STATE OF NEBRSKA
DEPARTMENT OF INSURANCE

JUN 19 2018

FILED

CERTIFICATION

June 19, 2018

I, Bruce R. Ramge, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

PHYSICIANS MUTUAL INSURANCE COMPANY

as of

December 31, 2016

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.

GREAT SEAL OF THE STATE OF NEBRASKA
MARCH 1ST 1867

Bruce R. Ramge

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

PHYSICIANS MUTUAL INSURANCE COMPANY

dated as of December 31, 2016 verified under oath by the examiner-in-charge on May 25, 2018 and received by the company on May 29, 2018, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 8th day of June 2018.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

Justin C. Schrader, CFE
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

PHYSICIANS MUTUAL INSURANCE COMPANY

as of

December 31, 2016

TABLE OF CONTENTS

Omaha, Nebraska
May 24, 2018

Honorable Bruce R. Ramge
Director of Insurance
Nebraska Department of Insurance
941 "O" Street, Suite 400
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

PHYSICIANS MUTUAL INSURANCE COMPANY
2600 Dodge Street
Omaha, Nebraska 68131

(hereinafter also referred to as the "Company") and the report of such examination is respectfully presented herein.

INTRODUCTION

The Company was last examined as of December 31, 2012 by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on December 31, 2016, and includes such subsequent events and transactions as were considered pertinent to this report. The State of Nebraska participated in this examination and assisted in the preparation of this report.

The same examination staff conducted a concurrent financial condition examination of the Company's subsidiary, Physicians Life Insurance Company (PLIC).

SCOPE OF EXAMINATION

This examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska

Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including, but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions, when applicable to domestic state regulations.

A general review was made of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company". All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the policyholders, Board of Directors and committees, held during the examination period, were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, approval of investment transactions and authorizations of salaries were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed, as were plans for employee welfare and pension. Certificates of Authority to conduct the business of insurance in the various states were inspected and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report".

The Company's reinsurance facilities were ascertained and noted, and have been commented upon in this report under the caption "Reinsurance". Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination process. The Company's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared by Deloitte & Touche LLP, the Company's external auditors, during their audit of the Company's accounts for the years ended December 31, 2015 and 2016. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF COMPANY

HISTORY

The Company commenced business as Physicians Casualty Association of America (Physicians Casualty), in Omaha, Nebraska, on February 15, 1902. Its original Articles of Incorporation provided for an existence of 50 years from said date and allowed for its nature of business to be that of an accident indemnity mutual assessment association. Such Articles were filed on May 17, 1902. Subsequent amendment to these Articles of Incorporation granted the Company perpetual existence effective February 1, 1952.

An affiliated entity, Physicians Health Association of America (Physicians Health), was formed on March 6, 1912. Its nature of business was that of a health indemnity mutual assessment association. The two associations jointly conducted business from offices located in Omaha, Nebraska, with their field of operations being limited to members of the medical and dental professions residing within the United States. Physicians Health was consolidated with and merged into Physicians Casualty under the provisions of a Consolidation Agreement, which was entered into on November 7, 1961, and approved by Order of the Nebraska Department of Insurance on December 15, 1961.

The Company's present name, Physicians Mutual Insurance Company, was adopted, by proper amendment to its Articles of Incorporation, effective March 1, 1962. Its plan of operation changed at that time from that of an assessment association to a mutual legal reserve accident and health insurance company. Under provisions of its current charter, and in conformity with Nebraska Statutes, the Company is authorized to write the kinds of insurance prescribed in Section 44-201, Subsection (4) of the Nebraska Insurance Statutes (sickness and accident insurance).

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. An organizational listing flowing from the 'Ultimate Controlling Person", as reported in the 2016 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned):

Physicians Mutual Insurance Company
- Physicians Life Insurance Company
- MD45 Transport, LLC
- Physicians Mutual Insurance Company Foundation
- Physicians Mutual Employee Benefit Trust
- Physicians Mutual Services Corporation
  - Seniors Information Network, LLC
    - National Association of Medicare Members, Inc.

Policyholders

Article IV of the Articles of Incorporation states, “every person, corporation, association or partnership which is a policyholder of the Company shall be a member and shall be entitled to one vote in person or by proxy at the annual or special meetings of the members.” Article X of the Articles of Incorporation states that, “annual meetings of the members shall be held at the home office of the Company…on the third Saturday of February of each year to receive the reports of the Officers, to elect Directors and to transact such other business as shall properly come before such meetings.”

Board of Directors

Article V of the Articles of Incorporation states, “the Company shall be managed by a Board of Directors consisting of not less than five (5), divided into three (3) groups as nearly equal in number as is possible, who shall be elected from the members and at least one (1) of whom shall be citizens of the State of Nebraska. At least one-third of the total number of Directors shall be persons who are not Officers or employees of the Company or any entity controlling, controlled by, or under common control with the Company and who are not beneficial owners of a controlling interest in the voting stock of the Company or any affiliated entity.”

The following persons were serving as Directors at December 31, 2016:

Name and Residence	Principal Occupation
Dale E. Brett, M.D. Omaha, Nebraska	Retired Physician and Treasurer of the Company
James T. Canedy, M.D. Omaha, Nebraska	Practicing Physician and Secretary of the Company
William A. Cutler III Omaha, Nebraska	Funeral Director
Timothy C. Fitzgibbons, M.D. Omaha, Nebraska	Practicing Physician
Martin M. Mancuso, M.D. Omaha, Nebraska	Practicing Physician
Robert A. Reed Omaha, Nebraska	Executive Chairman of the Board of Directors & Senior Finance and Strategic Counsel
Robert A. Reed Jr. Omaha, Nebraska	President and Chief Executive Officer of the Company
John D. Woodbury, M.D. Omaha, Nebraska	Retired Physician

Officers

Article VI of the Articles of Incorporation states, "the Officers of the Company shall consist of a President, a Secretary and a Treasurer, who shall be elected by the Directors and who shall hold office until their successors are elected and qualified. The Directors may select one or more Vice Presidents and may designate one or more other offices, and assign their duties and responsibilities."

The Officers are nominated by the Compensation Committee on an annual basis, with the exception of Robert Reed, Sr. and Robert Reed, Jr., who are under contract with the Company.

The following is a listing of Senior Officers elected and serving the Company at December 31, 2016:

Name	Office
Robert A. Reed	Executive Chairman of the Board of Directors & Senior Finance and Strategic Counsel
Robert A. Reed Jr.	President and Chief Executive Officer
James T. Canedy, M.D.	Secretary
Dale E. Brett, M.D.	Treasurer
Edward J. Mullen	Actuary
Melissa J. Crawford	Senior Vice President – Markets, Products & Technology
Howard G. Daubert	Senior Vice President – Corporate Services Group
Robert L. Gunia	Senior Vice President – Public Affairs Group and Assistant Secretary
Edward J. Kaspar	Senior Vice President – Customer Group
Michael J. Wade	Senior Vice President – Chief Financial Officer & Assistant Treasurer

Committees

Article IV of the Company's By-Laws states, "the Board of Directors, may designate from its members an Executive Committee, which shall consist of at least three Directors, together with the Chairman of the Board, the President and the Secretary, which shall have and may exercise all the authority of the Board of Directors when the entire Board of Directors are not in session; the Board of Directors may also designate one or more other committees consisting of at least two Directors."

The following persons were serving on the Investment Committee at December 31, 2016:

Dale E. Brett, M.D.	James T. Canedy, M.D.
Robert A. Reed	Robert A. Reed, Jr.
Steven A. Scanlan	Michael J. Wade
John D. Woodbury, M.D.	

The following persons were serving on the Underwriting Committee at December 31, 2016:

Dale E. Brett, M.D.	James T. Canedy, M.D.
William A. Cutler, III	Timothy C. Fitzgibbons, M.D.
Edward J. Kaspar	Martin M. Mancuso, M.D.
Robert A. Reed	Robert A. Reed, Jr.
John D. Woodbury, M.D.	

The following persons were serving on the Claim Committee at December 31, 2016:

Dale E. Brett, M.D.	James T. Canedy, M.D.
William A. Cutler, III	Timothy C. Fitzgibbons, M.D.
Edward J. Kaspar	Therese M. McDermott
Martin M. Mancuso, M.D.	Robert A. Reed
Robert A. Reed, Jr.	John D. Woodbury, M.D.

The following persons were serving on the Audit Committee at December 31, 2016:

Dale E. Brett, M.D.	James T. Canedy, M.D.
Robert A. Reed	Robert A. Reed, Jr.
Michael J. Wade	John D. Woodbury, M.D.

The following persons were serving on the Compensation Committee at December 31, 2016:

Dale E. Brett, M.D.	James T. Canedy, M.D.
Martin M. Mancuso, M.D.	John D. Woodbury, M.D.

TRANSACTIONS WITH AFFILIATES

Service Agreement

The Company provides equipment, space and personnel necessary for the operations of its subsidiaries. By agreement dated June 24, 1997 and amended January 1, 2004, the Company agrees to perform all reasonable services necessary in connection with the solicitation, issuance, and servicing of policies and claims in connection with policies previously issued and hereafter issued by Physicians Life Insurance Company (PLIC). Compensation for these services is the actual salary represented by the time spent in the performance of such services, and costs and expenses associated with respect to equipment, office space and other overhead expenses represented by the time and use devoted to such services. The Company is also to receive payment for any direct expenses paid on behalf of PLIC. Upon 60 day's prior written notice to the other party, either party may terminate the Agreement. The total expenses allocated under this agreement during to PLIC 2016 and 2015 were $34,952,361 and $35,076,361, respectively.

Net Worth Agreement

The Company entered into a Net Worth Agreement with PLIC effective January 1, 1993, whereby the Company agrees to take any actions necessary to maintain PLIC's financial position with a surplus level in excess of Risk Based Capital requirements.

This agreement can be canceled by either party with a written 90 day notice provided such termination does not eliminate the obligation of the Company to infuse cash into PLIC with respect to the obligation to support, supplement, or permit the timely payment of contractual claims received by PLIC from policyholders of insurance contracts or annuity contracts during the term of the agreement.

Loan Agreement

During 2006, the Company made a loan of $7,376,053, to MD45 Transport LLC (MD45), a 100% owned LLC. The loan is 100% collateralized by an aircraft. Under the terms of a promissory note, the principal of the loan is to be repaid in quarterly installments with interest at the rate of 5.8% compounded quarterly. The first payment was due February 9, 2007. The balance of the loan was due on November 9, 2013. The promissory note was renegotiated on October 30, 2013, extending the maturity date of the Note until November 9, 2020 and reducing the interest rate of the note from 5.8% to 3.5%, compounded quarterly, beginning on November 9, 2013. The Company has also entered into an agreement to lease the aircraft from MD45. The original agreement was effective from November 9, 2006 to November 9, 2013. This lease agreement was renegotiated on October 30, 2013 with an effective date of November 9, 2013 through November 9, 2020. For purposes of valuation on the Company's statutory financial statement, both the value of the promissory note as shown on Schedule BA, $4,116,297 as of

December 31, 2016, and the value of MD45 as shown on Schedule D – Part 2 – Section 2, $774,404 as of December 31, 2016, have been recorded as non-admitted assets.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in all states and the District of Columbia.

During the period covered by this examination, business was produced by direct mail, television, radio, newspaper, email and internet advertisement through the Company's direct marketing channel and by personal solicitation through the Agency Division. The Brokerage Division was terminated in July, 2006. The Company continues to receive renewal premiums on policies sold by brokers. The business produced through the direct marketing channels produced approximately 27% of the Company's net written premium during 2016. Renewal business from the Brokerage Division accounted for approximately 4% of the Company's net written premium. The Agency Division produced approximately 69% of net written premium.

The direct marketing channels include the Direct Marketing Group, the Telesales Department and the eCommerce Department. These departments are each under the direction of an Officer of the Company and focus on both the acquisition of new customers and gaining additional sales from existing customers.

The Agency Division is under the direction of the Agency Vice President who is assisted by two Vice Presidents of Agency Administration. In addition, the Company utilizes the services of two salaried full-time field employees as Regional Managers. Each Regional Manager has a proportionate number of Division Managers under his or her supervision. The Division Managers are full-time employees and act exclusively for the Company. They are authorized to recruit, appoint and train agents within their territories, subject to Home Office approval. They receive remuneration in the form of overwrite commissions on business produced by agents under their supervision.

At December 31, 2016, the Company's agency force was comprised of the following:

Division Managers	19
Contracted Agents	911

The contracted agents are independent contractors who act as career agents for the Company. All contracted agents receive commissions and can also earn cash bonuses and lead or advertising credits by meeting production and persistency requirements.

REINSURANCE

Assumed

Effective January 1, 2004, the Company entered into a reinsurance agreement with PLIC that replaced the previous reinsurance agreement effective January 1, 2003. Per the January 1, 2004 agreement, the Company assumes 100% of the liabilities associated with PLIC's Medicare Supplement insurance. PLIC is paid a "front fee allowance" of 3% of premiums. PLIC terminated sales of its Medicare Supplement business in 2009. Medicare Supplement business is currently sold through the Company. This agreement is still in effect, with premiums of $68,617,017, and reserves assumed of $14,040,305 in 2016.

On July 1, 2010, PMIC entered into a combination coinsurance and modified coinsurance reinsurance agreement with RGA on an in-force block of group disability insurance policies with a third party. Under the terms of this agreement with RGA, the Company assumed $47,725,562 and $60,958,908 of premiums in 2016 and 2015, respectively.

Ceded

The Company ceded $7,775,427 of accident and health premiums to various reinsurers in 2016, $6,228,351 of which was dental business ceded to Ameritas Life Insurance Corp.

General

All contracts reviewed contained standard insolvency, arbitration, errors and omissions, and termination clauses where applicable. All contracts contained the clauses necessary to assure reinsurance credits could be taken.

BODY OF REPORT

GROWTH

The following comparative data reflects the growth of the Company during the period covered by this examination:

	2013	2014	2015	2016
Bonds	$1,624,189,133	$1,699,227,804	$1,749,371,803	$1,752,182,504
Admitted assets	1,920,523,118	2,026,151,800	2,106,179,396	2,208,570,092
Aggregate reserves for accident & health contracts	861,268,201	1,045,392,268	1,098,185,379	1,150,563,797
Total liabilities	989,398,389	1,180,684,893	1,220,656,067	1,289,404,177
Capital and surplus	931,124,729	845,466,907	885,523,329	919,165,915
Premium income	453,869,231	424,520,834	454,198,299	454,477,031
Net investment income	87,794,889	91,656,455	90,699,608	93,775,889
Disability benefits	288,040,883	272,565,291	290,626,423	309,964,703
Net income	33,620,981	42,805,959	39,577,193	29,141,511

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2016. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
December 31, 2016

Assets	**Assets**	**Assets Not Admitted**	**Net Admitted Assets**
Bonds	$1,752,182,504		$1,752,182,504
Preferred stocks	57,803,977		57,803,977
Common stocks	289,256,512	$ 964,055	288,292,457
Real estate	8,863,580		8,863,580
Cash and short-term investments	58,427,996		58,427,996
Other invested assets	4,116,297	4,116,297	
Receivables for securities	913,518		913,518
Subtotal, cash and invested assets	$2,171,564,385	$ 5,080,352	$2,166,484,032
Investment income due and accrued	19,972,047		19,972,047
Other amounts receivable under reinsurance contracts	25,316		25,316
Net deferred tax asset	78,267,519	57,169,971	21,097,548
Guaranty funds receivable	528,180		528,180
Electronic data processing equipment	16,351,707	15,891,317	460,389
Furniture and equipment	1,283,997	1,283,997	
Receivables from parent, subsidiaries and affiliates	2,580		2,580
Other amounts receivable	6,182,840	6,182,840	
Aggregate write-ins for other than invested			
Funds on deposit	62,551	62,551	
Prepaid expenses	14,967,711	14,967,711	
Debit suspense	101,724	101,724	
Pension plan	8,382,621	8,382,621	
Totals	$2,317,693,176	$109,123,084	$2,208,570,092

Liabilities, Surplus, and Other Funds

Aggregate reserve for accident and health contracts	$1,150,563,797
Contract claims for accident and health	33,914,698
Premiums and annuity considerations for accident and health	9,612,987
Other amounts payable on reinsurance	530,520
Interest maintenance reserve	11,187,964
Commissions to agents due or accrued	275,291
General expenses due or accrued	10,962,694
Taxes, licenses and fees due or accrued	2,459,585
Current federal income taxes	435,434
Amounts withheld or retained by company as agent or trustee	402,231
Remittances and items not allocated	10,601,020
Asset valuation reserve	33,790,088
Payable to parent, subsidiaries and affiliates	312,105
Drafts outstanding	15,869,871
Payable for securities	91,702
Commitment on prepaid expenses	5,683,994
Other post retirement benefits	1,944,006
Minimum post retirement liability	766,190
Total liabilities	$1,289,404,177
Unassigned funds	$ 919,165,915
Total capital and surplus	$ 919,165,915
Totals	$2,208,570,092

SUMMARY OF OPERATIONS – 2016

Premiums and annuity considerations	$454,477,031
Net investment income	93,775,889
Amortization of interest maintenance reserve	1,776,857
Commissions and expense allowances on reinsurance ceded	2,653,566
Miscellaneous income	1,608,697
Totals	$554,292,041
Disability benefits and benefits under accident and health contracts	309,964,703
Increase in aggregate reserves	52,378,418
Totals	$362,343,121
Commissions on premiums, annuity considerations, and deposit type contracts	27,489,356
Commissions and expense allowances on reinsurance assumed	16,173,886
General insurance expenses	106,969,136
Insurance taxes, licenses and fees	10,491,292
Reserve adjustment on reinsurance assumed	3,251,013
Totals	$526,717,804
Net gain from operations before federal income taxes and net realized capital gains	27,574,237
Federal income taxes incurred	1,016,066
Net realized capital gains	2,583,340
Net income	$ 29,141,511

CAPITAL AND SURPLUS ACCOUNT

	2013	2014	2015	2016
Capital and surplus, beginning	$866,107,731	$931,124,729	$845,466,907	$885,523,329
Net income	$ 33,620,981	$ 42,805,959	$ 39,577,193	$ 29,141,511
Change in net unrealized capital gains	3,477,910	6,829,662	1,645,909	17,398,053
Change in net deferred income tax	2,931,087	43,064,151	(3,497,841)	(3,576,295)
Change in nonadmitted assets	6,891,484	(29,181,487)	818,012	(1,425,743)
Change in reserve on account of change in valuation basis		(130,329,890)		
Change in asset valuation reserve	(798,899)	(3,068,733)	3,611,936	(10,008,456)
Pension benefit recovery plan	18,861,117	(18,606,597)	1,332,106	2,201,409
Deferred tax on minimum pension liability		3,297,653	(3,049,721)	(247,932)
Supplemental benefit plan	33,317	(468,541)	79,150	9,327
Post retirement minimum liability			(708,189)	130,413
Deferred tax on minimum post retirement liability			247,867	20,300
Net change for the year	$ 65,016,997	$ (85,657,822)	$ 40,056,422	$ 33,642,587
Capital and surplus, ending	$931,124,729	$845,466,907	$885,523,329	$919,165,915

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of $919,165,915, as reported in the Company's 2016 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company’s financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The recommendations appearing in the previous report of examination are reflected below together with the remedial actions taken by the Company to comply therewith:

> **Custodial Agreement** – It is recommended that the Company revise its custodial agreement with FHLB of Topeka to include all provisions related to safeguards and controls of securities pursuant to Title 210 (Nebraska Department of Insurance Rules and Regulations), Chapter 81.

Action: The Company has complied with this recommendation.

Schedule Y – It is recommended the Company disclose the Physicians Mutual Insurance Company Foundation and the Company's trusts for the benefit of employees in its Schedule Y in each of the individual annual statements in accordance with NAIC Annual Statement Instructions and SSAP No. 25.

Action: The Company has complied with this recommendation.

Investment in PMSC – It is recommended that the Company report its investment in PMSC in accordance with SSAP No. 97 Investments in Subsidiary, Controlled and Affiliated Entities.

Action: The Company has complied with this recommendation.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

There are no comments or recommendations that have been made as a result of this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations that have been made as a result of this examination.

ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, Kim Hurst, CFE, Derek Petersen, CFE, Linda Scholl, CISA, CFE, APIR, Santosh Ghimire, Kolby Shanks, and Joel Tapsoba Financial Examiners; Gary Evans, CISA, AES, Information Systems Specialist; and Rhonda Ahrens, FSA, and Derek Wallman; Actuarial Examiners; all with the Nebraska Department of Insurance, participated in this examination and assisted in the preparation of this report.

Respectfully submitted,

Tadd K. Wegner

Tadd K. Wegner
Supervisory Examiner
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

Tadd K. Wegner, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examinations of Physicians Mutual Insurance Company and Physicians Life Insurance Company. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.

2. I have reviewed the examination work papers and examination report, and the examinations of Physicians Mutual Insurance Company and Physicians Life Insurance Company was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.

Tadd K. Wegner
Examiner-in-Charge's Signature

Subscribed and sworn before me by Tadd K. Wegner on this 25th day of May, 2018.

(SEAL) GENERAL NOTARY - State of Nebraska
LORI L. BRUSS
My Comm. Exp. July 21, 2020

Lori L. Bruss
Notary Public

My commission expires July 21, 2020 [date].