

# **MUTUAL REINSURANCE BUREAU**

*www.mutualre.com*

Current Financial Package  
On Behalf Of The

## **2016 ASSUMING COMPANIES**

Financial Information  
As Of December 31, 2015

# INDEX

Listing of 2016 Assuming Companies Including Regulatory References and A.M. Best Rating	EXHIBIT I
Listing of 2016 Assuming Companies Including Narrative Summaries and Website Information	EXHIBIT II
Combined Financial Highlights Of the 2016 Assuming Companies	EXHIBIT III
Combined Annual Statement Of the 2016 Assuming Companies	EXHIBIT IV
NAIC Insurance Regulatory Information System IRIS Ratio Results	EXHIBIT V
Profitability, Leverage, Liquidity and Reserve Ratios Of the 2016 Assuming Companies	EXHIBIT VI
Mutual Reinsurance Bureau Articles of Association, Bylaws and Assuming Contract	EXHIBIT VII

LISTING OF  
2016 ASSUMING COMPANIES  
INCLUDING REGULATORY  
REFERENCES AND  
A.M. BEST RATING

EXHIBIT I



<b>MUTUAL REINSURANCE BUREAU</b> <b>2016 ASSUMING COMPANIES</b>
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LISTING OF 2016 ASSUMING COMPANIES  
 INCLUDING REGULATORY REFERENCES  
 AND A.M. BEST RATING

ASSUMING COMPANY	FEIN	NAIC	A.M. BEST RATING
Church Mutual Insurance Company Merrill, Wisconsin	39-0712210	18767	A
Employers Mutual Casualty Company Des Moines, Iowa	42-0234980	21415	A
Farm Bureau Mutual Insurance Company of Michigan Lansing, Michigan	38-1316179	21555	B++
Kentucky Farm Bureau Mutual Insurance Company Louisville, Kentucky	61-0392792	22993	A
Motorists Mutual Insurance Company Columbus, Ohio	31-4259550	14621	A
Mutual Reinsurance Bureau Cherry Valley, Illinois	36-1516650	AA-9995035	

LISTING OF  
2016 ASSUMING COMPANIES  
INCLUDING NARRATIVE SUMMARIES  
AND WEBSITE INFORMATION

EXHIBIT II



## MUTUAL REINSURANCE BUREAU 2016 ASSUMING COMPANIES



Listening. Learning. Leading.®

### **Church Mutual Insurance Company**

Merrill, Wisconsin | [www.churchmutual.com](http://www.churchmutual.com)

Church Mutual Insurance Company was founded on March 4, 1897. The company specializes in insurance for religious organizations and markets most lines of commercial property and liability insurance. Church Mutual is licensed in all 50 states and insures more religious institutions than any other company in the US. Church Mutual has policyholders' surplus over \$575 million and an A.M. Best rating of A (Excellent).



### **Employers Mutual Casualty Company**

Des Moines, Iowa | [www.emcins.com](http://www.emcins.com)

With total assets over \$4.1 billion, EMC Insurance Companies market property, casualty and life insurance products on a U.S. multi-regional basis with a strong emphasis in the Midwest. EMC also writes reinsurance contracts worldwide. Based on net written premium, EMC ranks nationally among the top 60 insurance organizations. EMC has an A.M. Best rating of A (Excellent).



### **Farm Bureau Mutual Insurance Company of Michigan**

Lansing, Michigan | [www.michiganfarmbureau.com](http://www.michiganfarmbureau.com)

Farm Bureau Mutual Insurance Company of Michigan is part of Michigan Farm Bureau Group (Michigan's largest general farm organization), providing a full range of insurance products and services for their policyholders: home, auto, farm, and business. Farm Bureau of Michigan has total assets of \$1.3 billion and has been profitably providing insurance protection to Michigan policyholders since 1949. Their A.M. Best rating is B++ (Good).



### **Kentucky Farm Bureau Mutual Insurance Company**

Louisville, Kentucky | [www.kyfb.com](http://www.kyfb.com)

Kentucky Farm Bureau Mutual Insurance Company is the largest property and casualty insurer in Kentucky and has been providing insurance services since 1943. Kentucky Farm Bureau Mutual Insurance Company has a policyholders' surplus over \$1.2 billion and total assets over \$2.2 billion. The A.M. Best rating for Kentucky Farm Bureau is A (Excellent).



### **Motorists Mutual Insurance Company**

Columbus, Ohio | [www.motoristsmutual.com](http://www.motoristsmutual.com)

Motorists Mutual Insurance Company, established in 1928, is the lead organization in The Motorists Insurance Group. The company markets its property and casualty lines of business through a network of more than 14,000 independent agents. Motorists has policyholders' surplus over \$750 million and total assets over \$1.7 billion. The A.M. Best rating for Motorists is A (Excellent).

COMBINED  
FINANCIAL HIGHLIGHTS  
OF THE  
2016 ASSUMING COMPANIES

EXHIBIT III



<b>MUTUAL REINSURANCE BUREAU</b> <b>2016 ASSUMING COMPANIES</b>
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COMBINED FINANCIAL HIGHLIGHTS  
 AS OF AND FOR THE YEAR ENDED DECEMBER 31,  
 (IN THOUSAND \$)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b><u>UNDERWRITING OPERATIONS</u></b>					
Net Written Premiums	\$ 4,515,095	\$ 4,347,448	\$ 4,144,000	\$ 3,863,925	\$ 3,665,407
Net Earned Premiums	4,451,951	4,269,951	4,037,355	3,777,646	3,622,087
Incurred Losses and LAE	3,003,136	2,922,595	2,703,140	2,750,386	3,059,704
Underwriting Expenses	1,367,043	1,243,009	1,224,133	1,113,830	1,056,038
Net Underwriting Gain (Loss)	81,772	104,347	110,082	(86,569)	(493,655)
<b><u>NET INVESTMENT INCOME</u></b>					
Net Investment Income Earned	289,431	291,692	265,416	267,158	277,999
Net Realized Capital Gain	19,589	63,694	75,289	51,729	52,195
Net Investment Gain	309,020	355,386	340,706	318,887	330,194
<b><u>OTHER INCOME (EXPENSE)</u></b>					
Other Income (Expense)	(64,932)	(49,989)	(89,418)	10,774	85,898
Policyholder Dividends	47,726	41,140	44,281	39,842	43,862
<b><u>FINANCIAL RESULTS</u></b>					
Net Income (Loss)	278,134	368,604	317,089	203,249	(121,426)
<b><u>FINANCIAL RATIOS</u></b>					
Loss & LAE Ratio	67.5%	68.4%	67.0%	72.8%	84.5%
Expense Ratio	30.3%	28.6%	29.5%	28.8%	28.8%
Policyholder Dividend Ratio	1.1%	1.0%	1.1%	1.1%	1.2%
Combined Ratio	98.8%	98.0%	97.6%	102.7%	114.5%
<b><u>FINANCIAL STATUS</u></b>					
Assets	11,198,903	10,529,884	9,942,753	9,096,923	8,721,995
Liabilities	6,507,102	6,176,289	5,890,813	5,611,113	5,454,893
Surplus	4,691,801	4,353,595	4,051,940	3,485,810	3,267,102



COMBINED  
ANNUAL STATEMENT  
OF THE  
2016 ASSUMING COMPANIES

EXHIBIT IV



<b>MUTUAL REINSURANCE BUREAU 2016 ASSUMING COMPANIES</b>
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COMBINED ANNUAL STATEMENT

As of December 31,  
**2015**                      **2014**

**ASSETS**

Bonds	\$ 6,816,738,113	6,547,255,904
Stocks:		
Preferred Stocks	130,884,961	130,159,959
Common Stocks	1,623,131,149	1,512,940,500
Mortgage loans on real estate		
First liens	5,515,246	5,795,698
Real estate:		
Properties occupied by the company	135,724,522	127,524,822
Properties held for the production of income	22,558,798	19,493,226
Properties held for sale	453,106	1,616,789
Cash, cash equivalents and short-term investments	314,288,969	291,427,785
Other invested assets	412,400,750	358,092,405
Receivable for securities	95,027,391	2,882,674
Securities lending reinvested collateral assets	0	398,400
Aggregate write-ins for invested assets	0	0

<b>Subtotals, cash and invested assets</b>	<b>9,556,723,005</b>	<b>8,997,588,162</b>
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Investment income due and accrued	68,159,774	66,985,356
Premiums and considerations:		
Uncollected premiums and agents' balances in the course of collection	549,625,357	505,837,533
Deferred premiums, agents' balances and installments booked but deferred and not yet due	582,541,303	562,256,283
Accrued retrospective premiums	0	0
Reinsurance:		
Amounts recoverable from reinsurers	26,759,024	28,394,023
Funds held by or deposited with reinsured companies	5,435,407	4,616,923
Other amounts receivable under reinsurance contracts	30,191,097	38,616,490
Current federal and foreign income tax recoverable and interest	12,418,900	8,776,916
Net deferred tax asset	191,636,190	163,579,810
Guaranty funds receivable or on deposit	3,696,676	3,369,526
Electronic data processing equipment and software	26,753,995	11,519,168
Furniture and equipment, including health care delivery assets	0	0
Net adjustment in assets and liabilities due to foreign exchange rates	2,262,396	2,081,396
Receivables from parent, subsidiaries and affiliates	3,424,223	3,807,214
Aggregate write-ins for other than invested assets	139,275,231	132,455,132

<b>TOTALS</b>	<b>\$ 11,198,902,578</b>	<b>10,529,883,932</b>
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<b>MUTUAL REINSURANCE BUREAU 2016 ASSUMING COMPANIES</b>
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COMBINED ANNUAL STATEMENT

As of December 31,  
**2015**                      **2014**

**LIABILITIES, SURPLUS AND OTHER FUNDS**

Losses	\$	2,813,747,783	2,686,201,498
Reinsurance payable on paid losses and loss adjustment expenses		48,631,879	18,968,508
Loss adjustment expenses		661,480,485	637,408,043
Commissions payable, contingent commissions and other similar charges		264,135,017	235,219,583
Other expenses (excluding taxes, licenses and fees)		145,891,341	145,396,504
Taxes, licenses and fees (excluding federal and foreign income tax)		28,581,933	27,085,236
Current federal and foreign income taxes		12,262,566	12,888,013
Net deferred tax liability		53,182	122,081
Borrowed money and interest thereon		1,789,144	1,982,349
Unearned premiums		1,956,768,495	1,891,005,399
Advance premiums		43,075,925	42,268,990
Dividends declared and unpaid:			
Stockholders		0	0
Policyholders		23,362,119	20,792,171
Ceded reinsurance premiums payable		19,649,809	21,508,436
Funds held by company under reinsurance treaties		50,116,870	78,997,373
Amounts withheld or retained by company for account of others		69,125,136	66,080,791
Remittances and items not allocated		2,793,190	2,283,714
Provision for reinsurance		1,984,081	1,018,143
Net adjustments in assets & liabilities due to foreign exchange rates		0	0
Drafts outstanding		25,957,554	23,935,618
Payable to parent, subsidiaries and affiliates		6,445,626	6,725,531
Payable for securities		132,989,110	17,593,811
Payable for securities lending		0	398,400
Aggregate write-ins for liabilities		198,260,616	238,408,318

<b>Total liabilities</b>		<b>6,507,101,861</b>	<b>6,176,288,510</b>
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Aggregate write-ins for special surplus funds		242,247,674	226,785,095
Common capital stock		450,000	450,000
Preferred capital stock		0	0
Aggregate write-ins for other than special surplus funds		0	0
Surplus notes		0	0
Gross paid in and contributed surplus		112,577,969	37,577,969
Unassigned funds (surplus)		4,336,525,074	4,088,782,358

<b>Surplus as regards policyholders</b>		<b>4,691,800,717</b>	<b>4,353,595,422</b>
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<b>TOTALS</b>		<b>\$ 11,198,902,578</b>	<b>10,529,883,932</b>
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**MUTUAL REINSURANCE BUREAU  
2016 ASSUMING COMPANIES**

COMBINED ANNUAL STATEMENT

Year Ended December 31,  
2015                      2014

**STATEMENT OF INCOME**

**UNDERWRITING INCOME**

Premiums earned	\$ 4,451,950,631	4,269,950,970
<b>DEDUCTIONS</b>		
Losses incurred	2,548,716,768	2,501,706,923
Loss adjustment expenses incurred	454,419,309	420,887,959
Other underwriting expenses incurred	1,367,042,762	1,243,010,028
Aggregate write-ins for underwriting deductions	0	(900)
Total underwriting deductions	4,370,178,839	4,165,604,010
<b>Net underwriting gain (loss)</b>	<b>81,771,792</b>	<b>104,346,960</b>

**INVESTMENT INCOME**

Net investment income earned	289,430,820	291,691,557
Net realized capital gains (losses)	19,589,035	63,694,253
<b>Net investment gain (loss)</b>	<b>309,019,855</b>	<b>355,385,810</b>

**OTHER INCOME**

Net gain (loss) from agents' or premium balances charged off	(3,119,348)	(5,195,367)
Finance and service charges not included in premiums	24,892,400	26,169,022
Aggregate write-ins for miscellaneous income	2,245,442	4,149,842
Total other income	24,018,494	25,123,497
Net income before dividends to policyholders	414,810,141	484,856,267
Dividends to policyholders	47,725,561	41,140,064
<b>Net income after dividends to policyholders</b>	<b>367,084,580</b>	<b>443,716,203</b>
Federal and foreign income taxes incurred	88,950,308	75,112,595

<b>Net income</b>	<b>278,134,272</b>	<b>368,603,608</b>
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**CAPITAL AND SURPLUS ACCOUNT**

Surplus as regards policyholders, December 31 prior year	4,353,595,422	4,051,940,304
Net income	278,134,272	368,603,608
Change in net unrealized capital gains or (losses)	(38,422,436)	43,576,213
Change in net unrealized foreign exchange capital gain (loss)	136,441	436,349
Change in net deferred income tax	17,622,994	(21,668,537)
Change in nonadmitted assets	(4,969,078)	7,660,059
Change in provision for reinsurance	(965,937)	2,646,901
Cumulative effect of changes in accounting principles	0	(4,007,681)
Surplus adjustments	75,000,000	0
Dividends to stockholders	(463,330)	(650,000)
Aggregate write-ins for gains and losses in surplus	12,132,369	(94,941,794)

<b>Change in surplus as regards policyholders for the year</b>	<b>338,205,295</b>	<b>301,655,118</b>
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<b>Surplus as regards policyholders, December 31 current year</b>	<b>\$ 4,691,800,717</b>	<b>4,353,595,422</b>
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<b>MUTUAL REINSURANCE BUREAU</b> <b>2016 ASSUMING COMPANIES</b>
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COMBINED ANNUAL STATEMENT

Year Ended December 31,  
2015                      2014

**CASH FLOW**

Premiums collected net of reinsurance	\$	4,423,554,795	4,296,600,740
Net investment income		347,430,878	331,859,978
Miscellaneous income		28,727,361	27,928,615
Total		4,799,713,034	4,656,389,333
Benefit and loss related payments		2,389,625,077	2,431,738,474
Commissions, expenses paid and aggregate write-ins for deductions		1,757,379,981	1,670,999,802
Dividends paid to policyholders		45,155,612	39,936,700
Federal and foreign income taxes paid (recovered)		123,099,259	81,465,460
Total		4,315,259,929	4,224,140,436
<b>Net cash from operations</b>		<b>484,453,105</b>	<b>432,248,897</b>
<b>Net cash from investments</b>		<b>(516,841,054)</b>	<b>(390,834,721)</b>
<b>Net cash from financing and miscellaneous sources</b>		<b>55,249,133</b>	<b>(19,403,508)</b>
<b>Net change in cash and short-term investments</b>	<b>\$</b>	<b>22,861,184</b>	<b>22,010,668</b>

NAIC INSURANCE REGULATORY  
INFORMATION SYSTEM  
IRIS RATIO RESULTS

EXHIBIT V



**MUTUAL REINSURANCE BUREAU  
2016 ASSUMING COMPANIES**

NAIC INSURANCE REGULATORY INFORMATION SYSTEM  
IRIS RATIO RESULTS

FOR THE PERIOD ENDED DECEMBER 31, 2015

FINANCIAL RATIO	Church	Employers	Farm Bureau	Kentucky	Motorists	Unusual Value	
	Mutual Insurance Co.	Mut. Casualty (Combined)	Michigan (Combined)	Farm Bureau (Combined)	Mut. Ins. Co. (Combined)	P & C Industry	Equal to or Over Under
1 Gross Premiums Written to PHS	118	115	125	80	98	92	900
2 Net Premiums Written to PHS	105	109	109	72	93	76	300
3 Change in Net Premiums Written	5	5	7	3	(1)	4	33 (33)
4 Surplus Aid to PHS	0	0	0	0	0	4	15
5 Two-Year Overall Operating Ratio	85	93	91	89	95	87	100
6 Investment Yield	<u>2.1</u>	<u>3.0</u>	4.3	3.7	<u>2.9</u>	3.2	6.5 3.0
7 Gross Change in PHS	9	6	29	6	0	0	50 (10)
8 Net Change in Adjusted PHS	9	6	13	6	0	(2)	25 (10)
9 Liabilities to Liquid Assets	74	77	54	48	64	79	100
10 Gross Agents' Balances to PHS	7	30	6	1	3	8	40
11 One-Year Reserve Development to PHS	(1)	(4)	(1)	(1)	(3)	0	20
12 Two-Year Reserve Development to PHS	(5)	(4)	(7)	(4)	(5)	0	20
13 Estim. Current Reserve Deficiency to PHS	(6)	(4)	2	(1)	(1)	2	25
Total Unusual Values	1	1	0	0	1	0	

**Note: Underlined Item Indicates an Unusual Value**

**FINANCIAL INFORMATION**

(\$ in thousands)

	\$	\$	\$	\$	\$
Net Written Premiums	615,717	1,646,081	658,010	877,798	717,489
Policyholders' Surplus	585,071	1,505,239	604,276	1,226,136	771,079

Combined MRB Totals \$
<b>4,515,095</b>
<b>4,691,801</b>

PROFITABILITY, LEVERAGE, LIQUIDITY  
AND RESERVE RATIOS  
OF THE  
2016 ASSUMING COMPANIES

EXHIBIT VI





<b>MUTUAL REINSURANCE BUREAU 2016 ASSUMING COMPANIES</b>
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PROFITABILITY, LEVERAGE, LIQUIDITY AND RESERVE RATIOS

FOR THE PERIOD(S) ENDED DECEMBER 31, 2015

	Church Mutual Insurance Co.	Employers Mut. Casualty (Combined)	Farm Bureau Michigan (Combined)	Kentucky Farm Bureau (Combined)	Motorists Mut. Ins. Co. (Combined)	MRB Combined Total
<b>A.M. Best Rating</b>	A	A	B++	A	A	N/A
<b>Profitability Ratios:</b>	<i>For Five Year Period 2011 through 2015:</i>					
Loss & LAE Ratio	65.70	69.50	75.00	79.10	68.60	71.60
Expense Ratio	27.90	31.30	27.00	22.80	35.90	29.20
Policyholder Dividend Ratio	1.70	2.00	0.00	0.00	1.00	1.10
Combined Ratio	95.30	102.80	102.00	101.90	105.50	101.90
Operating Ratio	89.87	95.46	95.56	93.32	99.96	94.98
Pre-Tax ROR (Return on Revenue)	7.19	3.78	4.17	8.19	1.02	4.75
Net Income / Net Premium Earned	6.67	4.91	3.86	7.12	3.36	5.20
Net Yield on Invested Assets	2.66	3.45	4.14	4.00	2.69	3.41
Net Change in PHS	41.42	39.43	69.83	32.25	13.26	35.72
Return on PHS (ROE)	7.66	5.57	5.07	5.84	3.18	5.40
<b>Leverage Ratios:</b>	<i>For Calendar Year 2015:</i>					
Net Change in NPW	4.54	4.82	7.48	3.14	(1.01)	3.86
DPW to PHS	1.13	1.05	1.19	0.76	0.95	0.99
NPW to PHS	1.05	1.09	1.09	0.72	0.93	0.96
Liabilites to PHS	1.81	1.77	1.15	0.86	1.33	1.39
Net Leverage	2.86	2.87	2.24	1.58	2.26	2.35
Reinsurance Recoverable to PHS	8.80	6.66	115.17	0.82	10.25	19.97
<b>Liquidity Ratios:</b>	<i>For Calendar Year 2015:</i>					
Cash & ST Investments / Liabilites	10.69	5.37	1.35	3.44	1.17	4.83
Bonds Rated 3-6 / Total Bonds	0.00	0.28	1.01	0.16	0.01	0.29
<b>Reserve Ratios:</b>	<i>For Calendar Year 2015:</i>					
Loss & LAE Reserves to PHS	77.58	117.97	56.76	31.12	67.56	74.07
Loss & LAE Reserves to NPE	71.50	107.30	52.62	43.50	71.40	76.36

MUTUAL REINSURANCE BUREAU  
ARTICLES OF ASSOCIATION, BYLAWS  
AND ASSUMING CONTRACT

EXHIBIT VII



MUTUAL REINSURANCE BUREAU  
ARTICLES OF ASSOCIATION, BYLAWS  
AND ASSUMING CONTRACT

EFFECTIVE: JANUARY 1, 2013

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Whereas, the Assuming Member Companies of the Mutual Reinsurance Bureau desire to revise and perfect their working agreement, the Articles of Association, Bylaws and Assuming Contract dated January 1, 2011 are revoked, and these Articles of Association, Bylaws and Assuming Contract (hereinafter referred to as "Articles of Association") are substituted therefore, effective January 1, 2013. The Assuming Member Companies,

CHURCH MUTUAL INSURANCE COMPANY,  
EMPLOYERS MUTUAL CASUALTY COMPANY,  
FARM BUREAU MUTUAL INSURANCE COMPANY OF MICHIGAN,  
KENTUCKY FARM BUREAU MUTUAL INSURANCE COMPANY, and  
MOTORISTS MUTUAL INSURANCE COMPANY

are hereinafter collectively referred to as "Member Companies".

## TABLE OF CONTENTS

	PAGE #
ARTICLE 1 – NAME AND LOCATION	3
ARTICLE 2 – PURPOSE	3
ARTICLE 3 – MEMBERSHIP STANDARDS	3
ARTICLE 4 – EXERCISING ASSOCIATION POWERS	4
ARTICLE 5 – BONDS	7
ARTICLE 6 – PERSONAL INDEMNIFICATION	7
ARTICLE 7 – ADDITIONAL MEMBER COMPANIES	7
ARTICLE 8 – TERMINATION OF OR WITHDRAWAL FROM MEMBERSHIP	8
ARTICLE 9 – DISSOLUTION OF MRB	10
ARTICLE 10 – INSOLVENCY	10
ARTICLE 11 – DEPOSIT FUND	11
ARTICLE 12 – EXPENSES	11
ARTICLE 13 – PREMIUMS AND ACCOUNTS	11
ARTICLE 14 – LOSSES	11
ARTICLE 15 – COLLATERALIZATION	12
ARTICLE 16 – ARBITRATION	12
ARTICLE 17 – AMENDMENTS AND EXCEPTIONS	13
ARTICLE 18 – SUBSCRIPTION AND ACCEPTANCE	13
SIGNATURE PAGE	14

## ARTICLE 1 - NAME AND LOCATION

This organization is an unincorporated joint reinsurance association known as the Mutual Reinsurance Bureau (hereinafter called "MRB"). The principal place of business will be Cherry Valley, Illinois.

## ARTICLE 2 - PURPOSE

The purpose of MRB will be to facilitate the making of reinsurance agreements between the Member Companies and other insurance companies through the establishment of an office and the Member Companies' appointment of an attorney-in-fact to arrange and effectuate reinsurance agreements on their behalf.

## ARTICLE 3 - MEMBERSHIP STANDARDS

Member Companies are expected to maintain an A.M. Best rating of "A-" or better. However, if a Member Company's rating falls to "B++", that Member Company will be permitted to remain in MRB on a probationary basis. The initial probationary period is three (3) years. The Member Company may be permitted to remain in MRB on a continued probationary basis thereafter subject to annual review and approval by the remaining Member Companies. The remaining Member Companies will consider factors such as, but not limited to, the current A.M. Best rating, the A.M. Best outlook, BCAR score, Demotech Financial Stability Rating, IRIS ratio results, parent/subsidiary/affiliated relationships, capital/surplus amount, and such other quantitative and qualitative factors as are determined by the Board of Directors.

Should a Member Company receive a rating of B+ or less, it will be terminated as soon as possible after notification to the Member Company of such a rating.

A Member Company is expected to maintain a statutory policyholders' surplus of at least \$100,000,000. However, if A. M. Best determines a Member Company's "net leverage ratio" (the sum of the net written premium to statutory policyholders' surplus ratio and net liabilities to policyholders' surplus ratio) is 4.0 to 1.0 or less, a policyholders' surplus of less than \$100,000,000 will be permissible. Any Member Company with statutory surplus of less than \$100,000,000 and a net leverage ratio of greater than 4.0 to 1.0 at the end of any calendar year will be terminated as of the end of the subsequent calendar year if these requirements are not met as of the end of the subsequent calendar year.

Member Companies are expected to maintain a net written premium to statutory policyholders' surplus ratio of 2.5 to 1.0 or less, and to be within normal ranges for all key "IRIS early warning" and A. M. Best "profitability" tests.

Any time a Member Company has its Best's rating reduced, fails more than two (2) key "IRIS" tests or two (2) key Best's tests (as determined by the Board of Directors), or exceeds the expected net written premium to statutory policyholders' surplus ratio of 2.5 to 1.0, such Member Company will be required to provide a narrative to the other Member Companies explaining the reasons for the changes, and the actions taken or to be taken to satisfy the expected standards.

Consolidated (Group) Member Company financial data is to be provided on a quarterly basis to MRB, and MRB will then provide summary information to all Member Companies.

It will be the responsibility of MRB management to monitor and review member compliance with the standards contained in this Article 3 and to report noncompliance and related issues, if any, at the next scheduled regular meeting of the Board.

#### ARTICLE 4 - EXERCISING ASSOCIATION POWERS

Board: The Board of Directors of MRB, (hereinafter called the "Board") will consist of one person from each Member Company or Member Company group, who will be that Member Company's chief executive officer or his designee; designees are to be declared as such in writing to the President.

Each Member Company will have one (1) vote on all issues. If two or more Member Companies merge, their total vote will be one (1).

The Board will manage and direct the affairs of MRB and will take such action as it may deem necessary to carry out the purpose of MRB. The Board will fix the compensation of all officers and will determine the manner of fixing the compensation of all employees. The Board may delegate such powers and assign such duties as it may deem advisable. The Board will act by unanimous vote.

Meetings: The annual Board meeting will be held during the month of May. The Board will determine the place and date of the meeting. When, in the opinion of the Board, conditions of emergency exist which make it impossible or impractical to hold the annual meeting, the Board may prescribe a procedure for the election of officers and for the determination of other issues.

Regular meetings of the Board will be held each calendar quarter. The Board will determine the place and date of each meeting. The Chairman or the President may call special meetings at any time or at the request of a majority of the Board. Notice of meetings stating the place, date, hour, and purpose will be sent to all Board members at least fifteen (15) days in advance of all regular and special meetings.

Special teleconference meetings of the Board may also be called provided that there is at least 24 hours notice and that the Board unanimously consents to such a meeting.

The Board will keep full and accurate minutes of all its meetings, which will be submitted to the Board for acceptance at the next Board meeting. A copy of the minutes of each meeting will be filed in the MRB office.

Proxies: At any meeting of MRB, a member of the Board may vote by proxy executed in writing, or by his duly constituted and appointed designee and proxy named in writing.

Election of Board Officers: The Board will elect a Chairman, a Vice Chairman, and a Vice Chairman-Elect. These officers will serve on a rotating basis in that at each annual meeting the officer currently serving as Vice Chairman will be elected Chairman; and the officer currently serving as Vice Chairman-Elect will be elected Vice Chairman. The Board will elect a Vice Chairman-Elect annually in accordance with the following schedule of succession as existing at January 1, 2013.

Chairman: Motorists Mutual Insurance Company  
Columbus, Ohio

Vice Chairman: Kentucky Farm Bureau Mutual Insurance Company  
Louisville, Kentucky

Vice Chairman-Elect: Employers Mutual Casualty Company  
Des Moines, Iowa

Farm Bureau Mutual Insurance Company of Michigan  
Lansing, Michigan

Church Mutual Insurance Company  
Merrill, Wisconsin

The Member Companies will hold the actual offices and will be represented by their chief executive officer or designee.

MRB Officers: At each annual meeting the Board will also elect the following officers of MRB: President, one or more Vice Presidents, Secretary, Treasurer, and such other officers as the Board may deem necessary. MRB officers will be employees of MRB and one person may hold two or more offices, except that the offices of President and Secretary will never be combined.

The President of MRB will be an ex-officio member of the Board and serve as attorney-in-fact for each Member Company

The Chairman will preside at all meetings of the Board. The Vice Chairman will act in place of the Chairman in the absence of the said Chairman or in the event of his inability to act.

The officers of the Board and of MRB will have the usual and customary powers and duties pertaining to their respective offices, as well as such powers and duties as the Board may, from time to time, confer upon them.

All Member Companies must participate at any meeting of the Board or committee appointed by the Board. In the absence of any Member Company, the Member Companies present, including those represented by proxy, will adjourn the meeting.

Vacancies: The Board will have the power to fill any vacancy occurring on any committee or in any office until the next MRB annual meeting.

Parliamentary Procedure: Robert's Rules of Order will govern all parliamentary matters not covered by these Articles of Association.

Access to Records: Any Member Company will have access to all the books and records of MRB.

Annual Reporting: The Board will approve a certified public accountant to report on the books and accounts of MRB as soon as practicable after the close of each calendar year, and a copy of the report will be provided to each Member Company. The annual reporting may be in the form of an audit, review, compilation, agreed-upon procedures, or other Board approved engagement.

Attorney-in-Fact and President: Each Member Company subscribing to these Articles of Association hereby grants authority to the Board to name, constitute, and elect an attorney-in-fact for the Member Company. The attorney-in-fact will also be elected as President of MRB and hereinafter will be referred to as "President."

The President will be the chief executive officer of MRB, will have general charge of its business and affairs, will enforce and carry out the orders and instructions of the Board and will discharge all other duties imposed upon him by these Articles of Association.

The President will have the power to make contracts of reinsurance and assume reinsurance liability on behalf of each Member Company, subject to the provisions and conditions of these Articles of Association and in accordance with the underwriting guidelines approved by the Board.

The President may be removed at any time by a unanimous vote of the Board. At the time the Board removes a President, it will fix the date of termination of his powers. Upon the removal, resignation, or death of a President, the Board will elect another.



Choice of Law and Forum: Any dispute arising from these Articles of Association will be resolved in the State of Illinois and laws from the State of Illinois will govern the interpretation and application of these Articles of Association.

#### ARTICLE 5 - BONDS

The Board will require from the President and other officers and employees of MRB, surety or fidelity bonds in such amounts as it deems advisable, these bonds to be paid for by MRB.

#### ARTICLE 6 - PERSONAL INDEMNIFICATION

Any person made or threatened to be made a party to any action, suit, or proceeding, because such person served on a committee or was a director, officer, or employee of the Board or an employee of MRB, will be fully indemnified against all judgments, fines, amounts paid in settlement, reasonable costs and expenses, including attorney's fees and any other liabilities that may be incurred as a result of such action, suit, or proceeding, or threatened action, suit, or proceeding, except in relation to matters as to which such person will be adjudged in such action, suit, or proceeding to be liable by reason of willful misconduct in the performance of his or her duties or obligations to the Board and with respect to any criminal actions or proceedings, except when such person had reasonable cause to believe that his or her conduct was unlawful. Such indemnification will be provided whether or not such person is holding office or is employed at the time of such action, suit, or proceeding, and whether or not any such liability is incurred prior to the adoption of this article. Such indemnification will not be exclusive of other rights such person may have and will pass to the heirs, executors, or administrators of each such person. The termination of any such civil or criminal action, suit, or proceedings by judgment, settlement, conviction, or upon a plea of nolo contendere, or its equivalent, will not in itself create a presumption that any person was liable by reason of willful misconduct or that he or she had reasonable cause to believe that his or her conduct was unlawful.

Nothing herein will be deemed to bind a person or to preclude such person from asserting the right to such indemnification by legal proceedings. Such indemnification as is herein provided will be apportioned among all Member Companies pursuant to Article 12 (Expenses) of the Articles of Association.

#### ARTICLE 7 - ADDITIONAL MEMBER COMPANIES

Additional Member Companies may be admitted to MRB by a unanimous vote of the Member Companies. The Chairman of the Board will give notice to all Member Companies that a proposed additional Member Company will be voted on at an MRB meeting, at least fifteen (15) days in advance of such meeting.

In order to be eligible for membership in MRB, a company must be rated "A-" or better by A. M. Best, have a statutory policyholders' surplus of \$100,000,000 or more, and not exceed a 2.0 to 1.0 ratio of net written premiums to statutory policyholders' surplus. All key IRIS and A. M. Best tests (as determined by the Board of Directors) will be within accepted ranges.

Additional Member Companies share only in the:

- 1) Reinsurance assumed effective with the date admitted to membership on agreements in-force, written, or renewed on or after the effective date of membership; and
- 2) Obligations and liabilities of MRB that occur on or after the effective date of membership unless such obligation or liability arises out of a reinsurance agreement prior to the Member Company's effective date of membership.

The names of additional Member Companies will be added to the bottom of the schedule of succession in Article 4, which is in effect at the date of their admission.

#### ARTICLE 8 - TERMINATION OF OR WITHDRAWAL FROM MEMBERSHIP

Termination: The membership of any Member Company may be terminated at a meeting by a unanimous vote of the other Member Companies. At least fifteen (15) days' prior written notice will be given to all Member Companies by the Chairman of the Board that the question of termination of membership will be placed before the meeting. The effective date of the termination will be at the sole discretion of the Board and will be communicated to the terminating Member Company with at least fifteen (15) days' prior written notice sent by registered mail.

Withdrawal: A Member Company may withdraw voluntarily from MRB as of midnight Central Standard Time on the last day of December in any year by giving written notice by registered letter to MRB at least nine (9) months prior to the date of withdrawal. The nine (9) month notice period may be waived at a meeting of MRB by a unanimous vote of the other Member Companies. Until such withdrawal date, the withdrawing Member Company will continue to be bound as a Member Company, and the reinsurance liability which it may have will be carried by it until the expiration of such reinsurance; however the withdrawing Member Company will not participate in any reinsurance liability or any other liability or obligation incurred prior to the date membership commenced and subsequent to the date of withdrawal. All matters relating to unexpired reinsurance liability will be determined and carried out under these Articles of Association.

A Member Company terminating or withdrawing for any reason whatsoever, will, at the request of the Board, cede all or part of the unexpired reinsurance assumed through MRB to the remaining Member Companies listed on the Schedule of Reinsurers attached to and forming part of each reinsurance agreement in-force as of the date of termination.

Expense of Termination or Withdrawal: Upon terminating or withdrawing, the retiring Member Company will pay to MRB the actual cost of handling the retrocession of its unexpired reinsurance assumed through MRB, but in no case more than ten percent (10%) of MRB's gross unearned premiums at termination date.

A terminating or withdrawing Member Company will pay its share of MRB claims handling expenses associated with the run off of its MRB liabilities until such time as all of its MRB liabilities are satisfied. Such claims handling expenses will include salaries and related overhead expenses for claims department personnel and will be apportioned monthly according to losses outstanding after termination or withdrawal.

Commutation of Losses Upon Termination or Withdrawal: At the option of the remaining Member Companies, a terminating or withdrawing Member Company will make a full and complete commutation or settlement of all unpaid losses including incurred-but-not-reported losses. This commutation or settlement option, if exercised, will prevail over any other language dealing with the liability of the terminating or withdrawing Member Company. Commutation will normally take place as of twelve (12) months following the date of withdrawal or termination, but this period may be shortened or extended at the option of the remaining Member Companies. Remaining Member Companies will assume responsibility for unpaid losses occurring prior to the termination date that would otherwise be the responsibility of a terminating or withdrawing Member Company, in return for consideration to be agreed by a majority of three (3) parties: a party chosen by the MRB Board, a party chosen by the terminating or withdrawing Member Company, and a third party to be chosen by the other two (2) parties. If the terminating or withdrawing Member Company refuses or neglects to appoint a party to represent it within thirty (30) days after receipt of written notice from the other Member Companies requesting commutation, the other Member Companies may nominate two (2) parties, who will choose the third party. The three (3) parties will agree on commutation consideration within 180 days of their appointment. The decision of a majority of the parties will be final and binding on MRB and the terminating or withdrawing Member Company, except that the other Member Companies may at any time choose to allow the liabilities of the terminating or withdrawing Member Company to run off to extinction.

Exceptions to the requirements of the preceding paragraph may be made only on unanimous agreement among the remaining Member Companies documented in the minutes of an MRB meeting.

## ARTICLE 9 - DISSOLUTION OF MRB

If at any time MRB will be dissolved or cease to transact the business of reinsurance, then whatever remains in the way of operating reserve funds (other than the Deposit Fund of each Member Company), equipment or otherwise, after the full payment of losses and expenses, will be divided and distributed to the Member Companies in the proportion that each Member Company's reinsurance premiums in force bear to the total reinsurance premiums in force in all Member Companies at the time of dissolution.

## ARTICLE 10 - INSOLVENCY

Ceding Company Insolvency: In the event of the insolvency of a company which has ceded reinsurance to the Member Companies through MRB, any claim for reinsurance will be payable to the ceding company or to its liquidator, receiver, or statutory successor on the basis of the liability of the ceding company under the contract or contracts reinsured without diminution because of the insolvency of the ceding company. The reinsurance will be payable as provided above except as otherwise provided by Section 4118(a) (relating to Fidelity and Surety Risks) of the Insurance Law of New York, or except (a) where the contract specifically provides another payee of such reinsurance in the event of the insolvency of the ceding company and (b) where the reinsurer with the consent of the direct insured or insureds has assumed such policy obligations of the ceding company as direct obligations of the reinsurer to the payees under such policies and in substitution for the obligations of the ceding company to such payees.

Member Company Insolvency: In the event any Member Company will be adjudged to be insolvent, or in the event of the appointment of a receiver or conservator for a Member Company, its membership will terminate on the day such action occurs. Such former Member Company will be deemed to have made a voluntary withdrawal under the provisions of Article 8 as of that day. All of the reinsurance of the former Member Company written through MRB will be assumed by the respective remaining Member Companies in the same proportion that each remaining Member Company's participation bears to the total reinsurance as of the close of the last year preceding the date of withdrawal.

As of the date of termination of membership under this Article, the respective remaining Member Companies will assume all the obligations of the former Member Company to the ceding companies with respect to reinsurance assumed through MRB, including obligations for losses incurred but unpaid and unearned premiums; provided, that in the case of each payment to or on account of a ceding company the payee will execute agreements, assignments, and subrogation papers satisfactory to the respective remaining Member Companies for the enforcement of their claims against the former Member Company or its legal representative.

## ARTICLE 11 - DEPOSIT FUND

Each Member Company will deposit with MRB an amount agreed upon by the Board (hereinafter called the "Deposit Fund"). MRB will not credit any part of the Deposit Fund against any losses, return premiums, balances, or any amounts due MRB. This Deposit Fund will be returned to a Member Company that withdraws or terminates when all of the reinsurance on which it has assumed liability under these Articles of Association will have terminated. However, in the event that a former Member Company has not paid all its obligations, MRB may apply the former Member Company's Deposit Fund to its account and return the balance, if any.

## ARTICLE 12 - EXPENSES

The expenses incidental to the operation of MRB for any period will be borne by the Member Companies in the proportion that the reinsurance premiums received by each Member Company bear to the total reinsurance premiums received by all Member Companies or as otherwise agreed to by the Board.

## ARTICLE 13 - PREMIUMS AND ACCOUNTS

Each Member Company will share in the reinsurance premiums received through MRB in proportion to the liability each Member Company assumes. MRB will keep account of all reinsurance written and cancellations thereof. MRB will furnish each Member Company a monthly report, itemizing premium by line of business. Each Member Company agrees to comply with all rules adopted by the Board in the matter of accounts and payments.

The reinsurance liability each Member Company assumes will be retained by the Member Company at its own risk and not retroceded, except when such retrocession is to an affiliate of the Member Company, unless notice of such retrocession is given to MRB and approved by the Board.

## ARTICLE 14 - LOSSES

Member Companies will bear their proportionate share of losses and loss adjustment expenses incurred on reinsurance assumed and will participate in all salvage. MRB will furnish each Member Company a monthly report of all paid and outstanding loss and loss adjustment expense reserves (including incurred-but-not-reported losses) by line of business. The payment of losses will be under rules approved by the Board.

## ARTICLE 15 - COLLATERALIZATION

A Member Company is required to collateralize one hundred percent (100%) of its MRB liabilities including, but not limited to, its share of the unearned premium reserve, outstanding loss reserve (including incurred-but-not-reported reserve), and contingent commission reserve for which the Member Company is liable based on their respective participation in MRB under the following circumstances:

- Immediately upon receiving a rating from A. M. Best of less than "B++."
- As of the end of any calendar quarter, if statutory policyholders' surplus is less than \$100,000,000, and if the "net leverage ratio" as calculated by A.M. Best is greater than 4.0 to 1.0.
- As of the end of any calendar year if the net written premium to statutory policyholders' surplus ratio is greater than 3.0 to 1.0.

The following will constitute satisfactory collateral in any proportion:

- An approved letter of credit in accordance with NAIC standards (or New York State Insurance Department regulations, where appropriate).
- An actual cash deposit (any cash deposits will be invested separately and interest thereon credited to the Member Company).

## ARTICLE 16 - ARBITRATION

Should any difference of opinion arise between any Member Company and MRB, which cannot be resolved in the normal course of business with respect to the interpretation of these Articles of Association or the performance of the respective obligations of the parties under these Articles of Association, the difference will be referred to three (3) arbiters. The arbiters will be executive officers of insurance or reinsurance companies authorized to transact business in one or more of the States of the United States of America and writing the kind of business about which the difference has arisen.

One arbiter will be chosen by the Board of MRB, one by the Member Company, and the third by the two arbiters so chosen, within thirty (30) days of their appointment. If either party refuses or neglects to appoint an arbiter within thirty (30) days after receipt of written notice from the other party requesting it to do so, the requesting party may nominate two (2) arbiters, who will choose the third. Each party will submit its case to the arbiters within sixty (60) days of the appointment of the arbiters. The arbiters will consider this agreement an honorable engagement rather than merely a legal obligation; they are relieved of all judicial formalities and may abstain from following the strict rules of law.

The arbiters will give their decision in writing at the earliest convenient date, but not later than sixty (60) days after having received the case from the parties. The decision of a majority of the arbiters will be final and binding on both parties.

The expense of the arbiters and the arbitration will be divided equally between the parties. The arbitration will take place in Chicago, Illinois, unless some other location is mutually agreed upon.

#### ARTICLE 17 - AMENDMENTS AND EXCEPTIONS

These Articles of Association may be amended at any annual meeting of the Board or at any special meeting called for this purpose. It will require the affirmative unanimous vote of the Board to amend these Articles of Association, provided, however, that no amendment will be considered at any meeting unless the same will be reduced to writing, and submitted to each member of the Board at least sixty (60) days prior to the meeting at which the proposed amendment is to be voted upon.

Exceptions to these Articles of Association, other than those already expressly provided for within these Articles of Association, will be made only upon unanimous agreement at any meeting of the Board.

#### ARTICLE 18 - SUBSCRIPTION AND ACCEPTANCE

The above and foregoing Articles of Association will take effect according to their terms and will be binding upon each Member Company, which subscribes to a copy of the Articles of Association.


In witness whereof, the parties hereto have signed these Articles of Association on the dates as shown on the following Signature Pages and each Member Company agrees to be bound thereby as a Member Company of MRB effective as of the 1st day of January, 2013.

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**MUTUAL REINSURANCE BUREAU  
ARTICLES OF ASSOCIATION, BYLAWS  
AND ASSUMING CONTRACT  
SIGNATURE PAGE**


**CHURCH MUTUAL INSURANCE COMPANY**  
Merrill, Wisconsin

  
\_\_\_\_\_  
Attest

  
\_\_\_\_\_  
Name CFD, VP  
Title  
12/19/12  
\_\_\_\_\_  
Date


**EMPLOYERS MUTUAL CASUALTY COMPANY**  
Des Moines, Iowa

  
\_\_\_\_\_  
Attest

  
\_\_\_\_\_  
Name U.P.  
Title  
12/26/12  
\_\_\_\_\_  
Date

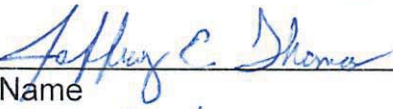
**FARM BUREAU MUTUAL INSURANCE COMPANY  
OF MICHIGAN**  
Lansing, Michigan

  
\_\_\_\_\_  
Attest

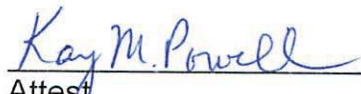
  
\_\_\_\_\_  
Name Vice President & Corporate Controller  
Title  
Jan 15, 2013  
\_\_\_\_\_  
Date


**KENTUCKY FARM BUREAU  
MUTUAL INSURANCE COMPANY**  
Louisville, Kentucky

  
\_\_\_\_\_  
Attest

  
\_\_\_\_\_  
Name Reinsurance Mgr  
Title  
1/22/13  
\_\_\_\_\_  
Date

**MOTORISTS MUTUAL INSURANCE COMPANY**  
Columbus, Ohio

  
\_\_\_\_\_  
Attest

  
\_\_\_\_\_  
Name Treasurer + CFO  
Title  
1/28/2013  
\_\_\_\_\_  
Date