

Report
of the
Examination of
Caledonia Mutual Fire Insurance Company
Portage, Wisconsin
As of December 31, 2010

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

May 10, 2011

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Honorable Theodore K. Nickel
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
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Commissioner:

In accordance with your instructions, an examination has been performed as of December 31, 2010, of the affairs and financial condition of:

CALEDONIA MUTUAL FIRE INSURANCE COMPANY
Portage, Wisconsin

and the following report thereon is respectfully submitted:

I. INTRODUCTION

The previous examination of Caledonia Mutual Fire Insurance Company (the company) was made in 2006 as of December 31, 2005. The current examination covered the intervening time period ending December 31, 2010, and included a review of such subsequent transactions deemed essential to complete this examination.

The "Summary of Examination Results" contains elaboration on all areas of the company's operations. 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 was organized as a town mutual insurance company in August 1873 under the provisions of the then existing Wisconsin Statutes. The original name of the company was the Caledonia Farmers' Mutual Insurance Company. Subsequent amendments to the company's articles and bylaws changed the company's name to that presently used.

During the period under examination, there were no amendments to the articles of incorporation and no amendments to the bylaws.

The company is currently licensed to write property, including windstorm and hail, and nonproperty insurance. The company is currently authorized to write business in Columbia, Marquette, and Sauk counties.

A review was made of the policy and application forms currently used by the company. The company issues approved policies with or without endorsements for terms of three years with premiums payable on the advance premium basis. The company does not charge a policy fee.

Business of the company is currently acquired through three agents, each of whom are directors of the company. The agents are not commissioned but receive compensation for time spent inspecting property at renewal and a licensed agent receives an additional \$15.00 per liability policy written.

Losses are adjusted by members of the adjusting committee, which is the full board of directors. The adjustment of a loss is at the discretion of the director who is called to the loss. For more difficult losses, other directors are called to assist in adjusting the loss. Adjusters receive \$35.00 per half day or \$50.00 per full day for losses adjusted and \$0.50 per mile for travel to Marquette County.

Policyholders may participate in the management and control of the company by attending and voting at all annual or special meetings of the members. No member may vote by proxy. The annual meeting of the company for the election of directors and special meetings of the company are held in accordance with its articles of incorporation.

Board of Directors

The board of directors consists of nine members divided into three classes. One class is elected at each annual meeting for a term of three years. Vacancies on the board may be filled by the directors for the interim to the next annual meeting when a director shall be chosen for the unexpired term.

The current board of directors consists of the following policyholders of the company:

Name	Principal Occupation	Residence	Expires
Robert Allen	Retired	Merrimac, Wisconsin	2014
Emery Benson	Mechanic/Tow Truck Operator	Merrimac, Wisconsin	2012
Jeff Miller	Retired Fireman	Rio, Wisconsin	2014
Mike Mountford	Truck Driver	Merrimac, Wisconsin	2014
Max Paske	Farmer	Portage, Wisconsin	2013
Alvin Schultz	Mechanic	Merrimac, Wisconsin	2012
William Statz*	County Highway Department	Pardeeville, Wisconsin	2013
David Ziehmke*	Farmer	Portage, Wisconsin	2013
Donald Ziemke*	Retired	Baraboo, Wisconsin	2012

Directors who are also agents are identified with an asterisk.

Members of the board currently receive \$35.00 for each half-day and \$50.00 for each full day of meetings attended and \$0.50 per mile for travel expenses.

Section 612.13 (1m), Wis. Stat., requires:

- (1) If a town mutual has fewer than nine directors, no more than one director may be an employee or representative of the town mutual; and
- (2) Employees and representatives of a town mutual may not constitute a majority of its board.

The company is in compliance with these requirements.

Officers

Officers are elected by the board of directors from among its members and hold office for one year or until their successors are duly elected and qualified. Officers serving at the present time are as follows:

Name	Office	2010 Compensation
David Ziehmke	President	\$1,170
William Statz	Vice President	170
Donald Ziemke	Secretary -Treasurer	1,605
Patricia Ziehmke	Manager	2,455

Reported compensation is the total compensation paid by the insurer for the year and includes salary, commissions, director fees and rental income as applicable.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The company has an Adjusting Committee of which all directors are appointed members and the President is the committee chairman.

Growth of Company

The growth of the company since the previous examination as compiled from its filed annual statements was as follows:

Year	Net Premiums Earned	Policies In Force	Net Income	Admitted Assets	Policyholders' Surplus
2010	\$17,271	110	\$ 9,910	\$575,749	\$549,272
2009	15,462	113	10,829	573,792	523,264
2008	15,869	114	(52,405)	604,306	495,635
2007	19,637	117	29,093	510,290	585,457
2006	17,523	115	(10,977)	538,761	550,424
2005	18,122	117	9,594	565,504	557,540

The ratios of gross and net premiums written to surplus as regards policyholders since the previous examination were as follows:

Year	Gross Premiums Written	Net Premiums Written	Policyholders' Surplus	Writings Net	Ratios Gross
2010	\$88,768	\$17,785	\$549,272	3.2%	16.2%
2009	86,727	15,423	523,264	2.9	16.6
2008	86,026	15,277	495,635	3.1	17.4
2007	85,130	18,012	585,457	3.1	14.5
2006	76,874	18,759	550,424	3.4	14.0
2005	75,719	19,879	557,540	3.6	13.6

For the same period, the company's operating ratios were as follows:

Year	Net Losses and LAE Incurred	Other Underwriting Expenses Incurred	Net Premiums Earned	Loss Ratio	Expense Ratio	Composite Ratio
2010	\$ 9,363	\$ 6,980	\$17,271	54%	39%	93%
2009	7,505	9,280	15,462	49	60	109
2008	11,808	17,890	15,869	74	117	191
2007	2,783	10,819	19,637	14	60	74
2006	31,651	15,799	17,523	181	84	265
2005	5,242	16,645	18,122	29	84	113

Policies in force decreased slightly during the period under examination from 117 to 110. Gross premiums written increased 28% to \$88,768 while net premiums written decreased

11% to \$17,785 from 2005 to 2010. The company had unfavorable loss experience in three of the years under examination. Partly due to the company's small amount of business, its operations have fluctuated from a \$(52,405) net loss in 2008, related to a substantial policyholders' dividend, to a gain of \$29,093 in 2007. Surplus has decreased 1%, from \$557,540 in 2005 to \$549,272 in 2010, largely due to the 2008 policyholders' dividend.

II. REINSURANCE

The examiners' review of the company's reinsurance portfolio revealed there is currently one ceding treaty. The treaty contained a proper insolvency clause and complied with s. Ins 13.09 (3), Wis. Adm. Code, concerning maximum wind loss. Company retentions of risk complied with s. Ins 13.06, Wis. Adm. Code.

Reinsurer:	Wisconsin Reinsurance Corporation
Effective date:	January 1, 2011
Termination provisions:	Either party may terminate this contract as of any subsequent January 1 by giving to the other party at least 90 days' advance notice in writing.

The coverages provided under this treaty are summarized as follows:

- | | |
|----------------------|--|
| Type of contract: | Class A – Casualty Quota Share Reinsurance |
| Lines reinsured: | All business classified as casualty |
| Company's retention: | None |
| Coverage: | Reinsurer shall be liable for 100% of each and every loss, including loss adjustment expense, occurring on the business covered, subject to the maximum policy limits: <ol style="list-style-type: none">\$1,000,000 per occurrence, single limit or combined for bodily injury and property damage liability\$1,000,000 split limits, in any combination of bodily injury and property damage liability\$25,000 for medical payments, per person; \$25,000 per accident |
| Reinsurance premium: | For each annual period this contract is in effect, the company shall pay to the reinsurer an annual deposit premium of \$14,300 in equal installments adjusted so as not to exceed 100% of the annual net premium written for each and every policy issued with respect to the business covered |
| Ceding commission: | The reinsurer shall pay a commission to the company of 15% of the premium paid to the reinsurer. Return commission shall be allowed at the same rate on all return premiums paid by the company. |
- | | |
|----------------------|--|
| Type of contract: | Class B – First Surplus |
| Lines reinsured: | All property business |
| Company's retention: | When the company's net retention is \$100,000 or more in respect to a risk, the company may cede on a pro rata basis, and the reinsurer shall be obligated to accept up to |

\$800,000 of such risk ceded. When the company's net retention is \$100,000 or less in respect to a risk, the company may cede on a pro rata basis, and the reinsurer shall be obligated to accept up to 50% of such risk.

- Coverage: The pro rata portion of each and every loss, including loss adjustment expense, corresponding to the amount of the risk ceded
- Reinsurance premium: The pro rata portion of all premium, fees and assessments charged by the company corresponding to the amount of each risk ceded
- Ceding commission: 15% of the premium paid to the reinsurer plus 15% of the reinsurer's net profit relating to this portion of the business
3. Type of contract: Class C – Excess of Loss
- Lines reinsured: All property business
- Company's retention: 100% of any loss, including loss adjustment expense, in excess of \$20,000 in respect to each and every risk resulting from one occurrence
- Coverage: Reinsurer's limit of liability shall be \$80,000 in respect to each and every loss risk resulting from one occurrence
- Reinsurance premium: Based on the company's experience over the prior four years, subject to a minimum rate of 12% and a maximum rate of 20%. For the period, the company shall pay an annual deposit premium of \$2,873 payable in equal monthly installments due within 15 days of the billing date.
4. Type of contract: Class D/E – Aggregate Stop Loss
- Lines reinsured: All business written by company
- Company's retention: The company shall retain net for its own account an amount of losses (including loss adjustment expenses) equal to not less than the estimated attachment point of 110% of net premium written
- Coverage: 100% of the amount, if any, by which the aggregate of the company's losses (including loss adjustment expenses) which occur during any annual period exceed an amount equal to 110% of the company's net premiums written
- Reinsurance premium: The rate in effect shall be determined by taking the sum of the eight years' losses incurred (paid plus outstanding) by the reinsurer divided by the total of the net premium written for the same period multiplied by the factor of 100/80ths. Subject to a minimum rate of 12.50% and a maximum rate of 20.00% of current net written premiums. For each annual period in effect, the company shall pay to the reinsurer an annual deposit premium of \$2,993 payable in equal monthly installments.

III. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2010, annual statement.

Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Policyholders' Surplus."

Caledonia Mutual Fire Insurance Company
Statement of Assets and Liabilities
As of December 31, 2010

Assets

Assets	Ledger	Nonledger	Not Admitted	Net Admitted
Cash in checking	\$ 25,242	\$	\$	\$ 25,242
Cash deposited at interest	369,955			369,955
Stocks and mutual fund investments	165,536			165,536
Investment income accrued		1,370		1,370
Reinsurance recoverable on paid losses and LAE	102			102
Fire dues recoverable	13			13
Reinsurance commission receivable	<u>3,286</u>	<u> </u>	<u> </u>	<u>3,286</u>
Totals	<u>\$564,134</u>	<u>\$1,370</u>	<u>\$0</u>	<u>\$565,504</u>

Liabilities and Surplus

Net unpaid losses	\$ 1,926
Unpaid loss adjustment expenses	60
Unearned premiums	12,081
Reinsurance payable	1,474
Amounts withheld for the account of others	218
Payroll taxes payable (employer's portion)	218
Other liabilities:	
Expense related:	
Accounts payable	<u>255</u>
Total liabilities	16,232
Policyholders' surplus	<u>549,272</u>
Total Liabilities and Surplus	<u>\$565,504</u>

**Caledonia Mutual Fire Insurance Company
Statement of Operations
For the Year 2010**

Net premiums and assessments earned		\$17,271
Deduct:		
Net losses incurred	\$7,567	
Net loss adjustment expenses incurred	1,796	
Net other underwriting expenses incurred	<u>6,980</u>	
Total losses and expenses incurred		<u>16,343</u>
Net underwriting gain (loss)		928
Net investment income:		
Net investment income earned		8,667
Other income (expense):		
Miscellaneous income		<u>315</u>
Net Income (Loss)		<u>\$ 9,910</u>

**Caledonia Mutual Fire Insurance Company
Reconciliation and Analysis of Surplus as Regards Policyholders
For the Five-Year Period Ending December 31, 2010**

The following schedule is a reconciliation of surplus as regards policyholders during the period under examination as reported by the company in its filed annual statements:

	2010	2009	2008	2007	2006
Surplus, beginning of year	\$523,264	\$495,635	\$585,457	\$550,424	\$557,540
Net income	9,910	10,829	(52,405)	29,093	(10,977)
Net unrealized capital gain or (loss)	<u>16,098</u>	<u>16,800</u>	<u>37,417</u>	<u>5,940</u>	<u>3,861</u>
Surplus, End of Year	<u>\$549,272</u>	<u>\$523,264</u>	<u>\$495,635</u>	<u>\$585,457</u>	<u>\$550,424</u>

Reconciliation of Policyholders' Surplus

The examination resulted in no adjustments to policyholders' surplus. The amount reported by the company as of December 31, 2010, is accepted.

IV. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

Comments and recommendations contained in the last examination report and the action taken on them by the company are as follows:

1. Invested Assets—It is recommended that the company comply with s. 610.23, Wis. Stat., and s. Ins 13.05, Wis. Adm. Code, with regards to custody and control of its invested assets.

Action—Compliance

2. Stocks and Mutual Fund Investments—It is recommended that the company report the correct number of shares and statement value of its common stock on its annual statement in accordance with the Town Mutual Annual Statement Instructions.

Action—Compliance

Current Examination Results

Corporate Records

The minutes of the annual meetings of policyholders and meetings of the board of directors and committees thereof were reviewed for the period under examination and also for the subsequent period.

Biographical data relating to company officers and directors have been reported in accordance with the provisions of s. Ins 6.52, Wis. Adm. Code.

The company has not executed formal written agreements with its agents because the agents are directors of the company.

Conflict of Interest

In accordance with a directive of the Commissioner of Insurance, each company is required to establish a procedure for the disclosure to its board of directors of any material interest or affiliation on the part of its officers, directors, or key employees which conflicts or is likely to conflict with the official duties of such person. A part of this procedure is the annual completion of a conflict of interest questionnaire by the appropriate persons. The company has adopted such a procedure for disclosing potential conflicts of interest. Conflict of interest questionnaires were reviewed for the period under examination with no apparent conflicts being noted.

Fidelity Bond and Other Insurance

The company is afforded coverage under the terms of the following bonds or contracts and has complied with s. Ins 13.05 (6), Wis. Adm. Code, which sets forth the minimum requirements for fidelity bond coverage:

Type of Coverage	Coverage Limits
Fidelity bond	\$ 35,000
Professional liability	1,000,000
Directors & officers liability	1,000,000

Underwriting

The company has a written underwriting guide. The guide covers all the lines of business that the company is presently writing.

The company does not have a formal inspection procedure for both new and renewal business. However, agents meet with the policyholders and re-underwrite each policy every three years and the company has purchased a software program designed to estimate replacement costs on buildings for comparison with the policyholders' insured values.

Claims Adjusting

The company has an adjusting committee consisting of at least three directors as required by s. 612.13 (4), Wis. Stat. The function of this committee is to adjust or supervise the adjustment of losses.

Accounts and Records

The examiners' review of the company's records indicated that the company is in compliance with s. Ins 13.05, Wis. Adm. Code, which sets forth the minimum standards for the handling of cash and recording of cash transactions by town mutual insurance companies. The examiners noted the following:

1. A proper policy register is maintained.
2. A proper cash receipts journal is maintained.
3. A proper cash disbursements journal is maintained.
4. A proper general journal is maintained.
5. A proper general ledger is maintained.

An extensive review was made of income and disbursement items. Cash receipts were traced from source records and the proper recording and eventual deposit thereof ascertained. Negotiated checks issued during the period under examination were reviewed, test checked for proper endorsement, and traced to cash records. The verification of assets and determination of liabilities were made as of December 31, 2010.

The company is not audited but its records are compiled annually by an outside public accounting firm.

EDP Environment

Company personnel were interviewed with respect to the company's electronic data processing environment. Access to the computer is limited to people authorized to use the computer. Company personnel back up the computers regularly after transactions have been entered and the backed-up data is kept off-site.

The company has manuals documenting the use of its software and outlining the steps to complete specific tasks. The manuals assist in the continuity of operations by providing instructions for seldom-used applications or when staff turnover occurs. The examination determined that the level of documentation contained in the manuals was reasonable.

Business Continuity Plan

A business continuity plan identifies steps to be performed by a company in the event of business interruptions including, but not limited to, the inability to access its computer, the loss of information on its computer, the loss of a key employee, or the destruction of its office building. The company has developed a business continuity plan. The company's business continuity plan appears to be adequate.

Invested Assets

Section 610.23, Wis. Stat., requires insurers to hold all investments and deposits of its funds in its own name except that:

- (1) Securities kept under a custodial agreement or trust arrangement with a bank or banking and trust company may be issued in the name of a nominee of the bank or banking and trust company; and
- (2) Any insurer may acquire and hold securities in bearer form.

For securities not held under a custodial agreement or trust arrangement with a bank or banking and trust company, s. Ins 13.05 (4), Wis. Adm. Code, requires that:

Non-negotiable evidences of company investments such as registered bonds, certificates of deposits, notes, etc., shall be maintained in a safe or vault with adequate safety controls or in a safety deposit box in a bank. Negotiable evidences of company investments shall be maintained in a safety deposit box in a bank. Access to a company safety deposit box containing negotiable securities shall require the presence and signature of at least 2 officers, directors or employees of the company.

The company is in compliance with these requirements.

Investment Rule Compliance

The investment rule for town mutual insurers allows a company to invest in common stocks, common stock mutual funds, and other higher risk investments (referred to as "Type 2") provided that the town mutual has a sufficient amount of lower risk investments (referred to as

“Type 1”). A town mutual may invest in Type 2 securities only if it already has sufficient Type 1 investments. Type 1 investments must equal or exceed the greater of items 1, 2, or 3.

1. Liabilities plus \$300,000	\$316,232
2. Liabilities plus 33% of gross premiums written	45,525
3. Liabilities plus 50% of net premiums written	25,125
4. Amount required (greater of 1, 2, or 3)	316,232
5. Amount of Type 1 investments as of 12/31/2010	<u>397,697</u>
6. Excess or (deficiency)	<u>\$ 81,465</u>

The company has sufficient Type 1 investments.

The company has been authorized to hold up to 40% of admitted assets in common and preferred stocks and mutual funds.

ASSETS

Cash and Invested Cash **\$395,197**

The above asset is comprised of the following types of cash items:

Cash deposited in banks—checking accounts	\$ 25,242
Cash deposited in banks at interest	<u>369,955</u>
Total	<u>\$395,197</u>

Cash deposited in banks subject to the company's check and withdrawal consists of one account maintained in a local bank. Verification of checking account balances was made by obtaining confirmations directly from the depository and reconciling the amounts shown thereon to company records.

Cash deposited in banks represents the aggregate of 12 deposits in 5 depositories. Deposits were verified by direct correspondence with the respective depositories and by an actual count and inspection of certificates and passbooks. Interest received during the year 2010 totaled \$7,478 and was verified to company cash records. Rates of interest earned on cash deposits ranged from 1.14% to 2.08%. Accrued interest on cash deposits totaled \$896 at year-end.

Stocks and Mutual Fund Investments **\$165,536**

The above asset consists of the aggregate market value of stocks and mutual funds held by the company as of December 31, 2010. Stocks owned by the company are located in a safe deposit box.

Stock certificates were physically examined by the examiners. Stock and mutual fund purchases and sales for the period under examination were checked to brokers' invoices and advices. The company's investment in stocks and mutual funds was in conformance with Wisconsin Statutes and the rules of the Commissioner of Insurance as regards investments made by town mutual insurers. The company currently holds two non-insurance common stock investments that now exceed the 3% investment limit on individual stocks because they have appreciated in value since purchase. The company has no other investments that would fall under the basket clause of s. 6.20 (6) (d) 9, Wis. Adm. Code.

Dividends received during 2010 on stocks and mutual funds amounted to \$4,090 and were traced to cash receipts records. Accrued dividends of \$474 at December 31, 2010, were checked and allowed as a nonledger asset.

Investment Income Accrued **\$1,370**

Interest due and accrued on the various assets of the company at December 31, 2010, consists of the following:

Cash deposited at interest income	\$ 896
Stocks and mutual fund investments dividend income	<u>474</u>
Total	<u>\$1,370</u>

Reinsurance Recoverable on Paid Losses and LAE **\$102**

The above asset represents recoveries due to the company from reinsurance on losses and loss adjusting expenses which were paid on or prior to December 31, 2010. A review of year-end accountings with the reinsurer verified the above asset.

Fire Dues Recoverable **\$13**

This asset represents the amount overpaid to the State of Wisconsin for 2010 fire dues. The examiners reviewed the company's fire department dues calculation and found this asset to be correctly calculated. The actual amount paid was verified to the cash disbursement records.

Reinsurance Commission Receivable **\$3,286**

The above asset represents the amount of reinsurance commissions that the company expected to receive as of December 31, 2010, based on the profitability of the business ceded under its contract with Wisconsin Reinsurance Corporation. A review of the terms of the reinsurance agreement and year-end accountings with the reinsurer verified the above asset.

Furniture and Fixtures **\$0**

This asset consists of fully depreciated office furniture and equipment owned by the company at December 31, 2010. In accordance with annual statement requirements, this amount has been reported as a nonadmitted asset, thus the balance shown above is \$0.

LIABILITIES AND SURPLUS

Net Unpaid Losses **\$1,926**

This liability represents losses incurred on or prior to December 31, 2010, that remained unpaid as of that date. The examiners reviewed the reasonableness of this liability by totaling actual loss payments made subsequent to December 31, 2010, with incurred dates in 2010 and prior years. To the actual paid loss figure was added an estimated amount for 2010 and prior losses remaining unpaid at the time of the examination. The examiners' development of unpaid losses is compared with the amount estimated by the company in the following schedule.

	Company Estimate	Examiners' Development	Difference
Incurred but unpaid losses	\$87,071	\$81,078	\$5,992
Less: Reinsurance recoverable on unpaid losses	<u>85,145</u>	<u>79,613</u>	<u>5,533</u>
Net Unpaid Losses	<u>\$ 1,926</u>	<u>\$ 1,466</u>	<u>\$ 460</u>

The above difference of \$460 was not considered material for purposes of this examination.

The examiners' review of claim files included open claims, paid claims, claims closed without payment, and claims that were denied during the examination period. The review indicated that claims are investigated and evaluated properly and that payments are made promptly and in accordance with policy provisions upon the submission of a proper proof of loss. In addition, the review of claims handling procedures and files revealed the following:

1. A proper loss register is maintained.
2. Claim files contained sufficient investigatory data and documentation to verify settlement payments or reserve estimates.
3. Proofs of loss were properly signed.

Unpaid Loss Adjustment Expenses **\$60**

This liability represents the company's estimate of amounts necessary to settle losses which were incurred prior to December 31, 2010, but which remained unpaid as of year-end. The methodology used by the company in establishing this liability is estimate of open claims.

The examiners' analysis of expenses incurred in the current year related to the settlement of prior year losses, as well as estimates of amounts necessary to settle any prior losses remaining unpaid at the examination date, determined this liability to be adequately stated.

Unearned Premiums **\$12,081**

This liability represents the reserve established for unearned premiums in compliance with s. Ins 13.08 (3), Wis. Adm. Code. This reserve was established using a 50% of net premium written methodology because all policies are renewed on July 1.

Reinsurance Payable **\$1,474**

This liability consists of amounts due to the company's reinsurer at December 31, 2010, relating to transactions which occurred on or prior to that date.

Amounts Withheld for the Account of Others **\$218**

This liability represents employee payroll deductions in the possession of the company at December 31, 2010. Supporting records and subsequent cash disbursements verified this item.

Payroll Taxes Payable **\$218**

This liability represents the company's portion of payroll taxes incurred prior to December 31, 2010, which had not yet been paid. Supporting records and subsequent cash disbursements verified this item.

Accounts Payable **\$255**

This is a result of an overpayment made by the reinsurance company on paid losses that is due back to them.

V. CONCLUSION

The examination verified the financial condition of the company, making no adjustments. Policies in force decreased slightly during the period under examination from 117 to 110. Gross premiums written increased 28% to \$88,768 while net premiums written decreased 11% to \$17,785 from 2005 to 2010. The company had unfavorable loss experience in three of the years under examination. Partly due to the company's small amount of business, its operations have fluctuated from a \$(52,405) net loss in 2008, due to a substantial policyholders' dividend, to a gain of \$29,093 in 2007. Surplus has decreased 1%, from \$557,540 in 2005 to \$549,272 in 2010, largely due to the 2008 policyholders' dividend.

The board of directors is actively involved in the approval of disbursements, claim settlement, risk evaluation, and investments. The company has complied with both prior examination recommendations.

VI. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no recommendations from the examination.

VII. ACKNOWLEDGMENT

The courteous cooperation extended to the examiners by the company's personnel is hereby acknowledged.

In addition to the undersigned, Amanda Schroeder of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination.

Respectfully submitted,

David Jensen
Examiner-in-Charge