**Exhibit 2B Surplus Study Description.**

1. The company surplus at 12/31/08 was $349,448,122, which is a decrease of $39,955,707, from the amount reported at 12/31/07. The decrease in surplus was caused primarily by an increase in catastrophic events during 2008. The economic downturn had a negative impact on the investment return in 2008, which further inhibited surplus growth during the year. Overall, the company surplus remains adequate. The net premium written to surplus ratio at 12/31/08 was 1.4.

   During 2008, the company purchased the marketing rights of two of its long-time agents for a total of $15.8 million. Statutory accounting does not allow the inclusion of these "other intangible assets" as an admitted asset. Therefore, the unamortized value of $14.4 million at December 31, 2008 was charged to surplus as a change in non-admitted assets. The cost of the purchase is being amortized over a 6-year period.

2. There are no known trends or uncertainties that have had or are reasonably probable to have a material favorable or unfavorable impact on surplus. There have been no significant changes in the surplus ratios shown on Exhibit A.

**(C-5)(2)(a)**

ICP-84 rate filing eff 6-1-08N- 8-1-08R to current.pdf

**Exhibit 2B Reserve Study Description.**

**Exhibit 2B Reserve Study**

**Responses provided by Jeffory Schwandt, Regnier Consulting Group**

You'll see that we have provided one response to the first question. The methods haven't changed so a single description should work for each of the 2006, 2007 and 2008 responses.

We have provided separate responses for each year for the second question. Since we develop our reserve estimates on a countrywide basis our comments pertaining to the adequacy of the reserves are also on a countrywide basis. We are not in a position to comment on the adequacy of the reserves at a state level since we don't analyze the experience at that level. We're hopeful these responses provide sufficient detail.

1. ***Provide a general description of the actuarial methodologies used to determine and monitor carried loss and loss adjustment expense reserves for the medical malpractice business written, including frequency of reviews.***

## Overview of Actuarial Methods

Regnier Consulting Group, Inc. provides Church Mutual Insurance Company (CMIC or Company) with quarterly evaluations of its unpaid loss and loss expense liabilities. The Company uses the results of these analyses as guidance in setting its carried loss and loss expense reserves.

The following discussion presents an overview of the loss and loss expense reserving methodology of Regnier Consulting Group, Inc. It should be noted that the estimates of Church Mutual Insurance Company's medical malpractice loss and loss expense reserves are developed on a countrywide basis using countrywide experience. The discussion that follows describes the actuarial methods applied to the countrywide experience. Regnier Consulting Group, Inc. does not determine reserves at the individual state level nor do we monitor the adequacy of the reserves carried by the Company at a state level.

Historical data for CMIC was used to develop the loss patterns used in the projection methods. This data was reconciled to Schedule P, Part 1 of the Company's statutory Annual Statements.

We have analyzed the insurance business in the Medical Malpractice – Schedule P – Part 1F section of the Company's statutory Annual Statements to develop our estimates of the medical malpractice loss and loss expense reserves.

The Incurred But Not Reported (IBNR) provision of the reserves is to provide for the development on known claims and the reopened claim potential in addition to the true unreported loss exposure.

The projections are based on data that is net of salvage and subrogation recoveries. Anticipated salvage and subrogation recoveries are projected separately.

***Projection of Ultimate Losses***

Four methods are used in our projection of ultimate losses. Two of the methods are based on loss development. The other two methods are based on expected loss emergence.

- Projected Ultimate Losses based on Paid Loss Development
- Projected Ultimate Losses based on Reported Loss Development
- Projected Ultimate Losses based on Paid Expected Loss Emergence
- Projected Ultimate Losses based on Reported Expected Loss Emergence

We develop estimates of the ultimate losses to evaluate the reasonableness of the loss and loss expense reserves carried in the Company's Annual Statement. Our estimates of the ultimate losses can be characterized as actuarial central estimates. They are not statistically defined (e.g., mean, median, nth percentile), but rather they represent an expected value over the range of reasonably possible outcomes and were selected after a review of the results of the projection methods. In our opinion, the loss and loss expense liabilities implied by the selected ultimate losses are suitable for evaluating the reasonableness of the loss and loss expense liabilities carried by the Company in its Annual Statements.

***Projection of ultimate losses based on paid loss development***

This method derives an estimate of the ultimate losses by multiplying losses paid-to-date by a development factor.  Development factors are selected based on the Company's historical data.  The development factors are selected by accident year and when multiplied by the losses paid-to-date yield an estimate of the ultimate losses.

***Projection of ultimate losses based on reported loss development***

This method derives an estimate of the ultimate losses by multiplying losses reported-to-date by a development factor.  Reported losses are defined as paid losses plus reserves on open claims.  Development factors are selected based on the Company's historical data.  The development factors are selected by accident year and when multiplied by the losses paid-to-date yield a second estimate of the ultimate losses.

***Projections of ultimate losses based on paid and reported expected loss emergence***

The Expected Emergence methods require:

- Paid and reported loss emergence patterns; and
- Preliminary expected losses by accident year

The paid and reported loss emergence patterns are based on the development patterns selected for the paid and reported loss development methods.  These factors are used to derive the percentages of ultimate losses which are unpaid or unreported at the evaluation date of the reserves.

The preliminary expected losses for the accident years prior to the current year are taken from the prior year's Regnier Consulting Group, Inc.'s report to the Company on the loss and loss expense reserves.  The preliminary expected losses for the current accident year are based on a projected loss ratio multiplied by the earned premium for the current calendar year.

The projected unpaid or unreported losses are added to the known paid or reported losses respectively to develop the third and fourth estimates of the ultimate losses.

***Selection of the ultimate losses and reserves***

Based on a review of the results of the four projection methods we select our point estimate of the ultimate losses.  Our point estimate of the total loss reserves equal our point estimate of the ultimate losses minus the paid-to-date losses.  The projected IBNR reserve equals the difference between the point estimate of the total loss reserves and the case loss reserves.

***Projection of anticipated Salvage and Subrogation (S&S)***

To project the anticipated S&S, we compare the S&S received in various time intervals to the projected net ultimate losses for the accident year.  Based on the historical patterns, ratios are judgmentally selected.  From these selected ratios, cumulative ratios are calculated as the sum of the selected ratios for the remaining time intervals for a given accident year. These cumulative ratios are then multiplied by the corresponding projected net ultimate losses by accident year to estimate future S&S recoveries.

***Projection of Defense and Cost Containment (DCC) Loss Expense Reserves***

The best method we have found for projecting DCC reserves is to develop accident year patterns of incremental DCC payments divided by incremental loss payments. Based on a review of these patterns ratios are selected that describe the expected relationship of DCC payments to loss payments for each development interval.

In order to use these selected ratios to estimate the DCC reserves, we need to convert these ratios to projection factors that apply to the various accident years. For example, claims that occurred in 2008 will pass through the 12:24 month development interval (with its expected ratio of DCC payments to loss payments), through the 24:36 month interval (with its expected ratio of DCC payments to loss payments), and so on until all claims are settled. This suggests that the projection factor should be a weighted average of the selected ratios across all development intervals that apply.

The weights for calculating this average are based on the payment pattern that is implied by the selected paid loss development factors. The resulting projection factor is the expected ratio of all DCC reserves (DCC O/S) to all loss reserves (losses O/S).

The point estimate of DCC reserves is calculated as the product of the point estimate of loss reserves and the DCC O/S to losses O/S ratios.

***Projection of Adjusting and Other (A&O) Loss Expense Reserves***

The A&O reserves are estimated based on the assumption that one-half of the expense occurs when the claim is reported and the remaining expense occurs when the claim is settled. Since case reserved claims have already been reported, they only have the settlement portion of the expense remaining. IBNR claims, however, must be reported and settled; hence all of their A&O expense costs are outstanding and must be carried as a liability.

Since the A&O payments are not associated with any specific accident year, the calendar year A&O payments are compared with the calendar year loss payments. From these observed A&O paid to losses paid percentages, a selected ratio is chosen.

Estimates of the unpaid loss and loss expense liabilities of the Company are developed at evaluation dates of March 31, June 30, September 30 and December 31.

2. ***Discuss the adequacy of medical malpractice loss and loss adjustment expense reserves as of the most recent year-end and identify and describe any material changes in the past five years in amounts of carried reserves and in reserving methods. If a material unfavorable trend exists, indicate what actions were taken to address the issue. Identify the materiality standard used to respond to this question and provide the basis for this standard***
***Response for 2006***

The Regnier Consulting Group, Inc. develops estimates of the Company's medical malpractice unpaid loss and loss expense liabilities on a countrywide basis. The comments that follow pertain to the adequacy of the Company's carried loss and loss expense reserves combined and on a countrywide basis. The countrywide reserves are allocated to individual states. The countrywide reserves as calculated are reasonable in total; although there may be instances of a specific state/accident year where the allocation process may develop an unreasonable estimate if this single state/accident year were to be viewed in isolation. The case reserves for Illinois are state-specific.

At December 31, 2006 the Company's net carried loss and loss expense reserves for medical malpractice equaled $8,943,000. Our point estimate of the liability for unpaid losses and loss expenses was $5,943,000. The carried reserves exceeded our projected reserves by $3,000,000. The Company elected to carry reserves in excess of our point estimate due to the uncertainty of the development of medical malpractice losses and expenses. The Company's medical malpractice loss ratio began to improve in accident year 2004 due to actions taken to discontinue providing coverage to nursing homes.

There have been no material changes the estimated countrywide loss and loss expense reserves that are not due to the normal variation in such projections. No material changes have been made in the methods or assumptions used to evaluate the reserves.

***Response for 2007***

The Regnier Consulting Group, Inc. develops estimates of the Company's medical malpractice unpaid loss and loss expense liabilities on a countrywide basis. The comments that follow pertain to the adequacy of the Company's carried loss and loss expense reserves combined and on a countrywide basis. The countrywide reserves are allocated to individual states. The countrywide reserves as calculated are reasonable in total; although there may be instances of a specific state/accident year where the allocation process may develop an unreasonable estimate if this single state/accident year were to be viewed in isolation. The case reserves for Illinois are state-specific.

At December 31, 2007 the Company's net carried loss and loss expense reserves for medical malpractice equaled $7,304,000. Our point estimate of the liability for unpaid losses and loss expenses was $4,302,000. The carried reserves exceeded our projected reserves by $3,002,000. As at December 31, 2006, the Company carried reserves greater than our point estimate due to the uncertainty of the development of medical malpractice losses and expenses. The Company's medical malpractice experience continued to improve compared to earlier years due to discontinuing providing coverage to nursing homes.

There have been no material changes the estimated countrywide loss and loss expense reserves that are not due to the normal variation in such projections. No material changes have been made in the methods or assumptions used to evaluate the reserves.

***Response for 2008***

The Regnier Consulting Group, Inc. develops estimates of the Company's medical malpractice unpaid loss and loss expense liabilities on a countrywide basis. The comments that follow pertain to the adequacy of the Company's carried loss and loss expense reserves combined and on a countrywide basis. The countrywide reserves are allocated to individual states. The countrywide reserves as calculated are reasonable in total; although there may be instances of a specific state/accident year where the allocation process may develop an unreasonable estimate if this single state/accident year were to be viewed in isolation. The case reserves for Illinois are state-specific.

As noted in earlier reports, the Company took steps to discontinue providing medical malpractice coverage to nursing homes. These actions began to have a favorable impact on the loss and loss expense experience in accident year 2004. With the continued improvement in the experience and the resulting greater confidence in the projections of the ultimate losses and loss expenses, the Company discontinued carrying reserves in excess of our estimated reserves at December 31, 2008. The Company's carried and our projected reserves at December 31, 2008 equal $5,211,000. We believe the Company's decision to discontinue carrying reserves in excess of our point estimate due to expected greater certainty in the projection process is reasonable. We don't view the absence of a reserve margin in excess of our point estimate to be an unfavorable trend.

There have been no material changes the estimated countrywide loss and loss expense reserves that are not due to the normal variation in such projections. No material changes have been made in the methods or assumptions used to evaluate the reserves

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**3. Compare company trends to industry trends, with regards to the medical malpractice line of business and include information about the specific business written by the company and, if necessary, reasons why company trends are different from the industry.**

Response: Church Mutual is a specialized niche writer of religious institutions. As such, the company does not follow industry trends.

**Company Defined Items:**

1. The "by county" information is grouped based on location of coverage. There have been no changes to this grouping during the past ten years.
2. No change
3. The claim is closed when it is assigned a close date. No changes have been made to this definition.
4. The medical malpractice coverage Church Mutual writes is for senior living facilities such as assisted living facilities, retirement centers, and apartments for the elderly. The coverage provides protection for the facility as well as barbers, beauticians, social workers, medical directors, and the like. Physicians and surgeons are not insured under the coverage offered by the company.
5. Church Mutual has always used one territory. In the past, Church Mutual has filed ISO loss costs with our own loss cost multiplier. Effective May 15, 2000 for new business and September 1, 2000, for renewal business we filed our own class codes. The base class codes are 80923, Skilled Care For Profit and 80924, Skilled Care Not For Profit.
6. The claims-made coverage forms include a Basic Extended Reporting Period that is automatically included without additional charge. This period starts with the end of policy period and lasts for 60 days. The Supplemental Extended Reporting Period endorsements can be added for an additional charge. The endorsements can be for a period of one year, two years, three years, or five years. The charge is based on the year in claims made and the length of the extended reporting period.
7. Church Mutual is using maturity year and tail factors.
8. Included within the expense category are other acquisition and general expenses.
9. Other factors used in the rate filing include a profit provision. The profit provision is desired operating profit and investment income offset.
10. The assumptions are the same assumptions used in creating the Annual Statement Schedule P per the NAIC Annual Statement Instructions for Schedule P.

**Reconciliation**

Reconciliation_Signiture.pdf

**In regards to File 3 Exhibit 2a Surplus**

April 6, 2009: Per phone reply from David Leach (217-558-4788). Explained that adding the negative sign in front of an amount that is already 7 long would not fit in the file. Mr. Leach said to enter as a positive and explain in File 4. An additional value was too long for the regardless of the sign, so we truncated the last digit off.

Explanation:

For the record of Surplus Year 2008 the value in the 7th Field in "Change in Nonadmitted Assets" Starts at 45 Ends at 51, should be a Negative and add a zero on the end –31550050.

For the record of Surplus Year 2006 the value in the 7th Field in "Change in Nonadmitted Assets" Starts at 45 Ends at 51, should be a Negative –1528775.

For the record of Surplus Year 2004 the value in the 7th Field in "Change in Nonadmitted Assets" Starts at 45 Ends at 51, should be a Negative –4261547.