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**STATE OF ALABAMA  
DEPARTMENT OF INSURANCE  
MONTGOMERY, ALABAMA**

**REPORT OF EXAMINATION**

**BALDWIN MUTUAL INSURANCE COMPANY, INC.  
FOLEY, ALABAMA**

**AS OF**

**DECEMBER 31, 2019**

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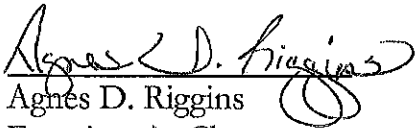
**EXAMINER'S AFFIDAVIT**

**STATE OF ALABAMA  
COUNTY OF SHELBY**

Agnes D. Riggins being duly sworn, states as follows:

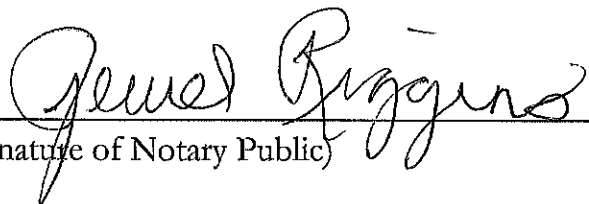
1. I have authority to represent Alabama in the examination of Baldwin Mutual Insurance Company, Inc.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of Baldwin Mutual Insurance Company, Inc. was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.

  
Agnes D. Riggins  
Examiner-in-Charge

Subscribed and sworn before me by Agnes D. Riggins on this 26<sup>th</sup> day of February 2021.

(SEAL)

  
\_\_\_\_\_  
(Signature of Notary Public)

My commission expires 05/28/2024



KAY IVEY  
GOVERNOR

JIM L. RIDLING  
COMMISSIONER

STATE OF ALABAMA  
DEPARTMENT OF INSURANCE  
201 MONROE STREET, SUITE 502  
POST OFFICE BOX 303351  
MONTGOMERY, ALABAMA 36130-3351  
TELEPHONE: (334) 269-3550  
FACSIMILE: (334) 241-4192  
INTERNET: [www.aldoi.gov](http://www.aldoi.gov)

DEPUTY COMMISSIONERS  
MARK FOWLER  
JIMMY GUNN  
CHIEF EXAMINER  
RICHARD L. FORD  
STATE FIRE MARSHAL  
SCOTT F. PILGREEN  
GENERAL COUNSEL  
REYN NORMAN

February 26, 2021

Jim L. Ridling, Commissioner  
State of Alabama  
Department of Insurance  
201 Monroe Street, Suite 502  
Montgomery, Alabama 36104

Dear Commissioner Ridling:

Pursuant to your authorization and in compliance with the statutory requirements of the State of Alabama and resolutions adopted by the National Association of Insurance Commissioners (NAIC), an examination has been made of the affairs and financial condition of

**Baldwin Mutual Insurance Company, Inc.**  
**Foley, Alabama**

as of December 31, 2019. The examination was performed remotely at the Alabama Department of Insurance, 100 Concourse Parkway, Hoover, AL 35244. The report of examination is submitted herewith.

Where the description "Company" appears herein, without qualification, it will be understood to indicate Baldwin Mutual Insurance Company, Inc.

## SCOPE OF EXAMINATION

We have performed an examination of Baldwin Mutual Insurance Company, Inc., a single state insurance company. The last examination covered the period of January 1, 2014 through December 31, 2016. The current examination covers the period of January 1, 2017 through December 31, 2019.

The examination was conducted in accordance with applicable statutory requirements of the Code of Alabama, 1975, as amended, the Alabama Insurance Department regulations, bulletins and directives, and in accordance with the procedures and guidelines promulgated by the NAIC, as deemed appropriate, and in accordance with generally accepted examination standards and practices.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in the Code of Alabama, 1975, as amended, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company's annual statements for each year under examination were compared with or reconciled to the corresponding general ledger account balances.

The examination of the Company's IT systems (IT) was conducted concurrently with the financial exam. The examination determined that the Company's IT Systems were managed by BriteCore and Sage Intacct. A review of the SOC 1 reports for BriteCore and Sage Intacct was performed by the CPAs and the examiners.

A market conduct examination was performed concurrently with the financial examination. The examination included reviews of the Company's territory, plan of operation, claims handling, advertising and marketing, policy forms and underwriting, policyholders' complaints, producers' licensing requirements, and privacy standards.

The Company's annual statements for each year under examination were compared with the corresponding general ledger account balances. During the period covered by the examination, the Company was audited by Russell, Thompson, Butler & Houston (CPA's). The CPA's workpapers were used in the examination as deemed appropriate by the examiners.

A signed letter of representation was obtained at the conclusion of the examination. In this letter, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2019.

## **ORGANIZATION AND HISTORY**

The Company was incorporated on July 21, 1921, under the laws of the state of Alabama, ALA. CODE § 27-27-15 (1975), Domestic mutual insurance - Authorization to transact business, as "Baldwin Mutual Insurance Company Incorporated."

The objectives or purposes of the incorporation, as set forth in the Articles of Incorporation, were to issue policies and enter contracts of insurance and to reinsure or accept reinsurance on any portion thereof for fire, liability, disability, automobile, steam boiler, use and occupancy, title and miscellaneous insurance, excepting life insurance.

The Company was organized as a mutual insurance and continues to operate under the mutual plan with no capital stock. There were no amendments to the Articles of Incorporation or By-Laws during this examination period.

As of December 31, 2019, the Company's unassigned funds reported in the 2019 Annual Statement was \$10,540,091.

## MANAGEMENT AND CONTROL

### Members

The Company is a mutual company with ultimate control vested in its policyholder members.

### Board of Directors

Members elected to the Board of Directors by the members and serving on December 31, 2019, were as follows:

<u>Director and Residence</u>	<u>Principal Occupation</u>
Arthur Abel Holk Foley, Alabama	Chairman of the Board, Baldwin Mutual Insurance Company, Inc.
Clair Dean Hansen* Foley, Alabama	Treasurer, Retired County Commissioner
Frances Holk-Jones Foley, Alabama	Secretary, Agent-State Farm Insurance
Kevin Timothy Russell Fairhope, Alabama	Executive Vice President, Baldwin Mutual Insurance Company
Carl Jackson Jones Foley, Alabama	President, Baldwin Mutual Insurance Company
Carl Emery Johnson Foley, Alabama	Certified Public Accountant
Grayson Davis Moore Fairhope, Alabama	Insurance Field Representative, Baldwin Mutual Insurance Company
Richard Gustav Reimer Perdido Beach, Alabama	Retired, Alcatel-Lucent and Alabama National Guard
Clark Joiner Stewart Magnolia Springs, Alabama	Owner Station, Principal

\*Deceased February 29, 2020



**Committees**

**Audit Committee**

The Board of Directors of the Company served as the Audit Committee for the Company.

No other committees of the board were appointed during the examination period.

**Officers**

Officers of the Company elected by the Board of Directors and serving as of December 31, 2019 were as follows:

<u>Officers</u>	<u>Title</u>
Carl Jackson Jones	President
Clair Dean Hansen*	Treasurer
Frances Holk-Jones	Secretary
Kevin Timothy Russell	Executive Vice President
*Deceased February 29, 2020	

**Conflict of Interest**

Conflict of Interest Statements were reviewed for each director, officer, and key personnel. No material conflicts were noted.

**CORPORATE RECORDS**

The Articles of Incorporation and By-Laws as amended were inspected during the examination and appeared to provide for the Company’s operation in accordance with the usual corporate practices and applicable statutes and regulations.

Minutes of meetings of the Policyholders and Board of Directors were reviewed for the period under examination. The minutes appeared to be complete and provided for the operation of the Company in accordance with usual corporate practices and applicable statutes and regulations.

**HOLDING COMPANY AND AFFILIATE MATTERS**

The Company is not subject to the *Alabama Holding Company Regulatory Act* as defined in ALA. CODE § 27-29-1 (1975), as amended.

## **Organizational Chart**

Not Applicable

## **Management and Service Agreements**

The Company had no management and service agreements during the examination period.

## **FIDELITY BONDS AND OTHER INSURANCE**

As of December 31, 2019, the Company was a named insured under a Standard Form No. 25, issued by U.S. Specialty Insurance Company, which exceeded the suggested minimum requirements for fidelity bond coverage according to the NAIC *Financial Condition Examiners Handbook*.

In addition to the fidelity bond, the Company also maintained the following insurance policies to protect itself from hazards to which it may be exposed:

- Private Company Reimbursement Insurance
- Employment Practices Liability Insurance
- Commercial Auto Policies
- Life Insurance Policies

The coverages and limits on these policies were reviewed during the examination and appeared to reasonably protect the Company's interests.

## **PENSIONS AND STOCK OWNERSHIP**

The Company offers the following benefits to all employees:

- Subsidized health insurance
- Base life insurance and accidental death and dismemberment policy
- Non-subsidized vision, dental, additional life insurance, short term disability insurance, long term disability and other insurance
- 401k plan
- Paid vacation

## COMPLIANCE WITH 18 U.S.C. § 1033

ALA. ADMIN. CODE 482-1-146-.11 (2009) states:

- (1) A Section 1033 insurer subject to the Commissioner's examination authority shall have and apply the following:
  - (a) An internal procedure for determining, by means of background checks or investigations or otherwise, whether applicants for employment or individuals with whom the insurer intends to contract for activities in the business of insurance, whether or not in a capacity requiring a license, have a felony conviction for a Section 1033 offense.
  - (b) An internal procedure after initial employment or contracting, applied on a periodic basis, to ascertain the existence of a felony conviction for a section 1033 offense.
  - (c) An internal procedure for assuring that affected employees or individual contractors have obtained and hold any required Section 1033 consent during the period of employment or contracting.

The Company performs a pre-employment background screening on all potential employees. Background screenings include a criminal background check on all new hires. After employment, the Company performs periodic background checks on all employees to ascertain the existence of a felony conviction for a section 1033 offense. The review determined the Company complied with 18 U.S.C. § 1033 and ALA. ADMIN. CODE 482-1-146-.11 (2009).

## SCHEDULE OF SPECIAL DEPOSITS

To comply with the statutory requirements for doing business in the state of Alabama, the Company had the following on deposit with the Alabama Department of Insurance as of December 31, 2019:

Description	Book/Adjusted Carrying Value	Fair Value
Certificate of Deposit*	\$100,000	\$100,000
<b>Total</b>	<b>\$100,000</b>	<b>\$100,000</b>

\*For the benefit of all Policyholders

## FINANCIAL CONDITION / GROWTH OF THE COMPANY

The following table sets present significant items that reflect the growth and financial condition of the Company for the period under review:

	<b>Admitted Assets</b>	<b>Liabilities</b>	<b>Capital and Surplus</b>	<b>Net Premium Income</b>
2019	\$12,493,311	\$1,953,220	\$10,540,091	\$3,088,047
2018	\$12,347,466	\$2,202,099	\$10,145,367	\$3,398,658
2017	\$12,156,135	\$2,452,559	\$9,703,576	\$3,761,941

## MARKET CONDUCT ACTIVITIES

### Plan of Operation

The Company marketed property and casualty insurance in the state of Alabama. Products consisted of actual cash value and replacement cost policies for farm, home, and manufactured housing. The Company also wrote liability, commercial policies, and flood insurance coverage that was 100% reinsured by the Federal Flood Insurance Program. The Company had one licensed producer during the examination period. The Company wrote a limited number of policies.

### Territory

As of December 31, 2019, the Company was licensed to transact business in the state of Alabama. The Certificate of Authority was reviewed for the period under examination, and no exceptions were noted.

### Advertising and Marketing

A review of the Company's advertising materials for January 1, 2017 through December 31, 2019 was performed. The Company used radio and newspaper advertisements. The Company's website [www.baldwinmutual.com](http://www.baldwinmutual.com) included the following links: Products, Pay Online, About, and Docs. The website identified the home office address, P.O. Box, telephone number, and fax number. The advertising materials did not misrepresent policy benefits, make unfair or incomplete comparisons with other policies, or make false, deceptive or misleading statements or representations.

## **Claims Handling**

### *Paid Claims*

A random sample of 105 paid claims from a population of 610 paid claims was selected during the examination period. The review included a time study of claim payments, claim acknowledgements and a review of the completeness of documentation. The Company's paid claims were settled in accordance with the policy provisions, applicable statutes and regulations.

### *Denied Claims*

A random sample of 82 denied or closed-without payment claims from a population of 275 was selected during the examination period. The review included whether the claims were properly denied and reason for the denial was properly documented and provided to the claimants. The Company's denied claims were settled in accordance with the policy provisions, applicable statutes and regulations.

### *Closed Litigated Claims*

The Company had no closed litigated claims for the examination period of January 1, 2017 through December 31, 2019.

## **Dividends to Policyholders**

The Company paid no dividends to policyholders during the examination period.

## **Policyholders' Complaints**

During the examination period, five complaints which were forwarded from the Department were recorded by the Company. The Company appropriately maintained the following information in its complaint register: line of business, function and reason for the complaint. The Company's responses fully addressed the issues raised, and the complaints were appropriately resolved within the required time frame. Based on the review of the Company's complaint procedures, it was determined that the Company had sufficient methods for the distribution of and obtaining and recording responses to complaints. The review of the complaints determined that the responses were submitted in a timely manner and addressed the issues raised.

## **Producers' Licensing Requirements**

### *Producer Appointments*

A sample of 113 transactions from a population of 534 written premium transactions during the examination period was selected. NAIC's State Based System (NAIC SBS) was used to verify that the producer was appropriately licensed and appointed by the Company.

### *Producer Terminations*

The Company did not terminate any producers during the examination period. A review of the NAIC SBS indicated that there were no terminated producers during the examination period.

## **Policy Forms and Underwriting**

A sample of 113 transactions from a population of 534 written premium transactions during the examination period was selected. The sample was reviewed to determine whether the members were charged the applicable rate for policy coverage selected based on the Company's underwriting guidelines. The review determined that the premiums were calculated in accordance with the Company's underwriting guidelines and rates filed with the Alabama Department of Insurance (ALDOI). The Company's underwriting guidelines complied with applicable statutes, rules and regulations.

A sample of 79 insured-requested cancellations was selected from a population of 174 cancellations. The review determined insured-requested cancellations were handled in a timely manner without excessive paperwork requirements for the insured.

A sample of 115 Company cancellations were selected from a population of 2,269 cancellations. The review determined that the Company sent cancellation notices in a timely manner, and the Company provided the reasons for the cancellation to the insured in compliance with ALA. CODE § 27-22-42 (6) (1975), which states:

Policyholders shall have the right to receive in writing from their insurance company the reason for any cancellation of coverage and a minimum number of days' notice of cancellation of coverage, subject to applicable federal or state insurance law and regulation.

## **Privacy**

The Company's Privacy Notice disclosed the types of information collected, how the information is used, the way the information is collected and how the information is protected. The Company's Privacy Notice also stated the customers' rights, and the Company does not disclose any information to any nonaffiliated third parties unless permitted to do so by law. The Company's policies, practices and procedures regarding the protection and disclosure of non-public personal information of consumers and former customers complied with ALA. ADMIN. CODE 482-1-122 (2001).

## **REINSURANCE**

### **Reinsurance Assumed**

The Company did not assume any reinsurance during the examination period.

### **Reinsurance Ceded**

The Company has historically had a catastrophe excess of loss agreement and a quota share agreement in place to limit its loss exposure. The terms of the agreements differ from year-to-year. The catastrophe excess of loss agreements expired each July 1, and each was replaced by a reinsurance agreement for the successive contract year. The following is a discussion of the ceded reinsurance as of December 31, 2019.

### **Liability Reinsurance**

The Company had liability reinsurance coverage during the examination period with General Reinsurance Corporation, No. 8993. The original agreement was executed June 13, 2002 for property and liability coverage on new and renewal policies in force January 1, 2002. Endorsement No. 3, executed April 14, 2005, terminated Exhibit A, property coverage. Endorsement No. 11 was made effective July 1, 2012 with respect to claims and losses resulting from occurrences taking place at and after the effective date for liability coverage. The Agreement for Reinsurance was last effected by Endorsement No. 14 on July 1, 2015 that revised the reinsurance premium.

The schedule of reinsurance indicated the following:

Class of Business	Company Retention	Limits of Liability of the Reinsurer
Liability Business	\$30,000	\$270,000

For the purpose of determining the Company retention and the limits of liability of the Reinsurer, the limits of liability at the Company with respect to any one policy shall be deemed not to exceed:

General Liability Combined Single Limit	\$300,000 each occurrence
Comprehensive Personal Liability	\$300,000 each occurrence

#### Catastrophe Excess of Loss Reinsurance

The Company had a catastrophe reinsurance program throughout the examination period. As of year-end 2019, the program consisted of an excess of loss reinsurance agreement and a reinstatement premium protection reinsurance agreement. The agreements covered the Company's business classified as property. Each agreement expired July 1 each year and was replaced by an agreement for the successive contract year. At the examination date, the Company had a program involving three excess layers collectively providing catastrophe coverage.

Layer 1 had a retention of \$250,000 and a limit of \$750,000. Layer 2 had a retention of \$1,000,000 and a limit of \$1,000,000. Layer 3 had a retention of \$2,000,000 and a limit of \$6,000,000. The reinsurance was obtained through an intermediary, Holborn Corporation. The reinsurers and percentage of participation in each layer was as follows as of December 31, 2019.

Reinsurer	Layer 1	Layer 2	Layer 3
American Standard Insurance Company of Wisconsin	5.00%	10.00%	10.00%
Arch Reinsurance Company	15.00%	15.00%	15.00%
Axis Reinsurance Company	20.00%	15.00%	15.00%
Everest Reinsurance Company	16.67%	16.67%	16.67%
Hannover Rück SE	25.00%	25.00%	25.00%
Odyssey Reinsurance Company	10.00%	10.00%	10.00%
Scor Reinsurance Company	8.33%	8.33%	8.33%



## **ACCOUNTS AND RECORDS**

The Company maintained its records electronically and utilized Warren Averett to perform its accounting activities. The accounting activities performed by Warren Averett were coordinated with and interfaced with functions performed by the Company's staff. The Company utilized BriteCore by Intuitive Web Solutions for Policy, Claims and Agency Management and Sage Intacct, Inc. for general ledger and monthly financials. The Company's source code and database are backed up to a server at its home office, located in Foley, Alabama.

## **FINANCIAL STATEMENT INDEX**

The following financial statements are based on the statutory financial statements filed by the Company with the Alabama Department of Insurance and present the financial condition of the Company for the period ending December 31, 2019. The accompanying comments on the financial statement reflect any examination adjustments to the amount reported in the annual statement and should be an integral part of the financial statements.

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**BALDWIN MUTUAL INSURANCE COMPANY, INC.**  
**STATEMENT OF ASSETS**  
**For the Year Ended December 31, 2019**

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Prior Year Net Admitted Assets</u>
<b>ASSETS</b>				
Bonds	\$ 4,997,450		\$ 4,997,450	\$ 4,992,220
Common stocks	34,883		34,883	34,909
Mortgage loans on real estate:				
First liens	7,842		7,842	19,646
Real Estate (Schedule A):				
Properties occupied by the company	2,675,249		2,675,249	342,311
Properties held for the production of income	73,974	100	73,874	73,874
Cash, cash equivalents and short-term investments	3,927,801		3,927,801	6,214,331
Other invested assets (Schedule BA)	312,060	97,500	214,560	147,195
Investment income due and accrued	9,621		9,621	13,133
Uncollected premiums and agents' balance in the course of collection	15,966	4,753	11,213	12,485
Deferred premiums, agents' balances and installments booked but deferred and not yet due	267,541		267,541	269,330
Amounts recoverable from reinsurers				
Current federal and foreign income tax recoverable and interest thereon	25,661		25,661	572
Net deferred tax asset	46,726		46,726	33,855
Electronic data processing equipment and software				
Furniture and equipment, including health care delivery assets	18,109	18,109		
Aggregate write-ins for other-than-invested assets				
	<u>231,410</u>	<u>30,520</u>	<u>200,890</u>	<u>193,605</u>
<b>TOTAL ASSETS</b>	<b>\$ 12,644,293</b>	<b>\$ 150,982</b>	<b>\$ 12,493,311</b>	<b>\$ 12,347,466</b>

**THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN  
THIS REPORT ARE AN INTEGRAL PART THEREOF.**

**BALDWIN MUTUAL INSURANCE COMPANY, INC**  
**STATEMENT OF LIABILITIES, SURPLUS AND OTHER FUNDS**  
**For the Year Ended December 31, 2019**

	<u>Current Year</u>	<u>Prior Year</u>
<b>Liabilities:</b>		
Losses	\$166,805	\$238,127
Loss adjustment expenses	4,000	5,150
Commissions payable, contingent commissions and other similar charges	411	411
Other expenses	35,956	56,126
Taxes, licenses and fees	4,587	4,304
Unearned premiums	1,617,279	1,748,472
Advance premium	86,152	108,702
Amounts withheld or retained by company for account of others	28,408	29,313
Aggregate write-ins for liabilities	<u>9,622</u>	<u>11,494</u>
<b>Total Liabilities</b>	<b>\$ 1,953,220</b>	<b>\$ 2,202,099</b>
 <b>Capital and Surplus:</b>		
Unassigned funds (surplus)	10,540,091	10,145,367
 <b>Surplus as regards policyholders</b>	 <b><u>\$10,540,091</u></b>	 <b><u>\$10,145,367</u></b>
<b>Total</b>	<b>\$12,493,311</b>	<b>\$12,347,466</b>

**THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN  
THIS REPORT ARE AN INTEGRAL PART THEREOF.**

**BALDWIN MUTUAL INSURANCE COMPANY, INC**  
**STATEMENT OF INCOME**  
**For the Years Ended December 31, 2019, 2018 and 2017**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Premiums earned	\$3,088,047	\$3,398,658	\$3,761,941
<b><u>Deductions:</u></b>			
Losses incurred	898,205	851,069	799,035
Loss adjustment expenses incurred	49,250	55,099	35,408
Other underwriting expenses incurred	<u>1,925,508</u>	<u>1,984,076</u>	<u>1,978,029</u>
Total underwriting deductions	\$2,872,963	\$2,890,244	\$2,812,472
Net underwriting gains (loss)	\$215,084	\$508,414	\$949,469
<b><u>Investment income:</u></b>			
Net investment income earned	105,309	45,525	16,918
Net investment gains (loss)	\$105,309	\$45,525	\$16,918
<b><u>Other income:</u></b>			
Finance and service charges not included in premiums	40,711	39,283	46,980
Aggregate write-ins for miscellaneous income	<u>20,636</u>	<u>16,333</u>	<u>15,520</u>
Total other income	\$61,347	\$55,616	\$62,500
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	381,740	609,555	1,028,887
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	381,740	609,555	1,028,887
Federal and foreign income taxes incurred	<u>\$94,888</u>	<u>\$131,088</u>	<u>\$310,641</u>
Net income	\$286,852	\$478,467	\$718,246

**THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTEGRAL PART THEREOF.**

**BALDWIN MUTUAL INSURANCE COMPANY, INC**  
**STATEMENT OF CHANGES IN CAPITAL AND SURPLUS**  
**For the Years Ended December 31, 2019, 2018 and 2017**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Surplus as regards policyholders	\$10,145,367	\$9,703,576	\$9,304,399
Net income	\$286,852	\$478,467	\$718,246
Change in net unrealized capital gains (losses)	31,339	(67,827)	(98,158)
Change in net deferred income tax	12,871	(9,986)	(73,048)
Change in nonadmitted assets	63,662	41,137	(147,863)
Change in surplus as regards policyholders	\$394,724	\$441,791	\$399,177
<b>Surplus as regards policyholders, December 31 current year</b>	<b>\$ 10,540,091</b>	<b>\$10,145,367</b>	<b>\$9,703,576</b>

**THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN  
THIS REPORT ARE AN INTEGRAL PART THEREOF.**

## NOTES TO FINANCIAL STATEMENTS

### Note 1- Analysis of Changes to Surplus

There were no adjustments made to surplus.

## CONTINGENT LIABILITIES AND PENDING LITIGATION

The review of contingent liabilities and pending litigation included a review of the Company's statutory financial statement disclosures, minutes of the corporate governing bodies, examination of the accounts and unrecorded items; and obtaining a letter of representation from management. These reviews did not disclose any items that would have a material effect on the Company's financial condition.

## SUBSEQUENT EVENTS

A review of events subsequent to the December 31, 2019, examination date was completed. The review of subsequent events included an inspection of the general journal entries, minutes of meetings, interim financial statements and an inquiry of accounting matters. These reviews did not disclose any items that would have a material effect on the Company's financial condition in the event of an adverse outcome.

February 29, 2020 – Clair Dean Hansen, Board Member/Treasurer passed.

The COVID-19 pandemic has continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination's review of the Company noted that there has not been a significant impact to the Company primarily due to the vast majority of the policies being named peril policies which are not exposed. Included in the named peril policies are commercial policies with no provision for loss of income. The remainder of the policies are all risk dwelling policies which also have little to no risk of being affected. The majority of the Company's policies are renewal policies. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

## **COMPLIANCE WITH PREVIOUS RECOMMENDATIONS**

A review of the Company's compliance with recommendations made in the previous examination report indicated the Company had satisfactorily complied with the previous examination recommendations.

## **COMMENTS AND RECOMMENDATIONS**

The examination did not result in any significant examination findings. There were no comments or recommendations.

## CONCLUSION

Acknowledgment is hereby made of the courtesy and cooperation extended by all persons representing Baldwin Mutual Insurance Company, Inc. during the examination.

The customary insurance examination procedures, as recommended by the National Association of Insurance Commissioners, have been followed to the extent appropriate in connection with the verification and valuation of assets and determination of liabilities set forth in this report.

In addition to the undersigned, Jackson Goodwin, Insurance Examiner, Andarius Vincent, Insurance Examiner, Brent Sallay, FCAS, MAAA and Sonya Overholser, consulting actuaries, Taylor-Walker & Associates, Inc. all representing the Alabama Department of Insurance, participated in certain phases of this examination.

Respectfully submitted,



Agnes D. Riggins

Examiner-in-Charge

State of Alabama Department of Insurance