

Report of the Examination of  
National Mutual Benefit  
Madison, Wisconsin  
As of December 31, 2019

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March 16, 2021

Honorable Mark V. Afable  
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 2016 as of December 31, 2014. The current examination covered the intervening period ending December 31, 2019, and included a review of such subsequent 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 insurer to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

All accounts and activities of the society 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 those areas of the society'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 society to satisfy the recommendations and comments made in the previous examination report.

The society 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 concerning the alternative or additional examination steps performed during the examination.

#### **Independent Actuary's Review**

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of aggregate life and annuity reserves, aggregate accident and health reserves, contract claims for life policies, contract claims for accident and health policies, liability for deposit-type contracts, and asset adequacy analysis. 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.

## II. HISTORY AND PLAN OF OPERATION

The society was organized in 1902 as Beavers Reserve Fund Fraternity under the Wisconsin laws applicable to fraternal benefit societies. 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 2019, the society collected direct premium in the following states:

Wisconsin	\$12,938,131	68.6%
Minnesota	1,956,113	10.4
South Dakota	1,916,492	10.2
North Dakota	701,131	3.7
Illinois	456,795	2.4
All others	<u>891,089</u>	<u>4.7</u>
Total	<u>\$18,859,751</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 products marketed by the society include traditional whole life insurance, GrandStart, 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 (disability was discontinued December 31, 2016). GrandStart is whole life insurance for children with increasing coverage at specific ages. Annuity contracts written by the society include single premium

deferred annuities, flexible premium deferred annuities, variable guarantee rate for single and flexible annuities, and single premium immediate annuities.

National Mutual Benefit uses a career agency system, independent personal producing general agents, and independent brokers to procure business. The agency system consists of four field offices organized into four 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 four district marketing managers and employed 25 full-time career agents. The society contracted with 99 personal producing general agents and independent brokers, who have 52 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 the premium income reported by the society in 2019. The growth of the society 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	\$ 4,122,992	\$0	\$ 161,705	\$ 3,961,287
Universal life	5,492,762		861,640	4,631,122
Universal life with secondary guarantee	348,231		44,561	303,670
Term life	<u>969,086</u>	—	<u>—</u>	<u>969,086</u>
Total life	10,933,071		1,067,906	9,865,165
Annuities (fixed)	8,240,105			8,240,105
Disability income	<u>118,245</u>	—	<u>1,907</u>	<u>116,338</u>
Total All Lines	<u>\$19,291,420</u>	<u>\$0</u>	<u>\$1,069,812</u>	<u>\$18,221,608</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 members of the society for each year since the previous examination.

Year	Members
2019	31,079
2018	32,268
2017	33,526
2016	34,797
2015	35,588
2014	36,509

## Board of Directors

As of December 31, 2020, the National Mutual Benefit board of directors consisted 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 2018, for the election of directors to the term of office from January 1, 2019, through December 31, 2022. The directors' terms are discussed in the "Subsequent Events" section of this report. Officers are elected at the board's annual meeting. The elected directors currently receive an annual 2019 salary of \$39,690.40 for serving on the board and receive a \$525 meeting fee for each quarterly board meeting attended and \$525 for each special meeting attended.

As of December 31, 2020, the board of directors consisted of the following persons:

Name and Residence	Principal Occupation	Term Expires
Daniel L. Shinnick Mount Horeb, Wisconsin	President and CEO National Mutual Benefit	2021
Nancy Nelson Heykes Hazelhurst, Wisconsin	Retired Executive Goodwill Industries of North Central Wisconsin	2022
Thomas R. Johnson Fitchburg, Wisconsin	Retired Partner McGladrey LLP	2022
John T. McHugh Jr. Sparta, Wisconsin	Manager of Corporate Communications, Leadership Development, and Training Kwik Trip, Inc.	2022
Maureen O'Hern Hahn Appleton, Wisconsin	President and Founder Encore Financial Group, LLC	2022



## Officers of the Society

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

<b>Name</b>	<b>Office</b>
Daniel L. Shinnick	President
Steve Reindl	Secretary, Treasurer, and Senior Vice President of Finance
Jenna Dunker	Senior Vice President of Market Development
Jared Bruley	Senior Vice President of Marketing & Sales
Nicolas McCullick	Vice President of Change Champions
Michelle Maffet	Vice President of Member Services
Anne Rogers	Vice President of Fraternal

## Committees of the Board

The society'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**

John T. McHugh Jr., Chair  
Maureen O'Hern Hahn  
Nancy Nelson Heykes  
Thomas R. Johnson  
Daniel L. Shinnick

### **Audit Committee**

Thomas R. Johnson, Chair  
Maureen O'Hern Hahn  
Nancy Nelson Heykes  
John T. McHugh Jr.  
Daniel L. Shinnick

### **Finance and Investment Committee**

Maureen O'Hern Hahn, Chair  
Nancy Nelson Heykes  
Thomas R. Johnson  
John T. McHugh Jr.  
Daniel L. Shinnick

### **Membership and Marketing Committee**

John T. McHugh Jr., Chair  
Maureen O'Hern Hahn  
Nancy Nelson Heykes  
Thomas R. Johnson  
Daniel L. Shinnick

### **Governance Committee**

Nancy Nelson Heykes, Chair  
Maureen O'Hern Hahn  
Thomas R. Johnson  
John T. McHugh Jr.  
Daniel L. Shinnick

### **Operations and Technology Committee**

Nancy Nelson Heykes, Chair  
Maureen O'Hern Hahn  
Thomas R. Johnson  
John T. McHugh Jr.  
Daniel L. Shinnick

### **Enterprise Risk Management Committee**

Thomas R. Johnson, Chair  
Maureen O'Hern Hahn  
Nancy Nelson Heykes  
John T. McHugh Jr.  
Daniel L. Shinnick

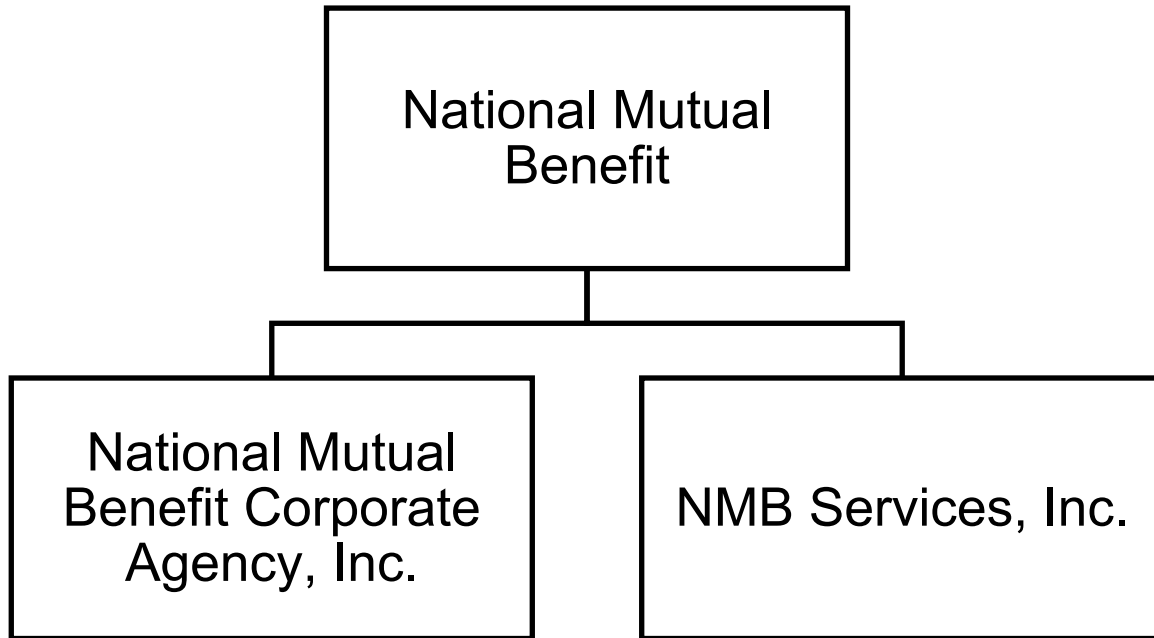
### **Merger Committee**

Nancy Nelson Heykes, Chair  
Maureen O'Hern Hahn  
Thomas R. Johnson  
John T. McHugh Jr.  
Daniel L. Shinnick

#### IV. AFFILIATED COMPANIES

National Mutual Benefit is a member of a holding company system. 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, 2019**



##### **National Mutual Benefit Corporate Agency, Inc.**

National Mutual Benefit Corporate Agency, Inc. (NMB Agency) 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, 2020, NMB Agency's unaudited GAAP basis financial statements reported total assets of \$16,700, liabilities of \$0, and total equity of \$16,700. Operations for the fiscal year ended June 30, 2020, resulted in a reported net loss of \$6,114.

## **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, 2020, NMB Services, Inc.'s unaudited GAAP basis financial statements reported total assets of \$30,683, liabilities of \$25,006, and total equity of \$5,677. Operations for the fiscal year ended June 30, 2020, resulted in a reported net income of \$24,434.

### **Agreements with Affiliates**

#### NMB Cost-Sharing Agreement with National Mutual Benefit Corporate Agency, Inc.

NMB is party to a cost-sharing agreement with National Mutual Benefit 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 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 2019, the society ceded insurance premium considerations of \$1.07 million, which equaled 9.8% of the gross life insurance premiums received by the society in 2019.

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, GrandStart, 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. 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 million.

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, and subsequently amended. The agreement covers universal life policies, ordinary whole life policies, and certain related policy riders issued to insureds. 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 insurance issued and proposed on an individual insured is limited to \$2 million. There is no limit for facultative.

NMB is party to an automatic and facultative first dollar quota share 50/50 agreement with Swiss Re Life & Health America, Inc. that was established effective October 1, 2018. The agreement covers term policies and certain related policy riders. The treaty provides that NMB will retain 50% of each policy, not to exceed the \$175,000 retention limit. The reinsurer will automatically accept 50% of the risk up to NMB's retention and then 100% of the excess up to a maximum of \$825,000. The total amount of automatic insurance issued and proposed on an individual insured is limited to \$2 million. There is no limit for facultative.

## **VI. FINANCIAL DATA**

The following financial statements reflect the financial condition of the society as reported to the Commissioner of Insurance in the December 31, 2019, 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 society, NAIC Insurance Regulatory Information System (IRIS) ratio results during the period under examination, and the compulsory and security surplus calculation.

**National Mutual Benefit  
Assets  
As of December 31, 2019**

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$314,973,427	\$	\$314,973,427
Stocks:			
Common stocks	13,124,551	20,000	13,104,551
Real estate:			
Occupied by the company	706,361		706,361
Cash, cash equivalents, and short-term investments	6,468,582		6,468,582
Contract loans	3,123,898		3,123,898
Derivatives			
Other invested assets	1,600,397		1,600,397
Receivables for securities	54,760		54,760
Investment income due and accrued	3,932,213		3,932,213
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	(73,430)		(73,430)
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	956,478	76,133	880,345
Reinsurance:			
Amounts recoverable from reinsurers	67,498		67,498
Other amounts receivable under reinsurance contracts	18,775		18,775
Electronic data processing equipment and software	2,250,895	2,148,245	102,651
Furniture and equipment, including health care delivery assets	101,714	101,714	_____
<b>Total Assets</b>	<u><b>\$347,306,119</b></u>	<u><b>\$2,346,091</b></u>	<u><b>\$344,960,028</b></u>



**National Mutual Benefit  
Liabilities, Surplus, and Other Funds  
As of December 31, 2019**

Aggregate reserve for life contracts	\$281,291,213
Aggregate reserve for accident and health contracts	636,647
Liability for deposit-type contracts	10,684,582
Contract claims:	
Life	1,784,756
Accident and health	2,740
Provision for policyholders' dividends, refunds to members, and coupons payable in the following calendar year:	
Not yet apportioned	347,367
Premiums and annuity considerations received in advance	16,419
Contract liabilities not included elsewhere:	
Interest maintenance reserve	415,787
Commissions to agents due or accrued	21
General expenses due or accrued	629,289
Taxes, licenses, and fees due or accrued, excluding federal income taxes	8,402
Amounts withheld or retained by reporting entity as agent or trustee	18,066
Amounts held for agents' account, including agents' credit balances	62,193
Remittances and items not allocated	129,714
Miscellaneous liabilities:	
Asset valuation reserve	2,935,905
Payable for securities	80,020
Write-ins for liabilities:	
Post Retirement Benefit Reserve	4,889,848
Deferred Compensation	3,152,898
Escheat items	265,980
Defined Contribution 457(b)	<u>135,347</u>
<b>Total Liabilities</b>	<b>307,487,196</b>
Unassigned funds (surplus)	<u>37,472,832</u>
<b>Total Liabilities, Capital and Surplus</b>	<b><u>\$344,960,028</u></b>

**National Mutual Benefit  
Summary of Operations  
For the Year 2019**

Premiums and annuity considerations for life and accident and health contracts		\$18,221,608
Considerations for supplementary contracts with life contingencies		94,361
Net investment income		15,256,848
Amortization of interest maintenance reserve		256,567
Commissions and expense allowances on reinsurance ceded		219,263
Write-ins for miscellaneous income:		
Experience Refunds		<u>251</u>
Total income items		34,048,898
Death benefits	\$ 4,302,820	
Matured endowments	321,170	
Annuity benefits	13,176,773	
Disability benefits and benefits under accident and health contracts	99,626	
Surrender benefits and withdrawals for life contracts	5,772,584	
Interest and adjustments on contract or deposit-type contract funds	359,895	
Payments on supplementary contracts with life contingencies	174,473	
Increase in aggregate reserves for life and accident and health contracts	<u>401,309</u>	
Subtotal	24,608,650	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	876,580	
General insurance expenses and fraternal expenses	8,254,026	
Insurance taxes, licenses, and fees excluding federal income taxes	390,283	
Increase in loading on deferred and uncollected premiums	20,575	
Write-in for deductions:		
Change in Deferred Compensation	71,170	
Change in Post Retirement Benefit Reserve	<u>33,218</u>	
Total deductions		<u>34,254,502</u>
Net gain (loss) from operations before dividends to policyholders, refunds to members, and federal income taxes		(205,604)
Dividends to policyholders and refunds to members		<u>283,761</u>
Net gain (loss) from operations after dividends to policyholders, refunds to members, and before federal income taxes		(489,364)
Net realized capital gains or (losses)		<u>593,223</u>
Net Income (Loss)		<u>\$ 103,858</u>

**National Mutual Benefit  
Cash Flow  
For the Year 2019**

Premiums collected net of reinsurance		\$18,150,055
Net investment income		16,237,036
Miscellaneous income		<u>237,033</u>
Total		34,624,123
Benefit- and loss-related payments	\$23,457,051	
Commissions, expenses paid, and aggregate write-ins for deductions	9,505,008	
Dividends paid to policyholders	<u>389,941</u>	
Total deductions		<u>33,352,000</u>
Net cash from operations		1,272,124
Proceeds from investments sold, matured, or repaid:		
Bonds	\$20,599,893	
Stocks	3,597,127	
Miscellaneous proceeds	<u>80,020</u>	
Total investment proceeds		24,277,040
Cost of investments acquired (long-term only):		
Bonds	18,837,158	
Stocks	3,693,865	
Real estate	<u>14,903</u>	
Total investments acquired		22,545,927
Net increase (or decrease) in contract loans and premium notes	<u>(338,018)</u>	
Net cash from investments		2,069,132
Cash from financing and miscellaneous sources:		
Net deposits on deposit-type contracts and other insurance liabilities	(428,393)	
Other cash provided (applied)	<u>(179,419)</u>	
Net cash from financing and miscellaneous sources		<u>(607,812)</u>
<b>Reconciliation:</b>		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		2,733,444
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>3,735,138</u>
End of year		<u>\$ 6,468,582</u>

**National Mutual Benefit  
Compulsory and Security Surplus Calculation  
December 31, 2019**

Assets		\$344,180,901
Less liabilities		<u>307,487,196</u>
Adjusted surplus		36,693,705
Annual premium:		
Individual life and health	\$9,425,648	
Factor	<u>15%</u>	
Total	1,413,847	
Greater of 7.5% of considerations or 2% of reserves for annuities and deposit administration funds	<u>3,125,202</u>	
Compulsory surplus (subject to a \$2,000,000 minimum)		<u>4,539,049</u>
Compulsory Surplus Excess (Deficit)		<u>\$ 32,154,656</u>
Adjusted surplus (from above)		\$ 36,693,705
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>6,354,668</u>
Security Surplus Excess (Deficit)		<u>\$ 30,339,037</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, 2019**

The following schedule details items affecting the society's surplus during the period under examination as reported by the society in its filed annual statements.

	2019	2018	2017	2016	2015
Capital and surplus, beginning of year	\$35,032,795	\$35,363,064	\$35,831,434	\$34,502,336	\$34,156,052
Net income	103,858	(161,080)	(347,079)	1,103,798	1,952,178
Change in net unrealized capital gains/losses	2,001,214	(2,121,990)	1,314,212	1,043,088	(1,681,365)
Change in nonadmitted assets and related items	(186,695)	(178,962)	(896,170)	(798,209)	(65,835)
Change in asset valuation reserve	256,145	942,712	(14,147)	(238,784)	366,718
Write-ins for gains and (losses) in surplus:					
Change in Post Retirement Benefit Surplus Reserve	380,603	1,053,281	(399,363)	219,769	(182,224)
Change in 457(b) Plan Surplus Reserve	(115,089)	135,770			
Change in Deferred Compensation Surplus Reserve	_____	_____	(125,823)	(565)	(43,189)
Capital and Surplus, End of Year	<u>\$37,472,832</u>	<u>\$35,032,795</u>	<u>\$35,363,064</u>	<u>\$35,831,434</u>	<u>\$34,502,336</u>

**National Mutual Benefit  
Insurance Regulatory Information System  
For the Five-Year Period Ending December 31, 2019**

The society'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	2019	2018	2017	2016	2015
#1 Net change in capital & surplus**	7%				
#2 Gross change in capital & surplus	7	-1%	-1%	4%	1%
#3 Net income to total income	0*	-0*	-1*	3	6
#4 Adequacy of investment income	143	145	150	152	155
#5 Non-admitted to admitted assets	1	1	1	0	0

Ratio	2019	2018	2017	2016	2015
#6 Total real estate & mortgage loans to cash & invested assets	0	0	2	3	5
#7 Total affiliated investments to capital & surplus	-0	-0	-0	-0	0
#8 Surplus relief	1	1	1	1	1
#9 Change in premium	6	-9	-3	10	-12*
#10 Change in product mix	0.9	2.7	1.4	1.6	2.2
#11 Change in asset mix	0.2	0.4	0.2	0.4	0.4
#12 Change in reserving ratio	-4	10	-11	-10	0

\*\* Ratio No. 1 was added for fraternal benefit societies in 2019.

Ratio #3 was exceptional in 2017, 2018, and 2019 due to net losses in 2017 and 2018 and low net income in 2019. In 2017, general expenses increased significantly due to the retirement of the president and hiring costs for a new president. In 2018, premiums decreased significantly largely due to annuity considerations.

Ratio #9 was exceptional in 2015 primarily due to declining annuity sales as the society's premium decreased \$2.4 million overall with a decrease of \$1.5 million in annuity considerations which was primarily due to one policyholder's \$1.5 million rollover in 2014.

#### Growth of National Mutual Benefit

Year	Admitted Assets	Liabilities	Capital and Surplus
2019	\$344,960,028	\$307,487,196	\$37,472,832
2018	342,336,052	307,303,257	35,032,795
2017	343,641,412	308,278,348	35,363,064
2016	337,933,080	302,101,646	35,831,434
2015	332,156,687	297,654,351	34,502,336
2014	326,851,278	292,695,225	34,156,052

#### Net Life Premiums, Annuity Considerations, and Deposits

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2019	\$ 9,698,825	\$ 8,240,105	\$ 30,453
2018	9,831,674	6,936,904	86,889
2017	10,085,347	8,450,867	73,964
2016	10,010,683	9,103,962	125,424
2015	9,505,478	7,915,624	
2014	9,939,243	9,416,315	397,862

**Life Insurance In Force (in thousands)**

<b>Year</b>	<b>In Force End of Year</b>	<b>Reinsurance Ceded</b>	<b>Net In Force</b>
2019	\$1,091,518	\$241,401	\$850,117
2018	1,084,418	213,577	870,841
2017	1,111,212	227,537	883,675
2016	1,136,902	238,866	898,036
2015	1,142,724	252,163	890,561
2014	1,148,845	269,332	879,513

**Accident and Health**

<b>Year</b>	<b>Net Premiums Earned</b>	<b>Incurred Claims and Cost Containment Expenses*</b>	<b>Commissions Incurred</b>	<b>Other Expenses Incurred**</b>	<b>Combined Loss and Expense Ratio</b>
2019	\$117,528	(\$ 70,724)	\$ 544	\$46,121	-20.5%
2018	128,263	95,794	1,133	43,612	109.6
2017	147,375	169,289	3,459	53,703	153.7
2016	160,312	(112,963)	4,704	62,630	-28.5
2015	172,015	118,795	5,317	64,268	109.6
2014	191,801	96,229	7,722	84,235	98.1

\* Includes change in contract reserves

\*\* Includes taxes, licenses, and fees

Total admitted assets have increased 6% to \$345 million and total liabilities increased 5% to \$307 million since 2014. Membership has decreased 15% over the examination period.

Net life premiums remained relatively constant over the examination period while annuity considerations decreased over the examination period. Net life premiums have shown a slight decrease of 2% to \$9.7 million and annuity considerations have decreased 13% to \$8.2 million since 2014. The annuity considerations have fluctuated over the examination period to a low of \$6.9 million in 2018 and the society has adjusted its annuity interest crediting rates in this low interest rate environment.

Net income decreased from \$2.7 million in 2014 to \$103,858 in 2019 with losses in 2017 and 2018. Net investment income ranged between \$15 million and \$16 million per year over the examination period. The society's surplus has increased 10% to \$37 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, 2019, is accepted.



## VII. SUMMARY OF EXAMINATION RESULTS

### Compliance with Prior Examination Report Recommendations

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

1. 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.

Action—Partial compliance, see comments in the "Summary of Current Examination Results."

2. 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.

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 society's operations is contained in the examination work papers.

### **Investment Limitations**

The examination conducted a review of the society's investment holdings as of year-end 2019 to verify compliance with investment limitations governed by Wisconsin law. Section 620.23, Wis. Stat., establishes general 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 (8g) (c), Wis. Adm. Code, states that "An insurer with assets less than \$500,000,000 as of the financial statement filing date may invest up to 2% of assets in loans, securities or investments of foreign issuers which are of substantially the same kinds, classes and investment grades as those eligible for investment under ch. 620, Stats., and supplementary rules."

Based on National Mutual Benefit's admitted assets as of December 31, 2019, \$344,960,028, the foreign investment limitation allowed to be included in the society's compulsory and security surplus requirements is \$6,899,201. At that date, the society held foreign investments totaling \$26,131,198, which consisted of \$23,325,932 in bonds and \$2,805,266 in common stocks. There is an additional basket clause that allows insurers to invest 5% of their assets in investments not otherwise permitted by statute, for a total of \$17,248,001 at year end 2019, of which \$1,600,397 of this allowance was used by Schedule BA investments. The excess amount invested in foreign assets, after the application of the unused portion of the basket clause, is \$3,584,393. The review of the 2019 Compulsory and Security Surplus filing indicated that the society calculated an excess amount of \$779,127, instead of \$3,584,393, resulting in a difference of \$2,805,266 which corresponds with the amount of foreign investments in common stocks. In the Compulsory and Security Surplus calculation, the excess amount invested in foreign assets, after the application of the unused portion of the basket clause, is deducted from admitted

assets. As a result, the excess compulsory and security surpluses were overstated by the difference of \$2,805,266. It is again recommended that the society exclude the proper amount of assets that exceed the investment limitation prescribed by Ins s. 6.20 (8g), Wis. Adm. Code and s. 620.22 (9), Wis. Stat. from the calculation of its compulsory and security surplus requirements in accordance with s. 620.21, Wis. Stat.

## VIII. CONCLUSION

Total admitted assets have increased 6% to \$345 million and total liabilities increased 5% to \$307 million since 2014. Membership has decreased 15% over the examination period.

Net life premiums remained relatively constant over the examination period while annuity considerations decreased over the examination period. Net life premiums have shown a slight decrease of 2% to \$9.7 million and annuity considerations have decreased 13% to \$8.2 million since 2014. The annuity considerations have fluctuated over the examination period to a low of \$6.9 million in 2018 and the society has adjusted its annuity interest crediting rates in this low interest rate environment.

Net income decreased from \$2.7 million in 2014 to \$103,858 in 2019 with losses in 2017 and 2018. Net investment income ranged between \$15 million and \$16 million per year over the examination period. The society's surplus has increased 10% to \$37 million over the examination period.

The examination resulted in one recommendation, no adjustments to surplus, and no reclassifications of account balances. The society was in compliance with one of the recommendations and partial compliance with the other recommendation made on the previous examination.

## **IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

1. Page 24 - Investment Limitations—It is again recommended that the society exclude the proper amount of assets that exceed the investment limitation prescribed by Ins s. 6.20 (8g), Wis. Adm. Code and s. 620.22 (9), Wis. Stat. from the calculation of its compulsory and security surplus requirements in accordance with s. 620.21, Wis. Stat.

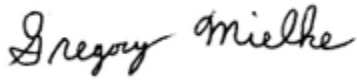
**X. ACKNOWLEDGMENT**

The courtesy and cooperation extended during the course of the examination by the officers and employees of the society 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:

<b>Name</b>	<b>Title</b>
Marisa Rodgers	Insurance Financial Examiner
Dana Tice	Insurance Financial Examiner
Dave Jensen, CFE	IT Specialist
Terry Lorenz, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Gregory Mielke  
Examiner-in-Charge

## XI. SUBSEQUENT EVENTS

### Merger

National Mutual Benefit merged with and into Western Fraternal Life Association (WFLA), a fraternal benefit society of Cedar Rapids, Iowa, effective January 1, 2021. Simultaneously, WFLA changed its name to BetterLife and redomiciled from Iowa to Wisconsin.

BetterLife's board of directors consists of 10 members comprised of the four elected directors of NMB, four of the seven elected directors of WFLA, the president and CEO of NMB, and the president of WFLA. Current directors' terms expire on December 31, 2024. For the election in 2024, the four candidates receiving the most votes shall be elected to a four-year term and the four candidates receiving the next highest number of votes shall be elected to a two-year term. After that election, there shall be an election every two years for the four directors whose terms are expiring. The terms of all subsequent directors shall be four years resulting in a staggered board.

The BetterLife board of directors consists of the following persons:

<b>Name and Residence</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Daniel L. Shinnick Mount Horeb, Wisconsin	CEO and Board Chair, Chief Member Advocate BetterLife	2021
Craig Van Dyke Middleton, Wisconsin	President, Operations and Finance BetterLife	2021
Mary Bradley Frankfort, Michigan	Chief Operating Officer National Charter Schools Institute	2024
Nancy Nelson Heykes Hazelhurst, Wisconsin	Retired Executive Goodwill Industries of North Central Wisconsin	2024
Michael Hosek Lincoln, Nebraska	Operations Administrator American Communications	2024
Duane Jirik New Prague, Minnesota	Deputy Sheriff Scott County, Minnesota	2024
Thomas R. Johnson Fitchburg, Wisconsin	Retired Partner McGladrey LLP	2024
John T. McHugh Jr. Sparta, Wisconsin	Manager of Corporate Communications, Leadership Development, and Training Kwik Trip, Inc.	2024
Maureen O'Hern Hahn Appleton, Wisconsin	President and Founder Encore Financial Group, LLC	2024

Name and Residence	Principal Occupation	Term Expires
Brenda Vrieze Holmen, Wisconsin	Deposit Operations Supervisor Marine Credit Union	2024

The officers of BetterLife are as follows:

Name	Office
Daniel L. Shinnick	CEO and Board Chair, Chief Member Advocate
Craig Van Dyke	President, Operations and Finance
Donald M. Nieland	Senior Vice President and Secretary
Steve Reindl	Senior Vice President, Finance, Treasurer
Jared Bruley	Senior Vice President, Member Acquisition
Jenna Dunker	Senior Vice President, Merger Integration
Angel Thomas	Senior Vice President, Member Experience
Michelle Maffet	Vice President, Member Services
Ellie Roekle	Vice President, Human Resources

### Coronavirus Pandemic

On March 11, 2020, the World Health Organization declared coronavirus disease (COVID-19) a pandemic. As of the date of this report, significant uncertainty remains on the effect that the pandemic will have on the insurance industry, economy, and society at large. The examination’s review of the impact to the society through the date of this report noted that there has not been a significant impact to the society overall due to the society primarily writing life and annuity business; however, due to the various uncertainties with the pandemic, it is unclear whether this will continue to have a minimal impact to the society or if it will escalate. The Office of the Commissioner of Insurance continues to closely monitor the impact of the pandemic on the society and will take necessary action if a solvency concern arises.