Report

of the

Examination of

American Standard Insurance Company of Wisconsin

Madison, Wisconsin

As of December 31, 2016

TABLE OF CONTENTS

State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, *Governor*
Theodore K. Nickel, *Commissioner*

Wisconsin.gov

125 South Webster Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: ociinformation@wisconsin.gov
Web Address: oci.wi.gov

April 30, 2018

Honorable Theodore K. Nickel
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:

AMERICAN STANDARD INSURANCE COMPANY OF WISCONSIN
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of American Standard Insurance Company of Wisconsin (ASICW or the company) was conducted in 2012 as of December 31, 2011. The current examination covered the intervening period ending December 31, 2016, and included a review of such 2017 and 2018 transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of affiliated companies domiciled in California, Georgia, Illinois, New York, and Texas, with Wisconsin acting in the capacity as the lead state for the coordinated 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 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 with respect to the alternative or additional examination steps performed during the course of 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 gross loss and loss adjustment expense reserves. The company has no net loss reserves because it cedes 100% of its direct and assumed writings to its parent, American Family Mutual Insurance Company (AFMIC), through a Quota Share Reinsurance Agreement. The actuary also reviewed the net loss and loss adjustment expense reserves of AFMIC, which includes the assumed loss and loss adjustment expense reserves from ASICW. 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 incorporated on April 5, 1961, under the provisions of ch. 611, Wis. Stat., as American Standard Insurance Company. In 1962, the company adopted the name American Standard Insurance Company of Wisconsin. ASICW is a wholly owned subsidiary of AFMIC through its downstream holding company, AmFam, Inc.

AFMIC and its subsidiaries are collectively known as the "American Family Group." ASICW shares common management with AFMIC, American Standard Insurance Company of Ohio (ASICO), American Family Insurance Company (AFIC), and American Family Life Insurance Company (AFLIC). Collectively, these five companies are referred to as the "American Family Subgroup."

<u>Formation of Mutual Holding Company</u>

On May 23, 2016, the board of directors of the company's ultimate parent, AFMIC, passed a resolution to reorganize AFMIC into a mutual holding structure, pursuant to s. 644.07 (2), Wis. Stat. As part of the proposed reorganization, AFMIC would form two new holding company entities: a mutual holding company, American Family Insurance Mutual Holding Company (AFIMHC), and a wholly owned subsidiary of AFIMHC, AmFam Holdings, Inc. (AmFam Holdings). AFMIC would then convert to a stock insurance company under the new name American Family Mutual Insurance Company, S.I. (AFMICSI). The proposed reorganization was subject to the approval of the Office of the Commissioner of Insurance (OCI) and policyholders as required by ss. 644.07 (7) and 644 (8), Wis. Stat.

On June 8, 2016, AFMIC submitted documents to OCI proposing the restructuring. OCI reviewed the proposed transaction and crafted a Stipulation and Order governing the proposed mutual holding company. The Stipulation and Order was accepted by AFMIC as part of OCI's approval of the transaction, which was granted on December 6, 2016. Policyholders voted to approve the transaction on December 7, 2016.

Effective January 1, 2017, AFMIC's corporate structure was reorganized. As part of the reorganization, AFMIC converted to a stock insurer, changed its name to AFMICSI and issued three million shares of $1 par common stock to AmFam Holdings. AmFam Holdings issued 100% of its voting securities to AFIMHC, which became the ultimate controlling party of the American Family Enterprise. Membership interest in AFMIC was replaced with membership interest in AFIMHC. Policyholders of AFIC and ASICO were also granted membership rights in AFIMHC. There are currently no plans for AFMICSI to sell stock publicly. However, if this were to happen at a future date, AmFam Holdings would be required to hold at least 51% of the stock of AFMICSI under s. 644.04 (3) (b), Wis. Stat.

In 2016, the company was licensed in 23 states and wrote direct premium in 17 of those states. The following table is a breakdown of direct premium by state:

Wisconsin	$ 38,441,343	21.9%
Missouri	26,800,231	15.3
Minnesota	20,240,856	11.6
Kansas	16,457,300	9.4
Colorado	14,929,993	8.5
All others	58,273,550	33.3
Total	$175,143,273	100.0%

The company is licensed in the following states:

Arizona*	Colorado*	Idaho*
Illinois*	Indiana*	Iowa*
Kansas*	Minnesota*	Missouri*
Montana	Nebraska*	Nevada*
New Mexico	North Carolina	North Dakota*
Ohio	Oregon*	South Carolina
South Dakota*	Utah*	Washington*
Wisconsin*	Wyoming	

*Actively writing in state

Historically, the company wrote nonstandard auto, as well as motorcycle insurance. During the examination period, the American Family Subgroup introduced a new policy rating program that allowed for more flexibility, eliminating the need for separate nonstandard underwriting companies. As a result, the company no longer underwrites new nonstandard auto policies, as auto policies will be written through AFIC, ASICO, or AFMICSI. In future years, it is anticipated that the company's only direct business will consist of motorcycle insurance.

Marketing of the company's products is accomplished through AFMIC's captive agency network. Agents are compensated by commissions with rates ranging from 5% to 10%, based on the type of business written and other variables.

The following table is a summary of the net insurance premiums written by the company in 2016. The growth of the company is discussed in the “Financial Data” section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Fire	$ 0	$ 6,519,902	$ 6,519,902	$0
Allied lines	0	927,065	927,065	0
Farmowners multiple peril	0	2,454,716	2,454,716	0
Homeowners multiple peril	0	56,048,505	56,048,505	0
Commercial multiple peril	0	5,529,443	5,529,443	0
Inland marine	0	1,881,807	1,881,807	0
Earthquake	0	1,449,836	1,449,836	0
Other accident and health	0	5,114,933	5,114,933	0
Other liability – occurrence	0	200,985	200,985	0
Other liability – claims made	0	5,846	5,846	0
Private passenger auto liability	113,202,580	5,349,787	118,552,367	0
Commercial auto liability	195	0	195	0
Auto physical damage	61,940,498	112,879	62,053,377	0
Fidelity	0	361,407	361,407	0
Surety	0	741,621	741,621	0
Reinsurance – non-proportional assumed property	0	39,404,553	39,404,553	0
Total All Lines	$175,143,273	$126,103,285	$301,246,558	$0

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of five members who are elected annually, each of whom is an officer of AFMICSI. Officers are elected at the annual board meetings and are to hold those positions for a term of one year and until their successors are elected and qualified. As inside directors, they receive no additional compensation for serving on the board.

As of the date of this report the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
William B. Westrate Sun Prairie, WI	President American Family Mutual Insurance Company, S.I.	2019
Daniel J. Kelly DeForest, WI	Treasurer and Chief Financial Officer American Family Mutual Insurance Company, S.I.	2019
David C. Holman Verona, WI	Secretary and Chief Strategy Officer American Family Mutual Insurance Company, S.I.	2019
Gerry W. Benusa Waunakee, WI	Chief Sales Officer American Family Mutual Insurance Company, S.I.	2019
Jessica J. Stauffacher Deerfield, WI	Chief Operating Officer- American Family Agency American Family Mutual Insurance Company, S.I.	2019

Officers of the Company

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

Name	Office	2017 Compensation*
William B. Westrate	President	$2,906,030
Daniel J. Kelly	Chief Financial Officer, Treasurer	2,461,771
David C. Holman	Chief Strategy Officer, Secretary	1,778,321
Mark V. Afable	Chief Legal Officer	1,508,405

* Listed compensation is total gross earnings for services rendered to the American Family Group and includes amounts allocated to all affiliates.

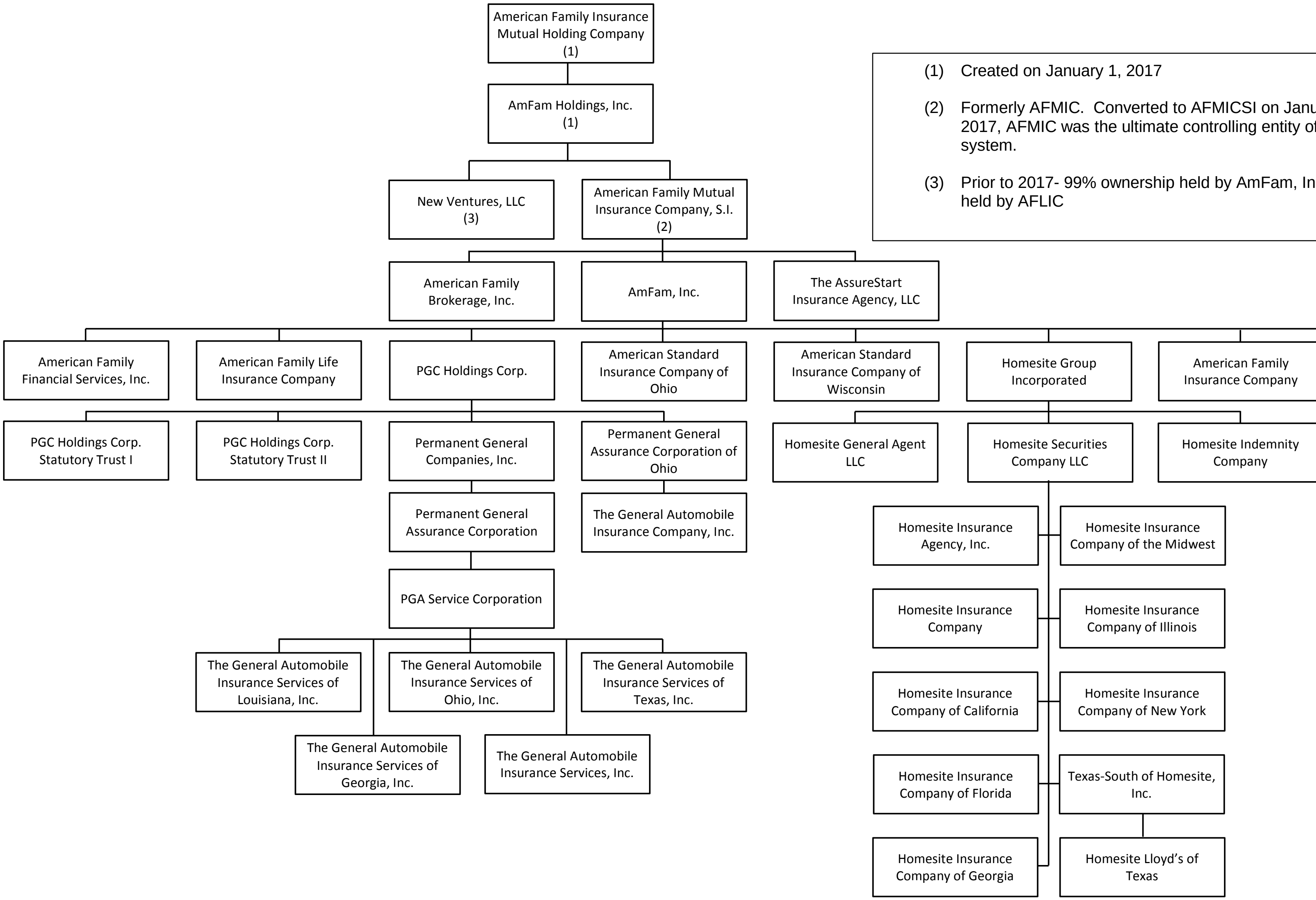
Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. There were no committees appointed by the board at the time of the examination. During the period under examination, AFMIC’s committees were responsible for company oversight. Subsequent to the creation of AFIMHC, all of the committees were disbanded and then reestablished under the bylaws of AFIMHC.

IV. AFFILIATED COMPANIES

American Standard Insurance Company of Wisconsin is a member of a holding company system. The organizational chart on the next page depicts the relationships among the affiliates in the group subsequent to the corporate reorganization that occurred January 1, 2017. A brief description of the significant affiliates follows the organizational chart.

Organizational Chart
As of January 1, 2017



(1) Created on January 1, 2017

(2) Formerly AFMIC. Converted to AFMICSI on January 1, 2017. Prior to 2017, AFMIC was the ultimate controlling entity of the holding company system.

(3) Prior to 2017- 99% ownership held by AmFam, Inc., and 1% ownership held by AFLIC

American Family Mutual Insurance Company

American Family Mutual Insurance Company was organized in 1927. Prior to the creation of AFIMHC, AFMIC was the ultimate parent of the American Family Enterprise. Effective January 1, 2017, in conjunction with the formation of a mutual holding company, AFMIC converted to a stock insurer and changed its name to American Family Mutual Insurance Company, S.I.

The majority of AFMIC's direct writings consist of auto and homeowner's, but it also writes commercial lines. Direct business is produced through a captive agency force in 19 states. In 2016, AFMIC had various 100% quota share agreements in effect with certain property and casualty subsidiaries, which resulted in AFMIC assuming nearly all business from ASICO, ASICW, AFIC, Midvale Indemnity Company (Midvale), and the Homesite Group (a description of the Homesite Group is on page 15). Effective January 1, 2017, AFMICSI entered into a separate 100% quota share agreement which resulted in AFMICSI assuming all of the business written by the Permanent General Group (a description of the Permanent General Group is on page 14).

As of December 31, 2016, statutory-basis audited financial statements for AFMIC reported assets of $16.2 billion, liabilities of $9.3 billion, and policyholders' surplus of $6.9 billion. Operations for 2016 produced a net income of $212 million.

American Family Insurance Mutual Holding Company

American Family Insurance Mutual Holding Company was incorporated on January 1, 2017, under the provisions of ch. 644, Wis. Stat. AFIMHC is the ultimate controlling entity of AFMICSI. Membership of AFIMHC consists of policyholders of AFMICSI, AFIC, and ASICO.

AmFam Holdings, Inc.

AmFam Holdings, Inc., was incorporated on January 1, 2017, under the provisions of ch. 180, Wis. Stat. AmFam Holdings is an intermediate holding company wholly owned by AFIMHC. AmFam Holdings holds 100% of the membership intersts of AFMICSI and New Ventures, LLC (New Ventures).

AmFam, Inc.

AmFam, Inc., was incorporated in 1981 to serve as a downstream holding company for the American Family Group. As of December 31, 2016, the audited GAAP consolidated financial statements for AmFam, Inc., reported assets of $10.2 billion, liabilities of $7.4 billion, and equity of $2.8 billion. Operations for 2016 produced a net income of $31.2 million.

American Family Brokerage, Inc.

American Family Brokerage, Inc. (AFBI), was incorporated in 1985 as an insurance agency and operates within all states. Its primary objective is to assist the company's agents in securing coverage for their clients when the coverage or limits are not available through the American Family Group. As of December 31, 2016, unaudited GAAP financial data for AFBI reported assets of $12.6 million, liabilities of $12.2 million, and equity of $375.8 thousand. Operations for 2016 produced a net loss of $3.5 million.

American Family Financial Services, Inc.

American Family Financial Services, Inc. (AFFS), was formed by American Family Group in 1969. Its original business purpose was to provide direct loans and leases, primarily to policyholders, through AFMIC's multi-line exclusive agency force. However, as of November 1, 2007, AFFS has discontinued writing new loans of any kind and is considering various options for the servicing and run-off of its existing loan portfolio. As of December 31, 2016, unaudited GAAP financial data for AFFS reported assets of $3.2 million, liabilities of $6.4 thousand, and equity of $3.2 million. Operations for 2016 produced a net income of $11.8 thousand.

New Ventures, LLC

New Ventures, LLC, was formed in 2010 and currently holds strategic equity investments in non-insurance entities. New Ventures invests in early stage technology companies that can be used to compliment insurance products. As of December 31, 2016, unaudited GAAP financial data for New Ventures reported assets of $50.1 million, liabilities of $0, and equity of $50.1 million. Operations for 2016 produced a net income of $861.3 thousand.

Effective January 1, 2017, in conjunction with the corporate restructuring, New Ventures was transferred from AmFam, Inc., and American Family Life Insurance Company

(AFLIC), which owned 99% and 1%, respectively, to AmFam Holdings, which is now the direct parent. In February 2017, AFMICSI contributed $50 million to New Ventures.

The AssureStart Insurance Agency, LLC

The AssureStart Insurance Agency, LLC (AssureStart), was acquired by AFMIC in 2013. AssureStart is a general agent that, in conjunction with its affiliates, sells the small commercial lines and personal auto products of its affiliates. As of December 31, 2016, unaudited GAAP financial data for AssureStart reported assets of $1.5 million, liabilities of $14.0 thousand, and equity of $1.5 million. Operations for 2016 produced a net income of $11.1 thousand.

American Family Life Insurance Company

American Family Life Insurance Company was incorporated in 1957. AFLIC is currently licensed in 49 states and the District of Columbia and writes primarily whole life, term life, and fixed universal life products. AFLIC markets its business through AFMIC's agency force. As of December 31, 2016, statutory-basis audited financial statements for AFLIC reported assets of $5.5 billion, liabilities of $4.5 billion (both amounts include $296 million from separate accounts), and surplus of $1.0 billion. Operations for 2016 produced a net income of $52.1 million.

American Family Insurance Company

American Family Insurance Company was incorporated in Ohio in 1995. AFIC is currently licensed in 19 states and writes primarily homeowners and personal auto coverage. AFIC cedes 100% of its direct writings to AFMIC under a Quota Share Reinsurance Agreement. AFIC markets its business through AFMIC's agency force. AFIC redomiciled from Ohio to Wisconsin effective September 30, 2016. As of December 31, 2016, statutory-basis audited financial statements for AFIC reported assets of $38.7 million, liabilities of $15.1 million, and surplus of $23.6 million. Operations for 2016 produced a net income of $585 thousand, consisting solely of investment income.

American Standard Insurance Company of Ohio

American Standard Insurance Company of Ohio was incorporated in 1995. ASICO writes renewal business in Ohio as well as new and renewal business in Georgia. The primary products written by ASICO include homeowners and personal auto. ASICO cedes 100% of its direct writings to AFMIC under a Quota Share Reinsurance Agreement. ASICO markets its business through AFMIC's agency force. ASICO redomiciled from Ohio to Wisconsin effective September 30, 2016. As of December 31, 2016, statutory-basis audited financial statements for ASICO reported assets of $11.4 million, liabilities of $3.1 million, and surplus of $8.3 million. Operations for 2016 produced a net income of $262 thousand, consisting solely of investment income.

Midvale Indemnity Company

Midvale Indemnity Company was incorporated in 1970. It was acquired by AFMIC in 2012 under the name of Lumberman's Casualty Insurance Company (LCIC) for $15.3 million. LCIC changed its name to Midvale Indemnity Company in 2013. Midvale is currently licensed in all 50 states and the District of Columbia and writes commercial products including general liability and property insurance sold directly to small businesses online through AssureStart, an affiliated general agent. Midvale primarily cedes its direct writings to AFMIC under a 100% Quota Share Reinsurance Agreement. Midvale redomiciled from Illinois to Wisconsin effective November 16, 2017. As of December 31, 2016, statutory-basis audited financial statements for Midvale reported assets of $12.1 million, liabilities of ($1.0) million, and surplus of $13.1 million. Operations for 2016 produced a net income of $370 thousand, consisting solely of investment income.

PGC Holdings Corp.

PGC Holdings Corp. (PGC Holdings) is a Delaware corporation that was acquired by AFMIC through AmFam, Inc., on December 31, 2012, for $241 million in cash. PGC Holdings is the direct parent of Permanent General Assurance Corporation of Ohio (PGACO), which in turn owns The General Automobile Insurance Company, Inc. (GAIC). PGC Holdings is also the direct parent of Permanent General Companies, Inc., an intermediate holding company which owns

Permanent General Assurance Corporation (PGAC). PGAC, PGACO, and GAIC are collectively known as the "Permanent General Group".

The Permanent General Group specializes in private passenger non-standard automobile insurance, primarily to consumers interested in acquiring an insurance policy to comply with state-level minimum insurance requirements. The Permanent General Group writes in 46 states and the District of Columbia and relies heavily on television advertising to promote the purchase of products through their internet distribution channel and call centers. Effective August 31, 2017, the Permanent General Group redomiciled from Ohio to Wisconsin. As of December 31, 2016, combined statutory-basis audited financial statements for the Permanent General Group reported assets of $710 million, liabilities of $485 million, and equity of $225 million. Operations for 2016 produced a net loss of $30.5 million.

Effective January 1, 2017, the Permanent General Group entered into a 100% quota share with AFMICSI. PGACO and GAIC cede 100% to PGAC, which in turn retrocedes 100% of its direct and assumed business to AFMICSI.

Homesite Group Incorporated

Homesite Group Incorporated (HGI) is a Delaware corporation that was acquired by AFMIC through AmFam, Inc., on December 31, 2013, for $666 million in cash, including direct costs of the acquisition. The acquisition was partially financed by a $500 million advance from the Federal Home Loan Bank of Chicago (FHLBC), of which AFMIC is a member. The advance was executed on November 20, 2013. AFMIC pays monthly interest to the FHLBC at a fixed annual interest rate of 5.12%. The principal is due in a balloon payment at the end of the advance's 30-year term.

The purpose of the HGI acquisition was to broaden AFMIC's distribution channels and to expand its geographic footprint. HGI is an intermediate holding company which directly owns Homesite Indemnity Company and Homesite Securities Company LLC – another intermediate holding company. Homesite Securities Company LLC is the direct owner of Homesite Insurance Company of the Midwest (HICMW), Homesite Insurance Company, Homesite Insurance Company of Illinois, Homesite Insurance Company of New York (HICONY), Homesite Insurance Company of California, Homesite Insurance Company of Florida, Homesite Insurance Company of Georgia, and Texas-South of Homesite, Inc., which acts as the Attorney-in-Fact for Homesite Lloyd's of Texas. These nine insurance companies are collectively known as the "Homesite Group." The Homesite Group specializes in direct-to-consumer homeowners, renters, and condominium insurance. Its products are marketed nationally through its website, call centers, and partnerships with large financial institutions.

The Homesite Group participates in a 100% quota share with AFMIC. Each of the individual Homesite companies cedes 100% to HICMW, excluding HICONY which cedes 80%, and HICMW retrocedes 100% of the direct and assumed business to AFMIC. In 2016 HICMW ceded premium of $1.05 billion to AFMIC.

Agreements with Affiliates

The company has agreements with affiliates regarding sales of premium receivables, cost sharing, and tax allocation as detailed below. Additionally, the company has affiliated reinsurance agreements which are described in section V of the report titled "Reinsurance."

Sale of Premium Receivables

Effective January 1, 2000, AFMIC entered into separate agreements with ASICW, AFIC, and ASICO for the sale, assignment, and transfer of each company's premium receivable. Under the terms of the agreements, receivables are purchased at the end of each month, and settlement occurs within five days thereafter.

Intercompany Services and Cost Allocation Agreement

Effective January 1, 2013, AFMIC entered into an Amended and Restated Intercompany Services and Cost Allocation Agreement with ASICW, AFLIC, ASICO, AFIC, AFFS, AFBI, Midvale, New Ventures, and AmFam, Inc. The agreement was amended in 2017 and 2018 to reflect AFMIC's name change to AFMICSI as well as to add AFIMHC, AmFam Holdings, AssureStart, American Family Dreams Foundation, Inc., PGC Holdings, HGI, SHGI Corp., Moonrise, Inc., and Networked Insights, Inc. According to the terms of the most recent agreement, each party may provide goods, third party services, and management services to other parties of the agreement. Each service recipient shall be charged with its allocable share of the service provider's actual costs incurred. Charges incurred are to be settled quarterly on a net basis, with the settlement date being no later than the 30th day following the end of each calendar quarter.

Tax Allocation Agreement

Effective April 29, 2002, AFMIC entered into a tax allocation agreement with ASICW, AFLIC, ASICO, AFIC, AFFS, AFBI, and AmFam, Inc. The agreement was later amended multiple times to reflect the additions of PGC Holdings, Midvale, and HGI to the agreement. The agreement was most recently amended, effective January 1, 2017, to include AFIMHC, AmFam Holdings, SHGI Corp., Moonrise, Inc., and Networked Insights, Inc.

The agreement provides the basis for computation and the method of settlement of federal income tax payments and refunds within the American Family Group. Under this agreement, AFMIC prepares and files a consolidated federal income tax return that includes all affiliates of the holding company group. Final settlement is due within 30 days of the filing of the consolidated federal tax return.

V. REINSURANCE

The company's reinsurance portfolio and strategy is 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.

Affiliated Ceded Reinsurance

American Standard Insurance Company of Wisconsin cedes 100% of its direct and assumed writings to AFMIC through an Amended and Restated Quota Share Agreement. Under the terms of the agreement, ASICW cedes 100% of its losses, net of third party reinsurance to AFMIC. In 2016, the company ceded premium of $301 million to AFMIC. This business represented approximately 4% of AFMIC's gross written premium.

Non Affiliated Assumed Business

American Standard Insurance Company of Wisconsin participates in a non-affiliated assumed reinsurance program. The program targets broker-produced CAT business for carriers that write business familiar to the American Family Group and who operate outside of the group's typical territory, which reduces geographic concentration. Geographic territories include, but are not limited to, companies writing on the east coast, Florida, the Gulf coast, Texas, and California, as well as carriers outside the U.S. The program includes both excess of loss and quota share agreements. Total assumed premium in 2016 was $126 million.

Nonaffiliated Ceded Reinsurance

1.	Type:	Commercial Umbrella Liability Excess of Loss
	Reinsurer:	Munich Reinsurance America, Inc.
	Term:	July 1, 2016 to July 1, 2018
	Scope:	All policies with limits greater than $5 million and classified by the company as commercial liability umbrella or commercial blanket excess liability with certain named exclusions.
	Retention:	$5 million each occurrence or offense
	Coverage:	$10 million excess of $5 million each occurrence
	Premium:	100% of the subjected gross net written premiums
	Commissions:	29% of the subjected gross net written premiums

Termination: July 1, 2018. The terms of the agreement are open to review by both parties in the event of a material change. In the event of a material change, both parties agree to renegotiate. If an agreement cannot be reached, either party may terminate the agreement at the end of the 12 month period beginning July 1, 2016.

Catastrophe Reinsurance

American Family Mutual Insurance Company purchases property catastrophe and aggregate stop loss reinsurance coverage for itself and on behalf of all its P&C subsidiaries, including Midvale, Homesite Group, and Permanent General Group. Contracts are placed on a rolling two- or three- year period, which results in only a portion of the contract placement expiring each year. Depending on the contract, the company utilizes Aon Benfield or Guy Carpenter as its reinsurance intermediary. Contracts are placed through a group of high-quality domestic and foreign reinsurers.

As of January 2017, the group's catastrophe excess of loss reinsurance has three layers, with placements between 85.775% and 95% and with coverage of $1.5 billion in excess of $300 million retention (see contract 1). One caveat is the first layer does not provide coverage for Named Storms (i.e., hurricanes). Named Storms are covered by a separate treaty which provides 95% coverage of $350 million in excess of $300 million retention (see contract 2).

The group's 2017 aggregate stop loss reinsurance consists of a single year contract (see contract 3) and a multiyear contract covering 2017-2018 (see contract 4). The 2017 program provides 95% coverage of $350 million in excess of aggregate losses of $1.2 billion. Named Storms occurring in coastal states are not covered by the aggregate stop loss contracts.

1. Type: Property Catastrophe Excess of Loss

   Term: January 1, 2017 to January 1, 2020

   Scope: All business classified by the company as fire, allied lines, farmowners (property perils only), homeowners including mobile home and boat owners (property perils only), business owners (property perils only), commercial package (property perils only), and automobile physical damage with certain named exclusions. Note: First layer excludes coverage for losses arising out of any Named Storm (Named Storms are covered under contract #2)

Retention and Limit:

	First Layer (Retention will be $300,000,000)		Second Layer (Retention will be $650,000,000)		Third Layer (Retention will be $1,000,000,000)	
Contract Year	Reinsurers' Per Occurrence Limit	Reinsurer's Annual Aggregate Limit	Reinsurers' Per Occurrence Limit	Reinsurer's Annual Aggregate Limit	Reinsurers' Per Occurrence Limit	Reinsurer's Annual Aggregate Limit
First (2017)	$350,000,000 part of $350,000,000	$700,000,000 part of $700,000,000	$350,000,000 part of $350,000,000	$700,000,000 part of $700,000,000	$500,000,000 part of $500,000,000	$1,000,000,000 part of $1,000,000,000
Second (2018)	233,333,333 part of 350,000,000	466,666,666 part of 700,000,000	233,333,333 part of 350,000,000	466,666,666 part of 700,000,000	333,333,333 part of 500,000,000	666,666,666 part of 1,000,000,000
Third (2019)	116,666,667 part of 350,000,000	233,333,334 part of 700,000,000	116,666,667 part of 350,000,000	233,333,334 part of 700,000,000	166,666,667 part of 500,000,000	333,333,334 part of 1,000,000,000

Note: Since this is a rolling three-year contract, one third placement expires at the end of each year. New terms would then be negotiated each year for the expired portion of the contract resulting in the company having the desired overall placement.

Premium:

	First Layer			**Second Layer**			**Third Layer**		
Contract year	Annual Deposit Premium	Premium Rate	Annual Minimum Premium	Annual Deposit Premium	Premium Rate	Annual Minimum Premium	Annual Deposit Premium	Premium Rate	Annual Minimum Premium
First (2017)	$23,450,000	0.6095%	$18,760,000	$13,650,000	0.3548%	$10,920,000	$12,000,000	0.3119%	$9,600,000
Second (2018)	15,633,333	0.4063	12,506,667	9,100,000	0.2365	7,280,000	8,000,000	0.2079	6,400,000
Third (2019)	7,816,667	0.2032	6,253,333	4,550,000	0.1183	3,640,000	4,000,000	0.1040	3,200,000

Intermediary: Aon Benfield, Inc.

Termination: The company may terminate any reinsurer’s participation hereon at any time by giving prior written notice to said reinsurer upon the happening of certain named circumstances.

Reinsurer: As of January 1, 2017, participation was as follows:

	Participation Percentages		
Reinsurer	First Layer	Second Layer	Third Layer
Allied World Assurance Company, Ltd.	1.000%	1.000%	1.000%
Arch Reinsurance Ltd.	0.000	0.500	1.000
Argo Re Ltd.	0.000	1.500	1.500
Ariel Re Bda Limited For and on behalf of Ariel Syndicate No. 1910	1.250	2.000	2.000
Aspen Bermuda Limited	2.000	2.000	2.000
BGS Services (Bermuda) Limited For and on behalf of Lloyd's Syndicate No. 2987	0.500	1.000	1.000
Chubb Tempest Reinsurance Ltd.	1.000	1.500	0.500
DaVinci Reinsurance Ltd.	0.000	0.300	0.400

Endurance Specialty Insurance Ltd.	6.000	8.000	8.000
Everest Reinsurance Company	1.000	3.000	2.500
Fidelis Insurance Bermuda Limited	2.500	6.500	5.500
General Reinsurance Corporation	1.000	1.000	1.000
Hamilton Re, Ltd.	2.500	2.500	2.500
Hannover Rück SE	2.000	2.500	2.000
Hiscock Insurance Company (Bermuda) Limited	1.000	1.500	1.500
Humboldt Re Limited	1.000	1.000	1.000
Kelvin Re Limited	1.000	1.000	1.000
Länsförsäkringar Sak Försäkringsaktiebolag (publ)	0.000	0.000	0.200
Mapfre Re, Compañia De Reaseguros, S.A.	2.000	2.000	2.000
Markel Bermuda Limited	0.000	0.500	2.850
Munich Reinsurance America, Inc.*	0.500	3.000	0.000
Odyssey Reinsurance Company	0.000	5.000	10.000
Partner Reinsurance Company Ltd.	0.000	0.000	1.000
Qatar Reinsurance Company Limited	0.000	1.000	1.200
QBE Re (Europe) Limited, Bermuda Branch	1.000	1.000	1.000
QBE Reinsurance Corporation	1.000	1.000	1.000
R+V Versicherung AG	2.000	2.000	1.500
Renaissance Reinsurance Ltd.	0.000	0.450	0.600
Swiss Reinsurance America Corporation	25.000	6.500	0.000
Tokio Millennium Re AG (Bermuda Branch)	0.000	0.000	1.500
Transatlantic Reinsurance Company	1.000	1.000	1.000
Ascot Underwriting (Bermuda) Limited For and on behalf of American International Reinsurance Company, Ltd.	5.250	0.000	0.000
XL Bermuda Ltd	0.000	1.000	0.750
MS Amlin AG Bermuda Branch	1.500	0.750	0.750
Taiping Reinsurance Co. Ltd.	0.000	0.000	0.500
Lloyd's Underwriters and Companies	31.170	23.775	32.750
SCOR Global P&C SE, Paris, Zurich Branch	0.000	0.000	2.000
Total	94.170%	85.775%	95.000%

2. Type: Property Catastrophe Excess of Loss

Effective Date: Section A: January 1, 2017 to January 1, 2018
Section B: January 1, 2017 to January 1, 2019
Section C: January 1, 2017 to January 1, 2020

Scope: All business classified by the company as Property business, including Automobile Physical Damage, in force at the inception of the Contract, or written or renewed during the term of the Contract by or on behalf of the company, subject to the terms and conditions set forth in the Contract.

Retention: Company’s retention is $300 million per occurrence

Coverage: $350 million in excess of $300 million, with an annual aggregate loss of $700 million per contract year.

Premium:

Contract year	Annual Deposit Premium	Premium Rate	Minimum Premium
Section A (2017-2018)	$13,125,000	0.8049%	$10,500,000
Section B (2017-2019)	TBD*	0.8049	TBD*
Section C (2017-2020)	TBD*	0.8049	TBD*

*The Annual Minimum Premium for the second and third contract year shall equal 80% of the Annual Deposit Premium for the same contract year. The Annual Deposit Premium shall equal the Premium Rate times the estimated Gross Net Earned Premium Income for the same contract year.

Intermediary: Guy Carpenter & Company, LLC

Termination: The company may terminate any reinsurer's participation hereon at any time by giving prior written notice to said reinsurer upon the happening of certain named circumstances.

Reinsurer: As of January 1, 2017, participation was as follows:

	Participation Percentages		
Reinsurer	First Year	Second Year	Third Year
Arch Reinsurance Ltd.	1.251%	0.834%	0.417%
Argo Re Ltd.	0.999	0.666	0.333
Ariel Re Bda Limited For and on behalf of Lloyd's Syndicate No. 1910	1.248	0.832	0.416
Aspen Bermuda Limited	1.998	1.332	0.666
BGS Services (Bermuda) Limited For and on behalf of Lloyd's Syndicate No. 2987	0.999	0.666	0.333
China P&C Reinsurance Co. Ltd.	0.999	0.666	0.333
Chubb Tempest Reinsurance Ltd.	0.999	0.666	0.333
DaVinci Reinsurance Ltd.	0.501	0.334	0.167
Endurance Specialty Insurance Ltd.	4.200	2.800	1.400
Everest Reinsurance Company	9.750	6.500	3.250
Fidelis Insurance Bermuda Limited	6.000	4.000	2.000
Hamilton Re, Ltd.	2.490	1.660	0.830
Hannover Rück SE	1.998	1.332	0.666
Hiscox Insurance Company (Bermuda) Limited	0.750	0.500	0.250
Mapfre Re, Compañia De Reaseguros, S.A.	1.998	1.332	0.666
Markel Bermuda Limited	0.999	0.666	0.333
Munich Reinsurance America, Inc.	2.475	1.650	0.825
Odyssey Reinsurance Company	2.499	1.666	0.833
Partner Reinsurance Company Ltd.	1.980	1.320	0.660
Qatar Reinsurance Company Limited	2.142	1.428	0.714
QBE Reinsurance Corporation	0.999	0.666	0.333
R+V Versicherung AG	1.500	1.000	0.500
Renaissance Reinsurance Ltd.	1.500	1.000	0.500
Swiss Reinsurance America Corporation	4.500	3.000	1.500
Tokio Millennium Re AG (Bermuda Branch)	0.999	0.666	0.333
Transatlantic Reinsurance Company	0.501	0.334	0.167
Ascot Underwriting (Bermuda) Limited For and on behalf of American International Reinsurance Company, Ltd.	3.498	2.332	1.166

XL Bermuda Ltd	1.749	1.166	0.583
MS Amlin AG Bermuda Branch	0.999	0.666	0.333
Lloyd's Underwriters and Companies	23.979	15.986	7.993
Certain Insurance Companies On Whose Behalf This Agreement Has Been Signed*	6.501	4.334	2.167
SCOR Global P&C SE, Paris, Zurich Branch	2.001	1.334	0.667
Total	95.001%**	63.334%**	31.667%**

*Companies on the signing pages: Houston Casualty Company, Markel International Insurance Company Limited, Lancashire Insurance Company Limited.

**Since this is a rolling three-year contract, one third placement expires at the end of each year. New terms would then be negotiated for the following year resulting in the company having 95% placement during each contract year.

3. Type: Underlying Catastrophe Aggregate Stop Loss

Effective Date: January 1, 2017 to January 1, 2018

Scope: All business and perils classified by the company as fire, allied lines, farmowners (property perils only), homeowners including mobile home and boat owners (property perils only), business owners (property perils only), commercial package (property perils only), and automobile physical damage with certain named exclusions. Excludes coverage for losses arising out of any Named Storm in any coastal state.

Retention: Company's retention is $1.2 billion

Coverage: $350 million in excess of $1.2 billion

Premium:
- Deposit: $ 40,250,000
- Minimum: 32,200,000
- Rate: 1.0511%

Intermediary: Aon Benfield, Inc.

Termination: The company may terminate any reinsurer's participation hereon at any time by giving prior written notice to said reinsurer upon the happening of certain named circumstances.

Reinsurer: As of January 1, 2017, participation was as follows:

Reinsurer	Participation
Allianz Risk Transfer AG (Bermuda Branch)	3.3300%
Arch Reinsurance Ltd.	2.0000
BGS Services (Bermuda) Limited for and on behalf of Lloyd's Syndicate No. 2987	1.0000
China Property & Casualty Reinsurance Company Limited	1.0000
DaVinci Reinsurance Ltd.	0.2000
Hamilton Re, Ltd.	1.0000
Hiscox Insurance Company (Bermuda) Limited	6.0000
Hiscox Insurance Company (Bermuda) Limited	5.0000*
Hiscox Re ILS Ltd.	5.0000*

R+V Versicherung AG	3.0000
Renaissance Reinsurance Ltd.	0.3000
Ascot Underwriting (Bermuda) Limited for and on behalf of American International Reinsurance Company, Ltd.	1.2500
MS Amlin AG Bermuda Branch	2.6250
General Insurance Corporation of India	1.4345
Houston Casualty Company	1.3000
Markel International Insurance Company Limited	1.5000
Lancashire Insurance Company Limited	1.0000
Various Lloyd's Syndicates	23.6500
Total	55.5895%

*Hiscox Insurance Company (Bermuda) Limited participates in two separate placements. One placement is at 6% and the other placement is split with Hiscox Re ILS Ltd. For the split placement, Hiscox Re ILS Ltd. provides coverage of $150 million in excess of $1.2 billion and Hiscox Insurance Company (Bermuda) Limited provides coverage of $200 million in excess of $1.35 billion. Both agreements are placed at 5%.

4. Type: Underlying Catastrophe Aggregate Stop Loss

Effective Date: January 1, 2017 to January 1, 2019
January 1, 2017 to January 1, 2018

Scope: All business and perils classified by the company as fire, allied lines, farmowners (property perils only), homeowners including mobile home and boat owners (property perils only), business owners (property perils only), commercial package (property perils only), and automobile physical damage with certain named exclusions. Excludes coverage for losses arising out of any Named Storm in any coastal state.

Retention: Company is liable for the first $1.2 billion of aggregate losses during each contract year

Coverage: Contract Year:
2017- $350 million part of $350 million in excess of $1.2 billion
2018- $175 million part of $350 million in excess of $1.2 billion

Rate and Premium:

Contract year	Annual Deposit Premium	Premium Rate	Minimum Premium
First (2017)	$40,250,000	1.0511%	$32,200,000
Second (2018)	20,125,000	0.5256	16,100,000

Intermediary: Aon Benfield, Inc.

Termination: The Company may terminate any reinsurer's participation hereon at any time by giving prior written notice to said reinsurer upon the happening of certain named circumstances.

Reinsurer: As of January 1, 2017, participation was as follows:

Reinsurer	Participation
Chubb Tempest Reinsurance Ltd.	5.7142%
Collateralized Re Ltd.*	5.7142
Everest Reinsurance Company	2.5000
Fidelis Insurance Bermuda Limited	1.0000
Hannover Rück SE*	1.0000
Länsförsäkringar Sak Forsäkringsaktiebolag (publ)	0.1500
Mapfre Re, Compañia De Reaseguros, S.A.	2.0000
Munich Reinsurance America, Inc.*	3.0000
Qatar Reinsurance Company Limited	2.8571
Tokio Millennium Re AG (Bermuda Branch)	6.0000
Tokio Millennium Re AG, Bermuda Branch (Credit Suisse Business)	4.0000
MS Amlin AG Bermuda Branch	0.8750
Pioneer Underwriting Limited on behalf of Peak Reinsurance Company Limited	0.6000
Lloyd's Underwriters Per Signing Page	4.0000
Total	39.4105%

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, 2016, 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.

American Standard Insurance Company of Wisconsin
Assets
As of December 31, 2016

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$300,022,357	$0	$300,022,357
Cash, cash equivalents, and short-term investments	32,629,868	0	32,629,868
Receivables for securities	8,975,262	0	8,975,262
Investment income due and accrued	2,547,377	0	2,547,377
Premiums and considerations:			
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	33,587,433	0	33,587,433
Reinsurance:			
Amounts recoverable from reinsurers	21,907,624	0	21,907,624
Funds held by or deposited with reinsured companies	1,853,527	0	1,853,527
Current federal and foreign income tax recoverable and interest thereon	86,504	0	86,504
Net deferred tax asset	449,952	0	449,952
Net adjustments in assets and liabilities due to foreign exchange rates	(317,349)	0	(317,349)
Total Assets	$401,742,555	$0	$401,742,555

American Standard Insurance Company of Wisconsin
Liabilities, Surplus, and Other Funds
As of December 31, 2016

Reinsurance payable on paid loss and loss adjustment expenses		$ 83,048
Taxes, licenses, and fees (excluding federal and foreign income taxes)		400,146
Advance premium		405,253
Ceded reinsurance premiums payable (net of ceding commissions)		28,017,934
Amounts withheld or retained by company for account of others		28,269
Remittances and items not allocated		18,056
Net adjustments in assets and liabilities due to foreign exchange rates		1,000,029
Drafts outstanding		7,039,223
Payable to parent, subsidiaries, and affiliates		6,967,733
Payable for securities		14,156,024
Write-ins for liabilities:		
All Other Liabilities		490,194
Total Liabilities		58,605,909
Common capital stock	$ 3,000,000	
Gross paid in and contributed surplus	3,000,000	
Unassigned funds (surplus)	337,136,646	
Surplus as Regards Policyholders		343,136,646
Total Liabilities and Surplus		$401,742,555

American Standard Insurance Company of Wisconsin
Summary of Operations
For the Year 2016

Investment Income		
Net investment income earned	$5,890,333	
Net realized capital gains (losses)	1,407,176	
Net investment gain (loss)		$7,297,509
Other Income		
Write-ins for miscellaneous income:		
Other income		(226,326)
Net income (loss) before federal and foreign income taxes		7,071,183
Federal and foreign income taxes incurred		1,329,233
Net Income		$5,741,950

American Standard Insurance Company of Wisconsin
Cash Flow
For the Year 2016

Premiums collected net of reinsurance			$(19,467,904)
Net investment income			10,635,865
Miscellaneous income			(1,455,631)
Total			(10,287,670)
Benefit- and loss-related payments		$ 1,664,594	
Commissions, expenses paid, and aggregate write-ins for deductions		(742,150)	
Federal and foreign income taxes paid (recovered)		2,162,557	
Total deductions			3,085,001
Net cash from operations			(13,372,671)
Proceeds from investments sold, matured, or repaid:			
Bonds	$661,370,856		
Net gains (losses) on cash, cash equivalents, and short-term investments	185		
Miscellaneous proceeds	21,313,698		
Total investment proceeds		682,684,739	
Cost of investments acquired (long-term only):			
Bonds	659,797,457		
Miscellaneous applications	14,663,802		
Total investments acquired		674,461,259	
Net cash from investments			8,223,480
Cash from financing and miscellaneous sources:			
Other cash provided (applied)			(4,164,052)
Reconciliation:			
Net Change in Cash, Cash Equivalents, and Short-Term Investments			(9,313,243)
Cash, cash equivalents, and short-term investments:			
Beginning of year			41,943,111
End of Year			$32,629,868

American Standard Insurance Company of Wisconsin
Compulsory and Security Surplus Calculation
December 31, 2016

Assets		$401,742,555
Less liabilities		58,605,909
Adjusted surplus		343,136,646
Annual premium:		
Lines other than accident and health	$ 0	
Factor	20%	
Compulsory surplus (subject to a minimum of $2 million)		2,000,000
Compulsory Surplus Excess (Deficit)		$341,136,646
Adjusted surplus (from above)		$343,136,646
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%)		2,800,000
Security Surplus Excess (Deficit)		$340,336,646

American Standard Insurance Company of Wisconsin
Analysis of Surplus
For the Five-Year Period Ending December 31, 2016

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

	2016	2015	2014	2013	2012
Surplus, beginning of year	$338,335,834	$329,309,081	$318,649,475	$310,731,658	$299,005,574
Net income	5,741,950	9,082,137	10,327,906	7,998,942	11,673,357
Change in net unrealized capital gains/losses less capital gains tax	1,128	52,746	(32,939)	7,679	49,160
Change in net unrealized foreign exchange capital gains/losses	(952,693)	(78,391)	240,191	(71,298)	5,378
Change in net deferred income tax	8,382	(29,739)	126,493	(17,506)	(1,811)
Change in nonadmitted assets	2,045	0	(2,045)	0	0
Surplus, end of year	$343,136,646	$338,335,834	$329,309,081	$318,649,475	$310,731,658

American Standard Insurance Company of Wisconsin
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2016

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	2016	2015	2014	2013	2012
#1	Gross Premium to Surplus	88%	117%	110%	105%	114%
#2	Net Premium to Surplus	0	0	0	0	0
#3	Change in Net Premiums Written	0	0	0	0	0
#4	Surplus Aid to Surplus	0	0	0	0	0
#5	Two-Year Overall Operating Ratio	0	0	0	0	0
#6	Investment Yield	1.6*	1.8*	2.8*	2.9*	3.0*
#7	Gross Change in Surplus	1	3	3	3	4
#8	Change in Adjusted Surplus	1	3	3	3	4
#9	Liabilities to Liquid Assets	7	19	17	17	17
#10	Agents' Balances to Surplus	0	0	0	0	0
#11	One-Year Reserve Development to Surplus	0	0	0	0	0
#12	Two-Year Reserve Development to Surplus	0	0	0	0	0
#13	Estimated Current Reserve Deficiency to Surplus	0	0	0	0	0

Ratio No. 6 measures the amount of the company's net investment income as a percentage of the average amount of cash and invested assets. The company reported an exceptional ratio in 2016. The exceptional ratio is primarily due to the low interest rate environment. The company's investment yield was slightly higher than the industry average, which stayed at approximately 2.4% during the period under examination.

Growth of American Standard Insurance Company of Wisconsin

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2016	$401,742,555	$58,605,909	$ 343,136,646	$ 5,741,950
2015	442,964,843	104,629,009	338,335,834	9,082,137
2014	414,831,415	85,522,334	329,309,081	10,327,906
2013	393,931,437	75,281,962	318,649,475	7,998,942
2012	384,624,810	73,893,152	310,731,658	11,673,357
2011	360,041,409	61,035,835	299,005,574	10,819,032

Year	Direct Premium Written	Assumed Premium Written	Gross Premium Written	Net Premium Written
2016	$175,143,273	$126,103,285	$301,246,558	$0
2015	232,295,689	164,724,433	397,020,122	0
2014	249,634,675	111,375,534	361,010,209	0
2013	252,291,645	83,274,595	335,566,240	0
2012	248,045,469	105,976,786	354,022,255	0
2011	250,426,458	17,820,934	268,247,392	0

The company cedes 100% of its business to AFMIC and does not retain any policy-related risks for its own account. Therefore, the company has no net underwriting results and its income is derived from investment income. A net income was reported each year during the examination period resulting in an increase in assets and surplus of 12% and 15%, respectively.

Direct premium written was fairly stable through 2014. In 2015, in conjunction with the rollout of a new policy rating program, the company stopped writing new auto policies. New auto policies are now written through AFIC, ASICO, or AFMICSI, depending on which state the policy is written in. Going forward, it is expected that direct premium written will continue to decrease because the company will only be writing motorcycle insurance and renewal nonstandard auto.

Assumed premium written increased significantly in 2012 as a result of a new assumed reinsurance program that was instituted in 2011. The fluctuation in assumed written premium is partially attributable to the company's participation in multi-year contracts. When participating in a multi-year contract, 100% of the premium is reported as written in the first year, resulting in a drop in written premium in subsequent 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, 2016, 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. Affiliated Balances—It is recommended that the company properly report income taxes payable as Current Federal and Foreign Income Taxes in accordance with the NAIC Annual Statement Instructions-Property & Casualty.

   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.

Investments

Custodial agreements of Wisconsin-domiciled companies must comply with guidelines contained in the NAIC's Financial Condition Examiners Handbook. The review of the custodial agreement with The Northern Trust Company (Northern Trust) revealed that the agreement omitted one of the suggested clauses as contained in the NAIC's Financial Condition Examiners Handbook to ensure proper controls and safeguards. The following clause was missing from the Northern Trust agreement:

1. If the custodian agreement has been terminated or if 100% of the account assets in any one custody account have been withdrawn, the custodian shall provide written notification, within three business days of termination or withdrawal, to the insurer's domiciliary commissioner.

It is recommended that the company revise its custodial agreement to include the guideline provisions contained in the NAIC's Financial Condition Examiners Handbook.

VIII. CONCLUSION

American Standard Insurance Company of Wisconsin is a stock insurance company incorporated on April 5, 1961. It is part of the American Family Group which underwent a corporate reorganization and formed a mutual holding company, effective January 1, 2017.

Historically, the company has written nonstandard auto, as well as motorcycle insurance. In future years it is anticipated that the company's only direct premium will come from motorcycle insurance. ASICW participates in a non-affiliated assumed reinsurance program. The program targets broker-produced CAT business for carriers that write business familiar to the American Family Group and who operate outside of the group's typical territory, which reduces geographic concentration of the group

Due to the quota share agreement with AFMIC, the company's sole source of income is from investment returns. A net income was reported each year during the examination period. As a result, assets increased 12% to $402 million, and policyholder surplus increased 15% to $343 million.

The current examination determined that the company is in compliance with the recommendation from the prior examination. The current examination resulted in one recommendation.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 37 - Investments—It is recommended that the company revise its custodial agreement to include the guideline provisions contained in the NAIC's Financial Condition Examiners Handbook.

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
Jacob Burkett	Insurance Financial Examiner
John Coyle	Insurance Financial Examiner
Nick Hartwig	Insurance Financial Examiner
Diana Havitz	Insurance Financial Examiner
Greg Mielke	Insurance Financial Examiner
James Vanden Branden	Insurance Financial Examiner
Xiaozhou (Zoey) Ye	Insurance Financial Examiner
David Jensen, CFE	IT Specialist
Eleanor Lu	IT Specialist
Jerry DeArmond, CFE	Reserve Specialist
Karl Albert, CFE	Workpaper Specialist

Respectfully submitted,

Levi Olson
Examiner-in-Charge