Report of the Examination of

Medina Mutual Insurance Company

Marshall, Wisconsin

As of December 31, 2019

TABLE OF CONTENTS

December 9, 2020

Honorable Mark V. Afable
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, an examination has been performed as of December 31, 2019, of the affairs and financial condition of:

MEDINA MUTUAL INSURANCE COMPANY
Marshall, Wisconsin

and the following report thereon is respectfully submitted:

I. INTRODUCTION

The previous examination of Medina Mutual Insurance Company (the company) was made in 2012 as of December 31, 2010. The current examination covered the time period from January 1, 2015, through December 31, 2019, and included a review of such subsequent transactions deemed essential to complete this examination.

The "Summary of Examination Results" elaborates on all areas of the company's operations. 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 with respect to the alternative or additional examination steps performed during the course of the examination.

In addition to auditing, the public accounting firm performs non-auditing services for the company, including accounting for income taxes and compilation of the annual statement. On December 13, 2010, an exemption was granted by the Commissioner, pursuant to s. Ins 50.08 (5), Wis. Adm. Code, permitting the independent auditor to perform this non-audit work for the company.

The company was organized as a town mutual insurance company on June 12, 1875, under the provisions of the then-existing Wisconsin Statutes. The original name of the company was the Farmers' Mutual Protective Fire Insurance Company. Subsequent amendments to the company's articles and bylaws changed the company's name to that presently used.

During the period under examination, there was one amendment to the articles of incorporation and no amendments to the bylaws. The company amended Article III to reduce the number of board members from nine to seven.

The company is currently licensed to write property, including windstorm and hail, and liability insurance. The company is currently licensed to write business in the following counties:

Columbia	Crawford
Dane	Dodge
Grant	Green
Iowa	Jefferson
Lafayette	Richland
Rock	Sauk
Walworth	

A review was made of the policy and application forms currently used by the company. The company issues approved policies with or without endorsements for terms of one year with premiums payable on the advance premium basis. The company also charges a policy fee equal to $30 at renewal. In addition, there is an installment fee of $5 for each semi-annual, $7.50 for each quarterly, $9.17 for each monthly non-EFT (electronic funds transfer), and $3 for each monthly EFT installment.

Business of the company is acquired through 19 agents and insurance agencies, none of whom are directors of the company. The company's general manager is an agent of the company. Agents are presently compensated for their services as follows:

Type of Policy	**Compensation**
All lines of business	15%

Agents do not have the authority to adjust losses. The company uses outside adjusting services and pays them to adjust the company's loss claims.

Policyholders may participate in the management and control of the company by attending and voting at all annual or special meetings of the members. No member may vote by proxy. The annual meeting of the company for the election of directors and special meetings of the company are held in accordance with its articles of incorporation.

Board of Directors

The board of directors consists of seven members divided into three classes. One class is elected at each annual meeting for a term of three years. Vacancies on the board may be filled by the directors for the interim to the next annual meeting when a director shall be chosen for the unexpired term.

The current board of directors consists of the policyholders listed below.

Name and Residence	Principal Occupation	Term Expires
Carla Buchanan Marshall, Wisconsin	Retired	2022
Charles Emberson Deerfield, Wisconsin	Retired	2023
Joseph Hein Columbus, Wisconsin	Grain Elevator Manager	2022
Douglas Lutz Marshall, Wisconsin	IT Engineer	2021
Dennis Robus Watertown, Wisconsin	Life/Health Insurance Agent	2023
Dwayne Schernecker Marshall, Wisconsin	Farmer	2021
Harland Walker Waterloo, Wisconsin	Farmer	2022

Members of the board currently receive $75 for each meeting attended and $0.585 per mile for travel expenses.

Section 612.13 (1m), Wis. Stat., requires:

(1) If a town mutual has fewer than nine directors, no more than one director may be an employee or representative of the town mutual and;

(2) Employees and representatives of a town mutual may not constitute a majority of its board.

The company is in compliance with these requirements.

Officers

Officers are elected by the board of directors from among its members and hold office for one year or until their successors are duly elected and qualified. Officers serving at the present time are as follows:

Name	Office
Harland Walker	President
Dwayne Schernecker	Vice President
Dennis Robus	Treasurer
Douglas Lutz	Secretary

Growth of Company

The growth of the company during the period under examination as compiled from its filed annual statements was as follows:

Year	Net Premiums Earned	Policies In Force	Net Income	Admitted Assets	Policyholders' Surplus
2019	$ 896,595	1,233	$374,933	$2,741,994	$1,894,702
2018	867,572	1,268	56,317	2,368,280	1,531,913
2017	882,714	1,322	323,056	2,249,654	1,505,116
2016	816,747	1,400	124,458	2,094,231	1,147,752
2015	789,750	1,467	175,874	1,782,565	976,200
2014	867,530	1,527	1,552	1,552,480	780,755

The ratios of gross and net premiums written to surplus as regards policyholders during the period under examination were as follows:

Year	Gross Premiums Written	Net Premiums Written	Policyholders' Surplus	Writings Ratios	
				Net	Gross
2019	$1,288,081	$ 884,278	$1,894,702	47%	68%
2018	1,324,658	871,602	1,531,913	57	86
2017	1,363,572	850,452	1,505,116	57	91
2016	1,426,885	838,783	1,147,752	73	124
2015	1,389,068	781,466	976,200	80	142
2014	1,466,856	805,726	780,755	103	188

For the same period, the company's operating ratios were as follows:

Year	Net Losses and LAE Incurred	Other Underwriting Expenses Incurred	Net Premiums Earned	Loss Ratio	Expense Ratio	Composite Ratio
2019	$ 94,266	$413,635	$896,595	11%	47%	57%
2018	481,913	391,462	867,572	56	45	100
2017	94,198	408,143	882,714	11	48	59
2016	353,174	412,084	816,747	43	49	92
2015	269,210	406,131	789,750	34	52	86
2014	458,012	465,606	867,530	53	58	111

Policies in force have fallen steadily since the last examination because of the company’s continuous efforts to reduce the writing leverage ratios and to improve profitability. The company reported net underwriting gains in four of the years and net income in all five years under examination. The gross premium to surplus ratios decreased from 188% at year-end 2014 to 103% at year-end 2019, and the net premium to surplus ratios decreased from 103% to 47% during the same period. The improvement in the writing ratios is attributed to a decrease in policies in force, and to a larger extent, to the increase in surplus. Surplus increased 143% since December 31, 2014.

II. REINSURANCE

The examiners' review of the company's reinsurance portfolio revealed there is currently one ceding treaty with six coverage sections. The treaty contained a proper insolvency clause and complied with s. Ins 13.09 (3), Wis. Adm. Code, concerning maximum wind loss. Company retentions of risk complied with s. Ins 13.06, Wis. Adm. Code.

Reinsurer:	Wisconsin Reinsurance Corporation
Effective date:	January 1, 2020
Termination provisions:	Either party may terminate this Contract of Reinsurance as of 12:01 a.m. Central Standard Time on any January 1 by giving to the other party at least ninety (90) days advance notice in writing.

The coverages provided under this treaty are summarized as follows:

1.	Type of contract:	Class A – Casualty Excess of Loss Reinsurance
	Lines reinsured:	All business written by the company classified as casualty or liability business
	Company's retention:	$10,000 each and every loss occurrence including loss adjustment expenses
	Coverage:	100% in excess of the retention subject to the following limits: a. $1,000,000 per occurrence, single limit, combined injury and property damage liability b. $1,000,000 split limits, in any combination of bodily injury and property damage liability c. $25,000 for medical payments, per person d. $25,000 medical payments, per accident for personal lines
	Reinsurance premium:	50% of net premium. Annual deposit premium of $79,000
	Ceding commission:	None
2.	Type of contract:	Class B – First Surplus Reinsurance
	Lines reinsured:	All business written by the company classified as property business
	Company's retention:	First surplus retention is $600,000. The company may cede on a pro rata basis (in excess of retention) up to $2,000,000 In addition, any location which is in excess of $2,500,000 property coverage may be submitted to the reinsurer for special acceptance. The reinsurer may accept or reject each such risk submitted.

	Coverage:	Pro rata portion of every loss, including loss adjustment expense, corresponding to the amount of risk ceded
	Reinsurance premium:	Pro rata portion of all premiums, fees, and assessments charged by the company corresponding to the amount of each risk ceded hereunder. Annual deposit premium of $151,808
	Ceding commission:	20% of the premium ceded and 15% profit commission based on the reinsurer's net profit on business reinsured under this contract
3.	Type of contract:	Class C1 – First Per Risk Excess of Loss Layer
	Lines reinsured:	All business written by the company classified as property business
	Company's retention:	$55,000 per risk per loss occurrence
	Coverage:	100% of each and every loss, including loss adjustment expense, in excess of company's retention up to a maximum of $95,000
	Reinsurance premium:	6% of the company's net premium. Annual deposit premium of $59,892
	Ceding commission:	None
4.	Type of contract:	Class C2 – Second Per Risk Excess of Loss Layer
	Lines reinsured:	All business written by the company classified as property business
	Company's retention:	$150,000 per risk per loss occurrence
	Coverage:	100% of each and every loss, including loss adjustment expense, in excess of company's retention up to a maximum of $450,000
	Reinsurance premium:	4% of the company's net premium. Annual deposit premium of $39,928
	Ceding commission:	None
5.	Type of contract:	Class D1 – First Aggregate Excess of Loss
	Lines reinsured:	All business written by the company
	Company's retention:	60% of company's net premium written
	Coverage:	100% of the company's aggregate net losses, including loss adjustment expenses, which exceed 60% of the company's net premiums written, up to 70% of net premiums written
	Reinsurance premium:	7.5% of the company's net premium written. Annual deposit premium of $80,789
	Ceding commission:	None

6.	Type of contract:	Class D2 – Second Aggregate Excess of Loss
	Lines reinsured:	All business written by the company
	Company's retention:	130% of company’s net premium written
	Coverage:	100% of the company’s aggregate net losses, including loss adjustment expenses, which exceed 130% of the company’s net premiums written
	Reinsurance premium:	2% of the company’s net premium. Annual deposit premium of $21,544
	Ceding commission:	None

III. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2019, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Policyholders' Surplus."

Medina Mutual Insurance Company
Statement of Assets and Liabilities
As of December 31, 2019

Assets	**Ledger**	**Nonledger**	**Not Admitted**	**Net Admitted**
Cash deposited in checking	$ 194,127	$	$	194,127
Cash deposited at interest	259,925			259,925
Bonds	987,146			987,146
Stocks and mutual fund investments	1,102,670			1,102,670
Real estate	38,061			38,061
Premiums, agents' balances and installments:				
In course of collection	30,767			30,767
Deferred and not yet due	107,803			107,803
Investment income accrued		7,001		7,001
Reinsurance recoverable on paid losses and LAE	228			228
Electronic data processing equipment	4,910			4,910
Other expense related assets:				
Reinsurance commission receivable	9,356			9,356
Other nonexpense related assets:				
Federal income tax recoverable	0			0
Furniture and fixtures				
Other nonadmitted assets:				
Software	10,000		10,000	0
Subrogation Receivable	49,000		49,000	0
Prepaid Expenses	10,372		10,372	0
Totals	$2,804,365	$7,001	$69,372	$2,741,994

Medina Mutual Insurance Company
Statement of Assets and Liabilities (cont.)
As of December 31, 2019
Liabilities and Surplus

Net unpaid losses	$76,478
Loss adjustment expenses unpaid	4,700
Commissions payable	35,496
Fire department dues payable	10,542
Federal income taxes payable	99,583
Unearned premiums	554,632
Reinsurance payable	22,783
Other liabilities:	
Expense related:	
Accounts payable	1,278
Accrued Vacation	6,252
Nonexpense related:	
Premiums received in advance	35,548
Total Liabilities	847,292
Policyholders' Surplus	1,894,702
Total Liabilities and Surplus	$2,741,994

Medina Mutual Insurance Company
Statement of Operations
For the Year 2019

Net premiums and assessments earned		$896,595
Deduct:		
Net losses incurred	$ 37,984	
Net loss adjustment expenses incurred	56,282	
Net other underwriting expenses incurred	413,635	
Total losses and expenses incurred		507,901
Net underwriting gain (loss)		388,694
Net investment income:		
Net investment income earned	36,517	
Net realized capital gains (losses)	(70)	
Total investment gain (loss)		36,447
Other income (expense):		
Policy and installment fees		50,248
Net income (loss) before federal income taxes		475,389
Federal income taxes incurred		100,456
Net Income (Loss)		$374,933

Medina Mutual Insurance Company
Reconciliation and Analysis of Surplus as Regards Policyholders
For the Five-Year Period Ending December 31, 2019

The following schedule is a reconciliation of surplus as regards policyholders during the last five years as reported by the company in its filed annual statements.

	2019	2018	2017	2016	2015
Surplus, beginning of year	$1,531,913	$1,505,116	$1,147,752	$976,200	$780,755
Net income (loss)	374,933	56,317	323,056	124,458	175,874
Net unrealized capital gain or (loss)	45,724	(24,153)	33,863	44,438	16,213
Change in non-admitted assets	(57,868)	(5,367)	445	2,656	3,358
Surplus, End of Year	$1,894,702	$1,531,913	$1,505,116	$1,147,752	$976,200

Reconciliation of Policyholders' Surplus

The examination resulted in no adjustments to policyholders' surplus. The amount reported by the company as of December 31, 2019, is accepted.

IV. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

Comments and recommendations contained in the last examination report and the action taken on them by the company are as follows:

1. Business Plan—It is again recommended that the company and board should develop a plan for monitoring agent loss ratios, taking appropriate action regarding agents with poor results, and include these procedures in their business plan.

   Action—Compliance.

2. Business Plan—It is recommended that the board of directors establish a goal of not writing more than $2 of direct premiums for each dollar of surplus.

   Action—Compliance.

3. Underwriting—It is recommended that the company review each new policy inspection and apply the company's underwriting guidelines to the policy in a timely manner to allow the company to cancel a new policy (if necessary) within the time limits provided in s. 631.36 (2) (c), Wis. Stat.

   Action—Compliance.

4. Underwriting—It is again recommended that the company establish a formal inspection procedure for renewal business, maintain detailed records of inspection reports including underwriting actions taken, and establish a procedure whereby a sampling of new applications and renewal business is inspected by the board of directors. The formal inspection procedure is to be submitted to this office for review.

   Action—Compliance.

5. Underwriting—It is again recommended that the board annually review the reinsurance program (including the Class B layer and the reinsurer's facultative program) and establish a procedure to ensure that large property risks are ceded consistent with the terms of the company's reinsurance agreements.

   Action—Compliance.

6. Business Continuity Plan—It is again recommended that the company test and update the business continuity plan annually.

   Action—Compliance.

7. Net Unpaid Losses—It is again recommended that the claim file shall contain the reason for denial and a copy of the denial letter in accordance with s. 13.06 (4) (f), Wis. Adm. Code.

   Action—Compliance.

Current Examination Results

Corporate Records

The minutes of the annual meetings of policyholders and meetings of the board of directors and committees thereof, were reviewed for the period under examination and also for the subsequent period.

Biographical data relating to company officers and directors have been reported in accordance with the provisions of s. Ins 6.52, Wis. Adm. Code.

The company has executed formal written agreements with its agents. The contracts include language indicating the agent will represent the company's interests "in good faith."

Conflict of Interest

In accordance with a directive of the Commissioner of Insurance, each company is required to establish a procedure for disclosing to its board of directors any material interest or affiliation on the part of its officers, directors, or key employees which conflicts or is likely to conflict with the official duties of such person. A part of this procedure is the annual completion of a conflict of interest questionnaire by the appropriate persons. The company has adopted such a procedure for disclosing potential conflicts of interest. Conflict of interest questionnaires were reviewed for the period under examination with no apparent conflicts being noted.

Fidelity Bond and Other Insurance

The company is afforded coverage under the terms of the following bonds or contracts and has complied with s. Ins 13.05 (6), Wis. Adm. Code, which sets forth the minimum requirements for fidelity bond coverage:

Type of Coverage	Coverage Limits
Fidelity bond	$ 155,000
Worker's Compensation:	
Employee injury	Statutory
Employee liability:	
Each accident	100,000
Each employee	100,000
Policy limit	500,000
Directors & officers liability	1,000,000
Insurance agents and brokers liability	2,000,000
Home office property	
Building	450,957
Business personal property	50,000

Underwriting

The company has a written underwriting guide. The guide covers all the lines of business that the company is presently writing.

The company has a formal inspection procedure for both new and renewal business. A sampling of new applications and renewal business is inspected by the board of directors who are independent of the risk under consideration and review.

Claims Adjusting

The entire board of directors serves as the adjusting committee as required by s. 612.13 (4), Wis. Stat. The board supervises the adjustment of losses.

Accounts and Records

The examiners' review of the company's records indicated that the company is not in compliance with s. Ins 13.05, Wis. Adm. Code, which sets forth the minimum standards for the handling of cash and recording of cash transactions by town mutual insurance companies. The examiners noted the following:

1. A proper policy register is maintained.
2. A proper cash receipts journal is not maintained.
3. A proper cash disbursements journal is not maintained.
4. A proper general journal is maintained.
5. A proper general ledger is maintained.

The company was unable to produce a cash receipts journal for calendar year 2019 and a year-to-date journal for calendar year 2020. Instead, the company produced a tender summary for three bank deposits that occurred during December 2020. According to s. Ins 13.05 (3) (b), Wis. Adm. Code, the company must maintain a cash receipts journal. This journal shall contain the date, payor, amount received, identification, and reference to the general ledger account and amount affected. All cash received by the company shall be recorded in the journal. It is recommended that the company maintain a cash receipts journal in compliance with s. Ins. 13.05 (3) (b) Wis. Adm. Code.

The company was unable to produce a cash disbursements journal for calendar year 2019 and a year-to-date journal for calendar year 2020. Instead, the company produced a claim payment report sorted by claim number for the first half of 2019. According to s. Ins 13.05 (3) (c), Wis. Adm. Code, the company must maintain a cash disbursements journal. This journal shall contain the date, payee, check number, amount of check, and a reference to the general ledger account and amount affected. All cash disbursed by the company shall be recorded in the journal. It is recommended that the company maintain a cash disbursements journal in compliance with s. Ins. 13.05 (3) (c) Wis. Adm. Code.

An extensive review was made of income and disbursement items. By piecing together information from a variety of sources, cash receipts were traced from source records and the proper recording and eventual deposit thereof were ascertained. Negotiated checks issued during the period under examination were reviewed, test checked for proper endorsement, and traced to cash records. The verification of assets and determination of liabilities were made as of December 31, 2019.

The company is audited annually by an outside public accounting firm.

Claims Review

The examiners' review of claim files included open claims, paid claims, claims closed without payment, and claims that were denied during the examination period. The review indicated that claims are investigated and evaluated properly and that payments are made promptly and in accordance with policy provisions upon the submission of a proper proof of loss. In addition, the review of claims handling procedures and files revealed the following:

1. A proper loss register is not maintained.
2. Claim files contained sufficient investigatory data and documentation to verify settlement payments or reserve estimates.
3. Proofs of loss were properly signed.

The company was unable to produce a loss register for the second half of 2019 and a year-to-date register for calendar year 2020, while being able to produce a loss register for the first half of 2019. According to s. Ins 13.05 (3) (f), Wis. Adm. Code, the company must maintain a loss claims register. This register is for recording all claims filed with the company. The register shall list all claims in claim number order and contain the claimant’s and policyholder’s name, policy number, date of loss, date that loss was reported to the company, cause of the loss, estimated amount of the loss, and the date the claim was settled and the amount of loss payments, if any. Claims closed without payment should be noted. It is recommended that the company maintain a loss claim register in compliance with s. Ins. 13.05 (3) (f) Wis. Adm. Code.

Business Continuity Plan

A business continuity plan identifies steps to be performed by a company in the event of business interruptions including, but not limited to the inability to access its computer system, the loss of information on its computer system, the loss of a key employee, or the destruction of its office building. The company has developed a business continuity plan. The company’s business continuity plan appears to be adequate.

Unclaimed Property

During the course of the examination, it was discovered that each fall, the company sends a letter to each payee whose checks have been outstanding for six months or more. Depending on the response, the check will either get cashed or the company will void the old check and re-issue a new one. If there is no response, the company repeats the process the following fall. This practice is not in compliance with ch. 177, Wis. Stat., which states that after five years an original payment becomes abandoned property and reverts to the state. It is recommended that the company comply with the provisions of ch. 177, Wis. Stat., regarding abandoned property. Specifically, the company should develop and maintain a written escheat policy that addresses the company's procedures relating to stale-dated checks to ensure compliance with the requirements of ch. 177, Wis. Stat.

Invested Assets

Section 610.23, Wis. Stat., requires insurers to hold all investments and deposits of its funds in its own name except that:

(1) Securities kept under a custodial agreement or trust arrangement with a bank or banking and trust company may be issued in the name of a nominee of the bank or banking and trust company; and

(2) Any insurer may acquire and hold securities in bearer form.

For securities not held under a custodial agreement or trust arrangement with a bank or banking and trust company, s. Ins 13.05 (4), Wis. Adm. Code, requires that:

> Non-negotiable evidences of company investments such as registered bonds, certificates of deposits, notes, etc., shall be maintained in a safe or vault with adequate safety controls or in a safety deposit box in a bank. Negotiable evidences of company investments shall be maintained in a safety deposit box in a bank. Access to a company safety deposit box containing negotiable securities shall require the presence and signature of at least 2 officers, directors or employees of the company.

The company is in compliance with these requirements.

The company utilizes the services of an investment advisor for its investments where the advisor exercises discretionary authority over the company's investments. The examination revealed that the written agreement between the company and its investment advisor is for an advisor that exercises nondiscretionary authority over the insurer's investments, not an advisor that uses discretionary authority. Pursuant to s. Ins. 6.20 (6) (h) 4, Wis. Adm. Code, a town mutual should have a written agreement with an investment advisor that should be approved by the board of directors. An agreement should contain the following provisions:(1) a description of the scope and nature of services to be provided, (2) the standard of care to be provided, (3) how (or whether) the investment strategy (including asset allocations and any applicable limitations) incorporates the board approved investment policy, (4) the level of authority the advisor exercises over the insurer's portfolio (discretionary or nondiscretionary), (5) a description of all types of compensation to be paid to the investment advisor, and (6) a description as to how investment transactions, holdings, and portfolio performance will be communicated to the company's board of directors (including the frequency, content, and means of reporting). The agreement should also indicate whether the investment advisor is, or is not, acting as a fiduciary with respect to the town mutual insurer. It is recommended that the company enter into a formal agreement with its investment advisor that is approved by the board of directors and that the agreement contains all required provisions pursuant to s. Ins. 6.20 (6) (h) 4, Wis. Adm. Code.

Section 1, paragraph 1 of the company's investment policy states that the purpose of the guidelines is to "establish broad parameters of responsibility and authority which will guide the Investment Committee and General Manager and the agents they employ in discharging responsibilities with respect to Medina Mutual's investment assets." Throughout the policy, the duties of the Investment Committee are discussed extensively. Medina no longer has Board Committees and the Investment Committee no longer exists. The investment policy needs to be updated to reflect current responsibilities now that the Investment Committee no longer exists. Also, board minutes were examined to see if the board reviews the investment policy at least annually for appropriateness. No such review was found. It is recommended that the investment policy be updated to reflect current responsibilities now that the Investment Committee no longer exists, including having the board review the investment policy at least annually.

Investment Rule Compliance

The investment rule for town mutual insurers allows a company to invest in common stocks, common stock mutual funds, and other higher risk investments (referred to as "Type 2") provided that the town mutual has a sufficient amount of lower risk investments (referred to as "Type 1"). A town mutual may invest in Type 2 securities only if it already has sufficient Type 1 investments. Type 1 investments must equal or exceed the greater of items 1, 2, or 3.

1.	Liabilities plus $300,000	$1,147,292
2.	Liabilities plus 33% of gross premiums written	1,272,359
3.	Liabilities plus 50% of net premiums written	1,289,431
4.	Amount required (greater of 1, 2, or 3)	1,289,431
5.	Amount of Type 1 investments as of 12/31/2019	1,547,963
6.	Excess or (deficiency)	$ 258,532

The company has sufficient Type 1 investments.

V. CONCLUSION

Medina Mutual Insurance Company is a town mutual insurer with an authorized territory of 13 counties. The company is authorized to write property, including windstorm and hail, and liability insurance. The company has been in business for over 145 years providing property and liability insurance to its policyholders.

The company reported net underwriting gains in four of the years and net income in all five years under examination. The gross premium to surplus ratios decreased from 188% at year-end 2014 to 103% at year-end 2019 and the net premium to surplus ratios decreased from 103% to 47% during the same period. The improvement in the writing ratios is attributed to a decrease in policies in force, and to a larger extent, to the increase in surplus. Surplus increased 143% since December 31, 2014. The examination did not result in any changes to surplus. The company complied with the six recommendations from the previous examination report. The current examination also resulted in six recommendations. Areas of improvement recommended by this examination related to the production of reports from information systems, the use of outdated or inappropriate investment internal controls, and the handling of unclaimed property.

VI. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 18 - Accounts and Records—It is recommended that the company maintain a cash receipts journal in compliance with s. Ins. 13.05 (3) (b) Wis. Adm. Code.

2. Page 18 - Accounts and Records—It is recommended that the company maintain a cash disbursements journal in compliance with s. Ins. 13.05 (3) (c) Wis. Adm. Code.

3. Page 19 - Claims Review—It is recommended that the company maintain a loss claim register in compliance with s. Ins. 13.05 (3) (f) Wis. Adm. Code.

4. Page 19 - Unclaimed Property—It is recommended that the company comply with the provisions of ch. 177, Wis. Stat., regarding abandoned property. Specifically, the company should develop and maintain a written escheat policy that addresses: (1) the company's procedures relating to stale-dated checks (sufficient to ensure compliance with the requirements of ch. 177, Wis. Stat.) and (2) the establishment and maintenance of an escheat liability account (to hold stale-dated checks outstanding for over six months).

5. Page 21 - Invested Assets—It is recommended that the company enter into a formal agreement with its investment advisor that is approved by the board of directors, and that the agreement contains all required provisions pursuant to s. Ins. 6.20 (6) (h) 4, Wis. Adm. Code.

6. Page 21 - Invested Assets—It is recommended that the investment policy be updated to reflect current responsibilities now that the Investment Committee no longer exists, including having the Board review the investment policy at least annually.

VII. ACKNOWLEDGMENT

The courteous cooperation extended to the examiners by the company's personnel is hereby acknowledged.

In addition to the undersigned, John Coyle of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination.

Respectfully submitted,

Thomas C. Hilger

Thomas C. Hilger, AFE
Examiner-in-Charge

VIII. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization declared coronavirus disease (COVID-19) a pandemic. As of the date of this report, significant uncertainty remains on the effect that the pandemic will have on the company, insurance industry, and economy at large. The examination's review of the impact to the company through the date of this report noted that there has not been a significant impact to the company overall; however, due to the various uncertainties with the pandemic, it is unclear whether this will continue to have a minimal impact to the company or if it will escalate. The Office of the Commissioner of Insurance continues to closely monitor the impact of the pandemic on the company.