

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

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

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


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of American Inter-Fidelity Exchange, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 27, 2020 has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of American Inter-Fidelity Exchange shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

June 29, 2020
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7017 3040 0000 9294 9407

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

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

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

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the American Inter-Fidelity Exchange (hereinafter “Company”) for the time period January 1, 2014 through December 31, 2018.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on April 30, 2020.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 27, 2020 and was received by the Company on June 1, 2020.

The Company did not file any objections.

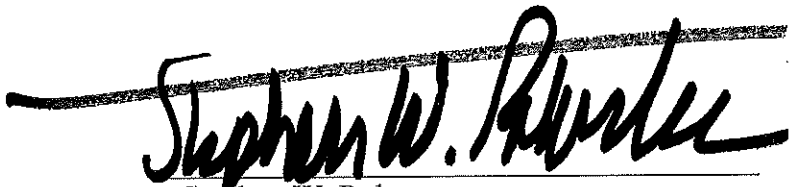
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the American Inter-Fidelity Exchange as of December 31, 2018.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the American Inter-Fidelity Exchange to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

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

Signed this 29 day of
June, 2020.



Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

A large, dark, handwritten signature in cursive script, appearing to be a name like "John A. ...".A smaller, dark, handwritten signature in cursive script, appearing to be a name like "John A. ...".

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

AMERICAN INTER-FIDELITY EXCHANGE
NAIC COMPANY CODE 40088

As of

December 31, 2018

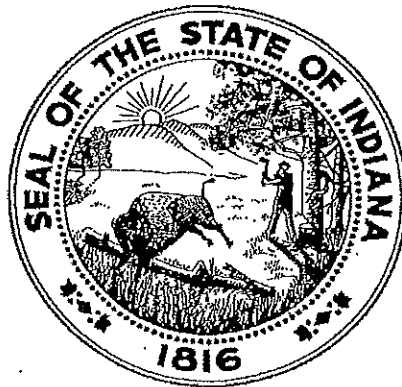


TABLE OF CONTENTS

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



STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/doi

April 30, 2020

Honorable Stephen W. Robertson
Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 4030, an examination has been made of the affairs and financial condition of:

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

an Indiana domestic property and casualty reciprocal, hereinafter referred to as the "Company." The examination was conducted at the offices of the Company's Attorney-In-Fact, American Inter-Fidelity Corporation (AIFC), located at 9223 Broadway, Suite A, Merrillville, Indiana 46410.

The Report of Examination, showing the status of the Company as of December 31, 2018, is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2013. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2014 through December 31, 2018, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

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

The actuarial firm of Merlinos & Associates, Inc. was appointed by the INDOI to conduct a review of the Company's Loss Reserves and Loss Adjustment Expenses as of December 31, 2018.

In accordance with the 2018 NAIC *Financial Condition Examiners Handbook*, Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Company and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks, and documentation of system controls and procedures used to mitigate the identified risks. In addition, Thomas Consulting performed an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The examination also included a review of the Company's compliance with Statutory Accounting Principles, Annual Statement Instructions, and the Indiana Insurance Code (IC). All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

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

On March 23, 1994, the Company was placed into rehabilitation by the INDOI. The INDOI issued an order terminating rehabilitation effective March 5, 2002. The Company entered into a Consent Order of Supervision with the INDOI, effective for a period of three (3) years from January 1, 2001 through December 31, 2004. Subsequent to the expiration of the Consent Order on December 31, 2004, the Company entered into a Post-Consent Order Agreement, whereby the INDOI agreed to amend the Company's Certificate of Authority changing the Company's status from an RRG to a reciprocal. The Company is no longer operating under any regulatory restrictions.

CAPITAL AND SURPLUS

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

As of December 31, 2018, the Company had \$31,178,186 in surplus. Of this amount, \$18,696,795 was reported in unassigned funds and a \$3,000,000 surplus note in the financial statement. The balance identified as gross paid in and contributed surplus accounts was \$9,481,391.

On December 6, 2018, the Company issued a surplus note in the amount of \$3,000,000 to US 1 Industries, Inc. (US 1), a related party.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to write in Alabama, Arkansas, Colorado, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Maryland, Minnesota, Mississippi, Missouri, North Carolina, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas and West Virginia. In 2018, the largest percentages of direct premiums written were from Illinois (52%) and Indiana (25%).

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

The Company continues to target growth in the commercial auto physical damage and non-trucking markets as these coverages have shown consistent profitability. The Company is attempting to reduce exposure on the commercial auto liability segment. Although gross premiums in commercial auto liability rose in 2018, this growth was largely due to premium increases and not increase exposure based on the number of units insured.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company for the period under examination:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Policyholder Surplus</u>	<u>Net Underwriting Gain/Loss</u>	<u>Net Income</u>
2018	\$121,427,967	\$90,249,781	\$31,178,186	\$1,951,958	\$3,350,240
2017	105,473,504	77,586,833	27,886,671	604,758	1,934,037
2016	82,770,472	58,939,182	23,831,290	993,876	1,747,863
2015	64,944,787	41,730,767	23,214,020	3,163,316	3,363,920
2014	56,830,395	36,343,836	20,486,560	2,061,358	2,520,672

Note: Amounts are shown in whole dollars and rows may not total due to rounding.

The Company's admitted assets, liabilities, and policyholder surplus increased significantly during the five (5) years covered by this examination, primarily due to significant growth in the Company's book of business.

LOSS EXPERIENCE

The following exhibit summarizes the underwriting results of the Company for the period under examination:

<u>Year</u>	<u>Premiums Earned</u>	<u>Losses and Loss Adjustment Expense Incurred</u>	<u>Other Underwriting Expenses Incurred</u>	<u>Losses and Loss Adjustment Expense Ratio</u>	<u>Combined Ratio</u>
2018	\$55,607,284	\$41,298,184	\$12,357,142	74.3%	96.5%
2017	50,406,034	39,105,005	10,696,272	77.6%	98.8%
2016	32,886,662	23,867,494	8,025,291	72.6%	97.0%
2015	29,956,475	18,477,424	8,315,734	61.7%	89.4%
2014	27,797,487	17,711,568	8,024,561	63.7%	92.6%

Note: Amounts are shown in whole dollars and rows may not total due to rounding.

The Company reported an underwriting profit in each of the five (5) years covered by this examination. The Company has indicated they are trying to expand growth in physical damage. The Company implemented rate increases for commercial liability in 2017 and 2018.

MANAGEMENT AND CONTROL

Directors

The Company's Bylaws specify that the Board of Directors (Board) shall consist of at least five (5) members who shall be elected annually by a majority of the Shareholders and until their successors are elected and qualified. Directors need not be Shareholders unless stated as such in the Articles of Incorporation. The following is a listing of persons serving as directors as of December 31, 2018:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Harold E. Antonson Valparaiso, Indiana	Chief Financial Officer TC Services, Inc.
Gage M. Blue Mount Pleasant, South Carolina	General Manager Carolina National Transportation, Inc.
Michael E. Kibler Valparaiso, Indiana	President TC Services, Inc.
Richard A. Penney Sarasota, Florida	Independent Insurance Agent Exceter Insurance, Inc.
Robert I. Scissors Valparaiso, Indiana	Director TC Services, Inc.
Lex L. Venditti Crown Point, Indiana	Attorney American Inter-Fidelity Corporation

Officers

The Company's Bylaws state that the officers of the Company shall be a President, one (1) or more Vice Presidents, a Secretary, a Treasurer, and such other officers as may be appointed in accordance with the provisions of Article 3.1 of the Company's Articles of Incorporation. The following is a list of key officers and their respective titles as of December 31, 2018:

<u>Name</u>	<u>Position</u>
Lex L. Venditti	President and Treasurer
Harold E. Antonson	Secretary
Scott A. Loitz	Vice President

Corporate Governance

The committees and the member directors that were selected to serve as of December 31, 2018 were as follows:

Investment Committee:

Harold E. Antonson
Michael E. Kibler
Robert I. Scissors
Lex L. Venditti

Audit Committee:

Harold E. Antonson
Robert I. Scissors
Lex L. Venditti

CONFLICT OF INTEREST

The Company has established a conflict of interest policy through its Code of Conduct for the disclosure of any material interest or affiliation by any one (1) director or officer, which is likely to conflict with their official duties. From a review of the directors and officers signed statements, there were no material conflicts of interest noted for the period under examination.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the corporation and will not knowingly violate any of the laws applicable to such corporation. During the period covered by this examination, directors did not take and subscribe to an Oath of Office statement when re-elected as required by IC 27-1-7-10(i). (Please see the "Other Significant Findings" section of this report regarding this issue.)

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Company's Articles of Incorporation during the period under examination.

Bylaws

The Company amended its Bylaws, effective April 10, 2018, to state that the Annual Meeting of the Shareholders for the election of directors and for the transaction of such other business, as may properly come before the meeting, shall be held within five (5) months after the close of each fiscal year.

The shareholders of the Attorney-in-Fact did not hold an Annual Shareholders meeting for the purpose of the election of its directors during the period under examination. This is a violation of IC 27-6-6-9 which requires the subscribers and the Attorney-in-Fact to comply with the same standards for officers and directors as is required of stock and mutual insurance companies. Furthermore, this is a violation of IC 27-1-7-7(b) which requires the Annual Shareholders meeting to be held within five (5) months of the fiscal close of December 31. Additionally, the Attorney-in-Fact has not complied with the requirements of its Bylaws. The Bylaws state in Section 2, the annual meeting may be held at any time but no later than five (5) months after the close of each fiscal year of the corporation. **(Please see the "Other Significant Findings" section of this report regarding this issue.)**

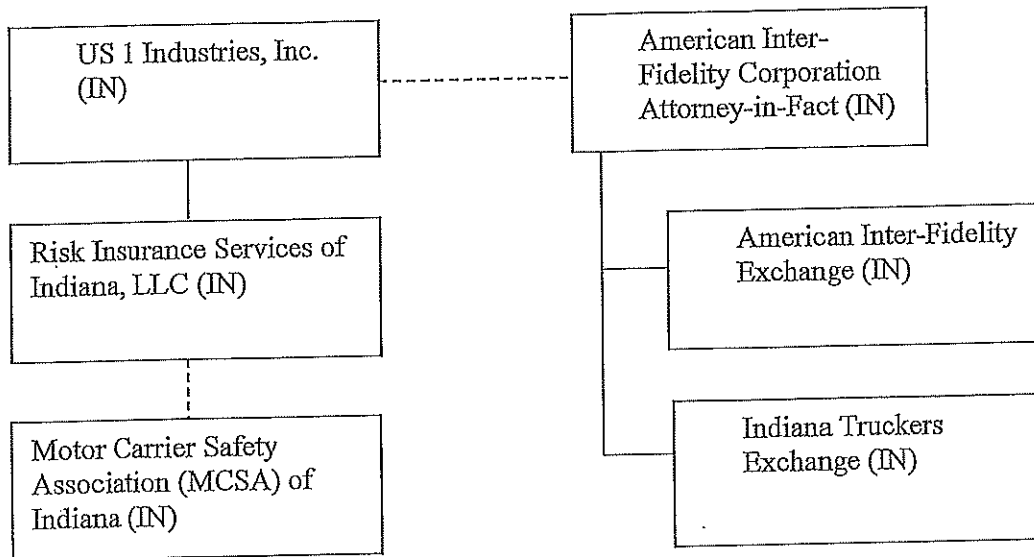
Minutes

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

AFFILIATED COMPANIES

Organizational Structure

The Company is a member of an insurance holding company system as defined within IC 27-1-23 and Regulation of Insurance Holding Company Systems. The following organizational chart depicts the Company's relationship with other affiliated companies within the group:



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

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

The Company is an affiliate of US 1, a privately held company controlled by the same management team as the Company. The Company is also affiliated with Motor Carrier Safety Association (MCSA) of Indiana. MCSA is affiliated with Risk Insurance Services of Indiana, LLC (RIS), a wholly owned subsidiary of US 1. MCSA is a licensed purchasing group registered with the INDOI. MCSA provides benefits for non-asset based (owner operator) carriers located in the United States. For this business, an owner operator joins MCSA and, as part of MCSA, is offered physical damage and non-trucking liability insurance through a master policy issued by the Company. MCSA has no employees and is managed by RIS. As MCSA is Indiana based, any premiums written through MCSA are reported as being written in Indiana.

Service Agreements

Attorney-in-Fact Agreement

AIFC is compensated pursuant to an Attorney-in-Fact agreement. AIFC receives 7.5% of the Company's annual gross premiums and 25% of its annual net income. In 2018, the total amount due to AIFC was \$6,523,328.

Risk Insurance Services of Indiana, LLC

The Company pays RIS a commission on certain policies written for subsidiaries of US 1 under this agreement. In 2018, the total amount due to RIS was \$17,531.

FIDELITY BOND AND OTHER INSURANCE

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

The Company has additional types of coverage in-force as of December 31, 2018, including but not limited to directors, officers, and workers compensation coverage.

STATUTORY AND SPECIAL DEPOSITS

The Company reported the following statutory deposit as of December 31, 2018:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
Deposits for the benefit of all Policyholders:		
Indiana	\$ 2,031,089	\$ 2,031,089
Total Deposits for the benefit of all Policyholders	<u>\$ 2,031,089</u>	<u>\$ 2,031,089</u>
All Other Special Deposits:		
Florida	\$ 224,519	\$ 227,394
Georgia	25,000	25,000
North Carolina	400,000	400,000
Total Special Deposits	<u>\$ 649,519</u>	<u>\$ 649,519</u>
Total Statutory and Special Deposits	<u><u>\$ 2,680,608</u></u>	<u><u>\$ 2,680,608</u></u>

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

REINSURANCE

Reinsurance Assumed

The Company does not assume reinsurance.

Reinsurance Ceded

The Company has two (2) reinsurance arrangements, both excess of loss contracts. The Company has an obligatory excess of loss treaty with General Reinsurance for amounts in excess of \$500,000. The Company had an automatic placement arrangement with Maiden Re for facultative coverage for the layer \$250,000 to \$500,000. During 2018, Maiden Re exited this market and the automatic placement arrangement was replaced with an almost identical program with Swiss Re. The Company typically reinsurers amounts in excess of \$250,000 on their \$1,000,000 commercial auto liability policies.

RESERVES

John Pierce, FCAS, MAAA, MBA, of John Pierce Consulting Actuary, was appointed by the Board to render an actuarial opinion on the statutory-basis loss and loss adjustment expense reserves of the Company for all years throughout the examination period.

The scope of the opinion was to examine the actuarial assumptions and methods used in determining loss reserves and related items, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials as of December 31, 2018. In forming the opinion, information prepared by the Company was relied upon. This information was evaluated for reasonableness and consistency. In other respects, the examination included such review of the actuarial assumptions and methods used, and such tests of the calculations as considered necessary.

The 2018 opinion stated the reserve balances: 1) meet the requirements of the insurance laws of the State of Indiana, 2) are computed in accordance with accepted actuarial standards and principals, and 3) make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company as of December 31, 2018 under the terms of its contracts and agreements.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detail trial balance prepared from the Company's general ledger for the year ending December 31, 2018, was agreed to the Annual Statement without exception. The Company's independent auditors issued unqualified opinions on the Company's audited Statutory Financial Statements for each year during the examination period. The audited Statutory Financial Statements were agreed to the Annual Statement for the year ending December 31, 2018, with no exceptions noted. All of the independent audit work papers were made available to Thomas Consulting during the examination.

Overall, Thomas Consulting determined the Company's accounting procedures, practices, and account records were satisfactory.

FINANCIAL EXHIBITS

- Comparative Exhibit – Statutory Statement of Assets
- Comparative Exhibit – Statutory Statement of Liabilities, Surplus and Other Funds
- Comparative Exhibit - Statutory Statement of Income
- Comparative Exhibit – Statutory Capital and Surplus Account

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

AMERICAN INTER-FIDELITY EXCHANGE

FINANCIAL STATEMENTS

Assets

As of December 31, 2018

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Assets:				
Bonds	\$ 22,853,941	\$ -	\$ 22,853,941	\$ 22,350,042
Common stocks	32,885,312	-	32,885,312	35,177,514
Mortgage loans on real estate	2,227,259	-	2,227,259	456,304
Real estate	613,046	-	613,046	631,314
Cash \$9,894,007, cash equivalents \$16,869,435 and short-term investments \$10,557,452	37,320,894	-	37,320,894	26,279,938
Other invested assets	\$ 5,022,624	\$ -	\$ 5,022,624	\$ 4,982,303
Subtotals, cash and invested assets	\$ 100,923,077	\$ -	\$ 100,923,077	\$ 89,877,415
Investment income due and accrued	\$ 236,510	\$ -	\$ 236,510	\$ 183,508
Uncollected premiums and agents' balances in the course of collection	6,299,048	-	6,299,048	5,917,294
Deferred premiums and agents' balances and installments booked but deferred and not yet due	9,374,559	-	9,374,559	7,714,265
Amounts recoverable from reinsurers	4,078,383	-	4,078,383	989,005
Current federal and foreign income tax recoverable and interest thereon	-	-	-	42,541
Net deferred tax asset	-	-	-	80,240
Aggregate write-ins for other than invested assets	\$ 516,390	\$ -	\$ 516,390	\$ 669,236
Total Assets	\$ 121,427,967	\$ -	\$ 121,427,967	\$ 105,473,504

AMERICAN INTER-FIDELITY EXCHANGE

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

As of December 31, 2018

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Liabilities:				
Losses	\$ 48,808,183	\$ -	\$ 48,808,183	\$ 41,529,306
Loss adjustment expense	2,070,053	-	2,070,053	2,215,126
Commissions payable, contingent commissions and other similar charges	298,278	-	298,278	414,734
Taxes, licenses and fees (excluding federal foreign income taxes)	81,312	-	81,312	69,384
Current federal and foreign income	577,779	-	577,779	43,094
Net deferred tax liability	59,965	-	59,965	1,133,804
Unearned premiums	9,374,560	-	9,374,560	7,714,265
Advance premiums	3,074,524	-	3,074,524	2,581,310
Ceded reinsurance premiums payable	1,215,289	-	1,215,289	1,128,714
Amounts withheld or retained for accounts of others	11,889,521	-	11,889,521	11,162,132
Remittance and items not allocated Payable to parent, subsidiaries and affiliates	126,461	-	126,461	126,461
	12,575,205	-	12,575,205	9,425,396
Aggregate write-ins for liabilities	88,651	-	88,651	43,107
Total Liabilities	\$ 90,249,781	\$ -	\$ 90,249,781	\$ 77,586,833
Capital and Surplus:				
Surplus note	\$ 3,000,000	\$ -	\$ 3,000,000	\$ -
Gross paid in and contributed surplus	9,481,391	-	9,481,391	9,481,391
Unassigned funds (surplus)	18,696,795	-	18,696,795	18,405,280
Surplus as regards policyholders	\$ 31,178,186	\$ -	\$ 31,178,186	\$ 27,886,671
Total Liabilities, Capital and Surplus	\$ 121,427,967	\$ -	\$ 121,427,967	\$ 105,473,504

AMERICAN INTER-FIDELITY EXCHANGE

FINANCIAL STATEMENTS

Statement of Income

As of December 31, 2018

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Underwriting Income:				
Premiums earned	\$ 55,607,284	\$ -	\$ 55,607,284	\$ 50,406,034
Losses incurred	\$ 37,053,348	\$ -	\$ 37,053,348	\$ 35,293,570
Loss adjustment expenses incurred	4,244,836	-	4,244,836	3,811,435
Other underwriting expenses	<u>12,357,142</u>	-	<u>12,357,142</u>	<u>10,696,272</u>
Total underwriting deductions	\$ 53,655,326	\$ -	\$ 53,655,326	\$ 49,801,277
Net underwriting gain	\$ <u>1,951,958</u>	\$ -	\$ 1,951,958	\$ 604,758
Investment Income:				
Net investment income earned	\$ 2,493,508	\$ -	\$ 2,493,508	\$ 1,870,315
Net realized capital gains (losses)	<u>(1,606)</u>	-	<u>(1,606)</u>	<u>123,421</u>
Net investment gain (loss)	\$ <u>2,491,902</u>	\$ -	\$ 2,491,902	\$ 1,993,736
Other Income:				
Aggregate write-ins for miscellaneous income	\$ 114,057	\$ -	\$ 114,057	\$ 101,500
Total other income	\$ <u>114,057</u>	\$ -	\$ 114,057	\$ 101,500
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 4,557,917	\$ -	\$ 4,557,917	\$ 2,699,994
Dividends to policyholders	-	-	-	-
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ <u>4,557,917</u>	\$ -	\$ 4,557,917	\$ 2,699,994
Federal and foreign income taxes incurred	\$ <u>1,207,677</u>	\$ -	\$ 1,207,677	\$ 765,957
Net Income	\$ <u><u>3,350,240</u></u>	\$ -	\$ <u><u>3,350,240</u></u>	\$ <u><u>1,934,037</u></u>

AMERICAN INTER-FIDELITY EXCHANGE

FINANCIAL STATEMENTS

Capital and Surplus Account

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Capital and Surplus Account:					
Capital and surplus, December 31, prior year	\$ 27,886,671	\$ 23,831,290	\$ 23,214,019	\$ 20,486,560	\$ 17,371,422
Net income	\$ 3,350,240	\$ 1,934,037	\$ 1,747,863	\$ 3,363,920	\$ 2,520,672
Change in net unrealized capital gains or losses	(2,778,923)	3,539,565	1,660,250	(1,390,705)	383,566
Change in net deferred income tax	975,432	(614,124)	(941,337)	576,440	342,216
Change in nonadmitted assets	(1,255,233)	(804,098)	(1,849,505)	177,805	(132,481)
Surplus notes	3,000,000	-	-	-	-
Surplus adjustments paid in	-	-	-	-	1,164
Change in surplus as regards policyholders for the year	<u>\$ 3,291,515</u>	<u>\$ 4,055,380</u>	<u>\$ 617,271</u>	<u>\$ 2,727,459</u>	<u>\$ 3,115,137</u>
Surplus as regards policyholders, December 31, current year	<u>\$ 31,178,186</u>	<u>\$ 27,886,671</u>	<u>\$ 23,831,290</u>	<u>\$ 23,214,019</u>	<u>\$ 20,486,560</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2018, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

Oath of Office Statements

During the period covered by this examination, directors did not take and subscribe to an Oath of Office statement when re-elected.

It is recommended that the Board sign an Oath of Office statement each time they are elected in accordance with IC 27-1-7-10(i).

Annual Shareholders Meeting

The shareholders of the Attorney-in-Fact did not hold an Annual Shareholders meeting for the purpose of the election of its directors during the period under examination. This is a violation of IC 27-6-6-9 which requires the subscribers and the Attorney-in-Fact to comply with the same standards for officers and directors as is required of stock and mutual insurance companies. Furthermore, this is a violation of IC 27-1-7-7(b) which requires the Annual Shareholders meeting to be held within five (5) months of the fiscal close of December 31. Additionally, the Attorney-in-Fact has not complied with the requirements of its Bylaws. The Bylaws state in Section 2, the annual meeting may be held at any time but no later than five (5) months after the close of each fiscal year of the corporation.

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

SUBSEQUENT EVENTS

Pandemic Risk

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The extent of the impact of COVID-19 on Company operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulatory decisions, and the impact on the financial markets, all of which are uncertain and cannot be predicted. Due to the timing of the examination and field work, the effects of the pandemic on this entity are not fully addressed within this examination report.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, Thomas Consulting obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to Thomas Consulting.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from The Thomas Consulting Group, Inc., performed an examination of the **American Inter-Fidelity Exchange** as of **December 31, 2018**.

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

The examination was performed in accordance with those procedures required by the 2018 NAIC *Financial Condition Examiners Handbook* and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standard and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of the condition of the **American Inter-Fidelity Exchange** as of **December 31, 2018**, as determined by the undersigned.



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



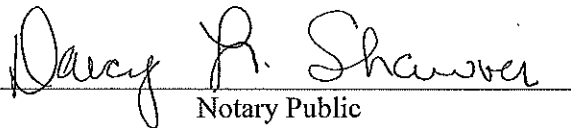
Jerry Ehlers, CFE, CPA
Indiana Department of Insurance

State of:

County of:

On this 6th day of June, 2020, before me personally appeared, David L. Daulton and Jerry Ehlers to sign this document

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

My commission expires Oct 4, 2025 
Notary Public

DARCY L. SHAWVER
NOTARY PUBLIC
SEAL
MARION COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 708053

