

Report of the Examination of
SU Insurance Company
Oak Creek, Wisconsin
As of December 31, 2021

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November 4, 2022

Honorable Nathan D. 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:

SU INSURANCE COMPANY
Oak Creek, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of SU Insurance Company (hereinafter SUIC or the company) was conducted in 2018 as of December 31, 2016. The current examination covered the intervening period ending December 31, 2021 and included a review of such subsequent transactions as deemed necessary to complete the examination.

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.

Wipfli, LLP, provides the auditing services for the company, while the company utilizes Strohm Ballweg, LLP, for non-audit and various other consulting services.

II. HISTORY AND PLAN OF OPERATION

The company was organized pursuant to the laws of the state of Wisconsin on March 7, 2005, and commenced business on April 27, 2005. The company was formed with \$7,000,000 in capital (consisting of \$2,000,000 in common stock and \$5,000,000 in additional paid in capital). In 2006, the company's capitalization was increased through the issuance of an \$2,000,000 surplus note. In 2010, SUIC increased the par value of its stock from \$100/share to \$250/share for purposes of meeting a state-specific licensing requirement. Because of the change in par value, the overall par value of the company's common stock outstanding increased from \$2,000,000 to \$5,000,000, with a corresponding decrease in gross paid in and contributed surplus from \$5,000,000 to \$2,000,000. On December 1, 2018, the company amended and restated its Articles of Incorporation to authorize 100,000 shares, consisting of two classes, voting common stock and nonvoting common stock, all of which have a par value of \$250. The total number of shares of voting common stock authorized are 20,000 and total number of shares of nonvoting common stock authorized are 80,000. As of December 31, 2021, there were 16,000 shares of voting common stock issued and outstanding and 4,000 shares of nonvoting common stock issued and outstanding.

The company was formed to underwrite the Equipment Maintenance Insurance program of its affiliate, Specialty Underwriters LLC, (hereinafter SU LLC), which provides equipment maintenance management services. This program had formerly been externally placed with The Continental Insurance Company.

Effective December 1, 2006, SUIC entered into a quota share reinsurance agreement with State National Insurance Company, whereby SUIC assumes business fronted on its behalf in states where it is not yet licensed.

As of December 31, 2021, the company was licensed in 42 states. In 2021, the company wrote direct premium in the following states:

Iowa	\$15,146,035	92.6%
Pennsylvania	1,174,867	7.2
Michigan	17,186	0.1
Wisconsin	<u>12,516</u>	<u>0.1</u>
Total	<u>\$16,350,604</u>	<u>100.0%</u>

The only product marketed by the company is Equipment Maintenance Insurance

(EMI), which is a type of inland marine insurance. The actual contract is referred to as an equipment maintenance policy, whereby the company insures against loss resulting from "...fortuitous corrective maintenance costs for the scheduled equipment caused by electrical or mechanical breakdown, human error, power surge fluctuations within one hundred feet of the building in which the affected item of scheduled equipment is located, and environmental changes." There are significant exclusions, such as "fire, lightning, windstorm, civil commotion, smoke damage, hail damage by aircraft and other vehicles, explosion, riot, theft, vandalism, malicious mischief, sprinkler leakage, radioactive contamination, release, discharge or disposal of pollutants, and perils generally covered under the insurance industry standard Insurance Services Office (ISO), boiler and machinery, electronic data processing and 'all risk' property forms." The policies are written on an annual basis, with varying premium modes (ranging from monthly to quarterly).

Typically, there is a significant amount of endorsement activity throughout the year as equipment changes occur. Insureds can also modify certain named perils via an endorsement. Most contracts have multiple endorsements which are tailored to the specific entity.

The majority of the company's business is marketed through an independent agent.

The following table is a summary of the net insurance premiums written by the company in 2021. 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
Inland marine	<u>\$16,350,604</u>	<u>\$216,595</u>	<u>\$0</u>	<u>\$16,567,199</u>
Total All Lines	<u>\$16,350,604</u>	<u>\$216,595</u>	<u>\$0</u>	<u>\$16,567,199</u>

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of six members. 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.

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

Name and Residence	Principal Occupation	Term Expires
Michael H. Polaski Oak Creek, Wisconsin	Chief Executive Officer SU Group LLC and Affiliates	2022
Michael J. Polaski Oak Creek, Wisconsin	Vice President, Director of Account Management SU Insurance Company	2022
Jennifer A. McFarland Oak Creek, Wisconsin	Childrearing	2022
Sarah M. McLean Franksville, Wisconsin	Childrearing	2022
Thomas J. Nichols Elm Grove, Wisconsin	President and General Counsel Meissner Tierney Fisher & Nichols S.C.	2022
Joseph A. Fallico Kenosha, Wisconsin	Vice President, Chief Operations Officer SU Insurance Company	2022

Officers of the Company

The officers serving at the time of this examination are listed below. The officers are compensated from the funds of SUIC and its affiliates. They are paid a fixed salary along with a discretionary bonus and other fringe benefits. Michael H. Polaski owns 100% of SUIC's voting common stock.

Name	Office
Michael H. Polaski	President/Treasurer
Michael J. Polaski	Vice President/Secretary
Joseph A. Fallico	Vice President, Chief Operations Officer

Committees of the Board

The company's Bylaws allow for the formation of certain committees by the board of directors. The committees at the time of the examination are listed below:

Investment Committee

Michael J. Polaski, Chair
Michael H. Polaski
Thomas J. Nichols

Audit Committee

Thomas J. Nichols, Chair
Jennifer A. McFarland
Sarah M. McLean

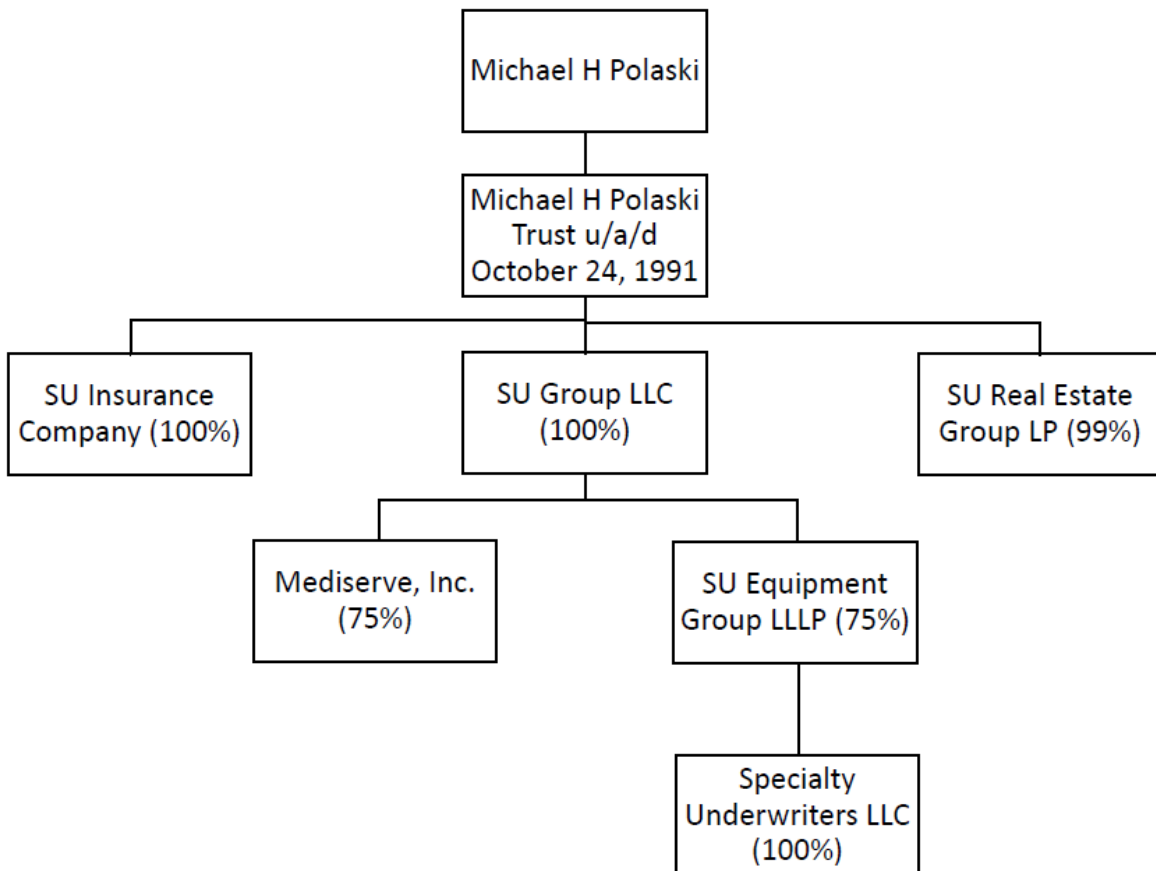
IV. AFFILIATED COMPANIES

SU Insurance 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. As noted on the organizational chart, Michael H. Polaski is the ultimate controlling person of SU Group.

Only two entities have a functional relationship with SUIC. Those entities are SU LLC and Mediserve, Inc. SU LLC provides certain services to SUIC pursuant to an Agency Agreement (discussed below). Mediserve, Inc., is a sub-agency of SU LLC, which is primarily responsible for obtaining and maintaining client relationships with the healthcare market, including hospitals, surgical centers, clinics, skilled nursing facilities, and laboratories. In addition, SU Group LLC holds SUIC's surplus notes, but has no other functional or operational transactions with SUIC.

Below is an abbreviated organizational chart of the holding company system:

**Organizational Chart
As of December 31, 2021**



Specialty Underwriters LLC

SU LLC's original predecessor was established in 1982 and provides equipment maintenance management services. As of December 31, 2021, the audited financial statements of SU LLC reported assets of \$22,197,981, liabilities of \$18,760,664, and total members' equity of \$3,437,317. Operations for 2021 produced net income of \$2,696,859.

Mediserve, Inc.

Mediserve, Inc. (Mediserve) is a subsidiary of SU Group LLC and a sub-agency of SU LLC. Mediserve provides equipment maintenance management service for the healthcare market, including hospitals, surgical centers, clinics, skilled nursing facilities, and laboratories. As of December 31, 2021, the audited financial statements of Mediserve reported assets of \$7,220,440, liabilities of \$5,408,588, and stockholders' equity of \$1,811,852. Operations for 2021 produced a net loss of \$500,688.

SU Real Estate Group LP

SU Real Estate Group LP owns various buildings including the office for SUIC and SU Group LLC. Rent for the office building is allocated between the affiliates. As of December 31, 2021, the unaudited financial statements of SU Real Estate Group LP reported assets of \$4,873,532, liabilities of \$12,739, and shareholder's equity of \$4,860,793. Operations for 2021 produced net income of \$1,379,639.

Agreements with Affiliates

Agency Agreement

SUIC appointed SU LLC to act as its agent for the solicitation of business pursuant to an Agency Agreement dated April 1, 2005. The Agency Agreement, which was rewritten on January 1, 2009, provides for the provision of certain services to SUIC by SU LLC, including acquisition, underwriting, policy administration, and claims services. In exchange for these services, SU LLC receives an 18% commission on new and renewal business. In addition, SU LLC is entitled to a royalty payment equal to seventy-five percent (75%) of SUIC's profits before income tax for the use of SU LLC's underwriting data, proprietary software, documentation, forms, techniques, and other intellectual property subject to nondisapproval by OCI. Also, the parties share certain common facilities, personnel, and other resources and allocate such expenses on the basis of premiums or revenue written or earned, or otherwise as

appropriate. The arrangement between SUIC and SU LLC is predicated upon SUIC being able to benefit from SU LLC's long-standing client and vendor relationships, and proprietary expertise with respect to the acquisition, underwriting, policy administration, and loss adjustment of equipment maintenance contracts.

Contribution Note

SUIC issued a \$2,000,000 Contribution Note dated December 31, 2006, to SU Group LLC. The note has no stated maturity date and accrues interest at the prime interest rate. Any interest or principal payment must be nondisapproved by OCI. Accrued interest is not recorded until nondisapproval is obtained. Unpaid accrued interest was \$1,676,554 as of December 31, 2021.

V. REINSURANCE

SU Insurance Company has one assuming reinsurance arrangement in place with State National Insurance Company, Inc. (SNIC), a quota share reinsurance agreement dated December 1, 2006, whereby SUIC accepts 100% of the business fronted on its behalf. The parties to the reinsurance agreement are SUIC, SNIC, and SU LLC. The reinsurance agreement's business purpose is to facilitate SUIC's expansion into states where it is not currently authorized to write business. The contract contains proper insolvency provisions. The company has no ceding contracts.

Nonaffiliated Assuming Contracts

1. Type: Quota Share
- Reinsured: State National Insurance Company, Inc.
- Scope: Equipment Maintenance Insurance written by SU LLC
- Retention: SNIC cedes 100% of business underwritten by SU LLC to SU Insurance Company
- Coverage: Commercial inland marine and miscellaneous other coverages applicable on each and every quota share loss, including loss adjustment expense, subject to policy maximums of \$5,000,000 per policy and \$1,500,000 for any single piece of equipment.
- Effective date: December 1, 2006
- Termination: At any time by either party giving the other 90 days' written notice

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, 2021, 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.

**SU Insurance Company
Assets
As of December 31, 2021**

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 8,077,223	\$	\$ 8,077,223
Stocks:			
Common stocks	3,154,996		3,154,996
Cash, cash equivalents, and short-term investments	8,843,189		8,843,189
Receivables for securities	899,900		899,900
Investment income due and accrued	46,142		46,142
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	168,517	459	168,058
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	4,149,152		4,149,152
Net deferred tax asset	178,731		178,731
Write-ins for other than invested assets:			
State income tax receivable	<u>9,121</u>	<u> </u>	<u>9,121</u>
Total Assets	<u>\$25,526,970</u>	<u>\$459</u>	<u>\$25,526,511</u>

**SU Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2021**

Losses	\$ 1,938,703
Loss adjustment expenses	124,598
Commissions payable, contingent commissions, and other similar charges	1,111,483
Other expenses (excluding taxes, licenses, and fees)	110,393
Taxes, licenses, and fees (excluding federal and foreign income taxes)	76,196
Current federal and foreign income taxes	111,158
Unearned premiums	8,015,070
Payable to parent, subsidiaries, and affiliates	<u>247,580</u>
Total Liabilities	11,735,181
Common capital stock	\$5,000,000
Surplus notes	2,000,000
Gross paid in and contributed surplus	2,183,925
Unassigned funds (surplus)	<u>4,607,405</u>
Surplus as Regards Policyholders	<u>13,791,330</u>
Total Liabilities and Surplus	<u>\$25,526,511</u>

**SU Insurance Company
Summary of Operations
For the Year 2021**

Underwriting Income		
Premiums earned		\$16,060,516
Deductions:		
Losses incurred	\$8,196,104	
Loss adjustment expenses incurred	2,012,923	
Other underwriting expenses incurred	<u>6,110,690</u>	
Total underwriting deductions		<u>16,319,717</u>
Net underwriting gain (loss)		(259,201)
Investment Income		
Net investment income earned	99,929	
Net realized capital gains (losses)	<u>271,521</u>	
Net investment gain (loss)		371,450
Other Income		
Write-ins for miscellaneous income:		
Miscellaneous	3,878	
PPP Loan Forgiveness	<u>364,300</u>	
Total other income		<u>368,178</u>
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		480,427
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		480,427
Federal and foreign income taxes incurred		<u>60,888</u>
Net Income (Loss)		<u>\$ 419,539</u>

**SU Insurance Company
Cash Flow
For the Year 2021**

Premiums collected net of reinsurance		\$16,107,288
Net investment income		138,318
Miscellaneous income		<u>368,178</u>
Total		16,613,784
Benefit- and loss-related payments	\$8,267,548	
Commissions, expenses paid, and aggregate write-ins for deductions	8,044,552	
Federal and foreign income taxes paid (recovered)	<u>(186,181)</u>	
Total deductions		<u>16,125,919</u>
Net cash from operations		487,865
Proceeds from investments sold, matured, or repaid:		
Bonds	\$4,077,423	
Stocks	<u>538,751</u>	
Total investment proceeds		4,616,174
Cost of investments acquired (long- term only):		
Bonds	4,079,704	
Stocks	591,119	
Miscellaneous applications	<u>899,900</u>	
Total investments acquired		<u>5,570,723</u>
Net cash from investments		(954,549)
Cash from financing and miscellaneous sources:		
Borrowed funds	(364,300)	
Other cash provided (applied)	<u>75,553</u>	
Net cash from financing and miscellaneous sources		<u>(288,747)</u>
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		
		(755,431)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>9,598,620</u>
End of Year		<u>\$ 8,843,189</u>

**SU Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2021**

Assets		\$25,526,511
Less liabilities		<u>11,735,181</u>
Adjusted surplus		13,791,330
Annual premium:		
Lines other than accident and health	\$16,567,199	
Factor	<u>20%</u>	
Compulsory surplus (subject to a minimum of \$2 million)		<u>3,313,440</u>
Compulsory Surplus Excess (Deficit)		<u>\$10,477,890</u>
Adjusted surplus (from above)		\$13,791,330
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%)		<u>4,638,816</u>
Security Surplus Excess (Deficit)		<u>\$ 9,152,514</u>

**SU Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2021**

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

	2021	2020	2019	2018	2017
Surplus, beginning of year	\$13,055,811	\$12,532,406	\$12,623,542	\$12,946,822	\$12,862,781
Net income	419,539	488,548	(705,969)	(22,299)	149,019
Change in net unrealized capital gains/losses	290,707	116,900	262,078	(224,084)	126,138
Change in net deferred income tax	19,118	(76,822)	72,980	(2,896)	(180,169)
Change in nonadmitted assets	6,155	(5,221)	95,851	(74,002)	(10,947)
Surplus adjustments: Paid in	<u> </u>	<u> </u>	<u>183,925</u>	<u> </u>	<u> </u>
Surplus, End of Year	<u>\$13,791,330</u>	<u>\$13,055,811</u>	<u>\$12,532,406</u>	<u>\$12,623,542</u>	<u>\$12,946,822</u>

**SU Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2021**

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. Unusual IRIS results are denoted with asterisks and discussed below the table.

Ratio	2021	2020	2019	2018	2017
#1 Gross Premium to Surplus	120%	118%	131%	126%	127%
#2 Net Premium to Surplus	120	118	131	126	127
#3 Change in Net Premiums Written	8	-7	3	-3	6
#4 Surplus Aid to Surplus	0	0	0	0	0
#5 Two-Year Overall Operating Ratio	98	103*	103*	100*	97
#6 Investment Yield	0.5*	0.7*	0.9*	0.6*	0.6*
#7 Gross Change in Surplus	6	4	-1	-2	1
#8 Change in Adjusted Surplus	6	4	-2	-2	1
#9 Liabilities to Liquid Assets	36	38	40	37	37
#10 Agents' Balances to Surplus	1	1	2	3	2
#11 One-Year Reserve Development to Surplus	-2	-1	3	2	1
#12 Two-Year Reserve Development to Surplus	-1	2	0	1	-1
#13 Estimated Current Reserve Deficiency to Surplus	-2	-3	0	2	-1

Ratio No. 5 measures the company's profitability over the previous two-year period. The exceptional results in 2018, 2019, and 2020 were due to changes in premium and losses incurred during the period. In 2018, the exceptional result was primarily due to a decrease of 1.9% in premiums earned from 2017 while losses and LAE incurred increased 3.5% and 4.1%, respectively. The exceptional results in 2019 and 2020 were primarily due to an increase of 15.3% in losses incurred from 2018 to 2019.

Ratio No. 6 measures the company's return on investment. The low investment yield for all years under examination is primarily due to the company's concentration of holdings in cash, cash equivalents, and short-term investments, which earn minimal income. In addition, most of the company's bond portfolio was acquired in a low interest rate environment, with U.S. Treasuries comprising from 33.3% to 55.2% of bonds held during the examination period.

Growth of SU Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2021	\$25,526,511	\$11,735,181	\$13,791,330	\$419,539
2020	24,432,965	11,377,152	13,055,812	488,548
2019	24,127,301	11,594,894	12,532,407	(705,969)
2018	23,461,767	10,838,225	12,623,542	(22,299)
2017	24,117,170	11,170,348	12,946,822	149,019
2016	23,214,271	10,351,490	12,862,781	310,605

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2021	\$16,567,199	\$16,567,199	\$16,060,516	63.6%	36.9%	100.5%
2020	15,370,432	15,370,432	15,909,897	62.4	38.3	100.7
2019	16,458,843	16,458,843	16,200,289	69.2	36.8	106.0
2018	15,910,521	15,910,521	15,756,088	64.7	37.0	101.7
2017	16,410,939	16,410,939	16,064,473	61.2	38.2	99.4
2016	15,409,741	15,409,741	14,653,574	60.5	35.5	96.0

Over the examination period, surplus as regards policyholders increased 7.2% from \$12,862,781 to \$13,791,330. The increase was primarily due to net income of \$328,838 and an increase in net unrealized capital gains of \$571,739. In 2019, the company contributed capital of \$183,925 due to stock compensation. As of December 31, 2021, the company reported an unrecorded accrued royalty

amount of \$1,214,245. In addition, the unrecorded accrued interest on the surplus note was \$1,676,554 as of December 31, 2021.

The company has consistently written business in the same four states since 2017 (Iowa, Pennsylvania, Michigan, and Wisconsin), with Iowa comprising a significant majority of direct premiums written. For the examination period, gross and net premiums written fluctuated between \$15,370,432 and \$16,567,199.

Historically, the company's loss and loss adjustment expense ratio has averaged between approximately 60% and 69%. The company reported net income in three of the last five years. For 2021, net income included \$364,300 in Paycheck Protection Program (PPP) loan forgiveness. In the two years with net losses, the company paid more in royalty than earned.

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, 2021, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were six specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Conflict of Interest Statements—It is recommended that the company take steps to ensure that conflict of interest statements are completed annually by all directors, officers, and key employees, in compliance with the Directive of the Commissioner of Insurance.

Action—Compliance.

2. Investment Committee Charter and Investment Policy—It is recommended that the company's board-appointed investment committee meet in person, or via telephone, at least quarterly to perform its duties and responsibilities in accordance with the investment committee charter.

Action—Compliance.

3. Cash –Escheat Policy—It is recommended that the company develop a formal written Escheat Policy. The Policy should address: (1) The company's procedures relating to stale-date checks (sufficient to ensure compliance with the requirements of Chapter 177, Wis. Stat.); and (2) The establishment and maintenance of an escheat liability account (to hold stale-dated checks outstanding for over one year). It is further recommended that the Escheat Policy be presented to the board of directors for approval.

Action—Compliance.

4. Compliance with Bylaws—It is recommended that the company's shareholder meet annually for the purpose of electing directors and transacting other business, as required by Sec. 2.01 of the company's Bylaws, and that evidence of this meeting be recorded in the annual meeting minutes.

Action—Compliance.

5. Executive Compensation—It is recommended that the company report all remuneration paid to or accrued on behalf of executives, which includes retirement benefits and insurance premiums, for those executives whose remuneration meets the requirements to be reported to the Commissioner in accordance with s. 611.63 (4), Wis. Stat.

Action—Compliance.

6. Disaster Recovery/Business Continuity Plan—It is recommended that the company regularly test its disaster recovery and business continuity plans.

Action—Compliance.

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Claims Monitoring

The company monitors open claims amounts utilizing the Reserve List report. The period covered by the Reserve List report is only the last 90 days. The older open claims fall off the report and do not appear to be actively monitored. These claims may not be resolved until the policyholder or vendor inquires. These older claims amounts are included in determining case reserves and incurred losses on the annual statement. It is recommended that the period covered by the Reserve List report be increased in order to monitor older claims. In addition, the older claims amounts should be researched and resolved since they affect reported losses.

Timing of Annual Shareholders' Meetings

The company does not comply with its Bylaws regarding the timing of its annual shareholders' meetings. Per Section 2.01 of the company's Bylaws, "The annual shareholders' meeting shall be held on the second Tuesday in May of each year at 1:00 o'clock p.m., beginning with the year 2006, or at such other date and time within 30 days before or after this date as may be fixed by or under the authority of the board of directors." For the last three years, the annual shareholders' meeting has been held in December. It is recommended that the company comply with its Bylaws regarding the timing of its annual shareholders' meetings.

VIII. CONCLUSION

SU Insurance Company was incorporated under its present name pursuant to the laws of the state of Wisconsin on March 7, 2005 and commenced business on April 27, 2005. The company was formed to underwrite the equipment maintenance insurance program of its affiliate, Specialty Underwriters LLC.

Over the examination period, capital and surplus increased 7.2% from \$12,862,781 in 2016 to \$13,791,330 in 2021. The increase was primarily due to net income of \$328,838 and increase in net unrealized capital gains of \$571,739.

The examination resulted in two recommendations, no adjustments to surplus, and no reclassifications of account balances. The company was in compliance with the recommendations in the previous examination report.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 22 - Claims Monitoring—It is recommended that the period covered by the Reserve List report be increased in order to monitor older claims. In addition, the older claims amounts should be researched and resolved since they affect reported losses.
2. Page 22 - Timing of Annual Shareholders' Meetings—It is recommended that the company comply with its Bylaws regarding the timing of its annual shareholders' meetings.


X. ACKNOWLEDGMENT

The courtesy and cooperation extended by the officers and employees of the company during the course of the examination 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
Daniel Hanes	Insurance Financial Examiner
Junji Nartatez, CISA	Financial Technology Specialist
Terry Lorenz, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Gregory Mielke
Examiner-in-Charge