

Report of the Examination of
CUMIS Mortgage Reinsurance Company
Madison, Wisconsin
As of December 31, 2020

TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. HISTORY AND PLAN OF OPERATION.....	3
III. MANAGEMENT AND CONTROL.....	6
IV. AFFILIATED COMPANIES.....	7
V. REINSURANCE.....	13
VI. FINANCIAL DATA	14
VII. SUMMARY OF EXAMINATION RESULTS.....	24
VIII. CONCLUSION.....	26
IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS	27
X. ACKNOWLEDGMENT.....	28



February 18, 2022

Honorable Nathan Houdek
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

CUMIS Mortgage Reinsurance Company
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of CUMIS Mortgage Reinsurance Company (CUMIS Mortgage or the company) was conducted in 2016 as of December 31, 2015. The current examination covered the intervening period ending December 31, 2020, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of the CUNA Mutual Group. The Iowa Insurance Division (IID) acted in the capacity as the lead state for the coordinated examination. Work performed by the IID was reviewed and relied on where deemed appropriate.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

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, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation concerning the alternative or additional examination steps performed during the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of the company's loss and loss adjustment expense reserves. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

The company was incorporated on November 25, 2013, pursuant to the laws of the state of Wisconsin, and commenced business on January 27, 2014. CUMIS Mortgage is a wholly owned subsidiary of CUMIS Insurance Society, Inc. (CUMIS), which is a wholly owned subsidiary of CUNA Mutual Investment Corporation. The company's ultimate parent is CUNA Mutual Holding Company, a mutual insurance holding company organized under the laws of the state of Iowa. The company was capitalized on January 27, 2014, through a cash contribution of \$9,800,000 paid by CUMIS. CUMIS Mortgage was formed solely to reinsure the credit union mortgage guaranty business generated by sales personnel of the CUNA Mutual Holding Company system and placed first with Arch Mortgage Insurance Company, a non-affiliated company domiciled in Wisconsin, and then at beginning of 2020, with Mortgage Guaranty Insurance Corporation (MGIC), also a non-affiliated insurer domiciled in Wisconsin.

Arch Mortgage Insurance Company (Arch MI) is a monoline provider of residential mortgage guaranty insurance. Arch MI was acquired by Arch U.S. MI Holdings Inc., effective January 30, 2014. Prior to the acquisition, Arch MI was a joint venture between CMFG Life Insurance Company (CMFG Life) and PMI Mortgage Insurance Co. (PMI). The objective of the joint venture between CMFG Life and PMI was to establish a strategic alliance to offer mortgage guaranty insurance products and services to credit unions that originate residential mortgage loans. The strategic alliance was undertaken to combine and employ the expertise of the two parent organizations, with PMI contributing its specialized knowledge and business systems for mortgage guaranty insurance operations and with CMFG Life having close business association with, and specialized knowledge of, the credit union industry.

After the acquisition, Arch MI retained the credit union business portfolio and CUMIS Mortgage was dedicated solely to reinsuring Arch MI policies. CMFG Life retained control over the business distribution channel built through the historically long relationship with the credit unions.

Prior to January 1, 2020, the company assumed mortgage guaranty premiums exclusively from Arch MI. However, effective December 31, 2019, the company's agreement with Arch MI (its sole business) was terminated but remains in force for policy renewals with a cutoff date of December 31, 2023. Effective April 1, 2020, the company entered into a 65% quota share reinsurance agreement to assume mortgage guaranty business with MGIC. MGIC is a monoline mortgage insurer

that provides mortgage insurance to lenders, including mortgage bankers, savings institutions, commercial banks, mortgage brokers, and credit unions.

CUMIS Mortgage is licensed only in the state of Wisconsin and does not write any direct business.

The following table is a summary of the net insurance premiums written by the company in 2020. The growth of the company is discussed in the "Financial Data" section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Mortgage Guaranty	<u>\$0</u>	<u>\$14,082,550</u>	<u>\$0</u>	<u>\$14,082,550</u>
Total All Lines	<u>\$0</u>	<u>\$14,082,550</u>	<u>\$0</u>	<u>\$14,082,550</u>

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of five members. At each annual meeting, the sole shareholder elects directors to serve until the next annual shareholder's meeting. All directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The board members receive no additional compensation for serving on the board.

Currently, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Michael F. Anderson Madison, Wisconsin	Senior Vice President, Chief Legal Officer CMFG Life Insurance Company	2022
Paul D. Barbato Madison, Wisconsin	Vice President, Associate General Counsel CMFG Life Insurance Company	2022
James M. Power * Madison, Wisconsin	Executive Vice President CMFG Life Insurance Company	2021
Abigail R. Rodriguez Madison, Wisconsin	Senior Vice President, Lender Experience CMFG Life Insurance Company	2022
Richard J. Trace * Madison, Wisconsin	Vice President, Lending Solutions CMFG Life Insurance Company	2021

* Subsequent to December 31, 2020, James Power and Richard Trace left the board and Christopher Judd Copeland and Jay Allan Isaacson joined to serve until September 2022.

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office
James Michael Power*	President
Brian Jay Borakove	Treasurer
Paul Damien Barbato	Secretary
Jill Edith Kirby	Appointed Actuary

* Christopher J. Copeland was elected president on September 20, 2021, to replace James Michael Power.

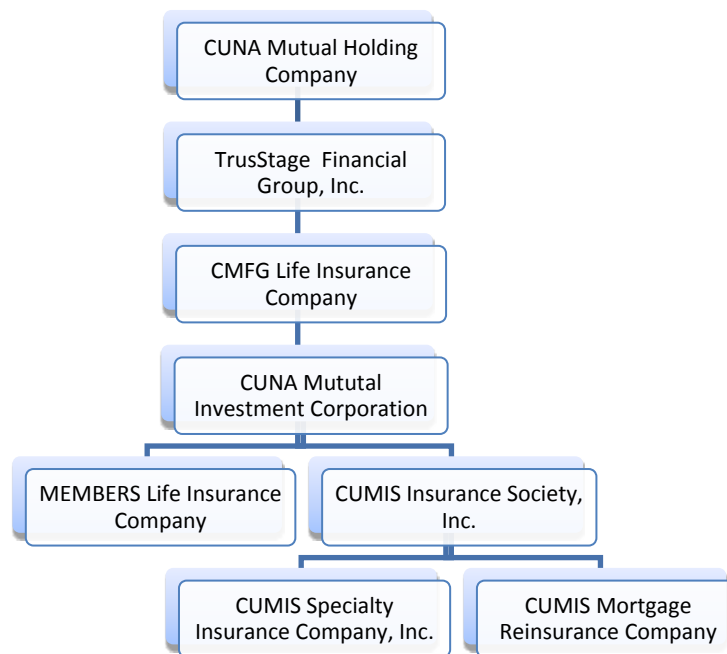
Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. At the time of the examination, the company's board has not appointed any committees.

IV. AFFILIATED COMPANIES

CUMIS Mortgage Reinsurance Company is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates follows the organizational chart. Note that the organizational chart is a simplified version of the complete organization due to the size and complexity of the holding company system.

Organizational Chart As of December 31, 2020



CUNA Mutual Holding Company

CUNA Mutual Holding Company (CM Holding) is the ultimate parent of the Group and is a mutual insurance holding company organized under the laws of Iowa. CUNA Mutual Group is the marketing name for CM Holding and its affiliates. CUNA Mutual Group, headquartered in Madison, Wisconsin, is the leading provider of insurance and financial services to credit unions and credit union members nationwide. CUNA Mutual Group has insurance entities in the states of Iowa and Wisconsin, and the countries of Trinidad and Tobago, Jamaica, the Dominican Republic, and St. Lucia. The Group also has various non-insurance entities.

As of December 31, 2020, the consolidated audited financial statements of CM Holding reported assets of \$28,490,851,000, liabilities of \$23,823,453,000, and policyholders' surplus of \$4,667,398,000. Operations for 2020 produced net income of \$145,501,000.

TruStage Financial Group, Inc.

TruStage Financial Group, Inc. (TruStage Financial) is a holding company organized under the laws of Iowa, which is a direct, wholly owned subsidiary of CM Holding. Through its subsidiaries, TruStage Financial markets a variety of products for credit union members including group life and disability insurance, retirement plans, health and annuity policies, property and casualty insurance, and retail investment brokerage

As of December 31, 2020, the consolidated audited financial statements of TruStage Financial reported assets of \$28,490,851,000, liabilities of \$23,823,453,000, and policyholders' surplus of \$4,667,398,000. Operations for 2020 produced net income of \$145,501,000.

CMFG Life Insurance Company

CMFG Life Insurance Company (CMFG Life) is a life insurance company organized under the laws of Iowa to serve the insurance needs of credit unions and their members. CMFG Life's ultimate parent is CM Holding. CM Holding and CMFG Life were established as part of a conversion to a mutual insurance holding company structure on January 31, 2012. CMFG Life is licensed to write business in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and Canada. The primary source of business is derived through a licensed sales force of internal employee agents. Primary products include group credit life and group credit disability, retirement plan group annuities and plan administration, group life and disability products, and life, health, and annuity policies.

As of December 31, 2020, the audited financial statements of CMFG Life reported assets of \$24,022,209,050, liabilities of \$21,847,183,669, and policyholders' surplus of \$2,175,025,382. Operations for 2020 produced net income of \$162,818,035.

CUNA Mutual Investment Corporation

CUNA Mutual Investment Corporation (CMIC) is a Wisconsin-domiciled holding company and a wholly owned subsidiary of CMFG Life. CMIC was founded in 1972 and, through its subsidiaries, provides life insurance and financial and brokerage services to credit unions.

As of December 31, 2020, the audited consolidated financial statements in accordance with GAAP of CMIC reported assets of \$8,250,786,000, liabilities of \$6,853,980,000, and stockholder's equity of \$1,396,806,000. Operations for 2020 produced net income of \$114,075,000.

MEMBERS Life Insurance Company

MEMBERS Life Insurance Company (MEMBERS Life) is a stock life and accident and health insurance company domiciled in Iowa. MEMBERS Life is a wholly owned subsidiary of CMIC.

MEMBERS Life is authorized to transact business in the District of Columbia and all states except for New York. MEMBERS Life sells single premium deferred index annuity, single premium deferred modified guaranteed index annuity and flexible premium variable and index linked deferred annuity contracts to credit union members through face-to-face distribution channels. MEMBERS Life cedes 100% of its business to CMFG Life.

As of December 31, 2020, the audited financial statements of MEMBERS Life reported assets of \$303,775,226, liabilities of \$263,075,717, and capital and surplus of \$40,699,509. Operations for 2020 produced net income of \$197,232.

CUMIS Insurance Society, Inc.

CUMIS Insurance Society, Inc. (CUMIS) is an Iowa stock property and casualty insurance company organized in 1960. CUMIS is a wholly owned subsidiary of CMIC. CUMIS is authorized to transact business in all 50 states, the District of Columbia, and several foreign jurisdictions. CUMIS markets commercial property and casualty and collateral protection products to credit unions, utilizing salaried representatives. CUMIS also assumes business written by other insurers for credit unions and credit union members, principally homeowners, auto, and certain commercial property insurance.

As of December 31, 2020, the statutory financial statements of CUMIS reported assets of \$2,261,947,012, liabilities of \$1,219,026,630, and policyholders' surplus of \$1,042,920,381. Operations for 2020 produced net income of \$115,972,637.

CUMIS Specialty Insurance Company, Inc.

CUMIS Specialty Insurance Company, Inc. (CUMIS Specialty) is a wholly owned subsidiary of CUMIS. CUMIS Specialty was organized in 2006 and licensed to transact direct business in the state of Iowa. CUMIS Specialty is accepted as a surplus lines insurer in 36 states. CUMIS Specialty offers

blanket physical damage, commercial inland marine, management and professional liability, and burglary and theft coverages. CUMIS Specialty cedes 100% of its business to CUMIS.

As of December 31, 2020, the statutory financial statements of CUMIS Specialty reported assets of \$54,096,639, liabilities of \$8,049,950, and policyholders' surplus of \$46,046,689. Operations for 2020 produced net income of \$1,694,192.

Agreements with Affiliates

General Guarantee Agreement

Effective May 1, 2020, CUMIS entered into a General Guarantee Agreement for the benefit of CUMIS Mortgage. Under the agreement, CUMIS guarantees to the beneficiaries of all insurance obligations of CUMIS Mortgage, the prompt payment when due of all the present and future obligations and liabilities of any kind whatsoever of CUMIS Mortgage.

Investment Advisory Agreement

Effective January 1, 2015, CM Holding and its affiliates entered into an investment advisory agreement with MEMBERS Capital Advisors, Inc. (MCA), a wholly owned subsidiary of CMIC. Under the agreement, CM Holding appointed MCA to act as the principal investment advisor and portfolio manager for the management and investment of the invested assets of CM Holding and its affiliates. The agreement also appointed MCA as the principal investment advisor and manager of specified trust fund assets that are held by State Street Bank as Trustee. As advisor, MCA agreed to provide continuous professional investment management for the company and its affiliates and to comply at all times with the policies, directives, and guidelines established by the company's board of directors and any other authorized investment oversight body of the company. CM Holding and its subsidiaries are liable to compensate MCA for the investment advisory services. With respect to the trust funds, the agreement can be terminated by any party at any time through notice in writing. With respect to all other invested assets, the agreement can be terminated by either party at any time upon 60 days' prior written notice.

Cost-Sharing, Procurement, Disbursement, Billing and Collection Agreement

Effective January 15, 2015, CM Holding and its subsidiaries entered into a Cost-Sharing, Procurement, Disbursement, and Billing and Collection Agreement. Under this agreement, CMFG Life provides billing and collections services, disbursement services, procurement services, and other services

to most of the other companies in the holding company system led by CM Holding. The following services are provided under this agreement:

Billing and Collection Services

Services include processing of all billing notices, printing, mailing and distribution of billing notices, maintenance of customer billing and payment history information, processing and validation of payment receipts, daily electronic transfer of funds to the respective company's designated account, automated feed to the general ledger of all due and received premium, and daily and monthly reconciliation of deposit accounts and outstanding bills. Each participating company pays a quarterly servicing fee to TruStage Financial based on mutually agreed upon allocation methods.

Disbursement and Procurement Services

Disbursement services include processing all disbursement requests for general operating expenditures, facilitation of payment by the appropriate participating subsidiary, maintenance of vendor payment and voucher record archives, maintenance of detailed accrual and cash journal entries, and daily account reconciliation. Each participating company pays a quarterly servicing fee to TruStage Financial based on mutually agreed upon allocation methods. Procurement services include maintenance of a company-wide procurement function, central processing of all requests for purchase, negotiation of purchase agreements and pricing, performance of lease/purchase analysis, and coordination of master inventory management.

Other Services

Other services include employee services, office space, supplies and equipment, cafeteria services, mail services, and market development.

Tax Allocation Agreement

Effective December 31, 2013, CM Holding and its affiliates entered into a restated tax allocation agreement for filing federal income tax returns on a consolidated basis. Under the agreement, the parent, CM Holding, designates TruStage Financial to be responsible for making all estimated payments to the Internal Revenue Service (IRS). The tax liability of the affiliated group is allocated to individual member companies in accordance with IRS regulations. Each participating affiliate reimburses TruStage Financial for payment of the affiliate's portion of liability included in the consolidated tax liability,

and each respective affiliate receives its pro rata share of consolidation-basis tax benefits. The payments due under this agreement are to be paid within 30 days of the date such amount is paid to or received from the IRS.

V. REINSURANCE

CUMIS Mortgage was created by CUNA Mutual Group solely to reinsure the credit union mortgage guaranty business generated by sales personnel of the CUNA Mutual Holding Company system. At the time of the examination, the company has two in force reinsurance contracts: one active reinsurance contract with MGIC and one other reinsurance contract with Arch MI that is in runoff.

Effective January 30, 2014, the company entered into a Quota Share Reinsurance Agreement with Arch MI. The quota share percentage is 2.5% for the first underwriting year, 5% for the second year, and 7.5% for the third and subsequent underwriting years. However, effective December 31, 2019, the company's agreement with Arch MI was terminated, but remains in force for policy renewals with a cutoff date of December 31, 2023.

Effective April 1, 2020, the company entered into a 65% quota share reinsurance agreement to assume certain mortgage guaranty business with MGIC. The agreement covers policies written through December 31, 2034, and expires on a cutoff basis on December 31, 2039.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2020, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation.

CUMIS Mortgage Reinsurance Company
Assets
As of December 31, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$42,629,488	\$	\$42,629,488
Cash, cash equivalents, and short-term investments	10,721,201		10,721,201
Investment income due and accrued	236,167		236,167
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	3,526,953		3,526,953
Net deferred tax asset	<u>3,547,323</u>	<u>3,487,566</u>	<u>59,757</u>
Total Assets	<u>\$60,661,132</u>	<u>\$3,487,566</u>	<u>\$57,173,566</u>

CUMIS Mortgage Reinsurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2020

Losses		\$ 2,667,803
Reinsurance payable on paid loss and loss adjustment expenses		6,058
Other expenses (excluding taxes, licenses, and fees)		13,298
Current federal and foreign income taxes		158,237
Unearned premiums		2,656,764
Payable to parent, subsidiaries, and affiliates		39,972
Write-ins for liabilities:		
Contingency reserve		<u>16,257,620</u>
 Total Liabilities		 21,799,752
 Common capital stock	\$ 2,000,000	
Gross paid in and contributed surplus	32,703,682	
Unassigned funds (surplus)	<u>670,131</u>	
 Surplus as Regards Policyholders		 <u>35,373,813</u>
 Total Liabilities and Surplus		 <u>\$57,173,566</u>

CUMIS Mortgage Reinsurance Company
Summary of Operations
For the Year 2020

Underwriting Income		
Premiums earned		\$12,628,767
Deductions:		
Losses incurred	\$1,565,398	
Other underwriting expenses incurred	6,027,511	
Write-ins for underwriting deductions:		
Increase in contingency reserve	<u>4,316,574</u>	
Total underwriting deductions		<u>11,909,483</u>
Net underwriting gain (loss)		719,284
Investment Income		
Net investment income earned	915,047	
Net realized capital gains (losses)	<u>(227)</u>	
Net investment gain (loss)		914,820
Other Income		
Write-ins for miscellaneous income:		
Aggregate write-ins for miscellaneous income	<u>993</u>	
Total other income		<u>993</u>
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		1,635,097
Federal and foreign income taxes incurred		<u>1,289,402</u>
Net Income (Loss)		<u>\$ 345,695</u>

CUMIS Mortgage Reinsurance Company
Cash Flow
For the Year 2020

Premiums collected net of reinsurance		\$11,831,070
Net investment income		1,145,729
Miscellaneous income		<u>993</u>
Total		12,977,792
Benefit- and loss-related payments	\$ 139,776	
Commissions, expenses paid, and aggregate write-ins for deductions	6,018,752	
Federal and foreign income taxes paid (recovered)	<u>1,289,006</u>	
Total deductions		<u>7,447,534</u>
Net cash from operations		5,530,257
Proceeds from investments sold, matured, or repaid:		
Bonds	6,496,930	
Cost of investments acquired (long- term only):		
Bonds	<u>5,378,101</u>	
Net cash from investments		1,118,829
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		6,649,086
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>4,072,115</u>
End of Year		<u>\$10,721,201</u>

**CUMIS Mortgage Reinsurance Company
Report of Policyholders Position
December 31, 2020**

Surplus as regards policyholders		\$35,373,813	
Contingency reserve		<u>16,257,620</u>	
Total policyholder's position			\$51,631,433
Minimum policyholder's position:			
Individual loans:			
Loan-to-value more than 75%	<u>\$20,011,446</u>		
Total individual loans		20,011,446	
Deduction of individual or group loans with establish reserves		<u>366,477</u>	
Minimum policyholder's position			<u>19,644,969</u>
Excess of policyholders' position			<u>\$31,986,464</u>

**CUMIS Mortgage Reinsurance Company
Analysis of Surplus
For the five-Year Period Ending December 31, 2020**

The following schedule details items affecting surplus during the period under examination as reported by the company in its filed annual statements:

	2020	2019	2018	2017	2016
Surplus, beginning of year	\$34,996,657	\$32,150,730	\$31,760,608	\$ 9,714,422	\$9,860,853
Net income	345,695	340,154	384,214	(376,155)	(153,734)
Change in net deferred income tax	978,132	958,851	743,465	239,539	441,584
Change in nonadmitted assets	(946,671)	(953,078)	(737,555)	(220,880)	(434,281)
Surplus adjustments: Paid in	<u> </u>	<u>2,500,000</u>	<u> </u>	<u>22,403,682</u>	<u> </u>
Surplus, End of Year	<u>\$35,373,813</u>	<u>\$34,996,657</u>	<u>\$32,150,732</u>	<u>\$31,760,608</u>	<u>\$9,714,422</u>

**CUMIS Mortgage Reinsurance Company
Insurance Regulatory Information System
For the five-Year Period Ending December 31, 2020**

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below.

Ratio	2020	2019	2018	2017	2016
#1 Gross Premium to Surplus	40%	26%	22%	16%	28%
#2 Net Premium to Surplus	40	26	22	16	28
#3 Change in Net Premiums Written	56*	27	44*	82*	164*
#4 Surplus Aid to Surplus	0	0	0	0	0
#5 Two-Year Overall Operating Ratio	80	80	78	78	73
#6 Investment Yield	1.8*	2.1	2.2	1.3*	2.2
#7 Gross Change in Surplus	1	9	1	227*	-1
#8 Change in Adjusted Surplus	1	1	1	-4	-1
#9 Liabilities to Liquid Assets	41	30	23	15	21
#10 Agents' Balances to Surplus	10	4	4	2	5
#11 One-Year Reserve Development to Surplus	-2	-1	-0	-1	-0
#12 Two-Year Reserve Development to Surplus	-2	-1	-1	-0	-0
#13 Estimated Current Reserve Deficiency to Surplus	-6	-2	-1	0	0

Ratio No. 3 measures the change in net premium written from the prior year. The company experienced growth since its inception, which explained the increase in net premium written over the

years. Net premium written increased between 2016 and 2018 as a combined effect of an increase in assumption rate under the quota share reinsurance contract agreement with Arch MI and growth of business. The increase in net premium written in 2020 is a result of the growth in business and the addition of a 65% quota share reinsurance agreement with MGIC, as described under the “Reinsurance” section of this report.

Ratio No. 6 measures the average return on the company’s investments. The company has a conservative investment policy with a portfolio allocated to U.S. government bonds which tend to earn lower investment yields. The low interest rate environment also contributed to the lower yield compared to industry average.

Ratio No.7 represents the change in policyholders’ surplus from prior year. The exceptional result in 2017 is due to the capital contribution of \$22 million made by the parent company, CUMIS.

Growth of CUMIS Mortgage Reinsurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2020	\$57,173,566	\$21,799,752	\$35,373,813	\$345,695
2019	49,593,722	14,597,065	34,996,657	340,154
2018	41,618,304	9,467,572	32,150,732	384,214
2017	37,268,159	5,507,551	31,760,608	(376,155)
2016	12,201,272	2,486,849	9,714,422	(153,734)
2015	10,675,493	814,640	9,860,853	11,417

Year	Assumed Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2020	\$14,082,550	\$14,082,550	\$12,628,767	12.4%	73.4%	85.8%
2019	9,050,812	9,050,812	9,046,201	6.8	85.5	92.3
2018	7,123,081	7,123,081	6,914,295	5.6	84.1	89.7
2017	4,942,528	4,942,528	4,480,405	5.0	81.2	86.2
2016	2,715,163	2,715,163	2,388,039	4.8	80.5	85.3
2015	1,029,527	1,029,527	889,998	5.0	81.9	86.9

The company has experienced over the five-year period, a significant increase in premium writing due largely to the addition of MGIC business in 2020 and the growth of Arch business. Over the

same period, the company posted stable underwriting results. Despite a minor increase in losses in 2020, the loss and LAE ratio has stayed low. The COVID-19 pandemic has not had a significant effect on the company's losses.

The company's expense ratio was relatively high because of mandatory contributions to the contingency reserve. The contingency reserve is a special statutory reserve required of all mortgage insurers, which is designed to provide a capital cushion against the effect of adverse economic cycles. Section 3.09 (12) (c), Wis. Adm. Code requires changes in the contingency reserve to be reported as a reduction to underwriting income. This requirement is a deviation from SSAP No. 58, Paragraph 22, which requires changes in the contingency reserve to be recorded directly to unassigned funds, and has the effect of increasing the expense ratio when writing new business. It is important to note that the expense ratio is expected to continue to decrease since, by contract, contingency reserves for MGIC ceded business are recorded on MGIC's books. The remaining contingency reserves on CUMIS Mortgage books are for Arch MI business, which is also decreasing. Nevertheless, the combined ratio has remained consistently below 100%. Overall, the company continues to strengthen its financial position as reflected in policyholder's surplus that increased by 259% over the examination period.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2020, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were no specific comments and recommendations in the previous examination report.

Summary of Current Examination Results

The current examination resulted in no adverse or material findings.

VIII. CONCLUSION

CUMIS Mortgage was organized under the laws of Wisconsin to reinsure the mortgage guaranty business written by non-affiliate mortgage guaranty insurers. The company is a member of the CUNA Mutual Holding Company, which is the ultimate parent, domiciled in Iowa.

Over the period under examination, the company significantly increase its premiums written due largely to its new agreement with MGIC and the growth of Arch MI business relative to earlier years. The company's underwriting results have relatively stayed stable, with a combined ratio under 100%, despite the burden of the contingency reserves. Over the same period, the company's surplus increased significantly as a consequence of the increase in premium income.

CUMIS Mortgage reported assets of \$58.2 million, liabilities of \$21.8 million, and surplus as regards to policyholders of \$35.4 million as of December 31, 2020.

The current examination was conducted in coordination with Iowa as the lead state. Wisconsin placed reliance on the lead state's work as deemed applicable. As of the date of this report, the lead state was in the process of finalizing the examination report.

The Wisconsin examination was specific to CUMIS Mortgage only and resulted in no recommendations. In addition, there were no adjustments to surplus or reclassifications of account balances as a result of this examination. There were no recommendations made on the previous examination.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examination resulted in no recommendations.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Yi Xu	Insurance Financial Examiner
Junji Nartatez	IT Specialist
Terry Lorenz, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Abdel-Aziz T. Kondoh
Examiner-in-Charge