

Report
of the
Examination of
National Mutual Benefit
Madison, Wisconsin
As of December 31, 2014

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

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April 12, 2016

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Honorable Theodore K. Nickel
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

NATIONAL MUTUAL BENEFIT
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of National Mutual Benefit (NMB or the society) was conducted in 2010 as of December 31, 2009. The current examination covered the intervening period ending December 31, 2014, and included a review of such 2015 transactions as deemed necessary to complete the examination.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

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, annual statement instructions, and Wisconsin laws and regulations. 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 at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with this office. The actuary reviewed the adequacy of aggregate life and annuity reserves, aggregate accident and health reserves, dividends to policyholders, asset adequacy analysis, and deferred life insurance premiums. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

Investment Review

The Capital Markets Bureau of the NAIC was engaged by this office to perform a review of the company's invested assets portfolio as of December 31, 2014. The results of that review were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the findings of the review.

II. HISTORY AND PLAN OF OPERATION

National Mutual Benefit is a Wisconsin-domiciled fraternal benefit society authorized to conduct insurance business under the Wisconsin laws applicable to fraternal benefit societies. NMB is the successor to a social fraternal society that was organized in 1902 under the name Beavers Reserve Fund Fraternity. Beavers Reserve Fund Fraternity was reorganized in 1916 as a fraternal benefit society authorized under the laws of Wisconsin to offer legal reserve life insurance products and adopted the name Beavers National Mutual Benefit. In 1931, the society adopted the name National Mutual Benefit.

The present-day society was established effective January 1, 2001, upon the merger of Concordia Mutual Life Association (CMLA) into National Mutual Benefit. Concordia Mutual Life Association was an Illinois-domiciled fraternal benefit society originally incorporated February 2, 1909. Prior to the 2001 merger, NMB and CMLA were separate, independent fraternal societies, with home offices and business operations located in Madison, Wisconsin, and Downers Grove, Illinois, respectively. Each society operated as a life insurer under the ownership and control vested in its respective policyholder membership. Under the 2001 merger, CMLA merged with and into NMB, and NMB was the surviving corporate entity.

In 2014, the company collected direct premium in the following states:

Wisconsin	\$13,674,418	66.3%
Minnesota	3,015,778	14.6
South Dakota	1,274,612	6.2
Illinois	1,158,064	5.6
North Dakota	638,354	3.1
All others	<u>868,063</u>	<u>4.2</u>
Total	<u>\$20,629,289</u>	<u>100.0%</u>

The society is licensed in 13 state jurisdictions, including the states of Arizona, Colorado, Illinois, Indiana, Iowa, Michigan, Minnesota, Montana, Nebraska, North Dakota, South Dakota, Wisconsin, and Wyoming.

The major insurance products marketed by National Mutual Benefit include traditional whole life insurance, universal life insurance including policies on two individuals with first-to-die benefits, term life insurance including guaranteed renewable, juvenile insurance policies, and

disability income insurance. Annuity contracts written by the society include single premium deferred annuities, flexible premium deferred annuities, and single premium immediate annuities.

National Mutual Benefit uses a career agency system, independent personal producing general agents (PPGAs), and independent brokers to procure business. The agency system consists of seven field offices organized into seven districts, which are similar to traditional general agencies. Each marketing district is administered by a district manager, who has primary responsibility for recruiting, training and supervising the career agents employed within that district. At the time of the examination the society had 7 district marketing managers and employed 15 full-time career agents. The society contracted with 89 PPGAs and independent brokers, who have 27 sub-agencies. The society's market segment focus is primarily individuals who reside in medium-size communities in the Midwest and West.

The following chart is a summary of premium income as reported by the company in 2014. The growth of the company is discussed in the "Financial Data" section of this report.

Premium Income

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Whole life	\$ 3,871,302	\$ 0	\$ 132,051	\$ 3,739,252
Universal life	<u>7,458,585</u>	<u>0</u>	<u>1,279,902</u>	<u>6,178,683</u>
Total Life	11,329,887	0	1,411,953	9,917,935
Annuities	9,416,315	0	0	9,416,315
Disability income	<u>194,130</u>	<u>0</u>	<u>3,300</u>	<u>190,830</u>
Total All Lines	<u>\$20,940,332</u>	<u>\$ 0</u>	<u>\$1,415,253</u>	<u>\$19,525,080</u>

III. MANAGEMENT AND CONTROL

Membership

National Mutual Benefit is a fraternal benefit society not affiliated with any single religious faith or other affinity group. The objective of the society is to associate persons of all races, creeds, colors, genders, and national origins and their families, and to enable such persons to aid themselves and others with programs of insurance and benefits, fraternal and benevolent activities in local branches, and any lawful social, intellectual, educational, charitable, benevolent, moral, fraternal, or patriotic purpose. The society's fraternal benefit activities are conducted through the voluntary participation of NMB members in their local branches and through NMB instructional programs.

The society's articles of incorporation provide for two membership classes: benefit members and associate members. A benefit member is a person of at least 16 years of age who is covered by an insurance policy or annuity contract issued by NMB. Benefit members may participate in the business affairs of the local branch in which they are members and may hold office in the local branches. Benefit members are entitled to vote in the corporate and insurance affairs of NMB pursuant to the articles of incorporation and bylaws. An associate member is a person who is at least 16 years of age who has been accepted for membership in accordance with the eligibility rules as determined by resolution of the board of directors but who is not covered by an insurance policy or annuity contract issued by NMB. Associate members may participate in the affairs and activities of the local branch in which they are members and may hold office in their local branch but do not have the right to vote in the corporate and insurance affairs of the society. The society publishes the member magazine The Benefit News at least semiannually in which the society provides items of interest to its members, official notices, and annual financial information.

Growth of Membership

The following table reports the total number of all classes of members of the society for each year since the previous examination.

Year	Members
2014	36,509
2013	38,136
2012	39,663
2011	41,358
2010	42,623
2009	43,974

Board of Directors

The National Mutual Benefit board of directors consists of five members. Four directors are elected every four years by ballot of the benefit members of the society. The fifth director, who occupies the executive office of NMB President, is appointed annually by the elected directors. The most recent election was held in 2014, for the election of directors to the term of office from January 1, 2015, through December 31, 2018. The elected directors currently receive an annual salary of \$33,838 for serving on the board and receive a \$525 meeting fee for each monthly board meeting attended and \$525 for each special meeting attended.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
George Yanna Verona, WI	President and CEO National Mutual Benefit	2016
Nancy Heykes Krakow, WI	Vice President of Development for Goodwill Ind. of North Central WI	2018
Thomas Johnson Fitchburg, WI	Retired Partner McGladrey LLP	2018
Maureen O'Hern Hahn Appleton, WI	President and Founder Encore Financial Group, LLC	2018
John McHugh, Jr. Sparta, WI	Manager of Corporate Communications, Leadership Development, and Training With Kwik Trip, Inc.	2018

Officers of the Society

The officers serving at the time of this examination are as follows:

Name	Office	2014 Compensation
George Yanna	President	\$253,000
Steven Reindl	Secretary and Vice President of Operations	180,080
Jenna Dunker	Treasurer	114,359
Eric Garland	Vice President of Marketing	81,546*
Anne Rogers	Vice President of Fraternal	115,997

* Eric Garland was appointed the Vice President of Marketing on February 1, 2015. The 2014 compensation was the compensation received at his prior position with NMB.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The committees at the time of the examination are listed below:

Compensation Committee

Thomas Johnson, Chair
Nancy Heykes
John McHugh
George Yanna

Audit Committee

Thomas Johnson, Chair
Nancy Heykes
John McHugh
Maureen O'Hern Hahn

Additionally the society maintains management committees that are established by the board. The committees as they exist at the time of examination are listed below.

Finance and Investment Committee

Maureen O'Hern Hahn, Chair
Jenna Dunker
Paul Jahnke
Thomas Johnson
Nick McCullick
John McHugh
Steve Reindl
George Yanna

Mortgage Loan Committee

George Yanna, Chair
Paul Jahnke
Thomas Johnson
Steve Reindl

Community Donations Committee

Nancy Heykes, Chair
Steve Reindl
George Yanna

Special Fraternal Benefits Committee

George Yanna, Chair
Eric Garland
Steve Reindl
Anne Rogers

Retirement Fund Managing Committee

George Yanna, Chair
Jenna Dunker
Steve Reindl

Marketing and Membership Committee

John McHugh, Chair
Eric Garland
Nancy Heykes
Jeff Long
Steve Reindl
Anne Rogers
George Yanna

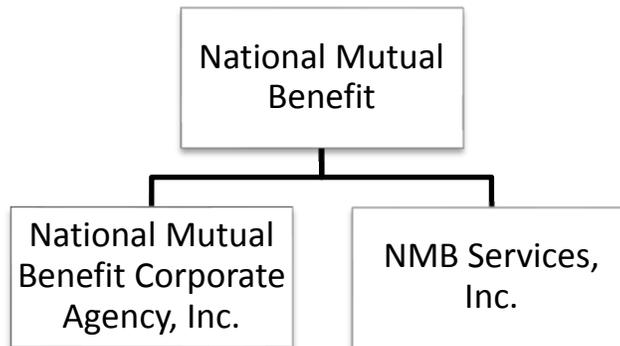
Governance and Risk Committee

George Yanna, Chair
Jenna Dunker
Eric Garland
Nancy Heykes
Thomas Johnson
John McHugh
Maureen O'Hern Hahn
Steve Reindl
Anne Rogers

IV. AFFILIATED COMPANIES

National Mutual Benefit is a member of a holding company system by virtue of its ownership of two subsidiaries. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the affiliates of National Mutual Benefit follows the organizational chart.

**Organizational Chart
As of December 31, 2014**



National Mutual Benefit Corporate Agency, Inc. (NMB Agency)

National Mutual Benefit Corporate Agency, Inc., was established by NMB in 1984 to serve as a broker for insurance products which the society does not write. NMB Agency is capitalized with \$15,000, representing 1,500 shares of common capital stock. NMB Agency provides to NMB customers brokered insurance coverages for major medical, disability income, term life and rated-lives insurance products.

As of June 30, 2015, NMB Agency's unaudited GAAP basis financial statements reported total assets of \$19,360, liabilities of \$0, and total equity of \$19,360. Operations for the fiscal year ended June 30, 2015, resulted in a reported net loss of \$1,039.

NMB Services, Inc.

NMB Services, Inc., was established by NMB on June 20, 1995, to provide mortgage loan payment services for society members. NMB Services, Inc., is capitalized with \$5,000 of common capital stock. National Mutual Benefit offers a mortgage payment servicing plan whereby funds equal to one-half of a member's monthly residential mortgage payment are

electronically transferred biweekly from the member's bank account to NMB Services, Inc., for a total of 26 transfers a year. NMB Services, Inc., uses 24 of the transfers to remit the monthly mortgage payments that are due to the participating society member's lending institution. Funds from the two additional transfers to NMB Services, Inc., are applied toward NMB life insurance products, enabling insureds to accumulate additional cash value.

As of June 30, 2015, NMB Services, Inc.'s unaudited GAAP basis financial statements reported total assets of \$304,669, liabilities of \$395,621 and total equity of \$(90,952). Operations for the fiscal year ended June 30, 2015, resulted in a reported net loss of \$22,765.

Agreements with Affiliates

NMB Cost-Sharing Agreement with NMB Corporate Agency, Inc.

NMB is party to a cost-sharing agreement with NMB Corporate Agency, Inc., whereby NMB provides facilities and services necessary for the management and operations of NMB Agency. Under the agreement, NMB allocates to NMB Agency the employee compensation and facility, equipment, and support costs incurred by NMB in performing services and providing facilities on behalf of NMB Agency. Allocated NMB employee costs include salary expense, FICA tax, unemployment tax, worker's compensation insurance, and employee benefits costs.

Allocated costs that are payable by NMB Agency to NMB are settled quarterly.

NMB Cost-Sharing Agreement with NMB Services, Inc.

NMB is party to a cost-sharing agreement with NMB Services, Inc., whereby NMB provides facilities and services necessary for the management and operations of NMB Services, Inc. Under the agreement, NMB allocates to NMB Services, Inc., the employee compensation and facility, equipment, and support costs incurred by NMB in performing services and providing facilities on behalf of NMB Services, Inc. Allocated NMB employee costs include salary expense, FICA tax, unemployment tax, worker's compensation insurance, and employee benefits costs.

Allocated costs that are payable by NMB Services, Inc., to NMB are settled quarterly.

V. REINSURANCE

National Mutual Benefit's reinsurance portfolio and strategy are described below. Each of NMB's reinsurance contracts contains proper insolvency provisions. National Mutual Benefit maintains ceding reinsurance agreements with five authorized reinsurers. The society's reinsurance program enables NMB to cede reinsurance risks so as to maintain desired levels of maximum retained risk exposure and to diversify and mitigate risk on particular lines of business. Effective October 1, 2006, National Mutual Benefit's maximum retention for any individual life risk is \$175,000, with lower retention amounts for policies issued to members who are 65 years of age or older. NMB does not assume any reinsurance risks and is not party to any reinsurance assumption agreements. In 2014, the society ceded insurance premium considerations of \$1.4 million, which equaled 12.3% of the gross life insurance premiums received by the society in 2014.

National Mutual Benefit currently has two active reinsurance agreements for the cession of new risks and is party to numerous runoff reinsurance agreements that pertain to cessions on closed blocks of business. The current reinsurance contracts are maintained with two reinsurers, and each of the respective contracts affords cession of risk on specified policy forms for particular business lines written by the society. There is no reinsurance on simplified issue life, guaranteed issue life, term to 26, and annuity policies. Reinsurance premiums are paid to the reinsurers either monthly or annually for ceded risks. The following summary of the society's reinsurance program is limited to discussion of the current reinsurance agreements.

Current Ceded Reinsurance Agreements

The society is party to an automatic and facultative yearly renewable term reinsurance agreement with Optimum Re Insurance Company that was established effective April 1, 2006, and subsequently amended. The agreement covers universal life policies, ordinary whole life policies, and certain related policy riders issued to insureds with last names from N to Z. The agreement also covers term life policies. The treaty provides that whenever NMB retains its maximum retention on an individual risk, the reinsurer will automatically accept life insurance risks of up to five times the NMB risk retention. The total amount of automatic and

facultative insurance issued and proposed on the insured across all companies is limited to \$4,000,000.

NMB is party to an automatic and facultative yearly renewable term reinsurance agreement with Swiss Re Life & Health America, Inc., that was established effective December 1, 2008. The agreement covers universal life policies, ordinary whole life policies, and certain related policy riders issued to insureds with last names from A to M. The treaty provides that whenever NMB retains its maximum retention on an individual risk, the reinsurer will automatically accept 100% of the excess up to a maximum of \$825,000, with lower limits on policies issued to members 65 years and older. The total amount of automatic and facultative insurance issued and proposed on the insured across all companies is limited to \$2,000,000.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2014, annual statement.

Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation.

**National Mutual Benefit
Assets
As of December 31, 2014**

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$271,373,732	\$	\$271,373,732
Stocks:			
Common stocks	12,568,193	20,000	12,548,193
Mortgage loans on real estate:			
First liens	22,277,641		22,277,641
Real estate:			
Occupied by the company	825,436		825,436
Cash, cash equivalents, and short-term investments	9,473,558		9,473,558
Contract loans	3,984,479		3,984,479
Other invested assets	1,697,354		1,697,354
Investment income due and accrued	4,000,748		4,000,748
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	(107,084)		(107,084)
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	839,125	141,517	697,608
Reinsurance:			
Amounts recoverable from reinsurers	21,686		21,686
Other amounts receivable under reinsurance contracts	26,839		26,839
Electronic data processing equipment and software	31,090		31,090
Furniture and equipment, including health care delivery assets	<u>58,703</u>	<u>58,703</u>	<u> </u>
Total Assets	<u>\$327,071,498</u>	<u>\$220,220</u>	<u>\$326,851,278</u>

**National Mutual Benefit
Liabilities, Surplus, and Other Funds
As of December 31, 2014**

Aggregate reserve for life contracts	\$263,755,098
Aggregate reserve for accident and health contracts	785,153
Liability for deposit-type contracts	12,642,658
Contract claims:	
Life	1,093,117
Accident and health	26,813
Provision for policyholders' dividends and coupons payable in following calendar year:	
Not yet apportioned	422,022
Premiums and annuity considerations received in advance	14,745
Contract liabilities not included elsewhere:	
Interest maintenance reserve	753,249
Commissions to agents due or accrued	115
General expenses due or accrued	875,842
Taxes, licenses, and fees due or accrued, excluding federal income taxes	3,020
Amounts withheld or retained by company as agent or trustee	57,694
Amounts held for agents' account, including agents' credit balances	47,356
Remittances and items not allocated	51,049
Miscellaneous liabilities:	
Asset valuation reserve	4,248,549
Write-ins for liabilities:	
Post-retirement benefit reserve	5,083,839
Deferred compensation	2,774,150
Escheat items	<u>60,756</u>
 Total liabilities	 292,695,225
 Unassigned funds (surplus)	 <u>34,156,052</u>
 Total Liabilities and Surplus	 <u>\$326,851,278</u>

**National Mutual Benefit
Summary of Operations
For the Year 2014**

Premiums and annuity considerations for life and accident and health contracts		\$19,525,080
Net investment income		16,050,227
Amortization of interest maintenance reserve		132,926
Commissions and expense allowances on reinsurance ceded		<u>314,263</u>
Total income items		36,022,496
Death benefits	\$ 4,050,136	
Matured endowments	228,704	
Annuity benefits	11,048,117	
Disability benefits and benefits under accident and health contracts	156,607	
Surrender benefits and withdrawals for life contracts	4,888,049	
Interest and adjustments on contract or deposit-type contract funds	369,483	
Payments on supplementary contracts with life contingencies	270,613	
Increase in aggregate reserves for life and accident and health contracts	<u>4,655,438</u>	
Subtotal	25,667,146	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	755,893	
General insurance expenses	7,400,461	
Insurance taxes, licenses, and fees	355,013	
Increase in loading on deferred and uncollected premiums	22,632	
Write-in for deductions: Change in deferred compensation	<u>129,045</u>	
Total deductions		<u>34,330,190</u>
Net gain from operations after refunds to members		1,692,306
Refunds to members		<u>416,119</u>
Net gain from operations after refunds to members and before realized capital gains or losses		1,276,188
Net realized capital gains		<u>1,429,191</u>
Net Income		<u>\$ 2,705,378</u>

**National Mutual Benefit
Cash Flow
For the Year 2014**

Premiums collected net of reinsurance		\$19,546,710
Net investment income		16,571,391
Miscellaneous income		<u>307,833</u>
Total		36,425,934
Benefit- and loss-related payments	\$21,258,457	
Commissions, expenses paid, and aggregate write-ins for deductions	8,314,065	
Dividends paid to policyholders	<u>404,244</u>	
Total deductions		<u>29,976,766</u>
Net cash from operations		6,449,169
Proceeds from investments sold, matured, or repaid:		
Bonds	\$13,496,561	
Stocks	3,054,301	
Mortgage loans	10,374,688	
Real estate	<u>1,584,432</u>	
Total investment proceeds		28,509,981
Cost of investments acquired (long-term only):		
Bonds	28,472,447	
Stocks	3,257,148	
Real estate	<u>27,356</u>	
Total investments acquired		31,756,951
Net decrease in contract loans and premium notes	<u>(356,905)</u>	
Net cash from investments		(2,890,065)
Cash from financing and miscellaneous sources:		
Net deposits on deposit-type contracts and other insurance liabilities	404,064	
Other cash provided (applied)	<u>(2,631)</u>	
Net cash from financing and miscellaneous sources		<u>401,433</u>
Reconciliation:		
Net change in cash, cash equivalents, and short-term investments		3,960,538
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>5,513,020</u>
End of Year		<u>\$ 9,473,558</u>

**National Mutual Benefit
Compulsory and Security Surplus Calculation
December 31, 2014**

Assets		\$320,358,423
Less liabilities		<u>292,695,225</u>
Adjusted surplus		27,663,198
Annual premium:		
Individual life and health	\$9,726,151	
Factor	<u>15%</u>	
Total		\$1,458,922
Greater of 7.5% of consideration or 2% of reserves for annuities and deposit administration funds		<u>2,851,754</u>
Compulsory surplus (subject to a \$2,000,000 minimum)		<u>4,310,676</u>
Compulsory surplus excess or (deficit)		<u>\$ 23,352,990</u>
Adjusted surplus (from above)		\$ 27,663,198
Security surplus: (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum of 110%)		<u>6,034,946</u>
Security Surplus Excess or (Deficit)		<u>\$ 21,628,252</u>

There are additional comments related to this schedule in the "Summary of Current Examination Results" section of this report.

**National Mutual Benefit
Analysis of Surplus
For the Five-Year Period Ending December 31, 2014**

The following schedule details items affecting the company's total capital and surplus during the period under examination as reported by the company in its filed annual statements:

	2014	2013	2012	2011	2010
Capital and surplus, beginning of year	\$32,302,306	\$28,005,149	\$27,020,295	\$26,253,630	\$25,697,161
Net income	2,705,378	2,625,269	499,740	2,743,881	386,695
Change in net unrealized capital gains/losses	271,583	1,481,995	1,077,779	(2,234,586)	1,204,254
Change in nonadmitted assets	74,028	40,199	79,227	138,325	219,171
Change in asset valuation reserve	(232,569)	(270,445)	(342,561)	802,328	(1,253,651)
Write-ins for gains and (losses) in surplus:					
Change in post-retirement benefit surplus reserve	(933,864)	625,891	(329,332)	(573,282)	
Change in deferred compensation surplus reserve	(30,809)	(205,752)			
Prior year reserve correction	_____	_____	_____	(110,000)	_____
Capital and Surplus, End of Year	<u>\$34,156,052</u>	<u>\$32,302,306</u>	<u>\$28,005,149</u>	<u>\$27,020,295</u>	<u>\$26,253,630</u>

**National Mutual Benefit
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2014**

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. Unusual IRIS results are denoted with asterisks and discussed below the table.

Ratio	2014	2013	2012	2011	2010
#1 Net change in capital and surplus	6%	15%	4%	3%	2%
#2 Net income to total income	7	7	1	6	1
#3 Adequacy of investment income	156	152	155	153	149
#4 Nonadmitted to admitted assets	0	0	0	0	0
#5 Total real estate and mortgage loans to cash and invested assets	7	11	17	19	18
#6 Total affiliated investments to capital and surplus	0	0	0	0	0
#7 Surplus relief	1	1	1	1	1
#8 Change in premium	-7	-16*	-16*	7	41
#9 Change in product mix	1.7	7.9*	4.5	2.5	8.7*
#10 Change in asset mix	0.5	0.8	0.3	0.6	0.8
#11 Change in reserving	-3	9	-7	-8	2

Ratio No. 8 measures the total change in premium volume from the prior year. The decreases in 2013 and 2012 were due to the company's lowering of annuity rates and a shift to not actively promote annuity sales during 2011.

Ratio No. 9 measures the change in premium volume mix between annuity and life business. The change in 2013 was due to the declining annuity sales as the company's premium decreased \$4.2 million overall with a decrease of \$4.7 million in annuity premiums and an increase of \$527,000 in life premiums. The increase in 2010 was due to the company's \$7.2 million increase in total premiums with \$6.9 million of the increase in annuity premiums.

Growth of National Mutual Benefit

Year	Admitted Assets	Liabilities	Capital and Surplus
2014	\$326,851,278	\$292,695,225	\$34,156,052
2013	318,746,371	286,444,065	32,302,306
2012	308,378,728	280,373,579	28,005,149
2011	295,369,899	268,349,604	27,020,295
2010	277,768,734	251,515,103	26,253,630
2009	258,197,105	232,499,944	25,697,161

Net Life Premiums, Annuity Considerations, and Deposits

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2014	\$ 9,939,243	\$ 9,416,315	\$ 397,862
2013	10,344,025	8,896,434	1,919,787
2012	9,847,520	13,650,489	1,658,776
2011	10,089,813	18,535,105	1,437,204
2010	10,441,336	16,318,379	1,430,259
2009	10,099,332	9,360,861	460,092

Life Insurance In Force (in thousands)

Year	In Force End of Year	Reinsurance Ceded	Net In Force
2014	\$1,148,845	\$269,332	\$879,513
2013	1,186,764	288,485	898,279
2012	1,208,130	294,474	913,656
2011	1,239,578	302,986	936,592
2010	1,251,485	309,958	941,527
2009	1,271,816	301,741	970,075

Accident and Health

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2014	\$191,801	\$ 96,229	\$ 7,722	\$ 84,235	98.1%
2013	204,351	15,915	6,684	61,456	41.1
2012	223,920	180,447	14,879	103,892	133.6
2011	220,389	102,403	11,337	77,529	86.8
2010	239,486	248,727	16,067	89,022	147.7
2009	250,530	189,322	17,298	98,194	121.7

* Includes increase in contract reserves

** Includes taxes, licenses, and fees

Total admitted assets have increased 27% to \$327 million and total liabilities increased 26% to \$293 million since 2009. Membership has decreased 17% over the examination period.

Net life premiums remained relatively constant over the examination period while annuity considerations showed large changes over the examination period. Net life premiums have shown a slight decrease of 2% to \$10.0 million and annuity considerations have increased 1% to \$9.4 million since 2009. The annuity considerations have fluctuated greatly over the examination period reaching as high as \$18.5 million in 2011 before the company lowered their annuity interest crediting rates.

The society reported a net income of \$2.7 million in 2014 and \$2.6 million in 2013. Net investment income ranged between \$15 million and \$16 million per year over the examination period. The company's surplus has increased 33% to \$34 million over the examination period.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The members' surplus reported by the society as of December 31, 2014, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were four specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Information Technology Systems—It is recommended that the society periodically test its disaster recovery plan.

Action—Compliance.

2. Hybrid Securities—It is recommended the society properly classify and report hybrid securities on Schedule D, Part 1, in accordance with the NAIC Annual Statement Instructions.

Action—Compliance.

3. Subsidiary Cost-Sharing Agreements—It is recommended that the society review and update its intercompany service agreements to reflect the society's current settlement practices and for compliance with the provisions of SSAP 96. It is further recommended that the society update its intercompany service agreements to include standard provisions, such as indemnification, ownership of data, and termination.

Action—Compliance.

4. Nonadmitted Assets—It is recommended the society properly report nonadmitted assets in accordance with the NAIC Annual Statement Instructions.

Action—Compliance.

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Investment Limitations

The examination conducted a review of the company's investment holdings as of year-end 2014 to verify compliance with investment limitations governed by Wisconsin law. Chapter 620.22, Wis. Stat., establishes the limitations for investments that can be counted toward satisfaction of an insurance company's compulsory and security surplus requirement. Investments that exceed limitations set forth in that statute cannot be counted towards satisfaction of the compulsory surplus requirement or the security surplus requirement. Section Ins 6.20 (8), Wis. Adm. Code, further defines authorized investments that can count towards compulsory and security surplus requirements. Section Ins 6.20 (8) (k), Wis. Adm. Code, states that "Loans, securities or investments in countries other than the United States and Canada which are of substantially the same kinds, classes and investment grades as those eligible for investment under ch. 620, Stats., and supplementary rules, but the aggregate of such investment shall not exceed 2% of the insurer's assets."

Based on National Mutual Benefit's admitted assets as of December 31, 2014, \$326,851,278, the foreign investment limitation allowed to be included in the company's compulsory and security surplus requirements is \$6,537,026. At that date the company held foreign investments totaled \$27,675,090. There is an additional "basket" clause that allows insurers to invest 5%, (\$16,342,564 at year-end 2014 of which \$1,697,354 of this allowance was used by Schedule BA investments) of their assets in investments not otherwise permitted by statute. The adjustment, after the application of the "basket" clause, would lower the amount that the society is over-invested in foreign assets down to \$6,492,855. It is recommended that the company adjust the assets as part of the calculation of its minimum policyholders' position requirement to reflect investment holdings that exceed limitations governed by s. 620.22, Wis. Stat.

Affiliated Companies

In review of the company's affiliates it was noted that NMB Services, Inc., and NMB Agency both use fiscal years ending on June 30. Additionally, it was noted that NMB Services, Inc., carried a negative equity position on its GAAP financial statements but had a reported fair value on Schedule D of \$0. Both affiliates should use a calendar year end to prepare their GAAP financial statements and any affiliate that does not have a positive equity value should be carried at a negative fair value on Schedule D. It is recommended that affiliates prepare their GAAP financial statements at calendar year end and that subsidiaries with a negative equity position carry that value on Schedule D.

VIII. CONCLUSION

Total admitted assets have increased 27% to \$327 million and total liabilities increased 26% to \$293 million since 2009. Membership has decreased 17% over the examination period.

Net life premiums remained relatively constant over the examination period while annuity considerations showed large changes over the examination period. Net life premiums have shown a slight decrease of 2% to \$10.0 million and annuity considerations have increased 1% to \$9.4 million since 2009. The annuity considerations have fluctuated greatly over the examination period reaching as high as \$18.5 million in 2011 before the company lowered their annuity interest rates.

The society reported a net income of \$2.7 million in 2014 and \$2.6 million in 2013. Net investment income ranged between \$15 million and \$16 million per year over the examination period. The company's surplus has increased 33% to \$34 million over the examination period.

The examination resulted in two recommendations, no adjustments to surplus, and no reclassifications of account balances. The society was in compliance with all four of the recommendations made on the previous examination.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 23 - Investment Limitations—It is recommended that the company adjust the assets as part of the calculation of its minimum policyholders' position requirement to reflect investment holdings that exceed limitations governed by s. 620.22, Wis. Stat.
2. Page 24 - Affiliated Companies—It is recommended that affiliates prepare their GAAP financial statements at calendar year end and that subsidiaries with a negative equity position carry that value on Schedule D.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Tom Hilger	Insurance Financial Examiner
John Pollock	Insurance Financial Examiner
Tom Houston	ACL and IT Specialist
Jerry DeArmond	Reserve Specialist

Respectfully submitted,

Terry Lorenz
Examiner-in-Charge