Report of the Examination of

Dairyland Insurance Company

Stevens Point, Wisconsin

As of December 31, 2018

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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April 3, 2020

Honorable Mark V. Afable
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:

DAIRYLAND INSURANCE COMPANY
Stevens Point, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Dairyland Insurance Company (Dairyland or the company) was conducted in 2014 as of December 31, 2013. The current examination covered the intervening period ending December 31, 2018, and included a review of such 2019 and 2020 transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of affiliate companies domiciled in Illinois, New York, and Texas; with Wisconsin acting in the capacity as the lead state for the coordinated examination. Representatives of Illinois, New York, and Texas participated in the examination, and their work 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. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

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

Dairyland, a stock property and casualty company operating under ch. 611, Wis. Stat., is the successor to the Dairyland Mutual Insurance Company (Dairyland Mutual). Dairyland Mutual was incorporated on January 8, 1953, and commenced business on February 27, 1953. Dairyland Mutual was dissolved upon approval of the reorganization and issuance of a certificate of authority by this office to Dairyland. Accordingly, all assets and liabilities of the mutual company were transferred to Dairyland. Dairyland was incorporated on June 11, 1965, and commenced business on August 1, 1965.

Shares of the new corporation which were not purchased by the policyholders were purchased by Dairyland's founder and chief executive officer, Stuart H. Struck. In 1966, The Sentry Corporation, a wholly owned holding company subsidiary of Sentry Insurance a Mutual Company (Sentry Insurance), acquired majority control of Dairyland through the purchase of stock from Mr. Struck. The Sentry Corporation steadily increased its ownership interest until it became the sole shareholder in 1978. In 1986, ownership of Dairyland was transferred from The Sentry Corporation to Sentry Insurance, Dairyland' s current parent, as part of an effort to separate insurance operations from noninsurance operations.

In 2018, the company wrote direct premium in the following states:

South Carolina	$ 31,385,400	24.6%
Kansas	11,002,261	8.6
Kentucky	10,494,106	8.2
Maine	7,553,142	5.9
Connecticut	6,135,983	4.8
All others	61,142,014	47.9
Total	$127,712,906	100.0%

The company is licensed in all states except for California and New Jersey.

The following table is a summary of the net insurance premiums written by the company in 2018. 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
Fire	$	$ 6,296,626	$	$ 6,296,626
Allied lines		12,595,568		12,595,568
Homeowners multiple peril		30,508		30,508
Commercial multiple peril		1,461,145		1,461,145
Ocean marine		27,558		27,558
Inland marine		16,908,966		16,908,966
Earthquake		174,922		174,922
Group accident and health		2,207,723		2,207,723
Other accident and health		6,797		6,797
Workers' compensation		76,912,258		76,912,258
Other liability – occurrence		18,291,535		18,291,535
Other liability – claims made		609,087		609,087
Excess workers' compensation		528,365		528,365
Products liability – occurrence		6,257,942		6,257,942
Private passenger auto liability	93,914,320	185,671,136	146,719,672	132,865,785
Commercial auto liability		60,955,793		60,955,793
Auto physical damage	33,798,585	90,748,835	61,182,574	63,364,846
Fidelity		713,193		713,193
Surety		124,599		124,599
Burglary and theft		62,979		62,979
Reinsurance – non-proportional assumed liability		700		700
Total All Lines	$127,712,906	$480,586,237	$207,902,247	$400,396,896

The Sentry Insurance Group consists of 12 property and casualty insurance companies and three wholly owned life insurance subsidiaries. The property and casualty coverage is categorized into the following business units:

Business Unit	**Coverage**
National Accounts	Casualty lines for larger, sophisticated risks.
Direct Writer	Property, casualty, life and annuity products for a wide variety of dealers and manufacturing businesses. Previously broken into the Standard Business Product and Dealer Operations business units. Sold through 170 direct writing agents who sell exclusively for the Sentry Insurance Group.

Transportation	Commercial lines for trucking operations of all sizes, particularly auto and cargo in fleets of less than 1,000 power units. Sold primarily through independent agents and a small number of direct writers.
Regional	Commercial lines for small- and middle-market businesses. Currently operating in the Southeast, Midwest, Northeast, Pacific, and Northwest regions.
Hortica	Commercial lines for members of the horticulture industry. Sold through direct writers and independent agents.
Dairyland Auto	Personal auto coverage for non-traditional auto customers, typically on a short-term basis. Sold through independent agents and the Dairyland website and call center.
Dairyland Cycle	Personal coverage for motorcycle owners. Sold through independent agents and the Harley-Davidson website and call center.

Dairyland directly underwrites business in the Dairyland Auto and Dairyland Cycle business units. All direct and assumed business, net of cessions to third party reinsurers, is pooled with affiliates. The reinsurance pooling agreement is described in Section V of this report, titled “Reinsurance.”

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of five members who are elected annually. Each member is an officer of Sentry Insurance. Officers are elected at annual board meetings and are to hold those positions until the earlier of their resignation or removal by the board of directors. As inside directors, they receive no compensation specific to their service on the board.

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

Name and Residence	Principal Occupation	Term Expires
Kip J. Kobussen Plover, Wisconsin	Chief Legal and Compliance Officer Sentry Insurance a Mutual Company	2019
Jim E. McDonald Stevens Point, Wisconsin	Chief Investment Officer Sentry Insurance a Mutual Company	2019
Pete G. McPartland Stevens Point, Wisconsin	Chairman of the Board, President, Chief Executive Officer Sentry Insurance a Mutual Company	2019
Todd M. Schroeder Stevens Point, Wisconsin	Chief Financial Officer, President of Life and Annuities Sentry Insurance a Mutual Company	2019
Michael J. Williams Stevens Point, Wisconsin	Chief Actuary and Risk Officer Sentry Insurance a Mutual Company	2019

Officers of the Company

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

Name	Office	2018 Compensation*
Peter G. Anhalt	President	$344,492
Michael J. Williams	Vice President	58,576
Kip J. Kobussen	Secretary	32,096
Todd M. Schroeder	Treasurer	31,028

* Compensation included salary, bonus, and all other compensation. Compensation reported is the portion of the individual’s total compensation that is allocated to Sentry Insurance. Most officer’s compensation is allocated among several entities in the group.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. There were no committees appointed by the board at the time of the examination. The committees of the ultimate controlling party, Sentry Insurance, govern the company.

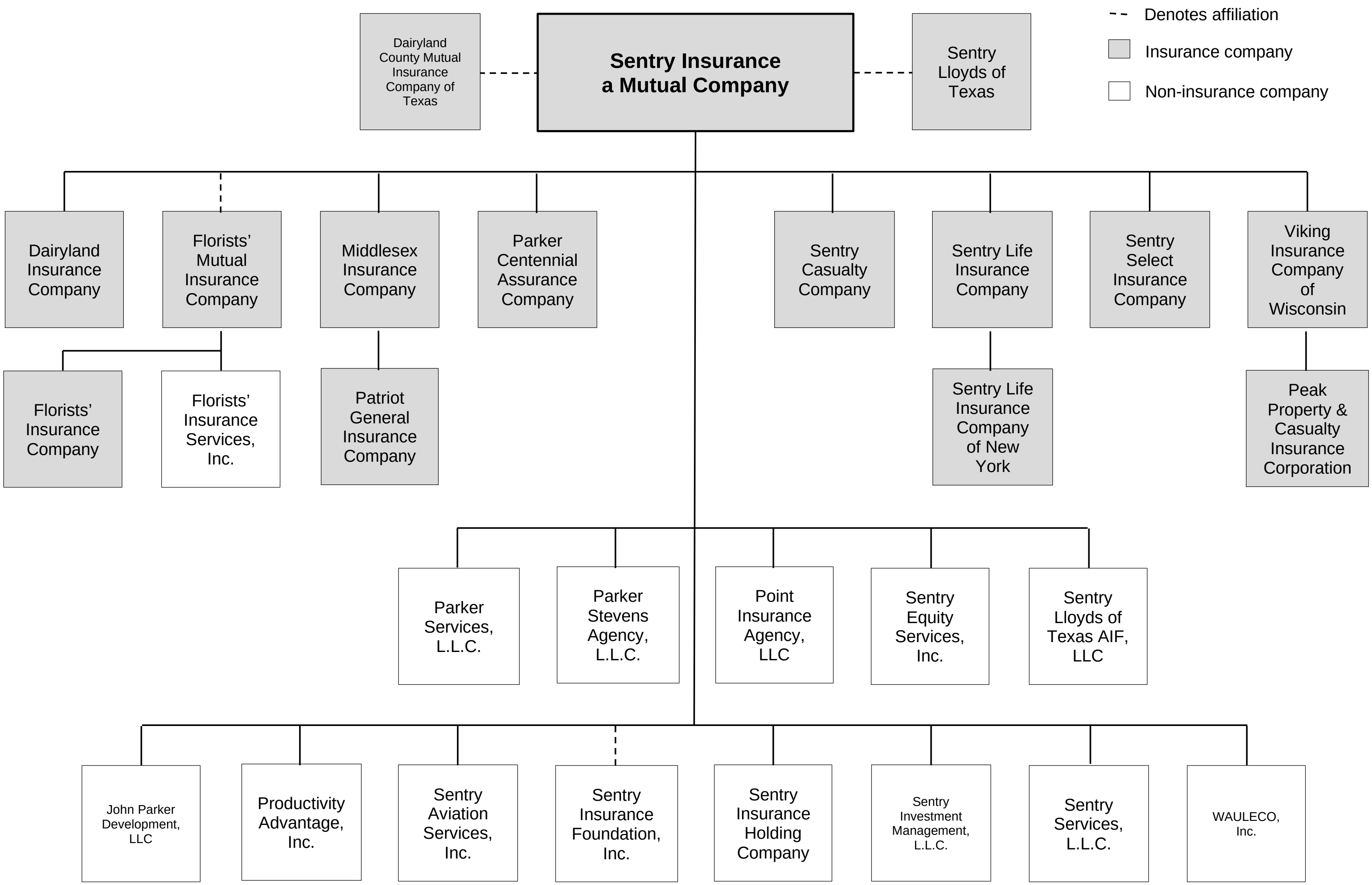
IV. AFFILIATED COMPANIES

Dairyland is a subsidiary of Sentry Insurance. Sentry Insurance is the ultimate parent of a holding company system (the Sentry Insurance Group). As of December 31, 2018, the Sentry Insurance Group consisted of 15 insurers and 14 noninsurance entities. Dairyland County Mutual Insurance Company of Texas and Sentry Lloyds of Texas are affiliated through common management, and Florists' Mutual Insurance Company is affiliated through a mutual affiliation agreement. A brief description of the entities that are directly affiliated with Dairyland, or have services or administration agreements with it, follows the organizational chart. An examination report of Sentry Insurance a Mutual Company performed concurrently with this report includes a description of all affiliates in the holding company.

On July 7, 2019, Sentry Insurance incorporated a new company, Dairyland National Insurance Company (Dairyland National). It is not presented on the organizational chart below due to being formed and operating entirely outside of the examination period.

On November 14, 2019, the Sentry Insurance board passed a resolution to reorganize the Sentry Insurance Group into a mutual holding structure, pursuant to s. 644.07 (2), Wis. Stat. As part of the proposed reorganization, Sentry Insurance will form two new holding company entities: a mutual holding company, Sentry Mutual Holding Company (Sentry Mutual) and a wholly owned subsidiary of Sentry Mutual, Sentry Holdings, Inc. Sentry Insurance would then convert to a stock insurance company under the new name Sentry Insurance Company. The proposed reorganization was subject to the approval of the Office of the Commissioner of Insurance (OCI) and policyholders as required by ss. 644.07 (7) and 644 (8), Wis. Stat.

On November 20, 2019, Sentry Insurance submitted documents to OCI proposing the restructuring of the Sentry Insurance Group as a mutual insurance holding company structure. OCI is reviewing the proposed transaction. The mutual holding structure conversion is not presented on the organizational chart below due to being submitted after the examination period and not yet being approved by OCI.


Dairyland County Mutual Insurance Company of Texas
Sentry Insurance a Mutual Company
Sentry Lloyds of Texas
Denotes affiliation
Insurance company
Non-insurance company
Dairyland Insurance Company
Florists' Mutual Insurance Company
Middlesex Insurance Company
Parker Centennial Assurance Company
Sentry Casualty Company
Sentry Life Insurance Company
Sentry Select Insurance Company
Viking Insurance Company of Wisconsin
Florists' Insurance Company
Florists' Insurance Services, Inc.
Patriot General Insurance Company
Sentry Life Insurance Company of New York
Peak Property & Casualty Insurance Corporation
Parker Services, L.L.C.
Parker Stevens Agency, L.L.C.
Point Insurance Agency, LLC
Sentry Equity Services, Inc.
Sentry Lloyds of Texas AIF, LLC
John Parker Development, LLC
Productivity Advantage, Inc.
Sentry Aviation Services, Inc.
Sentry Insurance Foundation, Inc.
Sentry Insurance Holding Company
Sentry Investment Management, L.L.C.
Sentry Services, L.L.C.
WAULECO, Inc.

Insurance Subsidiaries and Affiliates

Sentry Insurance a Mutual Company

Sentry Insurance a Mutual Company (Sentry Insurance) is the parent company of the Sentry Insurance Group and owns all the issued and outstanding stock of Dairyland. Sentry Insurance is licensed in all 50 states, the District of Columbia, Puerto Rico, and Canada. On its direct business, Sentry Insurance writes business in the National Accounts, Direct Writer, Regional, and Dairyland Auto business units. As of December 31, 2018, the statutory basis audited financial statements of Sentry Insurance reported assets of $8,669,418,968, liabilities of $3,252,632,840, surplus of $5,416,786,128, and net income of $237,604,036. Sentry Insurance was examined concurrently with Dairyland as of December 31, 2018, and the results of that examination are expressed in a separate report.

Dairyland County Mutual Insurance Company of Texas

Dairyland County Mutual Insurance Company of Texas (Dairyland County) is a Texas county mutual insurer organized on May 27, 1946. It is licensed only in the state of Texas and specializes exclusively in nonstandard auto and motorcycle insurance. As a mutual company, Dairyland County is owned by its policyholders. Dairyland County is affiliated with Sentry Insurance through common management and control as well as certain management service agreements. Dairyland County cedes 100% of its direct written premium to Dairyland Insurance Company. Effective June 30, 2011, Viking County Mutual Insurance Company merged into Dairyland County. As of December 31, 2018, the statutory basis audited financial statements of Dairyland County reported assets of $22,710,321, liabilities of $10,156,914, policyholders' surplus of $12,553,407, and net income of $18,399. Dairyland County was examined concurrently with Dairyland as of December 31, 2018, and the results of that examination are expressed in a separate report issued by the Texas Department of Insurance.

Noninsurance Subsidiaries and Affiliates

Sentry Investment Management, L.L.C.

Sentry Investment Management, L.L.C. (SIML), a Delaware corporation organized on June 13, 1969, manages the investment portfolios of Sentry Insurance and its affiliates, subject to the direction of their respective boards of directors. In 2007, the corporation changed its status to a limited liability corporation. As of December 31, 2018, SIML's unaudited financial statements reported assets of $200,945, liabilities of $59,345, and stockholder's equity of $141,600. Operations for 2018 produced no net income or loss. SIML is a wholly owned subsidiary of Sentry Insurance.

Affiliated Agreements

Dairyland has no employees of its own and all of its operations are conducted by employees of its parent organization, Sentry Insurance, in accordance with the business practices and internal controls of that organization. In addition to ongoing common management and control by this upstream affiliate, the company's operations are affected by various written agreements with Sentry Insurance Group affiliates. Reinsurance agreements are described in Section V of the report titled "Reinsurance." A summary of the other agreements and undertakings follows.

Investment Advisory Agreement

Effective October 31, 1991, Sentry Insurance and certain named affiliates entered into an investment advisory agreement with Sentry Investment Management, L.L.C. This contract was amended and restated as of January 1, 2008, and as of September 12, 2011. Under this agreement, SIML is employed to manage and direct the investment and reinvestment of the assets of Sentry Insurance and certain named affiliates, subject to the control of those companies' board of directors. SIML agrees to comply with the companies' articles, bylaws, investment policies, and all applicable federal or state laws. SIML charges the companies a monthly fee computed as follows, annually not to exceed on average 25 basis points of the cash and invested assets reported on the companies' statutory annual statements:

One-twelfth (1/12) of an amount equal to the sum of (a), (b), and (c)

(a) Common stocks, excluding those of affiliates:
0.50% ($5.00 per $1,000) of market value;

(b) Bonds and preferred stocks, excluding those of affiliates:
0.15% ($1.50 per $1,000) of market value; and

(c) All other assets, excluding those of affiliates:
0.75% ($7.50 per $1,000) of market value

In addition, for any investment advisory services provided by SIML at the request of the companies, SIML is to be reimbursed for the actual costs of rendering such services. Settlements are to be made within 60 days of the end of the month.

The contract may be terminated by any of the parties with 60 days' written notice.

Joint Investment Agreement

Effective October 1, 1996, the company entered into an amended and restated joint investment agreement with various affiliates to establish the Sentry Liquid Asset Partnership (SLAP), a joint venture organized pursuant to the Wisconsin Uniform Partnership Act. This agreement has been amended and restated to add or delete companies as needed. Sentry Insurance is designated as the managing partner, though the agreement permits a change by a majority decision of the participants. A participant may withdraw from the joint venture upon the delivery of a written notice to the managing partner. The joint venture shall dissolve at such time as only one participant remains in the joint venture. The terms of this agreement are continuous; however, all parties to the agreement are required to review and negotiate the agreement no less than once every three years.

The business of the joint venture consists of investing and reinvesting funds contributed by the members in short-term obligations of banks, corporations, and the U.S. federal government with a maximum duration of 12 months. It functions in a manner analogous to a short-term bond mutual fund. Investment advisory services are provided by Sentry Investment Management, L.L.C. This office has directed all Wisconsin-domiciled Sentry companies to report their respective balances in SLAP as a one-line entry on Schedule DA – Part 1 (Short-Term Investments) and Schedule E – Part 2 (Cash Equivalents). In 2018, Dairyland reported no SLAP short-term investments and $6,619,043 in SLAP money market mutual funds. Dairyland received $96,717 interest from the SLAP money market mutual funds.

Tax Allocation Agreement

On February 22, 1983, the Sentry Insurance board of directors adopted a written federal income tax allocation policy for the purpose of filing federal income tax returns on a consolidated basis. This agreement has been amended and restated to add or delete companies as needed. The latest amended and restated agreement is effective March 1, 2009, and was amended to comply with requirements of the New York Circular Letter 1979-33 (relates to tax allocation agreements of New York-domestic insurers) because Sentry Life Insurance Company of New York is a party to this agreement. Under this agreement, Sentry Insurance prepares and files a consolidated U.S. federal income tax return that includes all affiliates of the holding company group. The agreement sets forth the rights and obligations of the parties to the agreement with respect to the determination and settlement of federal income tax liabilities, as well as the allocation of Sentry Insurance Group's consolidated U.S. federal income tax liability and tax benefits in accordance with a rational, systematic formula. The agreement provides for computation of tax, settlement of balances between affiliates, tax sharing, filing the return, audits and other adjustments, and other administrative requirements. The agreement calls for the settling of estimated U.S. federal tax payments within 45 days of filing of those payments. Final settlement is due within 45 days of the filing of the consolidated U.S. federal tax return. The agreement has a provision for members entering or departing the group and provides for successors.

General Expense Allocation Agreement

In 1993, the insurance companies of the Sentry Insurance Group entered into a written general expense allocation agreement. The agreement formalized the parties' consent to an accounting allocation process that had been in place since 1982. This agreement has been amended and restated to add or delete companies as needed. Under the agreed procedure, expenses are first grouped and assigned to cost pools, each of which is distinguished by one or more of four characteristics, including activity, location, profit center, and division. Expenses, once assigned to cost pools, are then allocated to specific insurance products. An expense is not assigned to a specific legal entity until after it is coded to a cost pool and then to a specific product, unless the destination (profit center, line of business, or legal entity) is known when the expense is originally recorded. Allocation at each phase of this process, outlined here in simplified form, is based on specific identification, utilization estimates developed from such criteria as premium or claim volume, time studies, or other rational means of distribution.

Intercompany Settlement Policy

The intercompany settlement policy between Sentry Insurance and its affiliates was last amended and restated effective July 1, 2014. This agreement has been amended and restated several times to add or delete companies as necessary. According to the terms of this agreement, Sentry Insurance's cash management department settles intercompany balances, in SLAP where possible, based on policies and procedures listed in the agreement for monthly and annual settlements. Other settlements under the agreement include reinsurance balances, which are to be settled according to the terms contained in the reinsurance agreements, and income tax related balances, which are to be settled in accordance with the terms outlined in the intercompany tax allocation agreement mentioned previously. There is also a clause that establishes procedures for those parties that do not have adequate funds available to settle intercompany debt.

Marketing Agreement

Sentry Insurance entered into a marketing agreement with Parker Services, L.L.C., effective January 1, 2002. Under this agreement, Sentry Insurance has nonexclusive rights to market services provided by Parker Services in conjunction with the marketing of its casualty insurance products and services. Services provided to customers by Parker Services were discussed earlier in this section of the report. Sentry Insurance shall pay a monthly royalty fee to Parker Services of $10,000 for use of Parker Services' name, trademarks, service marks, and logos as part of the marketing services provided by Sentry Insurance under this contract. This agreement may be terminated by Sentry Insurance or Parker Services upon 30 days' written notice.

Premium Collection Agreement

Effective August 23, 2002, the company entered into an amended and restated premium collection agreement with various affiliates. This agreement has been amended and restated to add companies as needed. According to this contract, Sentry Insurance is to provide the companies with premium collection services for their nonstandard automobile insurance business, which includes depositing the collected premium in bank accounts of each of the parties to the agreement within two business days of receipt of those premiums. Sentry Insurance does not charge a direct fee for providing such services. Sentry Insurance may terminate the agreement and the affiliates may withdraw from the agreement upon 30 days' written notice.

Intercompany Servicing Agreement

Sentry Insurance has established an intercompany servicing agreement with Dairyland effective March 1, 1980, which has been amended and restated several times with the latest amendment effective December 31, 2004. Under this agreement, Sentry Insurance is to provide essentially all services required for Dairyland's business operations. Expenses relating to the services provided under this agreement are to be allocated to the company by Sentry Insurance through the general expense allocation agreement (described earlier in this section of the report). Services may be terminated by either party by 30 days' written notice or at any time by mutual consent.

V. REINSURANCE

The company's reinsurance portfolio and strategy are described below. The company had numerous active and inactive ceded and assumed reinsurance treaties and arrangements in force at the time of this examination. All contracts reviewed by examiners contained proper insolvency provisions. Certain property and casualty companies in the Sentry Insurance Group participate in a few voluntary and involuntary reinsurance arrangements, serving predominantly the auto and workers' compensation markets, administered by individual states or by national organizations. The largest assuming reinsurance agreements are from the National Workers Compensation Reinsurance Association and Commonwealth Automobile Reinsurers (Massachusetts). The ceding reinsurance agreements are to a variety of state mine subsidence, catastrophic auto, and workers' compensation funds. A review of these arrangements indicated that all contracts have provisions deemed appropriate by the governmental authorities that establish and administer them. Significant treaties and arrangements are summarized as follows:

Affiliated Property and Casualty Pooling Agreement

Dairyland participates in a pooling arrangement with certain of its property and casualty affiliates. The pool participants cede 100% of their direct and assumed premiums, losses, loss adjustment expenses, and underwriting expenses, net of all cessions to nonaffiliated parties, to Sentry Insurance. The net pooled business is then distributed according to the participations listed below. Income and expenses related to investment operations are not included in pooling.

Dairyland, Middlesex Insurance Company (Middlesex), Sentry Select Insurance Company (Sentry Select), Viking Insurance Company of Wisconsin (Viking), Sentry Casualty Company (Sentry Casualty), and Florists' Mutual Insurance Company (Florists' Mutual) are direct co-parties to the automatic nonaffiliated ceding reinsurance agreements of Sentry Insurance, along with Sentry Insurance's other U.S.-domiciled property and casualty affiliates. Sentry Insurance administers all aspects of the pooled business, including placement of reinsurance with nonaffiliated insurers. Reinsurance with nonaffiliated parties is transacted in the names of Sentry Insurance and other property and casualty affiliates, each for its own direct and assumed business, prior to pooling. After nonaffiliated cessions are made, the net business of each participant is pooled, and the net retained business of Sentry Insurance, Dairyland, Middlesex, Sentry Select, Viking, Sentry Casualty, and Florists' Mutual is derived from the pool. Additional terms of the pool are outlined below:

Participations: As of January 1, 2019, participation was as follows:

Participating Company	Allocation
Sentry Insurance a Mutual Company	54.0%
Dairyland Insurance Company	17.5
Middlesex Insurance Company	10.0
Sentry Select Insurance Company	10.0
Viking Insurance Company of Wisconsin	5.0
Sentry Casualty Company	2.5
Florists' Mutual Insurance Company	1.0
Total Sentry Group Pool	100.0%

Lines covered: All lines of property and casualty business written by the participants.

Items included: Premiums written and earned, losses, loss adjustment expenses, underwriting expenses, salvage and subrogation recoveries, assessments, taxes, and policyholder dividends.

Effective: December 31, 2003, (amended and restated) as amended effective January 1, 2006, January 1, 2007, January 1, 2012, and July 1, 2015.

Termination: Termination of any party's participation, or the entire agreement, may be accomplished by any party for any reason upon 12 months' prior written notice to the other parties.

Affiliated Assuming Contracts

In addition to the pooling agreement above, Dairyland has a 100% quota share agreements with its affiliate, Dairyland County.

1. Type: 100% Quota Share

   Reinsured: Dairyland County Mutual Insurance Company of Texas

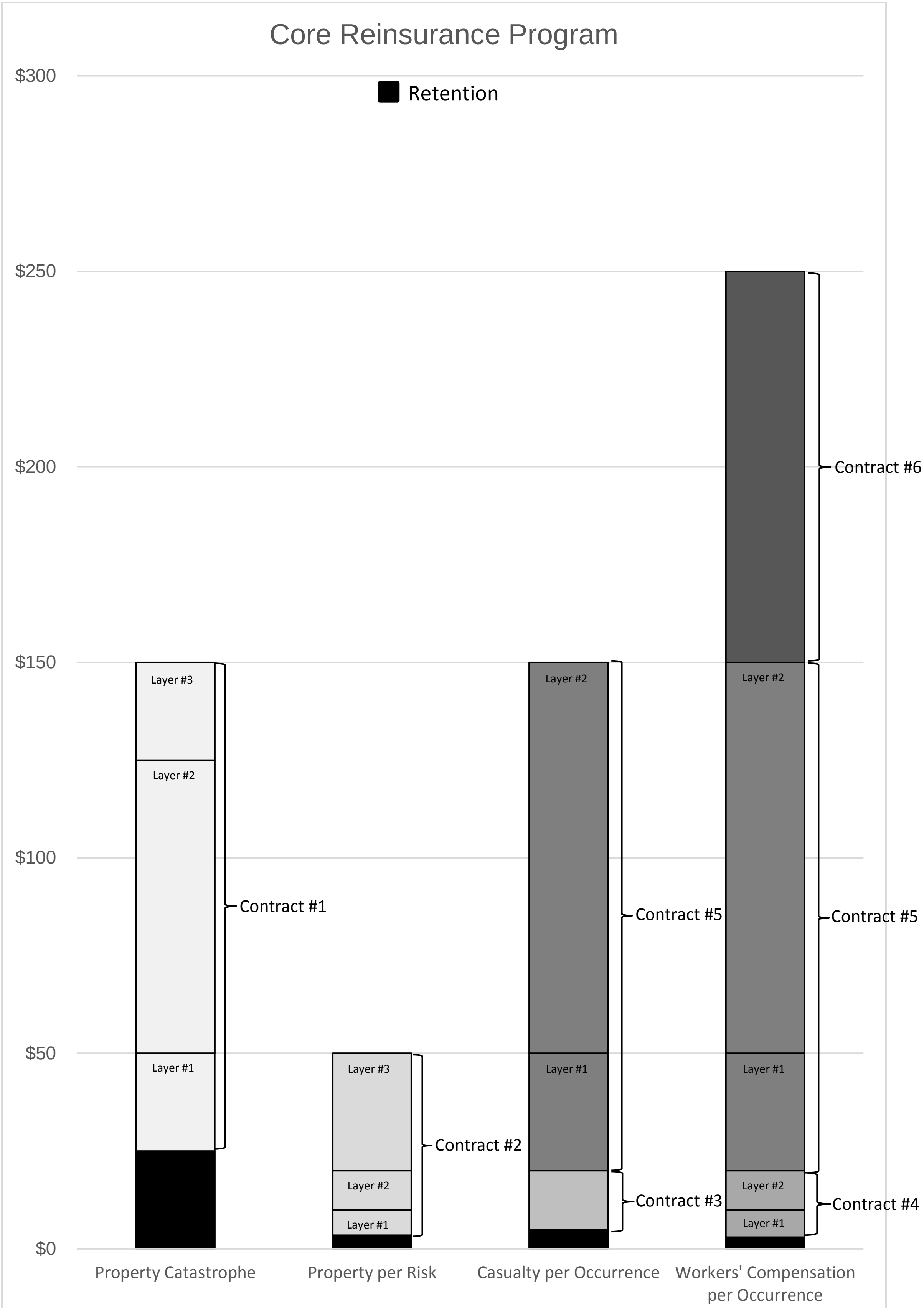
   Scope: All business written and assumed by the reinsured. The contract specifically excludes coverage for reinsurance assumed by the reinsured.

   Retention: None

Coverage:	100% of losses, loss adjustment expenses, and any or all other expenses incurred by or assessed against the reinsured arising from business covered by this treaty.
Premium:	100% of all premiums on business ceded pursuant to this treaty.
Ceding commission:	Reinsured is allowed a commission of 2% of all premium ceded pursuant to this treaty. The reinsurer will also reimburse the reinsured for expenses described in Articles I and II of the "Services Agreement" between the reinsurer and reinsured, which is outlined in section IV of this examination report.
Effective date:	January 16, 1970. Effective January 9, 1996, is continuous for a five-year term, which thereafter automatically renews for a successive five-year term.
Termination:	Either party may terminate this agreement at the end of a five-year renewal term by giving 12 months' written notice. Termination may be affected by the reinsurer with 15-day written notice in the event the reinsured defaults on payment of premium due.

Nonaffiliated Ceding Contracts

The major nonaffiliated ceding contracts including a core reinsurance structure to cover most risk exposure are described below. A chart included on the next page summarizes the core reinsurance program for the Sentry Insurance Group. (Dollar amounts are in millions.)


Core Reinsurance Program
Retention
$300
$250
$200
$150
$100
$50
$0
Layer #3
Layer #2
Layer #1
Contract #1
Layer #3
Layer #2
Layer #1
Contract #2
Layer #2
Layer #1
Contract #5
Contract #3
Layer #2
Layer #1
Contract #6
Contract #5
Layer #2
Layer #1
Contract #4
Property Catastrophe
Property per Risk
Casualty per Occurrence
Workers' Compensation per Occurrence

1. Type: Property Catastrophe Excess of Loss

Reinsurer: The brokered reinsurers, and their respective participation by layer, include the following.

Subscribing Reinsurer	Layer 1	Layer 2	Layer 3
Allied World Assurance Company, Ltd.	0.00%	4.00%	0.00%
Ariel Re BDA Limited	5.00	5.00	0.00
Aspen Bermuda, Limited	10.00	10.00	0.00
China Property & Casualty Reinsurance Company Limited	4.00	3.00	0.00
Dual Commercial LLC	2.00	2.00	0.00
Employers Mutual Casualty Company	2.25	2.25	0.00
Fidelis Insurance Bermuda Limited	2.00	5.00	0.00
Hannover Re (Bermuda), Ltd.	10.00	10.00	0.00
Mapfre Re Compania De Reaseguros SA	8.00	8.00	0.00
MS Amlin AG Bermuda Branch	2.00	6.00	0.00
Odyssey Reinsurance Company	3.50	3.50	0.00
Quatar Reinsurance Company Limited	4.00	3.00	0.00
QBE Reinsurance Corporation	7.50	7.50	0.00
R+V Versicherung	5.00	5.00	0.00
Underwriters at Lloyd's, London	34.75	25.75	100.00
Total Subscribing Reinsurers	100.00%	100.00%	100.00%

Scope: Property business with certain named exclusions

Retention: Retention is $25 million for the first excess layer, $50 million for the second excess layer, and $125 million for the third excess layer.

Coverage (in millions): The contract provides the following coverage.

Coverage Type	Layer 1	Layer 2	Layer 3
Per Loss Occurrence	$25	$ 75	$25
Term Limit	50	150	50

Commissions: None

Effective date: January 1, 2019, through January 1, 2020

Termination: The company may terminate the agreement on a cut-off basis by giving the reinsurer 10 calendar days prior written notice in the event of circumstances listed in the Special Termination article.

2. Type: Property Per Risk Excess of Loss

Reinsurer: The brokered reinsurers, and their respective participation by layer, include the following.

Subscribing Reinsurer	Layer 1*	Layer 2	Layer 3
Arch Reinsurance Company	0.0%	0.0%	12.5%
Ariel Re BDA Limited	3.0	3.0	3.0
Aspen Insurance UK Limited	7.5	16.0	10.0
Dual Commercial LLC	0.0	10.0	2.5
Employers Mutual Casualty Company	2.5	5.0	5.0
Fidelis Insurance Bermuda Limited	0.0	1.5	0.0
General Reinsurance Corporation (Direct)	0.0	0.0	50.0
General Reinsurance Corporation	0.0	3.0	0.0
Hannover Ruck SE	30.0	22.5	17.0
Munich Reinsurance Americas, Inc.	12.5	12.5	0.0
Mutual Reinsurance Bureau	22.0	14.0	0.0
Odyssey Reinsurance Company	0.0	7.0	0.0
Partner Reinsurance Company of the U.S.	2.5	2.5	0.0
Transatlantic Reinsurance Company	0.0	3.0	0.0
Total Subscribing Reinsurers	80.0%	100.0%	100.0%

* Sentry Insurance has retained 20% of the first excess layer as a copay.

Scope: Property business with certain named exclusions.

Retention: Retention is $3.5 million for the first excess layer, $10 million for the second excess layer, and $20 million for the third excess layer.

Coverage (in millions): The contract provides the following coverage.

Coverage Type	Layer 1	Layer 2	Layer 3
Per Risk Limit	$ 6.5	$10.0	$30.0
Per Loss Occurrence	13.0	10.0	30.0
Term Limit	N/A	20.0	60.0
Term Limit – Terrorism	6.5	10.0	30.0

Commissions: None

Effective date: January 1, 2019, through January 1, 2020

Termination: The company may terminate this agreement on a cut-off basis by giving the reinsurer written notice in the event of circumstances listed in the Special Termination article.

3. Type: Casualty Excess of Loss

Reinsurer: The brokered reinsurers, and their respective participation by layer, include the following.

Subscribing Reinsurer	Allocation
Allied World Insurance Company	7.5%
Brit Global Specialty USA	2.5
General Reinsurance Corporation	6.5
Hannover Ruck SE	20.0
Mutual Reinsurance America, Inc.	22.5
Mutual Reinsurance Bureau	18.5
Partner Reinsurance Company of the U.S.	2.5
QBE Reinsurance Corporation	2.5
Transatlantic Reinsurance Company	7.5
Underwriters at Lloyd's, London	10.0
Total Subscribing Reinsurers	100.0%

Scope: Casualty business

Retention: Retention is $5 million.

Coverage (in millions): The contract provides the following coverage.

Coverage Type	Amount
Per Loss Occurrence	$15
Term Limit	75
Term Limit – Terrorism	15

Commissions: None

Effective date: January 1, 2019, through January 1, 2020

Termination: The company may terminate this agreement on a cut-off basis by giving the reinsurer written notice in the event of circumstances listed in the Special Termination article.

4. Type: Workers' Compensation Excess of Loss

Reinsurer: The brokered reinsurers, and their respective participation by layer, include the following.

Subscribing Reinsurer	Layer 1	Layer 2
Brit Global Specialty USA	0.0%	5.0%
Hannover Ruck SE	22.5	22.5
Mutual Reinsurance Bureau	10.0	10.0
Partner Reinsurance Company of the U.S.	0.0	10.0
QBE Reinsurance Corporation	10.0	0.0
Safety National Casualty Corporation	20.0	17.0
Transatlantic Reinsurance Company	20.0	14.0
Underwriters at Lloyds, London	17.5	21.5
Total Subscribing Reinsurers	100.0%	100.0%

Scope: Workers' compensation, including employers' liability

Retention: Retention is $3 million for the first excess layer and $5 million for the second excess layer.

Coverage: The contract provides the following coverage.

Coverage Type	Layer 1	Layer 2
Per Occurrence Limit	$2	$ 5
Term Limit	Unlimited	15
Term Limit – Runoff	Unlimited	20
Term Limit – Terrorism	2	5
Term Limit – Runoff & Terrorism	4	10

Commissions: None

Effective date: January 1, 2019, through January 1, 2020

Termination: The company may terminate this agreement on a cut-off basis by giving the reinsurer written notice in the event of circumstances listed in the Special Termination article.

5. Type: Multiple Line Clash and Contingency Excess of Loss

Reinsurer: The brokered reinsurers, and their respective participation by layer, include the following.

Subscribing Reinsurer	Layer 1	Layer 2
BGS Services (Bermuda) Limited	4.25%	4.00%
Brit Global Specialty USA	2.50	0.00
General Reinsurance Corporation	4.92	0.00
Hannover Ruck SE	20.00	10.00
Tokio Millennium RE AG, Bermuda Branch	0.00	5.00
Transatlantic Reinsurance Company	10.00	0.00
Underwriters at Lloyd's, London	58.33	81.00
Total Subscribing Reinsurers	100.00%	100.00%

Scope: All property and casualty business

Retention: Retention is $20 million for the first excess layer and $50 million for the second excess layer.

Coverage (in millions): The contract provides the following coverage.

Coverage Type	Layer 1	Layer 2
Per Event Limit	$30	$100
Term Limit	60	200
Term Limit – Terrorism	30	100

Commissions: None

Effective date: January 1, 2019, through January 1, 2020

Termination: The company may terminate this agreement on a cut-off basis by giving the reinsurer written notice in the event of circumstances listed in the Special Termination article.

6. Type: Workers' Compensation Catastrophe Excess of Loss

Reinsurer: The brokered reinsurers, and their respective participation by layer, include the following.

Subscribing Reinsurer	Allocation
Allied World Insurance Company	6.00%
BGS Services (Bermuda) Limited	3.00
Hannover RE (Bermuda) Ltd.	5.00
IOA RE, Inc.	3.00
Munich Reinsurance America, Inc.	10.00
Odyssey Reinsurance Company	2.00
Tokio Millennium RE AG, Bermuda Branch	3.75
Underwriters at Lloyd's, London	67.25
Total Subscribing Reinsurers	100.00%

Scope: Workers' compensation, including employers' liability

Retention: Retention is $150 million.

Coverage (in millions): The contract provides the following coverage.

Coverage Type	Amount
Per Occurrence Limit	$100
Term Limit – All Occurrences	200
Term Limit – Terrorism	100

Commissions: None

Effective date: January 1, 2019, through January 1, 2020

Termination: The company may terminate this agreement on a cut-off basis by giving the reinsurer written notice in the event of circumstances listed in the Special Termination article.

Nonaffiliated Assuming Contracts

Sentry Insurance ceased all assumption activities with nonaffiliated companies prior to 1986. There are, however, reinsurance assumed treaties in runoff. Many of these contracts were originally entered into by affiliates and were assumed by the company during its efforts to consolidate its holding company system. The reinsurance assumed treaties in runoff have a broad range of underlying risks, including risks located overseas. Types of contracts include catastrophe, excess of loss, pro rata, and facultative. Assumed reinsurance long-tail exposures tend to be environmental and asbestos, and medium-tail risks such as general liability, auto liability, and workers' compensation. One difficulty encountered with respect to international exposures is that the laws of some of the countries in which risks are located do not allow for complete release of the responsible parties, so claims can remain open for periods much longer than typical in the United States or can be reopened many years after the settlement is believed to have been final.

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, 2018, 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.

Dairyland Insurance Company
Assets
As of December 31, 2018

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$1,079,727,282	$	$1,079,727,282
Stocks:			
Preferred stocks			
Common stocks	4,308,852		4,308,852
Cash, cash equivalents, and short-term investments	6,619,043		6,619,043
Other invested assets	63,424,921		63,424,921
Receivables for securities	3,233		3,233
Investment income due and accrued	8,914,352		8,914,352
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	75,460,020	318,743	75,141,277
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	104,792,723	167,778	104,624,945
Accrued retrospective premiums and contracts subject to redetermination	27,939,224	1,195,153	26,744,071
Reinsurance:			
Amounts recoverable from reinsurers	23,783,296		23,783,296
Net deferred tax asset	14,710,766		14,710,766
Guaranty funds receivable or on deposit	215,377		215,377
Receivable from parent, subsidiaries, and affiliates	908,454		908,454
Write-ins for other than invested assets:			
Cash surrender value of life insurance	6,292,743		6,292,743
Amounts billed & receivable under high deductible policies	6,266,452	56,355	6,210,097
Prepaid surcharges	667,513		667,513
Miscellaneous A/R	100,000		100,000
Guaranty fund surcharges receivable	7,320		7,320
Prepaid expenses	12,409	12,409	
Total Assets	$1,424,153,980	$1,750,439	$1,422,403,541

Dairyland Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2018

Losses		$ 490,301,713
Reinsurance payable on paid loss and loss adjustment expenses		51,735,545
Loss adjustment expenses		115,256,798
Commissions payable, contingent commissions, and other similar charges		8,278,308
Other expenses (excluding taxes, licenses, and fees)		62,349,923
Taxes, licenses, and fees (excluding federal and foreign income taxes)		3,583,402
Current federal and foreign income taxes		1,236,105
Unearned premiums		183,617,464
Advance premium		1,305,302
Dividends declared and unpaid:		
Policyholders		1,779,169
Ceded reinsurance premiums payable (net of ceding commissions)		25,649,380
Amounts withheld or retained by company for account of others		1,955,312
Remittances and items not allocated		9,754
Write-ins for liabilities:		
A/P - other		2,517,351
Escheat funds		1,509,102
Premium deficiency liability assumed		1,207,500
Recoverable on retro reinsurance contract		(519,631)
Total Liabilities		951,772,496
Common capital stock	$ 4,012,000	
Gross paid in and contributed surplus	12,466,221	
Unassigned funds (surplus)	454,152,824	
Surplus as Regards Policyholders		470,631,045
Total Liabilities and Surplus		$1,422,403,541

Dairyland Insurance Company
Summary of Operations
For the Year 2018

Underwriting Income		
Premiums earned		$389,611,359
Deductions:		
Losses incurred	$241,252,300	
Loss adjustment expenses incurred	50,639,827	
Other underwriting expenses incurred	115,804,544	
Write-ins for underwriting deductions:		
Change in premium deficiency	157,500	
Total underwriting deductions		407,854,171
Net underwriting gain (loss)		(18,242,812)
Investment Income		
Net investment income earned	45,301,080	
Net realized capital gains (losses)	(2,196,413)	
Net investment gain (loss)		43,104,667
Other Income		
Net gain (loss) from agents' or premium balances charged off	(4,686,281)	
Finance and service charges not included in premiums	9,599,281	
Write-ins for miscellaneous income:		
Miscellaneous income	292,675	
Total other income		5,205,676
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		30,067,531
Dividends to policyholders		1,246,921
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		28,820,610
Federal and foreign income taxes incurred		6,342,756
Net Income		$ 22,477,854

Dairyland Insurance Company
Cash Flow
For the Year 2018

Premiums collected net of reinsurance			$391,078,451
Net investment income			50,178,246
Miscellaneous income			5,205,676
Total			446,462,373
Benefit- and loss-related payments		$217,387,052	
Commissions, expenses paid, and aggregate write-ins for deductions		156,017,453	
Dividends paid to policyholders		1,176,993	
Federal and foreign income taxes paid		9,636,559	
Total deductions			384,218,057
Net cash from operations			62,244,317
Proceeds from investments sold, matured, or repaid:			
Bonds	$274,972,864		
Stocks	906,258		
Other invested assets	6,872,493		
Miscellaneous proceeds	210		
Total investment proceeds		282,751,826	
Cost of investments acquired (long-term only):			
Bonds	327,193,639		
Stocks	1,008,645		
Other invested assets	655,048		
Miscellaneous applications	22,369,688		
Total investments acquired		351,227,019	
Net cash from investments			(68,475,194)
Cash from financing and miscellaneous sources:			
Dividends to stockholders		847,683	
Other cash provided (applied)		(1,775,734)	
Net cash from financing and miscellaneous sources			(2,623,417)
Reconciliation:			
Net Change in Cash, Cash Equivalents, and Short-Term Investments			(8,854,294)
Cash, cash equivalents, and short-term investments:			
Beginning of year			15,473,337
End of Year			$ 6,619,043

Dairyland Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2018

Assets			$1,422,403,541
Less liabilities			951,772,496
Adjusted surplus			470,631,045
Annual premium:			
Individual accident and health	$ 6,797		
Factor	15%		
Total		$ 1,020	
Group accident and health	2,207,723		
Factor	10%		
Total		220,772	
Lines other than accident and health	396,953,287		
Factor	20%		
Total		79,390,657	
Compulsory surplus (subject to a minimum of $2 million)			79,612,449
Compulsory Surplus Excess (Deficit)			$ 391,018,596
Adjusted surplus (from above)			$470,631,045
Security surplus (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum factor of 110%)			102,700,059
Security Surplus Excess (Deficit)			$ 367,930,986

Dairyland Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2018

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

	2018	2017	2016	2015	2014
Surplus, beginning of year	$477,005,327	$475,430,631	$482,015,470	$485,254,904	$471,664,326
Net income	22,477,854	29,403,203	24,103,739	29,302,330	34,838,892
Net transfers (to) from protected cell accounts					
Change in net unrealized capital gains/losses	1,017,986	409,069	256,711	(141,051)	3,427,321
Change in net unrealized foreign exchange capital gains/losses	(177,634)	185,029	47,865	(331,784)	(166,072)
Change in net deferred income tax	2,294,770	(3,908,726)	1,087,876	(5,264,324)	(35,026)
Change in nonadmitted assets	(487,257)	486,120	418,971	619,460	101,331
Change in provision for reinsurance				75,933	(75,869)
Dividends to stockholders	(31,500,000)	(25,000,000)	(32,500,000)	(27,500,000)	(24,500,000)
Surplus, End of Year	$470,631,045	$477,005,327	$475,430,631	$482,015,470	$485,254,904

Dairyland Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2018

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. There were no unusual results.

	Ratio	2018	2017	2016	2015	2014
#1	Gross Premium to Surplus	129%	119%	115%	111%	111%
#2	Net Premium to Surplus	85	77	74	68	65
#3	Change in Net Premiums Written	9	5	7	3	-0
#4	Surplus Aid to Surplus	0	0	0	0	0
#5	Two-Year Overall Operating Ratio	89	89	89	88	89
#6	Investment Yield	4.0	5.2	3.9	4	3.8
#7	Gross Change in Surplus	-1	0	-1	-1	3
#8	Change in Adjusted Surplus	-1	0	-1	-1	3
#9	Liabilities to Liquid Assets	77	75	69	68	67
#10	Agents' Balances to Surplus	16	13	3	4	4
#11	One-Year Reserve Development to Surplus	-1	-1	-1	-3	-3
#12	Two-Year Reserve Development to Surplus	-1	-3	-3	-4	-4
#13	Estimated Current Reserve Deficiency to Surplus	2	2	-1	-10	-2

Growth of Dairyland Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2018	$1,422,403,541	$951,772,496	$470,631,045	$22,477,854
2017	1,400,655,254	923,649,927	477,005,327	29,403,203
2016	1,272,807,050	797,376,419	475,430,631	24,103,739
2015	1,239,562,858	757,547,389	482,015,470	29,302,330
2014	1,194,949,208	709,694,304	485,254,904	34,838,892
2013	1,163,189,493	691,525,167	471,664,326	25,576,277

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2018	$608,299,142	$400,396,896	$389,611,359	74.9%	27.7%	102.6%
2017	568,589,632	368,914,654	362,823,528	74.8	28.6	103.4
2016	546,109,127	352,186,434	344,004,130	73.9	28.2	102.1
2015	533,203,207	328,478,507	316,478,732	72.7	27.5	100.2
2014	540,951,081	317,442,633	317,125,713	74.9	25.7	100.6
2013	562,619,530	318,072,730	310,050,882	76.3	24.8	101.1

The company's surplus remained consistent at $470 million since the previous examination. Dairyland reported net income in each year under examination and paid $141 million in stockholders' dividends to its parent, Sentry Insurance, over the past five years. During the period under examination gross premium increased 8% and net premium increased 26%. This increase is attributed to premiums assumed by the company from the affiliated reinsurance pool and, to a lesser extent, from Dairyland County. The combined ratio remained slightly above 100%, increasing in 2016 and 2017, before beginning to decrease in 2018 as the loss ratio had a brief spike and then began to improve. Net investment gains over the period offset the effects of combined ratios that exceeded 100%, as the company recorded net income in each of the last five years.

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, 2018, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There was one specific comment and recommendation in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Actuarial Examination—It is recommended that future actuarial reports contain updated and completed work papers and documentation with respect to the gross loss and LAE reserves in general and the GL/PL liability segments in particular.

   Action—Compliance.

Summary of Current Examination Results

There were no adverse or material examination findings as a result of the current examination of the company.

VIII. CONCLUSION

Dairyland Insurance Company is a subsidiary of Sentry Insurance a Mutual Company. Sentry Insurance is the ultimate parent of a holding company system referred to as the Sentry Insurance Group. There are 29 companies in the Sentry Insurance Group, including insurance and non-insurance companies.

Dairyland directly underwrites business in the Dairyland Auto and Dairyland Cycle business units. Dairyland's reported surplus remained nearly unchanged over the examination period. Gross premium writings increased steadily over the exam period due to premium assumed from the intercompany reinsurance pool and, to a lesser extent, from Dairyland County. Net investment gains over the period have offset the effects of combined ratios that exceeded 100%, as the company recorded net income in each of the last five years.

The current examination resulted in no recommendations. There were no reclassifications of account balances or adjustments to surplus as reported by the company in its year-end 2018 statutory financial statements.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no recommendations made as a result of this examination.

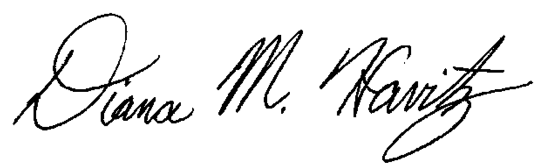
X. ACKNOWLEDGMENT

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**
Nicholas Barsuli	Insurance Financial Examiner
Nicholas Feyen	Insurance Financial Examiner
Kenton Harrison	Insurance Financial Examiner
Thomas Hilger, AFE	Insurance Financial Examiner
Judith Michael	Insurance Financial Examiner
David Jensen, CFE	IT Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Diana M. Havitz
Examiner-in-Charge

XI. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization (WHO) declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. This office is expecting the COVID-19 outbreak to impact a wide range of insurance products, resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. OCI and all insurance regulators with the assistance of the National Association of Insurance Commissioners are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. OCI has been in communication with the Sentry Insurance Group regarding the impact of COVID-19 on business operations and the financial position of Dairyland and no immediate action was deemed necessary at the time of this report.