIDELITY BOND AND OTHER INSURANCE

The Exchange protects itself against loss from fraudulent or dishonest acts by a fidelity bond issued by Hartford Fire Insurance Company to AIFC. The bond has blanket coverage of \$1,000,000 with a \$25,000 deductible. The fidelity bond is adequate to meet the minimum coverage specified by the NAIC.

The Exchange has additional types of coverage in-force as of December 31, 2023, including but not limited to directors, officers, and workers' compensation coverage.

TERRITORY AND PLAN OF OPERATION

The Exchange is licensed in 25 states and is a surplus lines carrier in California and New Jersey. The Exchange is limited to insuring risks in the interstate trucking industry and its products are distributed by independent agents. The Exchange writes commercial auto liability insurance, commercial auto physical damage, non-trucking liability, excess auto liability cargo (inland marine), and general liability. The Exchange also acts as a licensed surety for licensed freight brokers.

The Exchange continues to target growth in the commercial auto physical damage and non-trucking markets, as these coverages have shown consistent profitability. They are attempting to reduce exposure in the commercial auto liability segment. The Exchange has affiliations and contracts with national trucking associations, which have resulted in a large percentage of net premiums originating from this small program business. During 2023, this business decreased substantially, primarily as a result of competition from low-cost providers. They have been able to recapture large portions of this lost business and feel that 2024 will result in a substantial increase in premium growth, a trend likely to continue in the future.

The Exchange's largest states, by total Direct Premium Written (DPW) on December 31, 2023, are Illinois (\$21.3 million or 31%), Indiana (\$15.9 million or 23%), Missouri (\$6.2 million or 9%), Texas (\$6.9 million or 10%), and Wisconsin (\$10.2 million or 15%). These states accounted for 89% of the total writings in 2023.

REINSURANCE

Ceded Reinsurance

The Exchange has two (2) excess of loss reinsurance agreements. They have an obligatory excess of loss treaty with General Reinsurance Corporation for amounts in excess of \$500,000. The treaty with Swiss Reinsurance Company was on a facultative basis, with a \$250,000 excess of \$250,000.

Assumed Reinsurance

No business was assumed by the Exchange during the examination period.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Exchange with the INDOI and present the financial condition of the Exchange for the period ending December 31, 2023. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

AMERICAN INTER-FIDELITY EXCHANGE

Assets

As of December 31, 2023

	<u>Per Exchange</u>
Bonds	\$ 115,643,255
Stocks:	
Preferred stocks	1,062,970
Common stocks	23,771,408
Mortgage loans on real estate:	
First liens	1,621,892
Real estate:	
Properties occupied by the Company	521,705
Cash, cash equivalents and short-term investments	13,485,785
Other invested assets	4,414,421
Aggregate write-ins for invested assets	5,218,375
Subtotals, cash and invested assets	165,739,810
Investment income due and accrued	1,304,366
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	10,921,204
Deferred premiums, agents' balances and installments booked but deferred and not yet due	17,282,217
Reinsurance:	
Amounts recoverable from reinsurers	8,725,606
Aggregate write-ins for other than invested assets	1,035,073
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	205,008,276
Totals	<u>\$ 205,008,276</u>

AMERICAN INTER-FIDELITY EXCHANGE
Liabilities, Surplus and Other Funds
As of December 31, 2023

	<u>Per Exchange</u>
Losses	\$ 45,855,477
Loss adjustment expenses	1,360,773
Commissions payable, contingent commissions and other similar charges	295,000
Taxes, licenses and fees	158,125
Net deferred tax liability	255,962
Unearned premiums	17,282,217
Advance premium	231,192
Ceded reinsurance premiums payable	4,424,264
Amounts withheld or retained by Company for account of others	16,153,002
Remittances and items not allocated	126,461
Payable to parent, subsidiaries and affiliates	29,690,560
Aggregate write-ins for liabilities	176,058
Total liabilities excluding protected cell liabilities	<u>116,009,091</u>
Total liabilities	<u>116,009,091</u>
Gross paid in and contributed surplus	9,481,391
Unassigned funds (surplus)	<u>79,517,794</u>
Surplus as regards policyholders	<u>88,999,185</u>
Totals	<u>\$ 205,008,276</u>

AMERICAN INTER-FIDELITY EXCHANGE
Statement of Income
For the Year Ended December 31, 2023

	<u>Per Exchange</u>
UNDERWRITING INCOME	
Premiums earned	\$ 66,227,169
DEDUCTIONS	
Losses incurred	30,731,925
Loss adjustment expenses incurred	2,254,334
Other underwriting deductions	21,617,021
Total underwriting deductions	<u>54,603,280</u>
Net underwriting gain (loss)	11,623,889
INVESTMENT INCOME	
Net investment income earned	5,621,150
Net realized capital gains (losses) less capital gains tax	<u>(231,182)</u>
Net investment gain (loss)	5,389,968
OTHER INCOME	
Aggregate write-ins for miscellaneous income	<u>264,112</u>
Total other income	<u>264,112</u>
Net income, before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	<u>17,277,969</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	17,277,969
Federal and foreign income taxes incurred	3,538,751
Net income	<u><u>\$ 13,739,218</u></u>

AMERICAN INTER-FIDELITY EXCHANGE
Reconciliation of Capital and Surplus Account

	2023	2022	2021	2020	2019
Surplus as regards policyholders, December 31 prior year	\$ 73,653,945	\$ 63,544,406	\$ 50,596,237	\$ 40,442,790	\$ 31,178,185
Net income	13,739,218	14,927,044	12,281,798	9,970,469	9,158,847
Change in net unrealized capital gains or (losses) less capital gains tax	2,239,347	(4,957,047)	2,151,581	1,684,972	223,885
Change in net deferred income tax	(559,820)	774,742	(406,985)	(339,346)	160,176
Change in nonadmitted assets	(73,506)	364,800	(78,225)	(162,648)	(278,303)
Change in surplus note	-	(1,000,000)	(1,000,000)	(1,000,000)	-
Change in surplus as regards policyholders for the year	15,345,239	10,109,539	12,948,169	10,153,447	9,264,605
Surplus as regards policyholders, December 31 current year	<u>\$ 88,999,185</u>	<u>\$ 73,653,945</u>	<u>\$ 63,544,406</u>	<u>\$ 50,596,237</u>	<u>\$ 40,442,790</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2023, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

Annual Shareholders Meetings

There were no amendments made to the Bylaws of AIFC during the period under examination. However, the annual shareholders meetings for 2020, 2021, 2022 of this examination period were not held in accordance with the Bylaws of its Attorney-in-Fact, which states that such meetings be held in December of such respective years. IC 27-6-6-9 requires that the subscribers of the Attorney-in-Fact comply with the same standards as officers and directors for their annual meetings. Furthermore, this violates IC 27-1-7-7(b), which requires annual meetings to be held within five (5) months of the fiscal close of December 31.

It is recommended that the Attorney-in-Fact hold its Annual Shareholders meeting, and maintain records of such, within five (5) months of the fiscal close of December 31 to elect its directors per IC 27-6-6-9 and IC 27-1-7-7(b).

SUBSEQUENT EVENTS

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

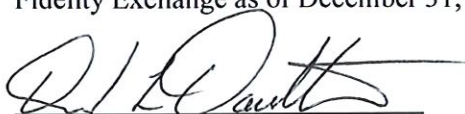
AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that they, in coordination with staff assistance from The Thomas Consulting Group, Inc., and actuarial assistance from Gregory M. Fanoe, FCAS, MAAA performed an examination of American Inter-Fidelity Exchange, as of December 31, 2023.


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

The 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 American Inter-Fidelity Exchange as of December 31, 2023, as determined by the undersigned.


David L. Daulton, CFE
The Thomas Consulting Group, Inc.


Under the Supervision of:


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

State of: Indiana
County of: Marion

On this 19th day of June, 2025, before me personally appeared, David L. Daulton and Jerry Ehlers to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires October 4, 2025 
Notary Public

DARCY L. SHAWVER
NOTARY PUBLIC

SEAL

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

