Report

of the

Examination of

CM Vantage Specialty 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

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 8, 2019

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 VANTAGE SPECIALTY INSURANCE COMPANY
Merrill, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

This is the first examination of CM Vantage Specialty Insurance Company (CM Vantage or the company). The current examination covered the period from the company's incorporation on November 12, 2015, 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 of 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

CM Vantage was incorporated on November 12, 2015, under the laws of the State of Wisconsin, as a wholly owned stock insurance subsidiary of Church Mutual Insurance Company (Church Mutual). The company was capitalized with $52 million on December 4, 2015, and commenced business on July 6, 2016. In August 2017, the company was authorized to operate as a domestic surplus lines insurer in Wisconsin, pursuant to ch. 618, subchapter III, Wis. Stat.

The company is approved to write surplus lines in the District of Columbia and all states. In 2017, the company wrote direct premium in the following states:

New York	$ 7,915,752	22.7%
Texas	5,392,732	15.5
New Jersey	2,998,055	8.6
Pennsylvania	2,103,690	6.0
Minnesota	1,872,484	5.4
All others	14,622,082	41.8
Total	$34,904,795	100.0%

CM Vantage writes excess and surplus (E&S) lines coverage through licensed surplus lines brokers in the market segments compatible with the religious institutional marketplace. A vast majority of its business is almost equally divided between two lines – allied lines and other liability-occurrence. The company's major products include general liability, products liability, professional liability, liquor liability, excess liability, commercial multiple peril, and other related coverages. The company cedes all of its net exposure to its parent company under a 100% quota share reinsurance agreement.

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
Allied lines	$16,054,964	$	$16,054,964	$
Other liability – occurrence	18,829,974		18,829,973	
Other liability – claims made	19,857	_	19,857	_
Total all lines	$34,904,795	$0	$34,904,795	$0

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of five members. Five 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 Vantage board.

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

Name and Residence	Principal Occupation	Term Expires
Robert M. Buckley Weston, Wisconsin	Vice President – Corporate Research and Chief Strategy Officer CM Vantage	2019
Alan S. Ogilvie Madison, Wisconsin	President CM Vantage	2019
Richard V. Poirier Wausau, Wisconsin	Chief Executive Officer CM Vantage	2019
Kevin D. Root Merrill, Wisconsin	Executive Vice President – Operations CM Vantage	2019
Gregory A. Smith Fox Point, Wisconsin	Executive-in-Residence and Lecturer University of Wisconsin – Milwaukee Lubar School of Business	2019

Officers of the Company

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

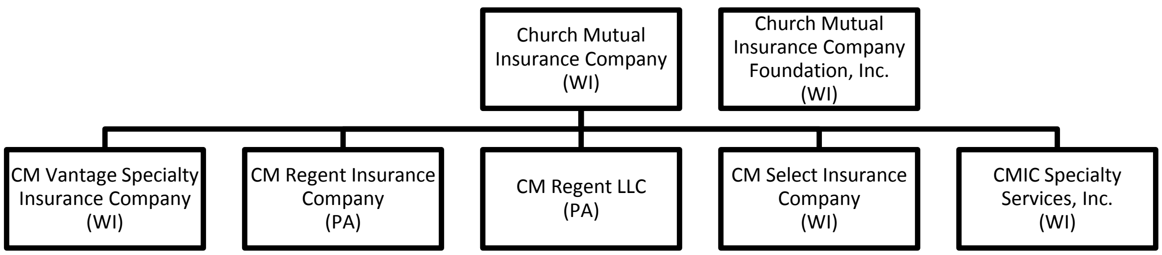
Name	Office	2018 Compensation*
Richard V. Poirier	Chief Executive Officer	$1,217,237
Kevin D. Root	Executive Vice President – Operations	732,389
Steven C. Rominske	Senior Vice President – Chief Actuary and Chief Risk Officer	471,674
Jeffrey D. Steffen	Vice President – Chief Financial Officer and Treasurer	428,291
Allan S. Ogilvie	President	361,574

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

IV. AFFILIATED COMPANIES

CM Vantage 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 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 Select Insurance Company

CM Select Insurance Company is a wholly owned stock insurance subsidiary of Church Mutual. It was incorporated on May 4, 2017, under the laws of the State of Wisconsin and began writing business in 2018. It provides business owners policy sold directly to customers. As of December 31, 2017, the audited statutory financial statements of CM Select reported assets of $19,753,000, liabilities of $(364,000), and capital and surplus of $20,117,000. Operations for 2017 produced a net income of $117,000.

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 and placing business with other insurers on lines of business which 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, and 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 and 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.

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

1.	Type:	Reinsurance Contract
	Reinsurer:	Church Mutual Insurance Company
	Scope:	Losses arising under policies in-force, issued or renewed by CM Vantage Specialty Insurance Company
	Retention:	None
	Coverage:	100% of the ultimate net loss under policies in force issued or renewed by CM Vantage. Ultimate net loss is determined after making deductions for all recoveries, all salvages, and all claims upon other reinsurances which directly insure to the benefit of and collected by CM Vantage. The contract contains a provision for deposit funds made by Church Mutual to provide CM Vantage 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 Vantage
	Commissions:	Underwriting expenses incurred in connection with the policies ceded under this agreement
	Effective date:	March 31, 2016, 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

1.	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.

Subscribing Reinsurer	Layer 1	Layer 2	Layer 3
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, $5.0 million for the second excess layer and $10.0 million for the third excess layer

Coverage (in Millions):

	Layer 1	Layer 2	Layer 3
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

Subscribing Reinsurer	Layer 1*	Layer 2	Layer 3	Layer 4	Layer 5	Layer 6
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	37.0	44.5	44.8	43.5	36.8	36.4
Tokio 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
Total subscribing reinsurers	86.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* 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):

	Layer 1	Layer 2	Layer 3	Layer 4	Layer 5	Layer 6
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:

Subscribing Reinsurers	Layer 1	Layer 2	Layer 3	Layer 4	CAT Layer
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	25.0	25.0	10.0	5.0	0.0
Munich Reins. America, Inc.	6.0	20.0	20.0	20.0	25.0
Partner Reins. Co. of the U.S.	10.0	0.0	0.0	0.0	0.0
QBE Reins. Corp.	5.0	5.0	0.0	0.0	0.0
Safety Nat'l Cas. Corp.	5.0	5.0	5.0	5.0	5.0
SCOR Reins. Co.	15.0	15.0	15.0	15.0	0.0
Transatlantic Reins. Co.	4.0	0.0	0.0	0.0	0.0
Underwriters at Lloyd's, London	0.0	0.0	25.0	37.0	67.0
Total subscribing reinsurers	100.0%	100.0%	100.0%	100.0%	100.0%

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):

	Layer 1	Layer 2	Layer 3	Layer 4	CAT Layer
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:

Class of Business	**Rate in Florida**	**Rate in Other States**
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
6.	Type:	Agriculture Property Semiautomatic Facultative Reinsurance Contract
	Reinsurer:	XL Reinsurance America Inc.
	Scope:	Commercial property agricultural business written between the company and Global Special Risks, LLC, per the General Agency Agreement.
		The reinsurance contract will only cover companies with limits to CM Vantage Specialty Insurance Company of no greater than $10 million.
	Retention:	Retention for primary policies is $500,000 per loss per policy. Retention for excess policies is 70% of net liability. If a primary and an excess policy are written in conjunction with one another, they are treated as one policy for the purposes of retention and limits.
		Liability limit for excess policies is 30% of the company’s net liability.
		Liability limit for all losses will not exceed $1.75 million for risks located in Alaska, California, Hawaii, Oregon, and Washington.

		Liability limit for all losses will not exceed $4.5 million for certain locations arising out of a single earthquake.
	Rate/Premium:	Premium for primary and primary-plus-excess policies is 33.33% of net written premium. Premium for excess policies is the exact proportion of the net written premium.
	Commissions:	25% commission on all premiums ceded to the reinsurer
	Effective Date:	May 1, 2018, to July 1, 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 Commencement and Termination article. The reinsurance will remain in full force and effect until expiration, cancellation, or next premium anniversary of such business, whichever comes first unless the company elects the reinsurer will have no liability for losses.
7.	Type:	Agriculture Property Quota Share and Excess Reinsurance Contract
	Reinsurer:	Renaissance Reinsurance U.S. Inc., and Swiss Reinsurance America Corporation, 50% each
	Scope:	Commercial Property Agricultural business written pursuant to the General Agency Agreement between the company and Global Special Risks, LLC. The reinsurance contract will only cover companies with limits to CM Vantage of no greater than $10 million.
	Retention:	Retention for primary policies is $2 million per loss per policy. Retention for excess policies is 40% of the net liability, including 30% ceded under the Agriculture Property Semiautomatic Facultative Reinsurance Contract. If a primary and an excess policy are written in conjunction with one another, they are treated as one policy for the purposes of retention and limits.
	Coverage:	Liability limit for primary policies is $8 million per loss per policy. Liability limit for excess policies is 60% of the company's net liability, but not to exceed $6 million per loss per policy. Liability limit for all primary and primary-plus-excess policies is $24 million. Liability limit for all policies shall not exceed $16 million per loss.

Rate/Premium:	Premium for primary and primary-plus-excess policies is 24.25% of net written premium. The reinsurer will a deposit premium of $1.3 million in four equal installments. Premium for excess policies is the exact proportion of the net written premium.
Commissions:	25% commission on all premiums ceded to the reinsurer
Effective date:	July 15, 2018, to July 1, 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 Commencement and Termination article. The reinsurance will remain in full force and effect until expiration, cancellation, or next premium anniversary of such business, whichever comes first unless the company elects the reinsurer will have no liability for losses.

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 Vantage Specialty Insurance Company
Assets
As of December 31, 2017

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$50,784,615	$	$50,784,615
Cash, cash equivalents, and short-term investments	3,208,397		3,208,397
Investment income due and accrued	218,136		218,136
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	4,539,516	8,383	4,531,133
Reinsurance:			
Amounts recoverable from reinsurers	2,817,743		2,817,743
Current federal and foreign income tax recoverable and interest thereon	101,262	0	101,262
Net deferred tax asset	32,000	1,000	31,000
Total assets	$61,701,669	$9,383	$61,692,286

CM Vantage Specialty Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2017

Commissions payable, contingent commissions, and other similar charges		$ (509,686)
Other expenses (excluding taxes, licenses, and fees)		510,828
Ceded reinsurance premiums payable (net of ceding commissions)		5,633,210
Payable to parent, subsidiaries, and affiliates		2,881,894
Write-ins for liabilities:		
Other payables		11,607
Total liabilities		8,527,853
Common capital stock	$ 2,600	
Gross paid in and contributed surplus	51,997,400	
Unassigned funds (surplus)	1,164,433	
Surplus as regards policyholders		53,164,433
Total liabilities and surplus		$61,692,286

CM Vantage Specialty Insurance Company
Summary of Operations
For the Year 2017

Investment Income		
Net investment income earned	$1,152,538	
Net realized capital gains (losses)	(55,033)	
Net investment gain (loss)		$1,097,506
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		1,097,506
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		1,097,506
Federal and foreign income taxes incurred		458,000
Net income		$ 639,506

CM Vantage Specialty Insurance Company
Cash Flow
For the Year 2017

Premiums collected net of reinsurance		$ 481,830
Net investment income		1,304,809
Total		1,786,639
Benefit-and-loss-related payments	$ 2,817,743	
Commissions, expenses paid, and aggregate write-ins for deductions	(18,989)	
Federal and foreign income taxes paid (recovered)	529,262	
Total deductions		3,328,016
Net cash from operations		(1,541,377)
Proceeds from investments sold, matured, or repaid:		
Bonds	41,904,103	
Cost of investments acquired (long-term only):		
Bonds	43,186,921	
Net cash from investments		(1,282,818)
Cash from financing and miscellaneous sources:		
Other cash provided (applied)		2,199,918
Reconciliation:		
Net change in cash, cash equivalents, and short-term investments		(624,276)
Cash, cash equivalents, and short-term investments:		
Beginning of year		3,832,673
End of year		$3,208,397

CM Vantage Specialty Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2017

Assets		$61,692,286
Liabilities		8,527,853
Adjusted surplus		53,164,433
Annual premium:		
Lines other than accident and health	$297,449	
Factor	20%	
Compulsory surplus (subject to a minimum of $2 million)		2,000,000
Compulsory surplus excess (deficit)		$51,164,433
Adjusted surplus (from above)		$53,164,433
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)		$50,364,433

CM Vantage Specialty Insurance Company
Analysis of Surplus
For the Three-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
Surplus, beginning of year	$52,494,453	$52,002,280	$
Net income	639,506	500,031	2,280
Change in net deferred income tax	29,000	3,000	
Change in nonadmitted assets	1,475	(10,858)	
Capital changes:			
Paid in			2,600
Surplus adjustments:			
Paid in			51,997,400
Surplus, end of year	$53,164,433	$52,494,453	$52,002,280

CM Vantage Specialty Insurance Company
Insurance Regulatory Information System
For the Three-Year Period Ending December 31, 2017

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	2017	2016	2015
#1	Gross Premium to Surplus	66%	8%	0%
#2	Net Premium to Surplus	0	0	0
#3	Change in Net Premiums Written	0	0	0
#4	Surplus Aid to Surplus	1	0	0
#5	Two-Year Overall Operating Ratio	0	0	0
#6	Investment Yield	2.2*	1.5*	0.0*
#7	Gross Change in Surplus	1	1	999
#8	Change in Adjusted Surplus	1	1	999
#9	Liabilities to Liquid Assets	16	5	0
#10	Agents' Balances to Surplus	9	2	0
#11	One-Year Reserve Development to Surplus	0	0	0
#12	Two-Year Reserve Development to Surplus	0	0	0
#13	Estimated Current Reserve Deficiency to Surplus	0	0	0

Ratio No. 6 measures the company's investment yield over the previous year. The exceptional results during the examination period were due to lower investment yields throughout the market place. This has not been an unusual result for property insurers and is not a concern.

Growth of CM Vantage Specialty Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2017	$61,692,286	$8,527,853	$53,164,433	$639,506
2016	55,007,911	2,513,458	52,494,453	500,031
2015	52,003,508	1,228	52,002,280	2,280

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2017	$34,904,795	$0	$0	0.0%	0.0%	0.0%
2016	4,212,639	0	0	0.0	0.0	0.0
2015	0	0	0	0.0	0.0	0.0

CM Vantage was formed in 2015 and began writing business in mid-2016. At the end of its first full year of operation, the company held $62 million in admitted assets, $8.5 million in liabilities, and $53 million in surplus. The company wrote $4.2 million in premium in 2016 and $35 million in 2017, split between other liability-occurrence and allied lines. All premiums and losses are ceded 100% to parent company Church Mutual after cessions to third-party reinsurers.

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 Vantage Specialty Insurance Company was formed by Church Mutual Insurance Company in 2015 to write excess and surplus lines coverage. The company commenced writing business on July 6, 2016. The company's first full year of operations was 2017.

Admitted assets grew from $52 million in 2015 to $62 million in 2017. Liabilities grew from $1.2 thousand in 2015 to $8.5 million in 2017. Surplus grew by over $1 million to $53 million in 2017. The company reported a net income of $500 thousand in 2016 and $640 thousand in 2017.

Premium grew significantly due to the company beginning to write business in mid-2016. Gross premium written grew from $4.2 million in 2016 to $35.0 million in 2017. All premium is ceded, mainly to the parent company, so there is no net premium written, premium earned, or expense ratios.

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

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 23 - 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:

Name	Title
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,

Diana M. Havitz
Examiner-in-Charge