

Report  
of the  
Examination of  
CM Select Insurance Company  
Merrill, Wisconsin  
As of December 31, 2017

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# State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

*Tony Evers, Governor*  
*Mark V. Afable, Commissioner*

*Wisconsin.gov*

April 8, 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:

CM SELECT INSURANCE COMPANY  
Merrill, Wisconsin

and this report is respectfully submitted.

## I. INTRODUCTION

This is the first examination of CM Select Insurance Company (CM Select or the company). The current examination covered the period from the company's incorporation on May 4, 2017, to December 31, 2017, and included a review of such 2018 and 2019 transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of an affiliated company domiciled in Pennsylvania, with Wisconsin acting in the capacity as the lead state for the coordinated examination. Representatives from Pennsylvania participated in the examination, and their work was reviewed and relied on where deemed appropriate.

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.

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 loss and loss adjustment expense reserves. 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 May 2017 as a wholly owned stock subsidiary of Church Mutual Insurance Company. The company operates as a commercial property and liability insurance company, writing a business owner's policy product for direct distribution to consumers. This allows the Church Mutual Group to expand its commercial insurance products to non-church businesses such as food banks, hospice centers, rehabilitation facilities, and camps.

In 2017, the company wrote no direct premium. The company first began to write business in August 2018.

### III. MANAGEMENT AND CONTROL

#### Board of Directors

The board of directors consists of four members. Four directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The board members currently receive no compensation for serving on the CM Select board.

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

<b>Name and Residence</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Robert M. Buckley Weston, Wisconsin	Vice President – Corporate Research and Chief Strategy Officer CM Select	2019
Richard V. Poirier Wausau, Wisconsin	Chief Executive Officer CM Select	2019
Kevin D. Root Merrill, Wisconsin	Executive Vice President – Operations CM Select	2019
Jeffrey D. Steffen Wausau, Wisconsin	Vice President – Chief Financial Officer CM Select	2019

#### Officers of the Company

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

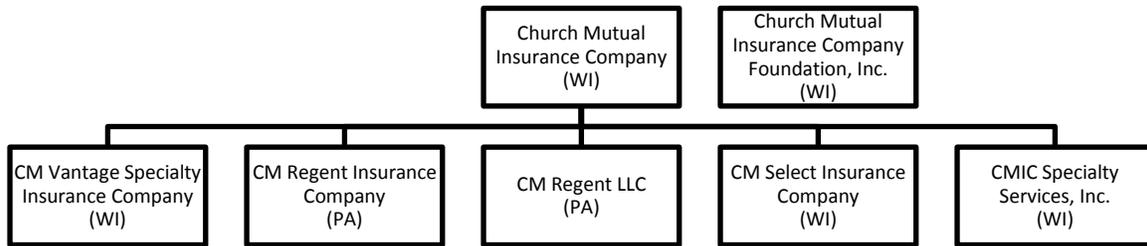
<b>Name</b>	<b>Office</b>	<b>2018 Compensation*</b>
Richard Poirier	Chief Executive Officer	\$1,217,237
Steven Rominske	Senior Vice President – Chief Actuary and Chief Risk Officer	471,674
Kurtis Brandau	President	264,210
Kevin D. Root	Executive Vice President - Operations	732,389
Jeffrey D. Steffen	Vice President – Chief Financial Officer	428,291

\*The 2018 Compensation includes the direct and indirect remuneration for the officer's services for all companies in the Church Mutual Group, including CM Select.

#### IV. AFFILIATED COMPANIES

CM Select Insurance Company is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates follows the organizational chart.

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



\* Church Mutual acquired 100% of American Sterling Insurance Company (American Sterling), a liquidated shell company, in September 2018.

##### **Church Mutual Insurance Company**

Church Mutual Insurance Company provides property and casualty insurance coverage for churches and religious institutions. It was formed in 1897 to cover specific denominations in Wisconsin but has since expanded to cover all religions and denominations throughout the United States. Since the previous examination, Church Mutual formed two and acquired two insurance subsidiaries. As of December 31, 2017, the audited statutory financial statements of Church Mutual reported assets of \$1,739,843,576, liabilities of \$1,036,154,022, and capital and surplus of \$703,689,554. Operations for 2017 produced a net income of \$28,536,835.

##### **CM Regent Insurance Company**

CM Regent Insurance Company (CM Regent) is a wholly owned stock insurance subsidiary of Church Mutual. Church Mutual acquired CM Regent (previously known as School Boards Insurance Company of Pennsylvania) on June 1, 2016, from the Pennsylvania School Boards Association Insurance Trust, a business trust organized under the laws of the State of Pennsylvania. CM Regent provides a variety of insurance products to association member school boards, including workers' compensation, property and casualty, and general liability

coverage. CM Regent is domiciled in Pennsylvania. As of December 31, 2017, the audited statutory financial statements of CM Regent Insurance Company reported assets of \$190,935,000, liabilities of \$109,522,000, and capital and surplus of \$81,413,000. Operations for 2017 produced a net income of \$13,427,000.

#### **CM Regent, LLC**

CM Regent, LLC provides various claims and administrative related services to the group. As of December 31, 2017, the audited financial statements of CM Regent, LLC reported assets of \$25,737,000, liabilities of \$11,883,000, and member's equity of \$13,854,000. Operations for 2017 produced a net income of \$239,000. The company was acquired in 2016 and was previously known as School Claims Services, LLC.

#### **CM Vantage Specialty Insurance Company**

CM Vantage Specialty Insurance Company (CM Vantage) is a wholly owned stock insurance subsidiary of Church Mutual. It was incorporated on November 12, 2015, under the laws of the State of Wisconsin. CM Vantage commenced operations in 2016 providing property and liability lines of insurance in the surplus lines market. As of December 31, 2017, the audited statutory financial statements of CM Vantage reported assets of \$61,692,000, liabilities of \$8,528,000, and capital and surplus of \$53,164,000. Operations for 2017 produced a net income of \$640,000.

#### **CMIC Specialty Services, Inc.**

CMIC Specialty Services, Inc., was organized as an insurance agency in 2006 for the purpose of obtaining and maintaining agency licenses in the states in which Church Mutual does business, as well as placing business with other insurers on lines of business that Church Mutual was unwilling or not licensed to write, such as fidelity and surety bond insurance, liquor liability insurance, and group travel accident insurance. As of December 31, 2017, the financial statements of CMIC Specialty Services, Inc., reported assets of \$650,885, liabilities of \$607,751, and equity of \$43,313. Operations for 2017 produced a net loss of \$141,459. The financial statements of CMIC Specialty Service, Inc., were not audited as of the end of the examination. Its value was reported as non-admitted assets on the Church Mutual financial statements.

## **Agreements with Affiliates**

### **Services Agreement**

The amended and restated services agreement between Church Mutual and all of its affiliates, originally dated August 16, 2016, and most recently amended September 17, 2018, covers general and administrative services to be provided by the companies to one another. It also establishes the cost allocation methods and procedures for allocation of expenses related to those services.

### **Tax Sharing Agreement**

The amended and restated tax sharing agreement between Church Mutual and its affiliates, originally dated June 1, 2016 and most recently amended November 2, 2018, was to ensure that the federal tax liability determined at the end of the taxable year of any individual member of the affiliated group shall not be more than it would have paid if it had filed on a separate return basis. Intercompany tax balances are settled with payments made within 30 days of the filing of the affiliated group's return and refunds paid within 30 days after requested receipt of a tax refund.

### **Capital Maintenance Agreement**

The capital maintenance agreement was entered into between Church Mutual and CM Select on May 31, 2018. This agreement ensures that CM Select's surplus is adequate to produce a Risk-Based Capital level at or above 350% as calculated based on the most recent year-end annual financial statements.

## 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.

### Affiliated Ceding Contracts

- Type: Reinsurance Contract

Reinsurer: Church Mutual Insurance Company

Scope: Losses arising under policies in-force, issued or renewed by CM Select Insurance Company

Retention: None

Coverage: 100% of the ultimate net loss under policies in force issued or renewed by CM Select. Ultimate net loss is determined after making deductions for all recoveries, all salvages, and all claims upon other reinsurances that directly insure to the benefit of and collected by CM Select.

The contract contains a provision for deposit funds made by Church Mutual to provide CM Select with a source of funds for payments of claims.

Rate/Premium: 100% of the written premium collected, net of all inuring reinsurance purchased directly by CM Select

Commissions: Underwriting expenses incurred in connection with the policies ceded under this agreement

Effective date: September 1, 2017, until termination

Termination: Cancellation may occur with 365-days' prior written notice by either company. Coverage will remain in effect for all policies this agreement was attached to.

### Nonaffiliated Ceding Contracts

- Type: Property Per Risk Excess of Loss Reinsurance Contract

Reinsurer: The brokered reinsurers and their respective participation by layer include the following. Only reinsurers who are allocated at least 5% of a single layer are listed individually.

<u>Subscribing Reinsurer</u>	<u>Layer 1</u>	<u>Layer 2</u>	<u>Layer 3</u>
Everest Reins. Co.	20.0%	20.0%	20.0%
Hannover Ruck SE	8.0	8.0	5.0
Lancashire Ins. Co. LTD.	0.0	0.0	7.0
Mapfre Re, Compania de Reaseguros, SA	3.5	6.0	10.0
Mutual Re	30.0	30.0	20.0
Partner Reins. Co. of the U.S.	10.0	6.5	3.5
R+V Versicherung AG	7.5	7.5	7.5
SCOR Reins. Co.	7.5	7.5	10.0
Underwriters at Lloyd's, London	0.0	7.5	11.0
All other subscribing reinsurers	13.5	7.0	6.0
Total subscribing reinsurers	100.0%	100.0%	100.0%

**Scope:** Property, including but not limited to fire, allied lines, inland marine, homeowners multiple peril (property coverages), commercial multiple peril (property coverages), or crime.

Terrorism coverage is included with an aggregate coverage limit indicated below.

**Retention:** Retention is \$2.5 million for the first excess layer, \$5 million for the second excess layer, and \$10 million for the third excess layer.

**Coverage (in Millions):**

	<u>Layer 1</u>	<u>Layer 2</u>	<u>Layer 3</u>
Limit per risk per loss occurrence*	\$2.5	\$ 5.0	\$10.0
Limit per loss occurrence for all risks	7.5	10.0	10.0
Term limit for all act(s) of terrorism	7.5	10.0	10.0
Term limits for all loss occurrences	N/A	20.0	15.0

\*This coverage is 25% in respect to education policies written on CM Regent Insurance Company and 100% to all other covered business

**Rate/Premium:** Premium is 1.872% of subject earned premium for the first excess layer, 1.055% for the second excess layer, and 0.295% for the third excess layer.

**Commissions:** No commission or contingent commission provisions

**Effective Date:** July 1, 2018, through July 1, 2019

**Termination:** The company may terminate this agreement by giving the reinsurer 15-days' prior written and certified notice in the event of circumstances listed in the Special Termination and Other Remedies article. The company may elect to terminate on either a run-off or cut-off basis subject to notice to the reinsurer of intent prior to the termination date.

2. **Type:** Property Catastrophe Excess of Loss Reinsurance Contract

**Reinsurer:** The brokered reinsurers and their respective participation by layer include the following. Only reinsurers who are allocated at least 5% of a single layer are listed individually.

<u>Subscribing Reinsurer</u>	<u>Layer 1*</u>	<u>Layer 2</u>	<u>Layer 3</u>	<u>Layer 4</u>	<u>Layer 5</u>	<u>Layer 6</u>
Everest Reins. Co.	15.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Hannover Re (Bermuda) Ltd.	5.0	3.5	3.5	3.5	3.5	3.5
Hannover Rück SE	5.0	4.0	0.0	0.0	0.0	0.0
MS Amlin AG, Bermuda Branch	1.0	1.0	2.0	3.0	5.0	5.0
Partners Reins. Co. Ltd.	0.0	7.3	3.0	0.0	1.5	1.5
R+V Versicherung AG	5.0	3.0	3.5	3.0	3.0	4.0
Underwriters at Lloyd's, London Tokio	37.0	44.5	44.8	43.5	36.8	36.4
Millennium Re AG, Bermuda Branch	0.0	0.0	1.8	2.3	5.5	12.5
All other subscribing reinsurers	18.0	26.7	31.4	34.7	34.7	27.1
<b>Total subscribing reinsurers</b>	<b>86.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\* Church Mutual and subsidiaries have retained 14% of the first excess layer.

Scope: Property coverage, including automobile physical damage and excluding collision

Retention: Retention is \$10 million for the first excess layer, \$30 million for the second excess layer, \$60 million for the third excess layer, \$120 million for the fourth excess layer, \$200 million for the fifth excess layer, and \$305 million for the sixth excess layer.

Coverage (in Millions):

	<u>Layer 1</u>	<u>Layer 2</u>	<u>Layer 3</u>	<u>Layer 4</u>	<u>Layer 5</u>	<u>Layer 6</u>
Limit per risk per loss occurrence	\$20	\$30	\$60	\$80	\$105	\$50
Term limit for all loss occurrences	40	60	120	160	210	100

Rate/Premium: Premium is 1.240% of gross net earned premium income of the first excess layer, 1.741% of the second and third excess layer, 1.055% of the fourth excess layer, 0.872% of the fifth excess layer and 0.317% of the sixth excess layer.

Commissions: No commission or contingent commission provisions

Effective Date: July 1, 2018, through June 30, 2019

Termination: The company may terminate this agreement by giving the reinsurer prior written and certified notice in the event of circumstances listed in the Special Termination article. The

company may elect to terminate on a cut-off basis subject to notice to the reinsurer of intent prior to the termination date.

3. Type: Casualty Excess of Loss Reinsurance Contract

Reinsurer: The brokered reinsurers, and their respective participation by layer, including the following:

<u>Subscribing Reinsurers</u>	<u>Layer 1</u>	<u>Layer 2</u>	<u>Layer 3</u>	<u>Layer 4</u>	<u>CAT Layer</u>
BGS Services (Bermuda) Limited	0.0%	0.0%	0.0%	3.0%	3.0%
Hannover Ruck SE	25.0	25.0	25.0	15.0	0.0
Korean Reins. Co.	5.0	5.0	0.0	0.0	0.0
Mutual Re Munich Reins. America, Inc.	25.0	25.0	10.0	5.0	0.0
Partner Reins. Co. of the U.S.	6.0	20.0	20.0	20.0	25.0
QBE Reins. Corp.	10.0	0.0	0.0	0.0	0.0
Safety Nat'l Cas. Corp.	5.0	5.0	0.0	0.0	0.0
SCOR Reins. Co.	5.0	5.0	5.0	5.0	5.0
Transatlantic Reins. Co.	15.0	15.0	15.0	15.0	0.0
Underwriters at Lloyd's, London	4.0	0.0	0.0	0.0	0.0
	0.0	0.0	25.0	37.0	67.0
<b>Total subscribing reinsurers</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Scope: The first, second, third, and fourth excess layers include casualty coverage, including workers' compensation and employers' liability coverage.

The catastrophe (CAT) excess layers include workers' compensation and employer's liability coverage only.

Retention: Retention is \$2 million for the first excess layer, \$6 million for the second excess layer, \$12 million for the third excess layer, \$22 million for the fourth excess layer, and \$42 million for the catastrophe excess layer.

Coverage (in Millions):

	<u>Layer 1</u>	<u>Layer 2</u>	<u>Layer 3</u>	<u>Layer 4</u>	<u>CAT Layer</u>
Limit per risk per loss occurrence	\$4	\$ 6	\$10	\$20	\$10
Term limit for all acts of terrorism	8	12	10	20	10
Term limit for all loss occurrences	N/A	36	40	40	20

Rate/Premium: Premium is 1.9200% of the subject earned premium for the first excess layer, 0.4220% for the second excess layer, 0.2313% for the third excess layer, 0.2062% for the fourth excess layer, and 0.0982% for the fifth excess layer

Commissions: No commission or contingent commission provisions

Effective Date: July 1, 2018, through July 1, 2019

Termination: The company may terminate this agreement by giving the reinsurer 15-days' prior written and certified notice in the event of circumstances listed in the Special Termination and Other Remedies article. The company may elect to terminate on a cut-off basis subject to notice to the reinsurer of intent prior to the termination date.

4. Type: Multiple Line Reinsurance Agreement  
Equipment Breakdown and Identity Recovery

Reinsurer: Hartford Steam Boiler Inspection and Insurance Company

Scope: Equipment breakdown liability as respects accidents and electronic circuitry impairments

Losses covered under Identity Recovery

Retention: None

Coverage: Equipment: 100% coverage subject to a maximum of \$150 million for any one covered accident and/or electronic circuitry impairment.

Identity: 100% coverage subject to a maximum of \$15 million annual aggregate per identity recovery insured.

Rate/Premium: The following rates are based on net written premium unless otherwise noted:

<u>Class of Business</u>	<u>Rate in Florida</u>	<u>Rate in Other States</u>
Religious organizations, schools other than colleges, camps, conference centers, and senior living facilities (other than skilled nursing facilities).	4.41%	3.96%
Equipment breakdown coverage for colleges and skilled nursing facilities.	6.74%	5.94%
Equipment breakdown coverage for excess and surplus lines. (Excess coverage only applies to business written by CM Vantage.)	3.96%	3.96%
Equipment breakdown coverage for business owners' policies.	4.41%	3.96%
Equipment breakdown coverage for public schools including charter schools, community and technical colleges, and intermediate units.	\$0.0070 to \$0.0074 per \$100 total insured value based on the sublimit level	
Identity Recovery Charge	0.24% of gross annual property premium, excluding Equipment Breakdown premium	

Commissions: 30% commission of ceded premium

Profit share provision pays up to 40% of the reinsurer's profit after the allocation of expenses and paid losses.

- Effective Date: January 1, 2018, until termination
- Termination: Either party may terminate the agreement by giving the other party 90 days' prior written notice.
5. Type: Cyber Liability Quota Share Reinsurance Contract
- Reinsurer: Beazley Syndicates 623 and 2623
- Scope: Cyber liability and data breach business
- Retention: None
- Coverage: The cyber liability policy coverage limit is \$1 million in aggregate. The data breach policy coverage limit is \$250,000 in aggregate.
- Rate/Premium: 100% of gross net written premium income
- Commissions: 30% commission on the Independent Commercial Package Institutional Program (A Series) and 15% on businessowners policy
- Effective Date: November 1, 2018, to October 31, 2019
- Termination: Either party may terminate the agreement by giving the other party 90-days' prior written notice.

## **VI. FINANCIAL DATA**

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 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.

**CM Select Insurance Company**  
**Assets**  
**As of December 31, 2017**

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$19,018,148	\$	\$19,018,148
Cash, cash equivalents, and short-term investments	641,311		641,311
Investment income due and accrued	<u>92,734</u>	—	<u>92,734</u>
<b>Total assets</b>	<b><u>\$19,752,193</u></b>	<b><u>\$0</u></b>	<b><u>\$19,752,193</u></b>

**CM Select Insurance Company**  
**Liabilities, Surplus, and Other Funds**  
**As of December 31, 2017**

Commissions payable, contingent commissions, and other similar charges		\$ (365,838)
Other expenses (excluding taxes, licenses, and fees)		370,441
Current federal and foreign income taxes		19,800
Ceded reinsurance premiums payable (net of ceding commissions)		(1,237,465)
Payable to parent, subsidiaries, and affiliates		<u>847,663</u>
<b>Total liabilities</b>		<b>(365,399)</b>
Write-ins for special surplus funds:		
Common capital stock	\$ 4,000,000	
Gross paid in and contributed surplus	16,000,000	
Unassigned funds (surplus)	<u>117,593</u>	
<b>Surplus as regards policyholders</b>		<b><u>20,117,593</u></b>
<b>Total liabilities and surplus</b>		<b><u>\$19,752,193</u></b>

**CM Select Insurance Company  
Summary of Operations  
For the Year 2017**

**Investment Income**

Net investment income earned	\$184,371	
Net realized capital gains (losses)	<u>(2,779)</u>	
Net investment gain (loss)		\$181,593
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		181,593
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		181,593
Federal and foreign income taxes incurred		<u>64,000</u>
Net income		<u>\$117,593</u>

**CM Select Insurance Company  
Cash Flow  
For the Year 2017**

Premiums collected net of reinsurance		\$(1,237,465)
Net investment income		<u>109,508</u>
Total		(1,127,956)
Federal and foreign income taxes paid (recovered)		<u>43,200</u>
Net cash from operations		(1,171,156)
Proceeds from investments sold, matured, or repaid:		
Bonds	\$ 1,818,406	
Cost of investments acquired (long-term only):		
Bonds	<u>20,853,600</u>	
Net cash from investments		(19,035,195)
Cash from financing and miscellaneous sources:		
Capital and paid in surplus less treasury stock	20,000,000	
Other cash provided (applied)	<u>847,663</u>	
Net cash from financing and miscellaneous sources		<u>20,847,663</u>
<b>Reconciliation:</b>		
Net change in cash, cash equivalents, and short-term investments		641,311
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>                    </u>
End of year		<u>\$ 641,311</u>

**CM Select Insurance Company  
Compulsory and Security Surplus Calculation  
December 31, 2017**

Assets		\$19,752,193
Liabilities		<u>(365,399)</u>
Adjusted surplus		20,117,592
Annual premium:		
Lines other than accident and health	\$0	
Factor	<u>20%</u>	
Compulsory surplus (subject to a minimum of \$2 million)		<u>2,000,000</u>
Compulsory surplus excess (deficit)		<u>\$18,117,592</u>
Adjusted surplus (from above)		\$19,752,193
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>\$17,317,592</u>

**CM Select Insurance Company  
Analysis of Surplus  
For the One-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:

		<b>2017</b>
Surplus, beginning of year	\$	
Net income		117,593
Capital changes:		
Paid in		4,000,000
Surplus adjustments:		
Paid in		<u>16,000,000</u>
Surplus, end of year		<u>\$20,117,593</u>

### Growth of CM Select Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2017	\$19,752,193	(\$365,399)	\$20,117,593	\$117,593

CM Select was formed in 2017 and did not begin writing business until 2018. At year-end 2017 the company reported \$19.8 million of assets and \$20.1 million of surplus. Liabilities were negative \$365 thousand due to ceding commission paid to cover underwriting expenses incurred after CM Select was licensed to write business but before it began writing policies in mid-2018. Net income for 2017 was \$118 thousand and derived entirely from investment income. No premiums were written or earned.

#### Reconciliation of Surplus per Examination

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

## **VII. SUMMARY OF EXAMINATION RESULTS**

### **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.

### **Report on Executive Compensation**

The State of Wisconsin requires that each Wisconsin-domiciled insurer file a supplement to the annual statement titled "Report on Executive Compensation" pursuant to s. 611.63 (4), Wis. Stat. This report should include annual compensation to each director and each officer and member of the executive management of the insurer whose compensation exceeds specified amounts. Compensation reported should include all gross direct and indirect remuneration paid and accrued during the report year for the benefit of an individual director, officer, or manager, and shall include wages, stock grants, gains from the exercise of stock options, and all other forms of personal compensation (including employer-paid health, life and any other premiums). The examination noted that the Report on Executive Compensation filed for 2017 did not include employer-paid health insurance and employer contributions to health savings accounts. It is recommended that the company comply with s. 611.63 (4), Wis. Stat., by reporting all compensation received by officers, executive management, and directors in accordance with the instructions stated on the Report on Executive Compensation.

## **VIII. CONCLUSION**

CM Select Insurance Company was formed by Church Mutual Insurance Company in 2017. The company operates as a commercial property and liability insurance company, writing a business owner's policy product for direct distribution to consumers. The company commenced writing business in August 2018.

Admitted assets and surplus were \$19.8 million and \$20.1 million, respectively, at year-end 2017. Liabilities were a negative \$365 thousand due to ceding commission paid to cover underwriting expenses incurred after CM Select was licensed to write business but before it began writing policies in mid-2018. The company reported a net income of \$118 thousand in 2017 derived from investment income. No premiums were written during the examination period.

The examination resulted in one recommendation. There were no adjustments to surplus and no reclassification of account balances.

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

1. Page 19 - Report on Executive Compensation—It is recommended that the company comply with s. 611.63 (4), Wis. Stat., by reporting all compensation received by officers, executive management, and directors in accordance with the instructions stated on the Report on Executive Compensation.

## **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:

<b>Name</b>	<b>Title</b>
Shelly Bueno	Insurance Financial Examiner
Abdel Kondoh	Insurance Financial Examiner
Xiaozhou Ye	Insurance Financial Examiner
Ana Careaga	ACL Specialist
David Jensen, CFE	IT Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,

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Examiner-in-Charge