

STATE OF MICHIGAN
CIRCUIT COURT FOR THE 30TH JUDICIAL CIRCUIT
INGHAM COUNTY

R. KEVIN CLINTON, COMMISSIONER
OF THE OFFICE OF FINANCIAL AND
INSURANCE REGULATION,

Petitioner,

Case No. 12-1173-CR

v

HON. WILLIAM E. COLLETTE

AMERICAN FELLOWSHIP MUTUAL
INSURANCE COMPANY,

Respondent.

Christopher L. Kerr (P57131)
Jason R. Evans (P61567)
Assistant Attorneys General
Attorneys for Petitioner
Corporate Oversight Division
P. O. Box 30755
Lansing, MI 48909
(517) 373-1160

NOTICE OF HEARING

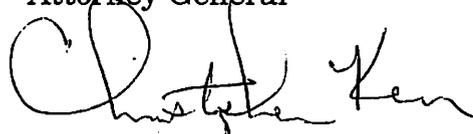
To: Clerk of the Court
Pension Benefit Guaranty Corporation
Pension Plan Participants and Beneficiaries
Other Interested Parties

PLEASE TAKE NOTICE that the Petition for an Order Determining that American Fellowship Mutual Insurance Company Meets the Requirements for a Distress Termination of its Employees' Pension Plan and Approving Termination of the Plan, which was filed by the Petitioner, R. Kevin Clinton, Commissioner of the Office of Financial and Insurance Regulation and duly appointed Rehabilitator of

American Fellowship Mutual Insurance Company, will be heard by the Honorable William E. Collette in the Mason Courthouse, 341 S. Jefferson, Mason, Michigan 48854 on Wednesday, February 20, 2013 at 11:00 a.m.

Respectfully submitted,

Bill Schuette
Attorney General

A handwritten signature in black ink, appearing to read "Christopher L. Kerr". The signature is written in a cursive style with a large initial "C".

Christopher L. Kerr (P57131)
Jason R. Evans (P61567)
Assistant Attorneys General
Attorneys for Petitioner
Corporate Oversight Division
P. O. Box 30755
Lansing, MI 48909
(517) 373-1160

Dated: February 6, 2013

STATE OF MICHIGAN
CIRCUIT COURT FOR THE 30TH JUDICIAL CIRCUIT
INGHAM COUNTY

R. KEVIN CLINTON, COMMISSIONER
OF THE OFFICE OF FINANCIAL AND
INSURANCE REGULATION,

Petitioner,

Case No. 12-1173-CR

HON. WILLIAM E. COLLETTE

v

AMERICAN FELLOWSHIP MUTUAL
INSURANCE COMPANY,

Respondent.

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P. O. Box 30755
Lansing, MI 48909
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**PETITION FOR AN ORDER
DETERMINING THAT AMERICAN FELLOWSHIP MUTUAL INSURANCE
COMPANY MEETS THE REQUIREMENTS FOR A DISTRESS
TERMINATION OF ITS EMPLOYEES' PENSION PLAN
AND APPROVING TERMINATION OF THE PLAN**

R. Kevin Clinton, Commissioner of the Michigan Office of Financial and Insurance Regulation, as court-appointed Rehabilitator of American Fellowship Mutual Insurance Company (the "Rehabilitator"), by and through his attorneys, Bill Schuette, Attorney General, and Christopher L. Kerr and Jason R. Evans, Assistant Attorneys General, petitions this Court pursuant to Section 4041 of the Employee

Retirement Income Security Act of 1974 (“ERISA”), 29 USC § 1341, for an order: (a) determining that American Fellowship Mutual Insurance Company (“American Fellowship”) meets the requirements for a voluntary distress termination of the company’s Employees’ Pension Plan (“Pension Plan”) under 29 USC § 1341(c)(2)(B)(ii)(IV); and (b) approving termination of the Pension Plan.

Background

1. On October 29, 2012, this Court entered an Order pursuant to MCL 500.8112 and MCL 500.8113 placing American Fellowship into rehabilitation and appointing OFIR Commissioner R. Kevin Clinton as the Rehabilitator of American Fellowship. The Court found that placing American Fellowship into rehabilitation was proper because its financial condition was such that further transaction of business would have been hazardous financially to its policyholders, creditors, or the public.

2. American Fellowship has experienced a general decline in its financial condition since 2000, at which time its reported unimpaired capital and surplus totaled \$7,601,073. Twelve years later, as of the company’s July 2012 financial statements, American Fellowship’s reported unimpaired capital and surplus had dwindled to \$1,423,390.

3. Since at least 2009, American Fellowship has reported significant loss and loss adjustment expense reserve deficiencies. During an OFIR on-site examination of American Fellowship prior to it being placed into rehabilitation, OFIR’s consulting actuary determined that American Fellowship’s loss and loss

adjustment expenses were materially understated in the amount of \$1,423,000. Increasing American Fellowship's reserve liabilities to address this deficiency reduced the company's unimpaired capital and surplus and further impaired its financial condition.

4. As of August 31, 2012, following the adjustment to American Fellowship's loss and loss adjustment expense reserves, American Fellowship's internal monthly financial statements reflected unimpaired capital and surplus totaling just \$72,528. (Exhibit A, August 31, 2012 Balance Sheet.)

5. By September 31, 2012, American Fellowship's internal monthly financial statements reflected that the company's unimpaired capital and surplus had decreased to negative \$78,936. (Exhibit B, September 30, 2012 Balance Sheet.)

6. As of December 31, 2012, American Fellowship's internal monthly financial statements reflected a further reduction in its unimpaired capital and surplus to negative \$365,539.04. (Exhibit C, December 31, 2012 Balance Sheet.)

7. Although American Fellowship's financial condition has deteriorated, the Rehabilitator continues to believe (as indicated in his October 29, 2012 Rehabilitation Petition) that rehabilitation—not liquidation—was the appropriate first step for addressing American Fellowship's impaired financial condition. This is because the company has various structural liabilities that can be reduced or eliminated in this rehabilitation, potentially restoring the company to financial solvency. Among the available cost-saving measures are this petition to terminate the American Fellowship Pension Plan.

8. MCL 500.8114(2) and the Rehabilitation Order grant the Rehabilitator “full power and authority to direct and manage American Fellowship . . . and to deal in totality with the property and business of” the company. Rehabilitation Order, p 5, ¶ 8.

9. The Rehabilitation Order further provides that “[p]ursuant to MCL 500.8114(2) and (4), the Rehabilitator may take such action as he considers necessary or appropriate to reform or revitalize American Fellowship, and is empowered to pursue all avenues of reorganization, consolidation, conversion, reinsurance, merger, or other transformation of American Fellowship to effectuate rehabilitation and maintain, to the greatest extent possible, a continuity of insurance coverage.” Rehabilitation Order, p 6, ¶ 11.

Steps Taken to Restore American Fellowship to Solvency

10. Since entry of the October 29, 2012 Rehabilitation Order, the Rehabilitator has taken numerous steps to reduce or eliminate company liabilities and restore American Fellowship to financial solvency.

11. These steps include:

- a. Laying-off seven (7) American Fellowship employees effective November 30, 2012, which will save the company \$254,000 annually.
- b. Securing rent concessions effective December 1, 2012, which will save American Fellowship \$18,000 over the subsequent six-month lease period.
- c. Negotiating a reduction in the company’s reinsurance deposit premiums, saving American Fellowship \$80,000.
- d. Increasing American Fellowship’s automobile and homeowners insurance rates effective November 15 and November 30, 2012,

respectively, which will result in an estimated \$600,000 net increase in annual premiums assuming stable policy levels.

e. Reducing other operating expenses, including litigation costs, by approximately \$50,000.

12. Despite these and other cost-cutting and revenue-enhancement steps, American Fellowship's unimpaired capital and surplus stood at negative \$365,539.04 as of December 31, 2012. (Exhibit C.) A major contributor to the company's currently impaired financial condition is its unfunded pension liability in the amount of \$354,293. (*Id.*) Termination of the Pension Plan and elimination of this liability is therefore imperative to the Rehabilitator's efforts to restore the company to financial solvency and to give the company any chance of continuing in business outside of rehabilitation.

American Fellowship's Pension Plan

13. The American Fellowship Pension Plan was established in 1971.

14. Benefit accruals under the Pension Plan ceased effective December 31, 2002. Moreover, no additional employees were allowed to commence participation in the Pension Plan after that date.

15. The Pension Plan currently has 41 total fully-vested participants. Four (4) fully-vested participants continue to work for the company and therefore are not yet receiving benefits. Seven (7) fully-vested participants are separated from the company but are not yet qualified to receive benefits. Thirty (30) fully-vested participants are separated from the company and they (or their beneficiaries) are currently receiving benefits.

16. The highest monthly benefit being paid to Pension Plan participants or beneficiaries is \$2,270.

17. American Fellowship contributed \$40,593 to the Pension Plan in 2012 prior to the rehabilitation.

18. The minimum plan contributions required for 2013 are estimated at \$69,300. (Exhibit D, January 1, 2012 Revised Actuarial Valuation and Report.)

19. As indicated, American Fellowship's unfunded pension liability is currently \$354,293. (Exhibit C.)

Distress Termination of the Pension Plan

20. ERISA provides the exclusive means for termination of a Retirement Plan, defined to include the American Fellowship Pension Plan. 29 USC 1341(a)(1).

21. To proceed with a distress termination under ERISA, the plan sponsor (American Fellowship) must satisfy one of the four statutory distress termination tests under 29 USC 1341(c)(2)(B). These tests are: (i) liquidation in bankruptcy or a similar state proceeding, (ii) reorganization in bankruptcy or a similar state proceeding, (iii) inability to pay debts when due; or (iv) unreasonably burdensome pension costs. 29 USC § 1341(c)(2)(B) and 29 CFR § 4041.41.

22. To satisfy the "reorganization test," this Court must determine that, unless the Pension Plan is terminated, American Fellowship will be unable to pay all its debts pursuant to a plan of reorganization and will be unable to continue in business outside the rehabilitation. The Court must further approve termination of the Pension Plan. 29 USC § 1341(c)(2)(B)(ii) and 29 CFR § 4041.41(c)(2)(iv).

23. If American Fellowship's unfunded pension liability of \$354,293 were eliminated by terminating the Pension Plan, the company's unimpaired capital and surplus of negative \$365,539.04 (based on December 31, 2012 financial results) would increase to about negative \$11,246. Although this figure is still negative, it is a significant and vitally necessary step toward improving American Fellowship's financial condition. Conversely, if the Pension Plan is not terminated and the unfunded pension liability remains, the company's financial condition will continue to be seriously impaired at negative \$365,539.04.

24. Even though the Rehabilitator has taken and will continue to take steps to return American Fellowship to solvency, he will be unable to do so if American Fellowship cannot terminate its Pension Plan. Unless the unfunded pension liability is eliminated during this rehabilitation, it is likely that American Fellowship will be unable to pay all of its debts, it will have no chance of continuing in business outside of rehabilitation, and the company may be forced into liquidation.

25. In the event that the Rehabilitator is unable to rehabilitate American Fellowship and must place the company into liquidation, federal law provides that the Pension Plan would be terminated anyway. 29 USC 1341(c)(2)(B)(i).

26. Based on the foregoing and other considerations, the Rehabilitator has determined that terminating the American Fellowship Pension Plan is necessary and appropriate for the effective and efficient administration of this rehabilitation

proceeding and will assist in providing the maximum protection to American Fellowship's creditors, policyholders, and the public.

Payment of Retirement Benefits After Termination

27. When an underfunded pension plan is terminated, the Pension Benefit Guaranty Corporation ("PBGC") assumes both the assets and liabilities of the pension plan, and will continue to pay the retirement benefits due under the plan in accordance with the insurance program administered by the PBGC. 29 USC § 1322.

28. The maximum guaranteed benefit that the PBGC can pay is set by law. For pension plans terminated in 2013, for example, the maximum guaranteed benefit is \$4,789.77 a month (\$57,477.24 a year) for a worker who retires at age 65 with a straight life annuity.

29. Based on the maximum guaranteed benefit described above, it appears that no participants or beneficiaries of the American Fellowship Pension Plan will suffer a loss in retirement benefits if and when the Pension Plan is terminated and assumed by the PBGC.

Notice / Service to Interested Parties

30. Under ERISA, the Rehabilitator was required to provide 60-day advance written notice of American Fellowship's intent to terminate its Pension Plan to the PBGC and to each Pension Plan participant or beneficiary. That notice was provided on December 18, 2012. (Exhibit E.) The termination date selected for the Pension Plan is February 28, 2013. (*Id.*)

31. Similar to the termination notice required by ERISA, and as the attached Proof of Service reflects, a copy of this Petition, the proposed Order terminating the American Fellowship Pension Plan (attached as Exhibit F), and a Notice of Hearing on this Petition have been served via regular mail on the PBGC and each Pension Plan participant or beneficiary. The Rehabilitator believes that these parties have the strongest potential interest in this Petition.

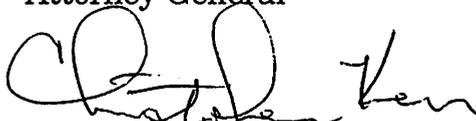
32. Beyond the PBGC and Pension Plan participants or beneficiaries, providing personalized notice of this Petition and any resulting Order to all other parties that have a general interest in American Fellowship's rehabilitation is impractical at this time because there has been no claims submission or other process to identify such interested parties. Moreover, attempting to identify and personally notify every party having a general interest would be time-intensive and costly to American Fellowship's rehabilitation estate. For these reasons, the Rehabilitator requests that the Court authorize and ratify service of this Petition, the Notice of Hearing, and any resulting Order on any potentially interested parties (other than the PBGC and Pension Plan participants or beneficiaries) by posting electronic copies on the OFIR website, www.michigan.gov/ofir, under the section "Who We Regulate," and the subsection "American Fellowship Mutual." Service in this manner is reasonably calculated to give these other potentially interested parties actual notice of these proceedings and is otherwise reasonable under the circumstances.

Relief Requested

WHEREFORE, for the reasons stated above, the Rehabilitator respectfully requests this Court to enter an Order: (a) determining that American Fellowship meets the requirements for a voluntary distress termination of the company's Pension Plan; and (b) approving termination of the Pension Plan. In addition, the Rehabilitator requests this Court to authorize and ratify service of this Petition, together with the attached Exhibits (including the proposed Order), the Notice of Hearing, and any resulting Order: (a) via regular mail on the PBGC and Pension Plan participants or beneficiaries only; and (b) on other potentially interested parties by posting electronic copies on the "American Fellowship Mutual" section of OFIR's website.

Respectfully submitted,

Bill Schuette
Attorney General



Christopher L. Kerr (P57131)
Jason R. Evans (P61567)
Assistant Attorneys General
Attorneys for Petitioner
Corporate Oversight Division
P. O. Box 30755
Lansing, MI 48909
(517) 373-1160

Dated: February 6, 2013

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AMERICAN FELLOWSHIP MUTUAL INSURANCE COMPANY
BALANCE SHEET

PAGE 1

ASSETS	AS OF AUG 31, 2012		
	ASSETS	NON ADMITTED	NET ASSETS
BONDS - AMORTIZED VALUE	6,124,731.37		6,124,731.37
COMMON STOCK - MARKET VALUE	37,241.69		37,241.69
NET CASH - COMERICA	230,847.79		230,847.79
NET CASH - PAYPAL	225.93		225.93
CERTIFICATES OF DEPOSIT - COMERICA	0.00		0.00
MONEY MARKET ACCOUNTS	59,218.54		59,218.54
FURNITURE & EQUIPMENT	9,959.31	(9,959.31)	0.00
IMPROVEMENTS & BETTERMENTS	36,740.33	(36,740.33)	0.00
EDP EQUIPMENT	24,781.39		24,781.39
NEW & RENEWALS - AUTO	5,852.43		5,852.43
NEW & RENEWALS - PROPERTY	0.00		0.00
INVOICES - AUTO	7,897.78	(4,054.19)	3,843.59
INVOICES - PROPERTY	(4,994.08)	1,189.83	(3,804.25)
REINSURANCE RECOVERABLE - XOL	51,514.00		51,514.00
REINSURANCE RECOVERABLE - QS	87,662.83		87,662.83
INTEREST DUE AND ACCRUED	47,072.41		47,072.41
PREPAID RENTAL EXPENSE	27,983.03	(27,983.03)	0.00
FEDERAL TAX RECOVERABLE	543,084.00	(500,584.00)	42,500.00
TOTAL ASSETS	7,289,818.75	(578,131.03)	6,711,687.72
LIABILITIES & SURPLUS			AS OF
			AUG 31, 2012
LOSS RESERVES			3,253,814.62
EXPENSE RESERVES			725,528.57
OTHER EXPENSES			248,271.70
UNEARNED PREMIUM RESERVE			1,547,426.00
QS CEDED UNEARNED PREMIUM RESERVE			(340,434.44)
ADVANCED PREMIUM RESERVE			168,746.00
COMMISSIONS			(2,907.57)
MCCA REINSURANCE PREMIUM PAYABLE			180,725.97
XOL REINSURANCE PREMIUM PAYABLE			143,624.80
QS REINSURANCE PREMIUM PAYABLE			228,386.69
ERC RETROSPECTIVE PREMIUM			0.00
AMOUNTS WITHHELD FROM OTHERS			0.00
ESCHEATS PAYABLE			44,598.38
PREPAID RENTAL INCOME			4,852.13
PENSION LIABILITY			436,527.00
FEDERAL INCOME TAX			0.00
STATE INCOME TAX			0.00
TOTAL LIABILITIES			6,639,159.85
SURPLUS - UNASSIGNED:			72,527.87
TOTAL LIABILITIES AND SURPLUS			6,711,687.72

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AMERICAN FELLOWSHIP MUTUAL INSURANCE COMPANY
BALANCE SHEET

PAGE 1

ASSETS	AS OF SEP 31, 2012		NET ASSETS
	ASSETS	NON ADMITTED	
BONDS - AMORTIZED VALUE	5,677,278.26		5,677,278.26
COMMON STOCK - MARKET VALUE	37,241.69		37,241.69
NET CASH - COMERICA	(91,334.68)		(91,334.68)
NET CASH - PAYPAL	225.93		225.93
CERTIFICATES OF DEPOSIT - COMERICA	0.00		0.00
MONEY MARKET ACCOUNTS	78,665.51		78,665.51
FURNITURE & EQUIPMENT	9,739.78	(9,739.78)	0.00
IMPROVEMENTS & BETTERMENTS	35,870.87	(35,870.87)	0.00
EDP EQUIPMENT	23,789.50	(23,789.50)	0.00
NEW & RENEWALS - AUTO	2,752.51		2,752.51
NEW & RENEWALS - PROPERTY	0.00		0.00
INVOICES - AUTO	9,023.60	(3,156.81)	5,866.79
INVOICES - PROPERTY	(9,813.40)	536.83	(9,276.57)
REINSURANCE RECOVERABLE - XOL	39,563.00		39,563.00
REINSURANCE RECOVERABLE - QS	124,272.54		124,272.54
INTEREST DUE AND ACCRUED	45,269.29		45,269.29
PREPAID RENTAL EXPENSE	27,683.03	(27,683.03)	0.00
FEDERAL TAX RECOVERABLE	543,084.00	(543,084.00)	0.00
TOTAL ASSETS	6,553,311.43	(642,787.16)	5,910,524.27
LIABILITIES & SURPLUS			AS OF
			SEP 31, 2012
LOSS RESERVES			3,246,363.55
EXPENSE RESERVES			726,663.23
OTHER EXPENSES			18,591.62
UNEARNED PREMIUM RESERVE			1,543,993.00
QS CEDED UNEARNED PREMIUM RESERVE			(339,846.50)
ADVANCED PREMIUM RESERVE			158,971.00
COMMISSIONS			(32,936.13)
MCCA REINSURANCE PREMIUM PAYABLE			161,924.15
XOL REINSURANCE PREMIUM PAYABLE			(310,333.78)
QS REINSURANCE PREMIUM PAYABLE			328,327.18
ERC RETROSPECTIVE PREMIUM			0.00
AMOUNTS WITHHELD FROM OTHERS			0.00
ESCHEATS PAYABLE			46,364.02
PREPAID RENTAL INCOME			4,852.13
PENSION LIABILITY			436,527.00
FEDERAL INCOME TAX			0.00
STATE INCOME TAX			0.00
TOTAL LIABILITIES			5,989,460.47
SURPLUS - UNASSIGNED:			(78,936.20)
TOTAL LIABILITIES AND SURPLUS			5,910,524.27

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AMERICAN FELLOWSHIP MUTUAL INSURANCE COMPANY
BALANCE SHEET

PAGE 1

ASSETS	AS OF DEC 31, 2012		NET ASSETS
	ASSETS	NON ADMITTED	
BONDS - AMORTIZED VALUE	5,021,809.40		5,021,809.40
COMMON STOCK - MARKET VALUE	38,077.39		38,077.39
NET CASH - COMERICA	138,262.31		138,262.31
NET CASH - PAYPAL	225.93		225.93
MONEY MARKET ACCOUNTS	127,960.97		127,960.97
FURNITURE & EQUIPMENT	9,081.20	(9,081.20)	0.00
IMPROVEMENTS & BETTERMENTS	33,262.60	(33,262.60)	0.00
EDP EQUIPMENT	20,579.87	(20,579.87)	0.00
NEW & RENEWALS - AUTO	0.00		0.00
NEW & RENEWALS - PROPERTY	0.00		0.00
INVOICES - AUTO	14,313.51	(4,515.09)	9,798.42
INVOICES - PROPERTY	(5,264.15)	821.06	(4,443.09)
REINSURANCE RECOVERABLE - XOL	21,696.99		21,696.99
REINSURANCE RECOVERABLE - QS	201,938.07		201,938.07
INTEREST DUE AND ACCRUED	41,660.45		41,660.45
PREPAID RENTAL EXPENSE	26,783.03	(26,783.03)	0.00
FEDERAL TAX RECOVERABLE	543,084.00	(543,084.00)	0.00
TOTAL ASSETS	6,233,471.57	(636,484.73)	5,596,986.84
LIABILITIES & SURPLUS			AS OF
			DEC 31, 2012
LOSS RESERVES			3,160,187.83
EXPENSE RESERVES			692,376.96
OTHER EXPENSES			118,027.51
UNEARNED PREMIUM RESERVE			1,474,765.00
QS CEDED UNEARNED PREMIUM RESERVE			(324,455.46)
ADVANCED PREMIUM RESERVE			136,399.00
COMMISSIONS			(80,991.14)
SUSPENDED COMMISSIONS			59,150.56
MCCA REINSURANCE PREMIUM PAYABLE			(45,070.70)
XOL REINSURANCE PREMIUM PAYABLE			(95,849.65)
QS REINSURANCE PREMIUM PAYABLE			451,549.76
ERC RETROSPECTIVE PREMIUM			0.00
AMOUNTS WITHHELD FROM OTHERS			0.00
ESCHEATS PAYABLE			57,291.08
PREPAID RENTAL INCOME			4,852.13
PENSION LIABILITY			354,293.00
FEDERAL INCOME TAX			0.00
STATE INCOME TAX			0.00
TOTAL LIABILITIES			5,962,525.88
SURPLUS - UNASSIGNED:			(365,539.04)
TOTAL LIABILITIES AND SURPLUS			5,596,986.84

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**AMERICAN FELLOWSHIP MUTUAL
INSURANCE COMPANY EMPLOYEES'
PENSION PLAN**

2012

REVISED

PLAN ADMINISTRATION

BINDER



Bryan, Pendleton, Swets & McAllister, LLC
A Wells Fargo Company

Wesley J. Wickenheiser, FSA, EA, MAAA
Wesley.J.Wickenheiser@bpsm.com
(502) 253-4625

September 4, 2012

Ms. Sheria Howington
American Fellowship Mutual Insurance Company Employees' Pension Plan
American Fellowship Mutual Insurance Company
25925 Telegraph Road, Suite 200
Southfield, MI 48033

Dear Sheria:

The attached report summarizes the results of the revised actuarial valuation of the American Fellowship Mutual Insurance Company Employees' Pension Plan as of January 1, 2012. The report sets forth annual funding levels for the plan and fiscal years ending December 31, 2012 and provides information regarding estimated benefits for participating employees.

We trust this report will be helpful in the formulation of policy with respect to the operation and financing of the plan. The opportunity to serve you is appreciated, and we will be pleased to supplement this report in any way, as you request.

CERTIFICATION

We have conducted an actuarial valuation of the plan as of January 1, 2012. The employee data and financial information used in the valuation were furnished by the employer and trustee, and we have not audited this information. Except as noted in our report, we believe the information is sufficiently complete and reliable. This report provides actuarial advice and does not constitute legal, accounting, tax or investment advice.

The actuarial valuation summarized in this report has been performed utilizing generally accepted actuarial principles. The actuarial valuation is based on actuarial assumptions, each of which (except when constrained by law) I consider to be reasonable (taking into account the experience of the plan and reasonable expectations), or which, in the aggregate, result in a total contribution equivalent to that which would be determined if each such assumption were reasonable. It is my opinion that the results fully and fairly disclose the actuarial position of the plan on the valuation date. I am a consulting actuary for BPS&M, LLC, member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Sincerely,

Wesley J. Wickenheiser, FSA, EA, MAAA

WJW:jpt
Attachment

**AMERICAN FELLOWSHIP MUTUAL
INSURANCE COMPANY EMPLOYEES'
PENSION PLAN**

**REVISED
ACTUARIAL VALUATION
AND REPORT
JANUARY 1, 2012**

Compliance Calendar

July 31, 2012	File Form 5500 and Form 8955-SSA (may be extended to October 15, 2012).
July 31, 2012*	Distribute 2011 Annual Funding Notice to participants (may be extended to October 15, 2012).
September 15, 2012	Deadline for making contributions for the 2011 plan year for minimum funding purposes.
December 31, 2012	Last day to make minimum distributions to employees attaining age 70½ prior to 2012.
January 31, 2013	Trustee issues 1099-Rs to participants who have received distributions in the 2012 calendar year.
February 28, 2013	Forms 1099-Rs and 1096 due to IRS.
March 15, 2013	Last day to make contribution and deduct on 2012 tax return (may be extended with corporation tax extension).
April 1, 2013	Last day to make minimum distributions to employees attaining age 70½ in 2012.
April 30, 2013	2012 PBGC Comprehensive Premium filing due to PBGC.
September 15, 2013	Deadline for making contributions for the 2012 plan year for minimum funding purposes.

*Actual due date is the date the Form 5500 is filed.

Due Dates For Minimum Contributions

Date	Amount	Description
April 10, 2012	\$ 25,000	2012 Quarterly payment
July 10, 2012	25,000	2012 Quarterly payment
October 15, 2012	15,593	2012 Quarterly payment
December 31, 2012*	6,186	2012 Final quarterly payment & balance of Minimum
April 15, 2013	17,325**	2013 Quarterly payment
July 15, 2013	17,325**	2013 Quarterly payment
October 15, 2013	17,325**	2013 Quarterly payment
January 15, 2014	17,325**	2013 Final quarterly payment

* The actual due date for the final quarterly payment is January 15, 2013.

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The Seal of Faithful,
Friendly Insurance Service
Since 1920

AMERICAN FELLOWSHIP MUTUAL INSURANCE COMPANY

25925 TELEGRAPH ROAD, SUITE 200 / SOUTHFIELD, MICHIGAN 48033 / (248) 352-7500

December 18, 2012

NOTICE OF INTENT TO TERMINATE AMERICAN FELLOWSHIP MUTUAL INSURANCE COMPANY EMPLOYEES' PENSION PLAN

American Fellowship Mutual Life Insurance Company ("American Fellowship") intends to terminate the *American Fellowship Mutual Insurance Company Employees' Pension Plan* in a distress termination. The law requires that we provide you with written notice of the proposed termination. If the proposed termination does not occur, American Fellowship will notify you in writing.

NAME OF CONTRIBUTING SPONSOR: American Fellowship Mutual Insurance Company

EIN: 38-1267686

PLAN NUMBER: 001

PROPOSED TERMINATION DATE: February 28, 2013

- We will notify you if the proposed termination date is changed to a later date.

CONTACT PERSON: If you have any questions concerning the plan's termination, contact:

- James Gerber, Special Deputy Rehabilitator
American Fellowship Mutual Insurance Company
25925 Telegraph Road, Suite 200
Southfield, MI 48033

CESSATION OF ACCRUALS: Benefit accruals ceased as of December 31, 2002.

OBTAINING A SUMMARY PLAN DESCRIPTION:

- If you wish to obtain a copy for the Summary Plan Description ("SPD") for your plan, you may write to American Fellowship Mutual Insurance Company, ATTN: Benefits, 25925 Telegraph Road, Suite 200, Southfield, MI 48033. A reasonable fee to cover the cost of funding the SPD may be charged. Please inquire at time of your request.

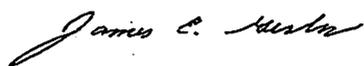
PLAN FUNDING LEVEL:

- The Plan does not have sufficient funds to pay all promised benefits. The Pension Benefit Guaranty Corporation (PBGC), a federal government agency, will assure that you receive pension benefits that are guaranteed by law.

BENEFITS GUARANTEED BY PBGC:

- PBGC pays most people all pension benefits, but some people may lose certain benefits that are not guaranteed. The maximum guaranteed benefit that PBGC can pay is set by law. For pension plans ending in 2012, for example, the maximum guaranteed amount is \$4,653.41 per month (\$55,840.92 per year) for a worker who retires at age 65 with a straight life annuity.
 - The maximum benefit will be reduced for an individual who begins receiving payments before age 65.
 - The maximum benefit also will be reduced if a pension includes benefits for a survivor or other beneficiary.
- PBGC does not guarantee benefits for which an individual has not met all age, service, or other requirements at the time the plan terminates.
- Early retirement payments that are greater than payments at normal retirement age may not be guaranteed. For example, a supplemental benefit that stops when an individual becomes eligible for Social Security may not be guaranteed.
- Benefits other than pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay are not guaranteed.
- PBGC generally does not pay lump sums exceeding \$5,000.
- PBGC may recoup any pension payments that exceed PBGC's guarantee.

Sincerely,



James E. Gerber, C.F.E.
Special Deputy Rehabilitator

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STATE OF MICHIGAN
CIRCUIT COURT FOR THE 30TH JUDICIAL CIRCUIT
INGHAM COUNTY

R. KEVIN CLINTON, COMMISSIONER
OF THE OFFICE OF FINANCIAL AND
INSURANCE REGULATION,

Petitioner,

Case No. 12-1173-CR

HON. WILLIAM E. COLLETTE

v

AMERICAN FELLOWSHIP MUTUAL
INSURANCE COMPANY,

Respondent.

Christopher L. Kerr (P57131)
Jason R. Evans (P61567)
Assistant Attorneys General
Attorneys for Petitioner
Corporate Oversight Division
P. O. Box 30755
Lansing, MI 48909
(517) 373-1160

**ORDER DETERMINING THAT
AMERICAN FELLOWSHIP MUTUAL INSURANCE COMPANY MEETS THE
REQUIREMENTS FOR A DISTRESS TERMINATION OF ITS
EMPLOYEES' PENSION PLAN AND
APPROVING TERMINATION OF THE PLAN**

At a session of said Court held in the
Circuit Courtrooms for the
County of Ingham, State of Michigan
on the ____ day of _____, 2013.

PRESENT: HONORABLE WILLIAM E. COLLETTE, CIRCUIT COURT JUDGE

WHEREAS, R. Kevin Clinton, the Commissioner of the Michigan Office of
Financial and Insurance Regulation and duly appointed Rehabilitator of American

Fellowship Mutual Insurance Company (the “Rehabilitator”) has filed a Petition for an Order Determining that American Fellowship Mutual Insurance Company Meets the Requirements for a Distress Termination of its Employees’ Pension Plan and Approving Termination of the Plan (the “Petition”); and

WHEREAS, the Rehabilitator has served the Petition, together with the attached Exhibits and a Notice of Hearing: (a) via regular mail on the Pension Benefit Guaranty Corporation (“PBGC”) and on all participants or beneficiaries in the American Fellowship Pension Plan; and (b) on other potentially interested parties by posting electronic copies on the “American Fellowship Mutual” section of OFIR’s website; and

WHEREAS, MCL 500.8114(2) and the Rehabilitation Order authorize the Rehabilitator to “take such action as he considers necessary or appropriate to reform or revitalize American Fellowship.” In addition, this statute, as incorporated by the Rehabilitation Order, grants the Rehabilitator “full power and authority to direct and manage American Fellowship . . . and to deal in totality with the property and business of” the company; and

WHEREAS, after marshaling the assets of American Fellowship, reviewing the company’s books and records, and despite having taken numerous steps to reduce or eliminate company liabilities and restore American Fellowship to financial solvency, the Rehabilitator has determined that unless the American Fellowship Pension Plan is terminated, American Fellowship will be unable to pay

all its debts pursuant to a plan of reorganization and will be unable to continue in business outside of rehabilitation; and

WHEREAS, the Rehabilitator has further determined that terminating the American Fellowship Pension Plan is necessary and appropriate for the effective and efficient administration of this rehabilitation proceeding and will assist in providing the maximum protection to American Fellowship's creditors, policyholders, and the public; and

WHEREAS, the Court having reviewed the Petition and any objections or responses filed thereto, having heard oral arguments on February 20, 2013 at 11:00 a.m., and being otherwise fully advised;

NOW, THEREFORE, IT IS HEREBY ORDERED that the Court GRANTS the Rehabilitator's Petition, and determines that American Fellowship meets the requirements for a voluntary distress termination of the company's Employees' Pension Plan under Section 4041 of the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 USC § 1341. Specifically, the Court determines that unless the Pension Plan is terminated, American Fellowship will be unable to pay all its debts pursuant to a plan of reorganization and will be unable to continue in business outside of rehabilitation.

IT IS FURTHER ORDERED that the Court APPROVES termination of the American Fellowship Pension Plan.

IT IS FURTHER ORDERED that the Court authorizes, approves, and/or ratifies the Rehabilitator's service of the Petition, together with the attached

Exhibits, the Notice of Hearing, and this Order, via regular mail on the PBGC and Pension Plan participants or beneficiaries only.

IT IS FURTHER ORDERED that due to the difficulty and prohibitive cost associated with providing personalized notice of the Petition, Notice of Hearing, and this Order to all other parties having a general interest in the American Fellowship rehabilitation, the Court authorizes, approves, and/or ratifies the Rehabilitator's service of these papers on other potentially interested parties (beyond the PBGC and Pension Plan participants or beneficiaries) by posting electronic copies on the OFIR website, www.michigan.gov/ofir, under the section "Who We Regulate," and the subsection "American Fellowship Mutual." The Court finds that service in this manner is reasonably calculated to give these other potentially interested parties actual notice of these proceedings and is otherwise reasonable under the circumstances.

IT IS SO ORDERED.

Honorable William E. Collette
Circuit Court Judge

STATE OF MICHIGAN
CIRCUIT COURT FOR THE 30TH JUDICIAL CIRCUIT
INGHAM COUNTY

R. KEVIN CLINTON, COMMISSIONER
OF THE OFFICE OF FINANCIAL AND
INSURANCE REGULATION,

Petitioner,

Case No. 12-1173-CR

HON. WILLIAM E. COLLETTE

v

AMERICAN FELLOWSHIP MUTUAL
INSURANCE COMPANY,

Respondent.

PROOF OF SERVICE

The undersigned certifies that a copy of the **Petition for an Order Determining that American Fellowship Mutual Insurance Company Meets the Requirements for a Distress Termination of its Employees' Pension Plan and Approving Termination of the Plan**, attached Exhibits A-F, and the **Notice of Hearing**, together with this Proof of Service, was served upon the parties listed below by mailing the same to them at their respective addresses with first class postage fully prepaid thereon, on the 6th day of February, 2013:

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Henderson, NV 89074

Laura Terzagian
Les C. Beaverman PC Attorneys
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Wyandotte, MI 48192

And on all other parties in interest by posting electronic copies on the OFIR website, www.michigan.gov/ofir, under the section "Who We Regulate" and the subsection "American Fellowship Mutual."


Linda S. Miers, Legal Secretary