

Report of the Examination of  
SOCIETY INSURANCE, a mutual company  
Fond du Lac, Wisconsin  
As of December 31, 2019

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November 5, 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:

**SOCIETY INSURANCE, A MUTUAL COMPANY**  
Fond du Lac, Wisconsin

and this report is respectfully submitted.

## I. INTRODUCTION

The previous examination of SOCIETY INSURANCE, a mutual company (“Society” or the company) was conducted in 2015 as of December 31, 2014. The current examination covered the intervening period ending December 31, 2019, 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.

#### **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 as well as the appropriateness of reserves for ongoing claims related to the COVID-19 pandemic. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

## II. HISTORY AND PLAN OF OPERATION

The company was organized in 1915 as the Wisconsin Brotherhood of Threshermen Insurance Company, Limited Mutual. In 1946, the company changed its name to Threshermen's Mutual Insurance Company. On July 1, 1995, the company changed its name to Society Insurance, a mutual company. On July 19, 2006, the company filed Restated Articles of Incorporation with OCI that formally restyled the company's name to SOCIETY INSURANCE, a mutual company.

On January 1, 2006, Society entered into a Plan of Merger with Venture Insurance Company, whereby Venture Insurance Company converted from a Wisconsin stock insurance corporation to a Wisconsin mutual insurance corporation and simultaneously merged with and into Society, with the latter corporation surviving. On May 22, 2006, another former subsidiary, Society Group Inc., was dissolved.

Effective April 1, 2012, Master Plumbers' Limited Mutual Liability Company (Master Plumbers) merged with and into Society. Master Plumbers was an assessable mutual casualty insurer organized in 1911 and licensed only in Wisconsin. It wrote only worker's compensation, general liability, and commercial auto liability business for plumbing and heating contractors. Master Plumbers was placed in rehabilitation on March 29, 1994, by the Circuit Court for Dane County, Wisconsin. Society performed claim adjustment and administrative services for the rehabilitator pursuant to a contract approved by the court. At the time of the merger, Master Plumbers had approximately \$1.1 million in assets. Under the merger agreement, Society assumed all of the assets and liabilities of Master Plumbers and there shall be no future assessments levied against any former member of Master Plumbers.

In 2019, the company wrote direct premium in the following states:

Wisconsin	\$121,274,033	58.9%
Illinois	51,036,032	24.8
Indiana	18,801,914	9.1
Iowa	7,913,249	3.8
Tennessee	4,916,856	2.4
Minnesota	<u>1,845,905</u>	<u>0.9</u>
Total	<u>\$205,787,989</u>	<u>100.0%</u>

The company is currently licensed to write premiums in the following states: Arizona, Colorado, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, North Carolina, Ohio, South Carolina, Tennessee, Texas, Utah, and Wisconsin.

The company focuses its expertise principally on restaurants and bars, grocery and convenience stores, hotels and motels, medical offices, artisan contractors, and auto service shops. The major products marketed by the company include worker's compensation, commercial multiple peril, commercial auto liability, other liability occurrence, and auto physical damage. Commercial multiple peril represented approximately 46.3% of the company's direct premium written in 2019, followed by 40.6% for worker's compensation. Society Insurance has been a longtime servicing carrier for the Wisconsin Worker's Compensation Pool. The pool business represents approximately 15% of the company's direct business. The company's products are marketed through approximately 350 independent agents.

The following table is a summary of the net insurance premiums written by the company in 2019. The growth of the company is discussed in the "Financial Data" section of this report.

<b>Line of Business</b>	<b>Direct Premium</b>	<b>Reinsurance Assumed</b>	<b>Reinsurance Ceded</b>	<b>Net Premium</b>
Commercial multiple peril	\$ 95,197,292	\$	\$ 7,457,420	\$ 87,739,872
Worker's compensation	83,496,859	1,015,732	22,648,516	61,864,075
Other liability – occurrence	9,722,950	272,096	419,135	9,575,911
Other liability – claims made	799,873		799,873	
Commercial auto liability	10,841,870		485,817	10,356,053
Auto physical damage	<u>5,729,145</u>	<u>                    </u>	<u>416,204</u>	<u>5,312,941</u>
Total All Lines	<u>\$205,787,989</u>	<u>\$1,287,828</u>	<u>\$32,226,965</u>	<u>\$174,848,852</u>

### III. MANAGEMENT AND CONTROL

#### Board of Directors

The board of directors consists of nine members. Three directors are elected annually to serve a three-year term. Officers are elected at the board's annual meeting. Independent directors currently receive \$1,250 per month for serving on the board, while the Chairman receives \$1,500 per month. Additionally, independent directors are paid \$1,000 per meeting attended. Directors who are members of executive management collect 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
JoAnn Cotter De Pere, Wisconsin	Retired Partner of Wipfli LLP VP of Cotter Funeral Homes & Crematory	2022
Linda Lee Newberry-Ferguson Waukesha, Wisconsin	President and Chief Executive Officer Rehabilitation Hospital of Wisconsin	2023
Susan Marie Finco Green Bay, Wisconsin	Owner Leonard & Finco Public Relations, Inc.	2023
Thomas J. Gross Fond du Lac, Wisconsin	Owner Ahern Gross Plumbing Contractors	2021
Nancy Hernandez Milwaukee, Wisconsin	President and Founder ABRAZO Multicultural Marketing & Communication	2022
Rick W. Parks Fond du Lac, Wisconsin	President and Chief Executive Officer SOCIETY INSURANCE, a mutual company	2023
Stephen M. Peterson Fond du Lac, Wisconsin	Retired President and Chief Executive Officer Mid-States Aluminum Corporation	2022
Kim M. Sponem Madison, Wisconsin	Chief Executive Officer Summit Credit Union	2021
John F. Duwell West Bend, Wisconsin	Retired Executive Vice President West Bend Mutual Insurance Company	2021

#### Officers of the Company

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

Name	Office
Rick W. Parks	President and Chief Executive Officer
Dina S. Schultz*	Senior Vice President, Chief Operating Officer and Assistant Secretary
Heather I. Boyer	Chief Financial Officer and Treasurer



<b>Name</b>	<b>Office</b>
Dominic A. Webber	Vice President-Actuary
Thomas E. Konop	Vice President-Information Systems
Timothy J. Riedl	Vice President-Underwriting
William I. Bunzel	Vice President-Property, Auto and Liability Claims
Michael G. Zajicek	Vice President-Worker's Compensation Claims
Ryan M. McClone	Vice President-Sales and Marketing
Amy M. Collett	Vice President-Human Resources
Thomas J. Schwefel	Controller and Assistant Treasurer

\*Dina Schultz left Society in June of 2020.

### **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:

#### **Executive & Nominating Committee**

Stephen M. Peterson, Chair  
Susan M. Finco  
Rick W. Parks

#### **Audit Committee**

John F. Duwell, Chair  
JoAnn Cotter  
Susan M. Finco  
Linda L. Newberry-Ferguson

#### **Senior Executive Compensation Committee**

Stephen M. Peterson, Chair  
Thomas J. Gross  
Kim M. Sponem  
John F. Duwell

#### **Investment Committee**

Thomas J. Gross  
Linda L. Newberry-Ferguson  
Nancy Hernandez  
Kim M. Sponem

#### IV. REINSURANCE

The company's reinsurance portfolio and strategy at the time of the examination are described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts contained proper insolvency provisions.

##### Nonaffiliated Ceding Contracts

1. Type:	First Multiple Line Excess of Loss																						
Reinsurer:	<table border="0" style="width: 100%;"> <tr> <td colspan="2"><u>Domestic Placement</u></td> </tr> <tr> <td>Employers Mutual Casualty Company</td> <td style="text-align: right;">7.5%</td> </tr> <tr> <td>QBE Reinsurance Corporation</td> <td style="text-align: right;">10.0</td> </tr> <tr> <td>Renaissance Reinsurance US Inc</td> <td style="text-align: right;">27.5</td> </tr> <tr> <td>The Toa Reinsurance Company of America</td> <td style="text-align: right;">10.0</td> </tr> <tr> <td>Transatlantic Reinsurance Company</td> <td style="text-align: right;"><u>15.0</u></td> </tr> <tr> <td></td> <td style="text-align: right;">70.0</td> </tr> <tr> <td colspan="2"><u>Foreign Placement</u></td> </tr> <tr> <td>Hannover Rück SE</td> <td style="text-align: right;"><u>30.0</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>30.0</u></td> </tr> <tr> <td><u>Total Placement</u></td> <td style="text-align: right;"><u>100.0%</u></td> </tr> </table>	<u>Domestic Placement</u>		Employers Mutual Casualty Company	7.5%	QBE Reinsurance Corporation	10.0	Renaissance Reinsurance US Inc	27.5	The Toa Reinsurance Company of America	10.0	Transatlantic Reinsurance Company	<u>15.0</u>		70.0	<u>Foreign Placement</u>		Hannover Rück SE	<u>30.0</u>		<u>30.0</u>	<u>Total Placement</u>	<u>100.0%</u>
<u>Domestic Placement</u>																							
Employers Mutual Casualty Company	7.5%																						
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The Toa Reinsurance Company of America	10.0																						
Transatlantic Reinsurance Company	<u>15.0</u>																						
	70.0																						
<u>Foreign Placement</u>																							
Hannover Rück SE	<u>30.0</u>																						
	<u>30.0</u>																						
<u>Total Placement</u>	<u>100.0%</u>																						
Scope:	<p>Property, including, but not limited to, fire, allied lines, commercial multiple peril, businessowners, inland marine, commercial automotive physical damage, and garage keepers legal</p> <p>Casualty, including, but not limited to, general liability, commercial multiple peril, businessowners, commercial automobile liability, liquor liability, worker's compensation, employers' liability, employment practices liability insurance, occupational disease and commercial umbrella</p>																						
Retention:	\$1,000,000 each property and casualty loss occurrence																						
Coverage:	<p>\$2,500,000 in excess of \$1,000,000 each risk each loss occurrence subject to a limit of \$7,500,000 any one loss occurrence</p> <p>\$1,000,000 in excess of \$1,000,000 each loss occurrence involving losses under both property and casualty business</p>																						
Reinstatement:	Automatically without payment of additional premium																						
Premium:	\$7,250,000 (payable in installments of \$1,812,500 on January 1, April 1, July 1, and October 1, 2020); Minimum \$5,800,000																						
Commissions:	25% after 25% Reinsurer Expense																						
Effective date:	January 1, 2020																						
Termination:	<p>90 days' notice of cancellation at any December 31</p> <p>Under any part of Article 3 - Special Termination of the contract upon giving a 30 days' notice in writing</p>																						
2. Type:	Second Multiple Line Excess of Loss																						

Reinsurer:	<u>Domestic Placement</u>	
	Axis Reinsurance Company	12.5%
	Employers Mutual Casualty Company	7.5
	QBE Reinsurance Corporation	10.0
	Renaissance Reinsurance US Inc	20.0
	The Toa Reinsurance Company of America	10.0
	Transatlantic Reinsurance Company	<u>10.0</u>
		70.0
	<u>Foreign Placement</u>	
	Hannover Rück SE	<u>30.0</u>
		<u>30.0</u>
	<u>Total Placement</u>	<u>100.0%</u>
Scope:	Property, including, but not limited to, fire, allied lines, commercial multiple peril, businessowners, inland marine, commercial automotive physical damage, and garage keepers legal	
	Casualty, including, but not limited to, general liability, commercial multiple peril, businessowners, commercial automobile liability, liquor liability, worker's compensation, employers' liability, employment practices liability insurance, occupational disease and commercial umbrella	
Retention:	None	
Coverage:	\$7,500,000 in excess of \$3,500,000 each risk each loss occurrence subject to a limit of \$15,000,000 any one loss occurrence	
Reinstatement:	Automatically without payment of additional premium (up to 3 reinstatements)	
Premium:	\$1,800,000 (payable in installments of \$450,000 on January 1, April 1, July 1, and October 1, 2020); Minimum \$1,440,000	
Effective date:	January 1, 2020	
Termination:	90 days' notice of cancellation at any December 31 Under any part of Article 3 - Special Termination of the contract upon giving a 30 days' notice in writing	
3. Type:	Property Per Risk Excess of Loss	
Reinsurer:	<u>Domestic Placement</u>	
	Employers Mutual Casualty Company	<u>5.00%</u>
		5.00
	<u>Foreign Placement</u>	
	Ark Underwriting (Lloyd's Syndicate 4020)	25.00
	Ascot Underwriting (Ascot Syndicate 1414 ASC)	30.00
	Lloyd's Syndicate 2987	34.64
	Lloyd's Syndicate 2988	<u>5.36</u>
		<u>95.00</u>
	<u>Total Placement</u>	<u>100.00%</u>
Scope:	Property, including, but not limited to, fire, allied lines, commercial multiple peril, businessowners and inland marine	
Retention:	None (excess over Multiple Line XOL)	

Coverage:	\$14,000,000 in excess of \$11,000,000 each risk subject to a limit of \$28,000,000 any one loss occurrence	
Reinstatement:	Twice automatically after the limit is exhausted subject to additional premium	
Premium:	\$110,000 (payable in installments of \$27,500 on January 1, April 1, July 1, and October 1, 2020); Minimum \$88,000	
Effective date:	January 1, 2020	
Termination:	Under any part of Article 3 - Special Termination of the contract upon giving a 30 days' notice in writing	
4. Type:	Property Catastrophe Excess of Loss	
Reinsurer:	<b>1<sup>st</sup> Layer</b>	
	<u>Domestic Placement</u>	
	AXIS Reinsurance Company	5.0%
	DUAL Corporate Risks LLC	5.0
	Employers Mutual Casualty Company	6.0
	Farm Mutual Reinsurance Plan Inc.	<u>1.5</u>
		17.5
	<u>Foreign Placement</u>	
	Hannover Rück SE	30.0
	Lansforsakringar Sak Forsakringsaktiebolag	5.0
	Lloyd's Syndicate 1947 GIC	5.0
	Lloyd's Syndicate 2001 AML	2.5
	Lloyd's Syndicate 3268 AGR	5.0
	Mapfre Re, Compania de Reaseguros, S.A.	5.0
	R+V Versicherung AG	<u>30.0</u>
		<u>82.5</u>
	<u>Total Placement</u>	<u>100.0%</u>
	<b>2<sup>nd</sup> Layer</b>	
	<u>Domestic Placement</u>	
	DUAL Corporate Risks LLC	5.0%
	Employers Mutual Casualty Company	6.0
	Farm Mutual Reinsurance Plan Inc.	<u>4.0</u>
		15.0
	<u>Foreign Placement</u>	
	Hannover Rück SE	30.0
	Korean Reinsurance Company	5.0
	Lansforsakringar Sak Forsakringsaktiebolag	5.0
	Lloyd's Syndicate 1947 GIC	5.0
	Lloyd's Syndicate 3268 AGR	5.0
	Mapfre Re, Compania de Reaseguros, S.A.	5.0
	R+V Versicherung AG	<u>30.0</u>
		<u>85.0</u>
	<u>Total Placement</u>	<u>100.0%</u>
	<b>3<sup>rd</sup> Layer</b>	
	<u>Domestic Placement</u>	
	AXIS Reinsurance Company	4.0%
	DUAL Corporate Risks LLC	5.0

Employers Mutual Casualty Company	5.5
Farm Mutual Reinsurance Plan Inc.	<u>2.5</u>
	17.0
<u>Foreign Placement</u>	
Hannover Rück SE	30.0
Korean Reinsurance Company	5.0
Lansforsakringar Sak Forsakringsaktiebolag	7.5
Lloyd's Syndicate 2001 AML	2.5
Lloyd's Syndicate 3268 AGR	3.0
Mapfre Re, Compania de Reasegueros, S.A.	5.0
R+V Versicherung AG	<u>30.0</u>
	<u>83.0</u>
<u>Total Placement</u>	<u>100.0%</u>

Scope: Property, including, but not limited to, fire, allied lines, commercial multiple peril, businessowners, inland marine, commercial automobile physical damage and boiler and machinery

Retention: \$2,500,000 of all property losses

Coverage: First Layer: \$3,500,000 each loss occurrence excess of \$2,500,000  
Second Layer: \$6,000,000 each loss occurrence excess of \$6,000,000  
Third Layer: \$28,000,000 each loss occurrence excess of \$12,000,000.

Reinstatement: Once automatically after the limit is exhausted subject to additional premium

Premium: First Layer: \$525,000 (payable in installments of \$131,250 on January 1, April 1, July 1, and October 1, 2020); Minimum \$420,000.  
Second Layer: \$300,000 (payable in installments of \$75,000 on January 1, April 1, July 1, and October 1, 2020); Minimum \$240,000  
Third Layer: \$588,000 (payable in installments of \$147,000 on January 1, April 1, July 1, and October 1, 2020); Minimum \$470,400

Effective date: January 1, 2020

Termination: Under any part of Article 3 - Special Termination of the contract upon giving a 30 days' notice in writing

5. Type: Property Catastrophe Aggregate Excess of Loss

<u>Domestic Placement</u>	
Farm Mutual Reinsurance Plan Inc.	11.25
Renaissance Reinsurance U.S. Inc.	10.00
The Toa Reinsurance Company of America	<u>8.75</u>
	30.00
<u>Foreign Placement</u>	
Hannover Rück SE	30.00
R+V Versicherung AG	<u>40.00</u>
	<u>70.00</u>
Total	<u>100.00%</u>

Scope: Property, including, but not limited to, personal and commercial automobile physical damage, excluding collision.

Retention: \$4,000,000

Coverage: \$4,000,000 in excess of \$4,000,000 in aggregate

Reinstatement: None

Premium: \$1,380,000 (payable in installments of \$345,000 on January 1, April 1, July 1, and October 1, 2020); Minimum \$1,104,000

Effective date: January 1, 2020

Termination: Under any part of Article 3 - Special Termination of the contract upon giving a 30 days' notice in writing

6. Type: First Worker's Compensation Catastrophe Excess of Loss

Reinsurer:

<u>Domestic Placement</u>	
Employers Mutual Casualty Company	5.0%
Munich Reinsurance America, Inc	20.0
Safety National Casualty Corporation	45.0
Waypoint Underwriting	<u>5.0</u>
	75.0
<u>Foreign Placement</u>	
Brit Reinsurance Limited	10.0
Lloyd's Syndicate 2987	10.0
Korean Reinsurance Company	<u>5.0</u>
	<u>25.0</u>
<u>Total Placement</u>	<u>100.0%</u>

Scope: Worker's compensation

Retention: None (excess over Multiple Line XOL)

Coverage: \$9,000,000 in excess of \$11,000,000 any one loss occurrence

Reinstatement: Once automatically after the limit is exhausted subject to additional premium

Premium: \$360,000 (payable in installments of \$90,000 on January 1, April 1, July 1, and October 1, 2020); Minimum \$288,000

Effective date: January 1, 2020

Termination: Under any part of Article 3 - Special Termination of the contract upon giving a 30 days' notice in writing

7. Type: Second Worker's Compensation Catastrophe Excess of Loss

Reinsurer:

<u>Domestic Placement</u>	
Arch Reinsurance Company	20.0%
Employers Mutual Casualty Company	5.0%
Munich Reinsurance America, Inc	15.0
Waypoint Underwriting	10.0
XL Reinsurance America Inc.	<u>12.5</u>

		62.5
	<u>Foreign Placement</u>	
	Brit Reinsurance Limited	10.0
	Lloyd's Syndicate 2987	10.0
	Lloyd's Syndicate 3000 MKL	12.5
	Korean Reinsurance Company	<u>5.0</u>
		<u>37.5</u>
	<u>Total Placement</u>	<u>100.0%</u>
Scope:	Worker's compensation	
Retention:	None	
Coverage:	\$40,000,000 in excess of \$20,000,000 any one loss occurrence	
Reinstatement:	Once automatically after the limit is exhausted subject to additional premium	
Premium:	\$440,000 (payable in installments of \$110,000 on January 1, April 1, July 1, and October 1, 2020); Minimum \$352,000	
Effective date:	January 1, 2020	
Termination:	Under any part of Article 3 - Special Termination of the contract upon giving a 30 days' notice in writing	
8. Type:	Casualty Excess of Loss	
Reinsurer:	<u>Domestic Placement</u>	
	AXIS Reinsurance Company	12.0%
	Employers Mutual Casualty Company	5.0
	Renaissance Reinsurance U.S. Inc	<u>15.0</u>
		32.0
	<u>Foreign Placement</u>	
	Hannover Ruck SE	10.0
	Lloyd's Syndicate 0435 FDY	20.0
	Lloyd's Syndicate 0609 AUW	15.0
	Lloyd's Syndicate 2987	10.0
	Lloyd's Syndicate 4444 CNP	8.0
	Korean Reinsurance Company	<u>5.0</u>
		<u>68.0</u>
	<u>Total Placement</u>	<u>100.0%</u>
Scope:	Casualty	
Retention:	None	
Coverage:	\$6,000,000 in excess of \$11,000,000 any one loss occurrence	
Reinstatement:	Twice automatically after the limit is exhausted subject to additional premium	
Premium:	\$325,000 (payable in installments of \$110,000 on January 1, April 1, July 1, and October 1, 2020); Minimum \$260,000	
Effective date:	January 1, 2020	

Termination:

Under any part of Article 3 - Special Termination of the contract upon giving a 30 days' notice in writing



## **V. 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 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.

**SOCIETY INSURANCE, a mutual company**  
**Assets**  
**As of December 31, 2019**

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$305,405,494	\$	\$305,405,494
Stocks:			
Preferred stocks	876,550		876,550
Common stocks	45,126,516		45,126,516
Real Estate Occupied by the company	3,318,982		3,318,982
Cash, cash equivalents, and short-term investments	21,535,565		21,535,565
Investment income due and accrued	2,516,195		2,516,195
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	9,464,669	763,380	8,701,289
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	65,862,100	140,000	65,722,100
Reinsurance:			
Amounts recoverable from reinsurers	6,850,406		6,850,406
Funds held by or deposited with reinsured companies	1,088,720		1,088,720
Net deferred tax asset	3,113,957		3,113,957
Electronic data processing equipment and software	11,574,434	10,502,530	1,071,904
Furniture and equipment, including health care delivery assets	563,035	563,035	
Write-Ins for other than invested assets:			
Cash surrender value – life insurance	\$1,047,053		1,047,053
Other assets	1,502,563		1,502,563
Prepaid expenses	241,568	241,568	
Summary of remaining write- ins for Line 25 from overflow page	323		323
 Total Assets	 <u>\$480,088,130</u>	 <u>\$12,210,513</u>	 <u>\$467,877,617</u>

**SOCIETY INSURANCE, a mutual company**  
**Liabilities, Surplus, and Other Funds**  
**As of December 31, 2019**

Losses		\$134,269,471
Loss adjustment expenses		45,851,923
Commissions payable, contingent commissions, and other similar charges		6,337,462
Other expenses (excluding taxes, licenses, and fees)		7,356,805
Taxes, licenses, and fees (excluding federal and foreign income taxes)		729,784
Current federal and foreign income taxes		193,000
Unearned premiums		88,028,443
Advance premium		821,331
Dividends declared and unpaid:		
Policyholders		5,384,717
Ceded reinsurance premiums payable (net of ceding commissions)		9,328,993
Amounts withheld or retained by company for account of others		<u>619,398</u>
Total Liabilities		298,921,327
Unassigned funds (surplus)	<u>\$168,956,290</u>	
Surplus as Regards Policyholders		<u>168,956,290</u>
Total Liabilities and Surplus		<u>\$467,877,617</u>

**SOCIETY INSURANCE, a mutual company**  
**Summary of Operations**  
**For the Year 2019**

<b>Underwriting Income</b>		
Premiums earned		\$169,392,589
Deductions:		
Losses incurred	\$81,281,035	
Loss adjustment expenses incurred	27,755,052	
Other underwriting expenses incurred	<u>55,802,836</u>	
Total underwriting deductions		<u>164,838,923</u>
Net underwriting gain (loss)		4,553,666
<b>Investment Income</b>		
Net investment income earned	9,445,790	
Net realized capital gains (losses)	<u>3,140,929</u>	
Net investment gain (loss)		12,586,719
<b>Other Income</b>		
Net gain (loss) from agents' or premium balances charged off	(350,646)	
Finance and service charges not included in premiums	565,598	
Write-ins for miscellaneous income:		
Gain/Loss on Sale of Fixed Assets	55,055	
Life Insurance Expense - Net	31,922	
Uncollectable Reinsurance	<u>(40)</u>	
Total other income		<u>301,889</u>
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		17,442,274
Dividends to policyholders		<u>6,832,504</u>
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		10,609,770
Federal and foreign income taxes incurred		<u>1,679,070</u>
Net Income (Loss)		<u>\$ 8,930,700</u>

**SOCIETY INSURANCE, a mutual company**  
**Cash Flow**  
**For the Year 2019**

Premiums collected net of reinsurance		\$170,979,458
Net investment income		11,017,607
Miscellaneous income		<u>301,889</u>
Total		182,298,954
Benefit- and loss-related payments	\$81,072,742	
Commissions, expenses paid, and aggregate write-ins for deductions	81,305,103	
Dividends paid to policyholders	7,129,074	
Federal and foreign income taxes paid (recovered)	<u>2,865,000</u>	
Total deductions		<u>172,371,919</u>
Net cash from operations		9,927,035
Proceeds from investments sold, matured, or repaid:		
Bonds	\$89,632,859	
Stocks	<u>13,418,140</u>	
Total investment proceeds		103,050,999
Cost of investments acquired (long- term only):		
Bonds	86,666,264	
Stocks	9,373,270	
Other invested assets	<u>326,576</u>	
Total investments acquired		<u>96,366,110</u>
Net cash from investments		6,684,889
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	<u>(4,451,493)</u>	
Net cash from financing and miscellaneous sources		<u>(4,451,439)</u>
<b>Reconciliation:</b>		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		
		12,160,485
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>9,375,080</u>
End of Year		<u>\$21,535,565</u>

**SOCIETY INSURANCE, a mutual company**  
**Compulsory and Security Surplus Calculation**  
**December 31, 2019**

Assets		\$467,877,617
Less liabilities		<u>298,921,327</u>
Adjusted surplus		168,956,290
Annual premium:		
Lines other than accident and health	\$168,016,347	
Factor	<u>20%</u>	
Compulsory surplus (subject to a minimum of \$2 million)		<u>33,603,269</u>
Compulsory Surplus Excess (Deficit)		<u>\$135,353,021</u>
Adjusted surplus (from above)		\$168,956,290
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>45,700,445</u>
Security Surplus Excess (Deficit)		<u>\$123,255,845</u>

**SOCIETY INSURANCE, a mutual company**  
**Analysis of Surplus**  
**For the 5-Year Period Ending December 31, 2019**

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

	2019	2018	2017	2016	2015
Surplus, beginning of year	\$158,138,760	\$153,434,716	\$141,481,861	\$131,783,069	\$123,516,092
Net income	8,930,700	10,926,111	10,240,876	9,530,937	13,334,264
Change in net unrealized capital gains/losses	5,127,005	(4,903,388)	5,701,593	1,809,450	(1,470,631)
Change in net deferred income tax	1,310,600	717,000	(3,248,400)	(584,200)	(507,921)
Change in nonadmitted assets	(2,816,741)	(1,445,164)	(2,183,920)	(569,327)	(398,712)
Change in liability for Pension Benefits	<u>(1,734,034)</u>	<u>(590,515)</u>	<u>1,442,706</u>	<u>(488,068)</u>	<u>(2,690,023)</u>
Surplus, End of Year	<u>168,956,290</u>	<u>\$158,138,760</u>	<u>\$153,434,716</u>	<u>\$141,481,861</u>	<u>\$131,783,069</u>

**SOCIETY INSURANCE, a mutual company**  
**Insurance Regulatory Information System**  
**For the 5-Year Period Ending December 31, 2019**

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

Ratio	2019	2018	2017	2016	2015
#1 Gross Premium to Surplus	123%	127%	127%	139%	145%
#2 Net Premium to Surplus	103	106	106	112	116
#3 Change in Net Premiums Written	5	3	2	4	1
#4 Surplus Aid to Surplus	1	1	1	2	2
#5 Two-Year Overall Operating Ratio	93	93	94	93	92
#6 Investment Yield	2.6	2.5	2.4*	2.5*	2.7*
#7 Gross Change in Surplus	7	3	8	7	7
#8 Change in Adjusted Surplus	7	3	8	7	7
#9 Liabilities to Liquid Assets	62	63	62	64	65
#10 Agents' Balances to Surplus	5	5	5	6	6
#11 One-Year Reserve Development to Surplus	-10	-6	-6	-3	-2
#12 Two-Year Reserve Development to Surplus	-12	-10	-7	-4	1
#13 Estimated Current Reserve Deficiency to Surplus	-8	-10	-14	-11	-5

Ratio No. 6 ("Investment Yield") produced unusual results in the years 2015, 2016, and 2017.

The company's conservative investment approach, the prolonged low-interest rate environment in the U.S., as well as the methodology used to calculate this ratio, all contributed to these results. In 2018, the

NAIC changed the standard for Investment Yield to bring it more in line with the industry mean. Overall, the company is invested conservatively, and its investment yield tends to remain consistent year over year, resulting in no significant concerns regarding the asterisked values.

**Growth of SOCIETY INSURANCE, a mutual company**

<b>Year</b>	<b>Admitted Assets</b>	<b>Liabilities</b>	<b>Surplus as Regards Policyholders</b>	<b>Net Income</b>
2019	\$467,877,617	\$298,921,327	\$168,956,290	\$ 8,930,700
2018	446,603,562	288,464,802	158,138,760	10,926,111
2017	432,608,483	279,173,767	153,434,716	10,240,876
2016	407,919,168	266,437,307	141,481,861	9,530,937
2015	385,084,701	253,301,632	131,783,069	13,334,264
2014	368,183,852	244,667,760	123,516,092	9,894,345

<b>Year</b>	<b>Gross Premium Written</b>	<b>Net Premium Written</b>	<b>Premium Earned</b>	<b>Loss and LAE Ratio</b>	<b>Expense Ratio</b>	<b>Combined Ratio</b>
2019	\$207,075,817	\$174,848,852	\$169,392,589	64.4%	31.7%	96.1%
2018	200,906,164	167,095,611	163,480,510	61.3	32.8	94.1
2017	194,441,703	162,601,302	161,457,343	62.4	31.0	93.4
2016	196,064,065	159,026,045	155,896,867	65.2	28.8	94.0
2015	191,038,568	153,032,344	153,637,172	62.4	28.7	91.1
2014	189,867,291	151,643,542	147,270,279	65.6	27.6	93.2

During the five-year period under examination, the company's admitted assets increased by 21.5%, premiums earned increased by 10.3%, and surplus increased by 28.2%. The increase in admitted assets and surplus was the result of investment income growth and profitable underwriting results in all five years. Growth in premiums was primarily attributable to an increase in premiums in force, and changes to the pricing strategy.



**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, 2019, is accepted.

## VI. SUMMARY OF EXAMINATION RESULTS

### Compliance with Prior Examination Report Recommendations

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

1. Executive Compensation—It is recommended that the company properly complete the Report on Executive Compensation as required by s. 611.63 (4), Wis. Stat.

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.

## **VII. CONCLUSION**

SOCIETY INSURANCE, a mutual company, writes preferred and standard commercial lines of insurance, with a focus on providing continuous improvement, expertise, products and technology to best serve its policyholders.

During the period under examination, the company's admitted assets increased by 21.5%, premiums earned increased by 10.3%, and surplus increased by 28.2%. The increase in admitted assets and surplus was the result of investment income growth and profitable underwriting results in all five years. Growth in premiums was primarily attributable to an increase in premiums in force, and changes to the pricing strategy.

The company fully complied with the recommendation made by the prior examination. The current examination resulted in no recommendations and no adjustments to surplus as reported by the company as of December 31, 2019.

## **VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

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

## IX. 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:

<b>Name</b>	<b>Title</b>
Jim Lindell	Insurance Financial Examiner
Kenton Harrison	Insurance Financial Examiner
Yi Xu	Insurance Financial Examiner
Ana Careaga	Data Specialist
Eleanor Lu, CISA	IT Specialist
Terry Lorenz, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Nicholas Barsuli  
Examiner-in-Charge

## **X. SUBSEQUENT EVENTS**

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 concerning the effect that the pandemic will have on the insurance industry, economy, and society 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 to date.

The company is defending lawsuits filed in state and federal courts in Illinois, Wisconsin, Iowa, Indiana, Minnesota, and Tennessee. All of those lawsuits raise claims for business interruption insurance coverage related to the Coronavirus pandemic. Those lawsuits are in various preliminary procedural stages, and were brought against the company as both individual and purported class action suits. The Judicial Panel on Multidistrict Litigation centralized certain of these cases before the Illinois federal court. As is the industry standard, the policy requires direct physical damage to property as a cause of loss for coverage to be triggered. Based on policy language and recent court cases with favorable outcomes for insurers, Society does not anticipate that coverage will be triggered for these property claims requiring any loss reserves or payments.

Loss adjusting expense reserves have been established for the estimated litigation costs associated with the lawsuits.