

Report
of the
Examination of
Wisconsin Municipal Mutual Insurance Company
Madison, Wisconsin
As of December 31, 2017

TABLE OF CONTENTS

	Page
I. INTRODUCTION.....	1
II. HISTORY AND PLAN OF OPERATION	3
III. MANAGEMENT AND CONTROL	7
IV. AFFILIATED COMPANIES	9
V. REINSURANCE	10
VI. FINANCIAL DATA	12
VII. SUMMARY OF EXAMINATION RESULTS	20
VIII. CONCLUSION.....	23
IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS.....	24
X. ACKNOWLEDGMENT	25



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tony Evers, Governor
Mark V. Afable, Commissioner

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April 10, 2019

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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:

WISCONSIN MUNICIPAL MUTUAL INSURANCE COMPANY
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Wisconsin Municipal Mutual Insurance Company (WMMIC or the company) was conducted in 2013 as of December 31, 2012. The current examination covered the intervening period ending December 31, 2017, and included a review of such 2018 and 2019 transactions as deemed necessary to complete the examination.

The examination was conducted using a modified 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 document system controls and procedures used to mitigate those risks. The approach was modified to focus on the significant financial statement balances and transactions.

All accounts and activities of the company were considered in accordance with the modified 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 recommendation 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.

II. HISTORY AND PLAN OF OPERATION

In 1987, the company was incorporated under s. 66.30, Wis. Stat., as a “joint powers authority” rather than under the Wisconsin insurance statutes. The company was organized due to significant premium increases being experienced by municipalities and the inability of certain municipalities to obtain insurance in the mid-1980s. On December 22, 1987, the company was issued a certificate of authority to operate as a mutual insurance company under ch. 611, Wis. Stat., for the purpose of providing automobile liability and general liability insurance at a reasonable cost to its members. WMMIC began offering workers’ compensation insurance coverage in 2000. The company discontinued the program in 2010 and resumed offering workers’ compensation coverage in January of 2013. All of the company’s members are counties, cities, or other municipal entities located within the State of Wisconsin. The company is only licensed in Wisconsin.

On July 24, 2015, WMMIC purchased 30 shares of \$1 par value common stock of Municipal Property Insurance Company (MPIC), a stock company, for a total investment of \$3,000,000. MPIC commenced business on September 1, 2015, to write property insurance for municipalities in the State of Wisconsin. MPIC was capitalized equally by Cities & Villages Mutual Insurance Company (CVMIC), League of Wisconsin Municipalities Mutual Insurance (LWMMI), and WMMIC. Each investor contributed \$3,000,000 in capital for an initial capitalization of \$9,000,000 and purchased 30 shares each of common stock. The three investors have equal voting rights.

Wisconsin municipalities have limited exposure to large general liability and automobile liability claims due to a tort cap of \$50,000 on general liability and \$250,000 on automobile liability pursuant to ss. 893.80 (3) and 345.05 (3), Wis. Stat., respectively. The tort cap is not effective for miscellaneous liability actions, such as those brought in federal court civil rights cases or for workers’ compensation.

Capital Structure

The initial capitalization of \$13.3 million was obtained through the company’s public offering of tax-exempt serial revenue bonds. In order to count the bonds as surplus and to have

an assured revenue source with respect to payment of principal and interest, the following occurred:

1. A letter of credit was obtained to assure payment of the bond obligations and
2. Each member policyholder issued a promissory note to the bank as collateral for the letter of credit, which in total equaled the principal and interest payments.

Payments of the principal and interest were funded by member payments on the promissory notes and dividends from the company. In the event that funding requirements were not met to cover the bond obligations, the letter of credit could have been called. The letter of credit was renewed in 1996 to match the outstanding debt for the years 1997 through 2007. Subsequently, the letter of credit matured on December 1, 2007, concurrent with the retirement of all outstanding debt.

In an order issued by the Commissioner, the company is exempt from several provisions of the statutes and insurance administrative code. Pursuant to s. 611.23, Wis. Stat., the Commissioner waived the following statutes:

- Sections 611.74 and 181.50, Wis. Stat. Section 8.01 (e) of the articles of incorporation is more restrictive regarding dissolution.
- Section 611.32 (2), Wis. Stat., but s. 66.066, Wis. Stat., is applicable to bonds issued.
- Sections 620.22 and 620.23, Wis. Stat., but s. 66.04, Wis. Stat., is applicable regarding investment limitations.
- Sections 645.72 (4) (e) and 611.74 (4), Wis. Stat. Section 8.02 of the articles of incorporation, which provides for the distribution of assets in rehabilitation or liquidation, is applicable.

The order allows the company to exclude its revenue bond obligation from the initial capitalization as a liability on the balance sheet due to the bonds being supported by a letter of credit. The order also allows the company to accept general obligation securities issued by new members as capital contributions. Such securities shall not be counted towards compulsory and security surplus calculations. Except for capital contributions from new members, the company shall not invest in any securities issued by member municipalities at any time.

Membership Structure

Each municipality has a self-insured retention (SIR) limit and an annual aggregate retention limit, which is based on an actuarial valuation. Each member is obligated to fund losses until the SIR limit is reached. Below is a list of the current members' 2017 single and aggregate retentions for casualty and liability claims:

Member	Single	Aggregate
Baseball District	\$ 10,000	\$ 100,000
Brown County	250,000	1,075,000
Brown County Stadium Dist.	5,000	50,000
Chippewa County	150,000	300,000
City of Eau Claire	200,000	400,000
City of La Crosse	150,000	600,000
City of Madison	350,000	1,550,000
Dane County	250,000	1,500,000
Dodge County	150,000	450,000
Eau Claire County	200,000	400,000
Jefferson County	200,000	525,000
Kenosha County	200,000	925,000
La Crosse County	150,000	475,000
Manitowoc County	125,000	400,000
Marathon County	250,000	1,050,000
Outagamie County	200,000	750,000
Rock County	200,000	850,000
St. Croix County	500,000	1,500,000
Walworth County	200,000	650,000
Waukesha County	400,000	1,300,000

Currently, WMMIC is comprised of 20 members. During the examination period, WMMIC's policy count increased by two members. The company added the City of La Crosse and Southeast Wisconsin Professional Baseball District (Baseball District) as new members. The company's members include three cities, 15 counties, and two special-use districts. Special-use districts are typically developed for one or more specific purposes and are overlaid on zoning districts. All members are required to contribute capital to the company except for the two special-use districts that are not equity members. The major products marketed by the company include other liability occurrence, commercial auto liability, and excess workers' compensation. Marketing is the sole responsibility of the company's executive director. The table below shows the surplus by member as of December 31, 2017.

Member	Amount	Percent
Brown County	\$ 2,145,984	6.99%
Chippewa County	990,486	3.22
City of Eau Claire	983,257	3.20
City of La Crosse	408,422	1.33
City of Madison	4,590,321	14.94
Dane County	2,782,263	9.06
Dodge County	1,169,515	3.81
Eau Claire County	1,176,559	3.83
Jefferson County	850,220	2.77
Kenosha County	1,849,360	6.02
La Crosse County	1,067,422	3.47
Manitowoc County	1,708,058	5.56
Marathon County	1,847,338	6.01
Outagamie County	1,827,166	5.95
Rock County	1,529,942	4.98
St. Croix County	1,100,225	3.58
Walworth County	1,689,782	5.50
Waukesha County	<u>3,004,390</u>	<u>9.78</u>
Total	<u>\$30,720,710</u>	<u>100.00%</u>

The following table is a summary of the net insurance premiums written by the company in 2017. 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
Other liability – occurrence	\$2,618,837	\$	\$ 743,694	\$1,875,143
Excess workers' compensation	1,135,014		1,135,014	
Commercial auto liability	<u>1,647,815</u>	—	<u>359,869</u>	<u>1,287,946</u>
Total all lines	<u>\$5,401,666</u>	<u>\$0</u>	<u>\$2,238,577</u>	<u>\$3,163,089</u>

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of seven directors. At least five directors are chosen from the company's member representatives. In addition, the board may nominate up to two at-large directors who are experienced in the insurance industry but those individuals are not required to represent any of the company's members. All directors serve a three-year term until their successors have been elected and qualified. Directors are divided into three classes with the expectation that their terms will be staggered. Directors may serve an unlimited number of terms. Directors are not compensated for serving on the board. However, directors receive reimbursement for meals, lodging, and mileage at the state government rate for travel expenses when attending meetings. Currently, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Eric Veum Madison, Wisconsin	Risk Manager City of Madison	2020
Frank Draxler - Chair Eau Claire, Wisconsin	Director of Purchasing Eau Claire County	2020
Laura Stauffer Waukesha, Wisconsin	Risk Manager Waukesha County	2021
Ben Wehmeier Oconomowoc, Wisconsin	County Administrator Jefferson County	2021
Brian Massey Green Bay, Wisconsin	Finance Director Outagamie County	2021
Colleen Schian – Vice Chair Eau Claire, Wisconsin	Risk Manager Eau Claire	2021
Dan Lowndes Madison, Wisconsin	Risk Manager Dane County	2021

Officers of the Company

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

Name	Office	2017 Compensation
Dean Boes	Executive Director	\$193,465
Eric Veum	Chairman	0
Mary Jo Maly	Secretary	0
Norman Cummings	Treasurer	0

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The committees as they are currently constituted are listed below:

Underwriting Committee

Laura Stauffer, Chair
Eric Veum
Ben Wehmeier
Colleen Schian

Claims Committee

Dan Lowndes, Chair
Colleen Schian
Laura Stauffer

Finance Committee

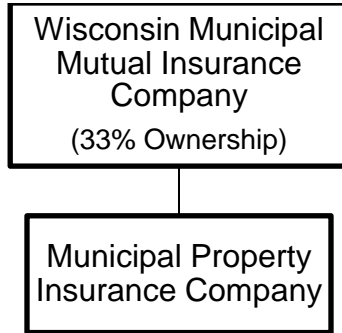
Brian Massey, Chair
Frank Draxler
Eric Veum

Each committee consists of at least three directors, as well as representatives of member municipalities who are not directors. Only the company's board members are included in the committees listed above.

IV. AFFILIATED COMPANIES

Wisconsin Municipal Mutual Insurance Company is the ultimate parent 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.

**Organizational Chart
As of December 31, 2017**



Municipal Property Insurance Company

As noted earlier in this report, MPIC was formed to provide property insurance coverage to Wisconsin municipalities. MPIC was established as a stock insurance company owned equally by CVMIC, LWMMI, and WMMIC. The company received \$9,000,000 of initial capital in July 2015 (\$3,000,000 each from CVMIC, LWMMI, and WMMIC) to fund the start-up of the company.

As of December 31, 2017, the audited statutory financial statements of MPIC reported assets of \$14,238,767, liabilities of \$5,445,765, and surplus of \$8,793,002. The company's operations for 2017 produced net income of \$229,229.

V. REINSURANCE

The company's reinsurance portfolio and strategy 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: Excess of Loss

Reinsurer: Government Entities Mutual (GEM) 40%
General Reinsurance Corporation 60%

Scope: Casualty Excess of Loss
 - General liability (including liability for law enforcement activities)
 - Auto liability (includes uninsured motorists)
 - Public officials' errors and omissions liability (includes employee benefits liability)
Retention: \$1,500,000 per occurrence per member

Coverage: \$8,500,000 per occurrence in respect of all lines of coverage/per member. Related loss adjustment expenses paid proportionate to the reinsurer's share of net loss.

Company policy limits should not exceed:

General liability: \$10,000,000 each occurrence
30,000,000 policy aggregate

Automobile liability: \$10,000,000 each accident

Public officials E&O liability: \$10,000,000 each wrongful act
30,000,000 policy aggregate

Premium: \$1,726,805

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

Termination: By either party with 120-days advance written notice
2. Type: Excess of Loss

Reinsurer: Safety National Casualty Corporation

Scope: Excess workers' compensation and employers' liability

Self-insured retention excess workers' compensation per occurrence:
 \$650,000 City of Madison
 \$550,000 All other members

Self-insured retention employers' liability:
 City of Madison
 \$1,000,000 excess of \$650,000 each accident
 \$1,000,000 excess of \$650,000 policy limit
 \$1,000,000 excess of \$650,000 each employee
 All other members
 \$1,000,000 excess of \$550,000 each accident
 \$1,000,000 excess of \$550,000 policy limit
 \$1,000,000 excess of \$550,000 each employee

Coverage:	Workers' compensation:	Statutory
	Employers' liability:	
	City of Madison	\$1,650,000
	All other members	\$1,550,000

Premium:	Deposit premium	\$1,203,494
	Premium rate	0.1231 per \$100 of payroll
	Minimum premium	\$1,083,145

Effective date: January 1, 2019

Termination: January 1, 2020

The language of the declaration page of the contract for employers' liability coverage states that the reinsured company retains \$1,000,000 in Part 8 and that the reinsurer's limit of liability is \$1,000,000 excess of \$550,000 (City of Madison) and \$650,000 (all other) in Part 9. The examination team accepted the company's assertion that the intention of the contract is reinsurance coverage of \$1,000,000 excess of retention of \$550,000 (City of Madison) and \$650,000 (all other). This is supported by the Part 7 requirement for policy limits not to exceed \$1,650,000 (City of Madison), and \$1,550,000 (all other).

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, 2017, 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.

Wisconsin Municipal Mutual Insurance Company
Assets
As of December 31, 2017

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$37,861,627	\$	\$37,861,627
Stocks:			
Common stocks	2,459,618		2,459,618
Cash, cash equivalents, and short-term investments	1,424,934		1,424,934
Other invested assets	500,000		500,000
Investment income due and accrued	159,352		159,352
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	12,607		12,607
Write-ins for other than invested assets:			
Investments held for self-insured retention member accounts	7,711,005		7,711,005
Prepaid expenses	<u>123,874</u>	<u>123,874</u>	<u> </u>
Total Assets	<u>\$50,253,017</u>	<u>\$123,874</u>	<u>\$50,129,143</u>

Wisconsin Municipal Mutual Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2017

Losses		\$ 7,409,511
Loss adjustment expenses		3,322,835
Other expenses (excluding taxes, licenses, and fees)		187,082
Provision for reinsurance		778,000
Write-ins for liabilities:		
Amount withheld for member SIR accounts		<u>7,711,005</u>
Total Liabilities		19,408,433
Gross paid in and contributed surplus	\$24,543,665	
Unassigned funds (surplus)	<u>6,177,045</u>	
Surplus as regards policyholders		<u>30,720,710</u>
Total liabilities and surplus		<u>\$50,129,143</u>

Wisconsin Municipal Mutual Insurance Company
Summary of Operations
For the Year 2017

Underwriting Income		
Premiums earned		\$3,163,089
Deductions:		
Losses incurred	\$2,721,805	
Loss adjustment expenses incurred	946,121	
Other underwriting expenses incurred	1,019,784	
Total underwriting deductions		<u>4,687,710</u>
Net underwriting gain (loss)		(1,524,621)
Investment Income		
Net investment income earned	659,115	
Net realized capital gains (losses)	<u>81,263</u>	
Net investment gain (loss)		740,378
Other Income		
Write-ins for miscellaneous income:		
Commissions	<u>143,162</u>	
Total other income		<u>143,162</u>
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		<u>(641,081)</u>
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		(641,081)
Net loss		<u>\$ (641,081)</u>

Wisconsin Municipal Mutual Insurance Company
Cash Flow
For the Year 2017

Premiums collected net of reinsurance		\$3,166,622
Net investment income		722,580
Miscellaneous income		<u>143,162</u>
Total		4,032,364
Benefit- and loss-related payments	\$2,680,361	
Commissions, expenses paid, and aggregate write-ins for deductions	1,868,288	
Dividends paid to policyholders	2,259,028	
Total deductions		<u>6,807,677</u>
Net cash from operations		(2,775,313)
Proceeds from investments sold, matured, or repaid:		
Bonds	\$9,362,375	
Cost of investments acquired (long-term only):		
Bonds	6,814,334	
Net cash from investments		2,548,041
Cash from financing and miscellaneous sources:		
Other cash provided (applied)		<u>3,759</u>
Reconciliation:		
Net change in cash, cash equivalents, and short-term investments		(223,513)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>1,648,447</u>
End of Year		<u>\$1,424,934</u>

**Wisconsin Municipal Mutual Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2017**

Assets		\$50,129,143
Less liabilities		<u>19,408,433</u>
Adjusted surplus		30,720,710
Annual premium:		
Lines other than accident and health	\$3,163,089	
Factor	<u>20%</u>	
Compulsory surplus (subject to a minimum of \$2 million)		<u>2,000,000</u>
Compulsory surplus excess (deficit)		<u>\$28,720,710</u>
Adjusted surplus (from above)		\$30,720,710
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>2,800,000</u>
Security surplus excess (deficit)		<u>\$27,920,710</u>

**Wisconsin Municipal Mutual Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2017**

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

	2017	2016	2015	2014	2013
Surplus, beginning of year	\$31,751,539	\$37,823,930	\$40,323,445	\$38,966,325	\$38,220,750
Net income	(641,081)	(5,222,131)	(2,125,274)	1,123,121	1,078,343
Change in net unrealized capital gains/losses	(441,474)	29,340	(300,241)	(266,001)	(336,192)
Change in nonadmitted assets	(35,274)	(88,600)			3,424
Change in provision for reinsurance	87,000	(791,000)	(74,000)		
Surplus adjustments:					
Paid in	<u> </u>	<u> </u>	<u> </u>	<u>500,000</u>	<u> </u>
Surplus, end of year	<u>\$30,720,710</u>	<u>\$31,751,539</u>	<u>\$37,823,930</u>	<u>\$40,323,445</u>	<u>\$38,966,325</u>

**Wisconsin Municipal Mutual Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2017**

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

Ratio	2017	2016	2015	2014	2013
#1 Gross Premium to Surplus	18%	17%	13%	13%	13%
#2 Net Premium to Surplus	10	10	8	8	9
#3 Change in Net Premiums Written	-2	2	-7	-2	1
#4 Surplus Aid to Surplus	0	0	0	0	0
#5 Two-Year Overall Operating Ratio	193*	219*	124*	75	56
#6 Investment Yield	1.5*	1.4*	1.3*	1.3*	1.2*
#7 Gross Change in Surplus	-3	-16*	-6	3	2
#8 Change in Adjusted Surplus	-3	-16*	-6	2	2
#9 Liabilities to Liquid Assets	49	50	37	31	32
#10 Agents' Balances to Surplus	0	0	0	0	0
#11 One-Year Reserve Development to Surplus	1	10	1	-5	-4
#12 Two-Year Reserve Development to Surplus	10	7	-3	-8	-12
#13 Estimated Current Reserve Deficiency to Surplus	-2	0	0	0	0

Ratio No. 5 measures the company's profitability over the previous two-year period.

The exceptional results in 2017, 2016, and 2015 were due to an increase in the severity of large litigation claims some of which were not subject to the tort cap of \$50,000 on general liability and \$250,000 on automobile liability.

Ratio No. 6 measures the average return on the company's investments. The exceptional results for the last five years were mainly due to the low-interest rate environment.

Ratio No. 7 measures the gross change in policyholders' surplus over the prior year. This ratio becomes exceptional when a company's surplus decline exceeds 10%. In 2016, policyholders' surplus declined \$6.1 million mainly due to the company's net loss of \$5.2 million. The larger-than-usual net loss is related to large litigation claims.

Ratio No. 8 measures the gross change in policyholders' surplus adjusted for any change in surplus notes, capital paid-in or transferred, and surplus paid-in or transferred. In 2016, there was no difference between the calculation of Ratio No. 8 and Ratio No. 7 above.

Growth of Wisconsin Municipal Mutual Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2017	\$50,129,143	\$19,408,433	\$30,720,710	\$ (641,081)
2016	52,747,618	20,996,079	31,751,539	(5,222,131)
2015	53,743,736	15,919,806	37,823,930	(2,125,274)
2014	54,814,718	14,491,273	40,323,445	1,123,121
2013	53,605,691	14,639,366	38,966,325	1,078,343
2012	53,204,335	14,983,585	38,220,750	2,674,295

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2017	\$5,401,666	\$3,163,089	\$3,163,089	116.0%	27.7%	143.7%
2016	5,272,276	3,215,565	3,215,565	184.4	27.1	211.5
2015	5,035,250	3,160,297	3,160,297	82.9	34.3	117.2
2014	5,162,530	3,408,101	3,408,101	10.3	29.4	39.7
2013	4,993,630	3,490,752	3,490,752	0.5	26.8	27.3
2012	4,241,087	3,472,430	3,472,430	-23.1	24.9	1.8

WMMIC reported admitted assets of \$50,129,143, liabilities of \$19,408,433, and surplus as regards policyholders of \$30,720,710 as of December 31, 2017. Over the past five years, the company's liabilities increased by \$4,424,848, while the company's assets and surplus decreased by \$3,075,192 and \$7,500,040, respectively.

Gross premium written has increased by \$1,160,579 over the last five years. At the same time, net premium written has decreased by \$309,341. This is largely due to the company resuming its workers' compensation business in 2013 but ceding 100% of the business written to a reinsurer.

The company reported a net loss in three of the last five years posting a net loss every year since 2015. These losses caused the company's combined ratio to be 117.2%, 211.5%, and 143.7% in 2015, 2016, and 2017, respectively. While WMMIC's expense ratio remained relatively stable, the increase in the combined ratio was due to a volatile loss and LAE ratio partially driven by settlements on several large liability claims made in the last three years.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2017, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

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

1. Loss Adjustment Expense—It is recommended that the company include an estimate for adjusting and other expenses as part of the loss adjustment expense reserve in all future annual statements, as required by SSAP No. 55, par. 5.

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.

Articles of Incorporation and Bylaws

During the course of the examination, it was discovered that the company's articles of incorporation and bylaws provided to the examination team were different than the version filed with the Office of the Commissioner of Insurance (OCI). It was determined that the company amended both documents in 2017 but did not file a copy of the new articles of incorporation or the new bylaws with the commissioner. According to s. 611.29 (4), Wis. Stat., no amendment of the article of incorporation may become effective until the article of amendment has been filed with the commissioner. Further, the bylaws of a domestic corporation and any subsequent amendment must be filed with the commissioner within 60 days after adoption, pursuant to s. 611.12 (4), Wis. Stat. It is recommended that the company file a copy of its amended and restated articles of incorporation with OCI pursuant to ch. 611.29 (4), Wis. Stat. It is further recommended that the company file a copy of its amended and restated bylaws with OCI pursuant to ch. 611.12 (4), Wis. Stat.

Reinsurance Intermediary-Broker Agreement

The company obtains reinsurance coverage through its reinsurance broker. A review of the reinsurance intermediary-broker agreement revealed that the agreement lacks certain provisions required by s. Ins 47.03, Wis. Adm. Code. Specifically, the agreement did not contain a provision requiring the reinsurance intermediary-broker to keep a complete record for at least 10 years after expiration of each contract of reinsurance transacted by the reinsurance intermediary-broker and a provision requiring the broker to render accounts to the insurer accurately detailing all material transactions, including information necessary to support all commissions, charges, and other fees received by, or owing to, the reinsurance intermediary-broker, and remit all funds due to the insurer within 30 days of receipt. It is recommended that

the company update its reinsurance intermediary-broker agreement to comply with the requirements of s. Ins. 47.03, Wis. Adm. Code.

VIII. CONCLUSION

Wisconsin Municipal Mutual Insurance Company reported admitted assets of \$50,129,143, liabilities of \$19,408,433, and surplus as regards policyholders of \$30,720,710 as of December 31, 2017. During the examination period, the company's liabilities increased by \$4,424,848, while the company's assets and surplus decreased by \$3,075,192 and \$7,500,040, respectively.

Since the prior examination, WMMIC's policy count increased by two members. Currently, the company's members include three cities, 15 counties, and two special-use districts. All members are required to contribute capital to the company except for the two special-use districts that are not equity members. The major products marketed by the company include other liability occurrence, commercial auto liability, and excess workers' compensation. In addition, the company acquired one-third ownership in MPIC in 2015. MPIC was formed to provide property insurance coverage to Wisconsin municipalities.

The examination resulted in three recommendations. The examination did not result in any surplus adjustments or account reclassifications. The company complied with the prior examination recommendation.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 21 - Articles of Incorporation and Bylaws—It is recommended that the company file a copy of its amended and restated articles of incorporation with OCI pursuant to ch. 611.29 (4), Wis. Stat.
2. Page 21 - Articles of Incorporation and Bylaws —It is further recommended that the company file a copy of its amended and restated bylaws with OCI pursuant to ch. 611.12 (4), Wis. Stat.
3. Page 21 - Reinsurance Intermediary-Broker Agreement—It is recommended that the company update its reinsurance intermediary-broker agreement to comply with the requirements of s. Ins. 47.03, Wis. Adm. Code.

X. ACKNOWLEDGMENT

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

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

Name	Title
Junji Nartatez	Insurance Financial Examiner
Ana Careaga	ACL Specialist
David Jensen, CFE	IT Specialist
Jerry DeArmond, CFE	Reserve Specialist
Karl Albert, CFE	Workpaper Specialist

Respectfully submitted,

Mike Miller
Examiner-in-Charge