

Combined Report of the Examination of
Wisconsin County Mutual Insurance Corporation and Community Insurance Corporation
Brookfield, Wisconsin
As of December 31, 2023

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February 5, 2025

Honorable Nathan D. Houdek
Commissioner of Insurance
State of Wisconsin
101 East Wilson Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of the following Wisconsin-domiciled property and casualty companies, hereinafter referred to as the "Group":

WISCONSIN COUNTY MUTUAL INSURANCE CORPORATION
COMMUNITY INSURANCE CORPORATION
Brookfield, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Wisconsin County Mutual Insurance Corporation (WCMIC) and Community Insurance Corporation (CIC) was conducted in 2019 as of December 31, 2018. The current examination covered the intervening period ending December 31, 2023, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination of the Group included the following companies:

Company	State
Wisconsin County Mutual Insurance Corporation	Wisconsin
Community Insurance Corporation	Wisconsin

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 Group 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 Group's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the Group to satisfy the recommendations and comments made in the previous examination report.

The Group 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 concerning the alternative or additional examination steps performed during the examination.

Certain financial data in this report is rounded to the nearest thousand, which may cause slight rounding differences for the totals. The report discloses which numbers are rounded.

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 Group'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

WCMIC is a Wisconsin municipal mutual property and casualty insurance company. WCMIC was organized by member counties and the Wisconsin Counties Association (WCA) in 1987 under ch. 611, Wis. Stat., as an assessable municipal mutual. In 1996, the commissioner approved WCMIC's conversion to non-assessable status. WCMIC is licensed only in Wisconsin for the purpose of providing insurance to Wisconsin counties, Wisconsin municipalities, Wisconsin school districts, and Wisconsin governmental entities.

In 2002, WCMIC created a wholly owned subsidiary, CIC, to expand its liability and worker's compensation coverages to school districts and municipalities while maintaining its service to its core county business. As WCMIC policies for municipalities expired, most of this business was written by CIC, which is also licensed only in Wisconsin. Starting in 2012, CIC cedes all its business to WCMIC under a 100% quota share reinsurance agreement. The primary purpose of this arrangement is to enable WCMIC and CIC to achieve certain cost-savings, by eliminating the need for separate reinsurance contracts for WCMIC and CIC. Now, both entities work together to provide insurance to Wisconsin municipalities, counties, local governments, school districts, and other governmental entities.

Section 611.23, Wis. Stat., exempts WCMIC, CIC, and other municipal mutual insurers from chs. 604 to 607, 612 to 619, 625, and 646, Wis. Stat., in order to facilitate such companies' formation, financing, and governance.

In Wisconsin, municipalities have limited exposure to large general liability and automobile liability claims due to "tort caps" of \$50,000 on general liability and \$250,000 on automobile liability pursuant to chs. 893.80 (3) and 345.05 (3), Wis. Stat. There is no "tort cap" for certain liability actions, such as civil rights actions based on federal law.

WCMIC policies are marketed on a direct basis by Aegis LLC (Aegis), its managing general agent (MGA), with the support of WCA. Aegis is discussed in Section III of this report captioned "Management and Control." WCMIC offers a one-year policy term. The major products marketed by WCMIC include the following:

- Liability coverage
- Automobile liability
- Bodily injury and property damage
- Hired and non-owned

Uninsured motorists

General liability

Bodily injury and property damage products/completed operations

Contractual liability

Cyber liability coverage enhancement endorsement

Personal injury liability

A broad definition of and coverage for discrimination

Civil rights violations; and employment-related acts

Libel, slander or defamation of character

Law enforcement liability

Jail operations; and assault and battery and intentional acts

Public official's errors and omissions including director and officer liability

Health care institutions; and county-owned airports

County officials appointed to serve on other boards and commissions on behalf of the county

Nursing home liability

Workers' compensation

Standard worker's compensation

Excess worker's compensation, for self-insured clients

ODIP products

Property Coverage

Standard property insurance and auto physical damage

Auto comprehensive

Collision coverage for covered perils

Each Wisconsin county that desires to purchase insurance from WCMIC must meet the following eligibility requirements:

- The county is a member of WCA.
- The county board adopts a resolution that ratifies joining WCMIC.
- The member contributes the required premium.
- The membership is approved by the board of directors.

WCMIC requires its members to establish a prefunded deductible escrow account for paying the deductible portion of their losses. The insured's deductible deposit earns interest at a rate that matches the average interest rate earned by the company on its investments. During the policy year, the company monitors and pays claims on behalf of its insureds. At the end of the third quarter, the deductible fund is adjusted to determine the amount of replenishment needed to fund up to the deductible aggregate at policy renewal. For 2023, the deductibles ranged from \$2,500 to \$1,000,000.

Current WCMIC members in the liability program include 53 counties in the state of Wisconsin, which represent 74% of all Wisconsin counties. Seventeen counties participate in the excess worker's compensation program. Lastly, 24 counties and one behavioral health center participate in the fully insured worker's compensation program.

CIC policies are marketed using an agency affiliated with Aegis, its managing general agent, and independent agencies. The MGA is responsible for market conduct, agency appointments, and the field direction of the agency force. CIC offers a one-year policy term. The major products marketed by CIC include the following:

- Liability coverage

 - Automobile liability

 - Bodily injury and property damage
 - Hired and non-owned
 - Uninsured motorists
 - Underinsured motorist

 - General liability

 - Bodily injury and property damage products/completed operations
 - Contractual liability
 - Cyber liability coverage enhancement endorsement

 - Personal injury liability

 - A broad definition of and coverage for discrimination
 - Civil rights violations; and employment-related acts
 - Libel, slander or defamation of character

 - Law enforcement liability

 - Jail operations
 - Assault and battery and intentional acts

 - Public officials' errors and omissions including director and officer liability

 - Health care institutions
 - Municipal-owned airports
 - Municipality or school district officials appointed to serve on other boards and commissions on behalf of the insured

 - Nursing home liability

 - Worker's compensation coverage

 - First dollar worker's compensation
 - Excess worker's compensation, for self-insured clients

 - Property coverage

 - Standard property insurance
 - Auto physical damage coverage
 - Comprehensive and collision

CIC offers policyholders the opportunity to establish a prefunded escrow account for paying the deductible portion of their losses. The insured's deductible deposit earns interest at a rate that matches the average interest rate earned by the company on its investments. During the policy year, the company monitors and pays claims on behalf of its insureds. At the end of the third quarter, the self-insured portion of claims paid and the percentage of outstanding reserves are compared with the deposit and the balance is settled.

At the end of 2023, CIC policyholders included 156 Wisconsin school districts and 67 Wisconsin municipalities or other governmental entities.

The following table is a summary of the net insurance premiums written by the Group in 2023. WCMIC assumes all premiums from CIC. The growth of the Group is discussed in the "Financial Data" section of this report.

Line of Business	Direct Premium	Reinsurance Assumed*	Reinsurance Ceded	Net Premium
Commercial multiple peril	\$ 3,250,664	\$ 1,249,530	\$2,606,042	\$ 1,894,152
Workers' compensation	7,767,861	2,256,145	1,209,569	8,814,437
Other liability – occurrence	7,042,758	3,896,623	2,247,848	8,691,532
Commercial auto liability	6,313,083	1,633,856	1,155,731	6,791,208
Auto physical damage	2,031,083	1,146,765	267,355	2,911,338
Boiler and machinery	<u>223,349</u>	<u>111,123</u>	<u>284,301</u>	<u>50,171</u>
Total All Lines	<u>\$26,629,642</u>	<u>\$10,294,042</u>	<u>\$7,770,847</u>	<u>\$29,152,837</u>

* All Reinsurance Assumed is ceded from CIC only.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors of WCMIC, the ultimate parent of the Group, consists of 18 Class A directors and two Class B directors. Class A directors are elected county officials and Class B directors are elected municipal officials.

Class A directors are elected at biennial district meetings held after organizational meetings of the county boards. The president of WCMIC will call a meeting of Class B members to elect the Class B directors. Currently, WCMIC does not have any Class B voting members; two representatives of municipalities are appointed as non-voting advisory members of WCMIC's board. Each director serves for a period of four years. The election of directors is staggered so that every two years approximately half of the directors are up for election. Information about the board of directors, board committees, and officers of CIC can be found in Appendix A of this report.

Currently, WCMIC's board of directors consists of the following persons:

Name and Member	Principal Occupation	Term Expires
Alice Connors, Calumet County	County Board Chair	2026
Ted Cushing, Oneida County	County Supervisor	2026
Michael Furgal, Green County	County Supervisor	2028
John Jarvis, Waushara County	County Board Chair	2028
Duane Johnson, Burnett County	County Supervisor	2028
Willie Johnson, Jr., Milwaukee County	County Supervisor	2026
Marty Krueger, Sauk County	County Supervisor	2028
Jim Metz, Taylor County	County Board Chair	2028
Louie Okey, Barron County	County Board Chair	2028

Name and Member	Principal Occupation	Term Expires
Lance Pliml, Wood County	County Board Chair	2028
Lee Schlenvogt, Ozaukee County	County Board Chair	2026
Cedric Schnitzler, Monroe County	County Board Chair	2026
Mary Schwalenberg, Calumet County	County Supervisor	2026
Connie Seefeldt, Marinette County	County Supervisor	2026
Bill Voight, Wood County	County Supervisor	2026
Joe Waichulis, Clark County	County Supervisor	2028
Thomas Wegner, Sheboygan County	County Supervisor	2026
John West, Adams County	County Board Chair	2026
Larry Oehmichen, Town of Colby (Clark County), Advisory Member	Town Supervisor	*

* There are two Advisory Members, where one position is vacant, and neither has an expiration date.

Officers of the Company

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

Name	Office
Willie Johnson, Jr.	President
Lance Pliml	Vice President
Thomas Wegner	Secretary/Treasurer
Michael Lamont	Assistant Secretary - Permanent

According to Article V, Section 5 of WCMIC's bylaws:

The assistant secretary shall be a non-voting member of the board of directors and shall be appointed by the executive director of WCA from its staff, in consultation with the officers of WCMIC. The assistant secretary shall provide services as specified by contract between WCMIC and WCA

Committees of the Board

The committees at the time of the examination are listed below.

Audit Committee

Thomas Wegner, Chair
 Lance Pliml, Vice Chair
 Michael Furgal
 Mary Schwalenberg

Executive Committee

Willie Johnson, Jr., Chair
 Lance Pliml
 Thomas Wegner

Claims Committee

Louie Okey, Chair
 Ted Cushing, Vice Chair
 Michael Furgal
 Willie Johnson, Jr.
 Mary Schwalenberg
 Connie Seefeldt
 Bill Voight
 Joe Waichulis

Operations Oversight Committee

Lance Pliml, Chair
 Ted Cushing
 Michael Furgal
 Mary Schwalenberg
 Thomas Wegner

WCMIC's bylaws allow for the formation of certain committees by the board of directors. The President can also appoint standing presidential advisory committees including a Claims Advisory Committee, a Loss prevention and Worker's Compensation Advisory Committee, an Investment Advisory Committee, and an Underwriting Advisory Committee. In accordance with the company's bylaws, standing advisory committees do not have the authority to take action on matters reserved for the board of directors but rather the committees make recommendations to the board of directors or a formal committee of the board for final approval.

Management

WCMIC and CIC have no employees. The group contracts with outside vendors to provide agreed-upon services. The services include corporate management, general administration, claims administration, auditing, actuarial, and investment.

Since the formation of WCMIC, WCA has been contracted to provide general corporate management services. The services to be provided under the management services contract are summarized as follows:

- A. Manage and oversee all WCMIC's service contracts including, but not limited to, contracts for claims administration, general administration, risk management services and training, public relations, and investment and reinsurance brokerage. WCA shall review and approve the expenditure of funds associated with any service contract approved by the corporation's board prior to the disbursement of such funds.
- B. Oversee investment of WCMIC's assets.
- C. Provide customer services on behalf of WCMIC to counties and municipalities
- D. Coordinate board meetings.

- E. Arrange for legal services for the board.
- F. Arrange for insurance consultant services.
- G. Provide for and oversee marketing of WCMIC.
- H. Communicate with rating agencies.
- I. Recommend and draft board policies to ensure compliance with state and federal laws and regulations.
- J. Reimburse directors for personal travel expenses, subject to WCMIC reimbursement to WCA.
- K. Pay expenses for WCMIC subject to reimbursement.
- L. Issue communication to policyholders.
- M. Prepare periodic financial reports on corporate management services.
- N. Receive and deposit all premiums for the corporation.
- O. Monitor unclaimed property and submit annual filing to the State Treasurer.
- P. Serve as staff for the board.
- Q. Maintain an office as the corporate office.
- R. Provide legislative services at both the state and federal level.
- S. Provide services to the ODIP program including:
 - Develop a s. 66.30, Wis. Stat. (replaced by s. 66.0301, Wis. Stat.), organization to act as the “financially responsible party”
 - Manage the s. 66.30, Wis. Stat., organization
 - Promote services to counties
 - Provide legislative support
 - Manage the services
- T. Arrange for training programs for the board of directors.

WCA owns Wisconsin Counties Association Services, Inc. (WCASI), which has a similar corporate management services agreement with CIC, which is described in Appendix A. The current management services contract with WCA is effective January 1, 2025, and expires December 31, 2029. The contract provides different compensation rates based on the type of coverage being managed.

Administration

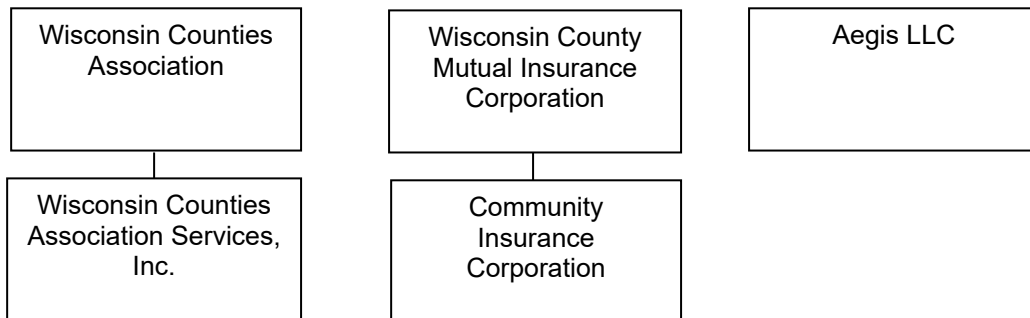
Since 1992, significant administration services have been provided to WCMIC by Aegis, which is also the company's managing general agent. The administrative services to be provided per the General Administration Agreement are summarized as follows:

- A. Maintain the appropriate records and procedures to comply with the Office of the Commissioner of Insurance regulations.
- B. Coordinate with other service producers and administer a loss prevention program.
- C. Provide services to the ODIP program, including:
 - Develop any required forms and filing special forms
 - Develop rates
 - Provide administration services
 - Provide safety services
 - Promote the program
- D. Manage and provide claims adjustment and reports for the company's liability, worker's compensation, and property programs.
- E. Pay expenses as allowed or directed by WCMIC and provide a monthly accounting of all monies so expended.
- F. Issue insurance policies and/or certificates and issue all invoices; collect amounts due and/or return amounts payable.
- G. Assisting in procuring on the behalf of WCMIC and WCMIC's expense, insurance and reinsurance coverages for protection of WCMIC's coverage, limits, and financial well-being, provided that such procurement will be at the direction and approval of WCMIC.
- H. Provide monthly accounting for all income and expenses of WCMIC.
- I. Maintain books and records in a manner consistent with the Statements of Statutory Accounting Principles.
- J. Compute the annual premiums established by WCMIC.
- K. Procure actuarial support services in determining premiums necessary on a continuing basis.
- L. Report monthly on the actual income and expenses compared to the budget.
- M. Prepare all reports required to be filed with the Office of the Commissioner of Insurance.
- N. Subject to board approval, do and perform such other, further, and additional acts and duties as are generally done and performed.

Aegis has a similar General Administration Agreement with CIC, which is described in Appendix A. The current General Administration Agreement between Aegis and WCMIC was effective on January 1, 2021, and continues through December 31, 2025, and provides different compensation rates based on the type of coverage being managed.

IV. AFFILIATED COMPANIES

Wisconsin County Mutual Insurance Corporation is a member of a holding company system with its wholly owned subsidiary, Community Insurance Corporation. WCA, its subsidiaries, and Aegis are key service providers. A brief description of the Group's key service providers and their affiliates, follows the organizational chart.



Key Service Providers

Wisconsin Counties Association

Wisconsin Counties Association was created in 1935 by an act of the Wisconsin Legislature as a nonprofit association organized to protect and further the interests and concerns of county governments. WCA is a quasi-government entity created under s. 59.52 (22), Wis. Stat., and is tax exempt on both the federal and state level. All 72 Wisconsin counties are WCA members. WCA lobbies the legislature on matters of interest to Wisconsin counties. In recent years, WCA expanded its operations by providing services to its members such as educational programs, employee benefits, and liability insurance. In 2023, WCMIC paid WCA \$1,501,024 in management fees.

Wisconsin Counties Association Services, Inc.

In order to provide additional services to counties, the WCA board of directors created Wisconsin Counties Association Services, Inc. (WCASI), a wholly owned subsidiary of WCA. WCASI is involved in projects that benefit counties and offer potential cost savings, such as a county purchasing directory, discounted office supplies, a grant locator, and online auction services. WCASI has no employees. Services offered are performed by employees of WCA.

WCASI provides management services to CIC that are similar to the services WCA provides to WCMIC. In 2023, CIC paid WCASI \$464,813 in management fees.

Aegis LLC

Aegis LLC was formed in 1992 to provide insurance brokerage, risk management, administration, and educational services to municipalities and other businesses. WCMIC selected Aegis as its administrator on December 1, 1992. The formation of Aegis was facilitated by WCMIC paying fees totaling \$185,000, which fee structure was approved in advance by the board. In 2020, Aegis was purchased by Charles Taylor, an international provider of insurance services, claims and technology services. In 2023, WCMIC and CIC paid Aegis \$5,209,499 and \$1,670,515, respectively, in management fees.

V. REINSURANCE

The Group'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 contain proper insolvency provisions.

Affiliated Assuming Contracts

1. Type: Quota Share Reinsurance Agreement
Cedant: Community Insurance Corporation
Reinsurer: Wisconsin County Mutual Insurance Corporation
Scope: All business of the cedant
Coverage: 100%
Premium: All direct premiums written
Commissions: All unallocated claim expenses, underwriting expenses, management and administration fees, and other acquisition costs related to the premiums, but only to the extent not paid or otherwise directly settled by the reinsurer
Effective date: January 1, 2012
Termination: Perpetual; 12 months' prior notice for termination

Nonaffiliated Ceding Contracts

1. Type: First Worker's Compensation Excess of Loss Reinsurance Contract
Reinsurer: Safety National Casualty Corporation
Scope: Worker's compensation, Owner-Direct Insurance Program (ODIP) and employer's liability
Retention: \$1,000,000 ultimate net loss per each occurrence
Coverage: \$9,000,000 ultimate net loss per each occurrence
Reinstatement: \$9,000,000 per any one occurrence and \$18,000,000 all occurrences, for additional premiums
Effective date: January 1, 2024
Termination: December 31, 2024
2. Type: Second Worker's Compensation Excess of Loss Reinsurance Contract
Reinsurer: Arch Reinsurance Company

Scope:	Worker's compensation, Owner-Direct Insurance Program (ODIP) and employer's liability
Retention:	\$10,000,000 ultimate net loss per each occurrence
Coverage:	\$10,000,000 ultimate net loss per each occurrence and \$20,000,000 per all occurrences during the term of this contract
Reinstatement:	\$10,000,000 per any one occurrence and \$20,000,000 per all occurrences during the term of this contract, for additional premiums
Effective date:	January 1, 2024
Termination:	December 31, 2024
3. Type:	First and Second Casualty Excess of Loss Reinsurance Contract
Reinsurer:	Coverage A: Great American Ins. Co 100% Coverage B: Great American Ins. Co 50%, Markel Ins. Co. 50%
Scope:	Comprehensive general liability, law enforcement legal liability E&O, automobile liability, public official E&O, miscellaneous professional liability & architects E&O liability (Milwaukee County members only)
Retention:	Coverage A: \$750,000 ultimate net loss per each occurrence in excess of underlying member deductibles or member self-insured retention Coverage B: \$5,000,000 ultimate net loss per each occurrence in excess of underlying member deductibles or member self-insured retention
Coverage:	Coverage A: \$4,250,000 ultimate net loss per each occurrence and \$25,500,000 for all occurrences during the term of this contract Coverage B: \$5,000,000 ultimate net loss per each occurrence \$30,000,000 for all occurrences during the term of this contract
Effective date:	January 1, 2024
Termination:	December 31, 2024
4. Type:	Cyber Excess of Loss
Reinsurer:	Beazley USA Services Inc.
Scope:	Website publishing liability, security breach liability, public relations and security breach expense, regulatory defense, fine and penalty expense, replacement/restoration of electronic data, computer and funds transfer fraud
Retention:	\$500,000 of ultimate net loss, each occurrence
Coverage:	\$500,000 per occurrence, \$6,000,000 during the term of this contract
Effective date:	January 1, 2024

Termination:	December 31, 2024
5. Type:	Public Entity Property Excess of Loss Reinsurance Contract
Reinsurer:	Great American Insurance Company
Scope:	Property, including Automobile Physical Damage (Comprehensive and Collision), Flood and Earth Movement Section A: Counties, towns, and municipalities Section B: Schools, excluding Kenosha School District
Retention:	Section A: \$1,000,000 ultimate net loss any one occurrence Section B: \$1,000,000 ultimate net loss per each occurrence Section A&B Combined: An aggregate not to exceed the greater of \$12,200,000 or the final total insured value written during the contract year multiplied by 0.1687 per \$100 of the total insured value for reinsured business
Coverage:	Section A: \$99,000,000 of ultimate net loss any one occurrence Section B: \$99,000,000 of ultimate net loss any one occurrence
Effective date:	January 1, 2024
Termination:	December 31, 2024

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of WCMIC as reported to the commissioner of insurance in the December 31, 2023, 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 and the compulsory and security surplus calculation. The financial results for CIC can be found in Appendix B of this report.

Wisconsin County Mutual Insurance Corporation
Assets
As of December 31, 2023

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 80,938,164	\$	\$ 80,938,164
Stocks:			
Common stocks	21,440,219		21,440,219
Cash, cash equivalents, and short-term investments	3,769,610		3,769,610
Receivables for securities	1,591		1,591
Investment income due and accrued	411,256		411,256
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	540,739		540,739
Reinsurance:			
Amounts recoverable from reinsurers	1,346,923		1,346,923
Funds held by or deposited with reinsured companies	71,469		71,469
Write-ins for other than invested assets:			
Accounts receivable	2,809		2,809
Prepaid expenses	<u>56,500</u>	<u>56,500</u>	<u> </u>
Total Assets	<u>\$108,579,280</u>	<u>\$56,500</u>	<u>\$108,522,780</u>

Wisconsin County Mutual Insurance Corporation
Liabilities, Surplus, and Other Funds
As of December 31, 2023

Losses	\$ 32,795,690
Reinsurance payable on paid loss and loss adjustment expenses	1,386,833
Loss adjustment expenses	23,975,383
Other expenses (excluding taxes, licenses, and fees)	796,907
Unearned premiums	3,179,703
Advance premium	7,593,064
Ceded reinsurance premiums payable (net of ceding commissions)	1,209,305
Amounts withheld or retained by company for account of others	<u>3,097,576</u>
Total Liabilities	\$ 74,034,461
Unassigned funds (surplus)	<u>\$34,488,319</u>
Surplus as Regards Policyholders	<u>34,488,319</u>
Total Liabilities and Surplus	<u>\$108,522,780</u>

Wisconsin County Mutual Insurance Corporation
Summary of Operations
For the Year 2023

Underwriting Income

Premiums earned		\$28,826,219
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Deductions:

Losses incurred	\$13,143,624	
Loss adjustment expenses incurred	10,544,539	
Other underwriting expenses incurred	<u>8,356,809</u>	

Total underwriting deductions		<u>32,044,972</u>
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Net underwriting gain (loss)		(3,218,753)
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Investment Income

Net investment income earned	2,212,904	
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Net realized capital gains (losses)	<u>(953,203)</u>	
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Net investment gain (loss)		<u>1,259,700</u>
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Net income (loss) before dividends to policyholders and before federal and foreign income taxes		(1,959,053)
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Dividends to policyholders		<u>1,394,297</u>
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Net income (loss) after dividends to policyholders but before federal and foreign income taxes		<u>(\$3,353,350)</u>
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Net Income (Loss)		<u>(\$3,353,350)</u>
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Wisconsin County Mutual Insurance Corporation
Cash Flow
For the Year 2023

Premiums collected net of reinsurance		\$32,542,563
Net investment income		2,047,215
Miscellaneous income		<u>114,315</u>
Total		34,704,094
Benefit- and loss-related payments	\$13,366,850	
Commissions, expenses paid, and aggregate write-ins for deductions	16,911,274	
Dividends paid to policyholders	<u>1,411,638</u>	
Total deductions		<u>31,689,762</u>
Net cash from operations		3,014,332
Proceeds from investments sold, matured, or repaid:		
Bonds	\$23,411,866	
Stocks	<u>3,407,203</u>	
Total investment proceeds	26,819,069	
Cost of investments acquired (long- term only):		
Bonds	26,400,727	
Stocks	3,590,639	
Miscellaneous applications	<u>1,591</u>	
Total investments acquired	<u>29,992,957</u>	
Net cash from investments		(3,173,888)
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	<u>1,410,468</u>	
Net cash from financing and miscellaneous sources		<u>1,410,468</u>
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		1,250,912
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>2,518,698</u>
End of Year		<u>\$ 3,769,610</u>

**Wisconsin County Mutual Insurance Corporation
Compulsory and Security Surplus Calculation
December 31, 2023**

Assets		\$108,522,780
Less security surplus of insurance subsidiaries		2,800,000
Less liabilities		<u>74,034,461</u>
Adjusted surplus		31,688,320
Annual premium:		
Lines other than health and medical malpractice	\$27,758,540	
Factor	<u>20%</u>	
Compulsory surplus (subject to a minimum of \$2 million)		<u>5,551,708</u>
Compulsory Surplus Excess (Deficit)		<u>\$ 26,136,612</u>
Adjusted surplus (from above)		31,688,320
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>7,772,391</u>
Security Surplus Excess (Deficit)		<u>\$ 23,915,929</u>

Wisconsin County Mutual Insurance Corporation
Analysis of Surplus
For the Five-Year Period Ending December 31, 2023

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

	2023	2022	2021	2020	2019
Surplus, beginning of year	\$35,909,716	\$43,841,928	\$34,823,978	\$31,600,675	\$26,386,474
Net income	(3,353,350)	(4,404,119)	7,599,454	1,164,169	2,300,805
Change in net unrealized capital gains/losses	1,888,556	(3,459,646)	1,447,212	2,028,727	2,824,658
Change in nonadmitted assets	43,397	(68,448)	(28,715)	30,406	27,515
Change in provision for reinsurance					61,223
Surplus, End of Year	<u>\$34,488,319</u>	<u>\$35,909,716</u>	<u>\$43,841,928</u>	<u>\$34,823,978</u>	<u>\$31,600,675</u>

Growth of Wisconsin County Mutual Insurance Corporation

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2023	\$108,522,780	\$74,034,461	34,488,319	(\$3,353,350)
2022	102,435,410	66,525,694	35,909,716	(4,404,119)
2021	106,744,481	62,902,552	43,841,928	7,599,454
2020	94,328,711	59,504,733	34,823,978	1,164,169
2019	91,266,752	59,666,076	31,600,675	2,300,805
2018	84,691,285	58,304,811	26,386,474	1,361,093

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2023	\$36,923,684	\$29,152,837	\$28,826,219	82.2%	28.7%	110.9%
2022	34,786,490	27,790,184	28,013,254	87.1	28.1	115.2
2021	33,995,951	27,765,110	27,576,493	53.8	27.0	80.8
2020	31,525,052	26,287,861	26,315,159	69.7	27.6	97.3
2019	30,616,369	25,965,183	25,959,534	65.7	26.9	92.6
2018	30,148,489	25,623,245	26,117,403	72.9	27.4	100.3

WCMIC's admitted assets increased 28% over the period under examination, reaching \$108.5 million as of December 31, 2023, as compared to \$84.7 million as of December 31, 2018.

WCMIC's admitted assets include common stock of CIC, which was valued at \$6.7 million as of year-end 2023. CIC cedes all premiums to WCMIC and, therefore, does not report any underwriting results.

WCMIC's surplus has increased steadily over the five-year period, by 30% to a high of \$34.5 million at year-end 2023.

Premiums also grew consistently for the Group during the examination period of 2018 through 2023, with net premiums written (which includes premiums assumed from CIC) of \$25.6 million in 2018 increasing to \$29.1 million in 2023. Including the assumed results from CIC, WCMIC's loss and LAE ratio over the five-year period averaged 71.7%, and has increased to 87% and 82% for 2022, and 2023, respectively. The increased loss and LAE ratios also accounted for a net loss from operations in these two years. For the Group, there is exposure to large claims which contributed to the volatility of underwriting results, especially in the last two years. Still, the Group's operations resulted in overall positive financial results over the examination period. WCMIC has posted a net income in three of the five years under examination.

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, 2023, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were three specific recommendations in the previous examination report for WCMIC.

The actions taken by WCMIC as a result of the recommendations were as follows:

1. Custodial Agreement—It is recommended that the company have the custodian revise the custodial agreement to include the guideline provisions contained in the NAIC's *Financial Condition Examiners' Handbook*.

Action—Compliance.

2. Reserve Adjustments— It is recommended that the claim handling policy include a threshold standard for reporting cumulative changes for all reserves applicable to any one claim.

Action—Compliance.

3. Succession Plan—It is recommended that the company's board of directors establish and approve a written, detailed succession plan, including how the company would continue normal business activities in the event any of its critical third-party service providers discontinue their services to the company and provide a copy of this succession plan to OCI within six months following the adoption of this examination report.

Action—Compliance.

There were three specific recommendations in the previous examination report for CIC. The actions taken by CIC as a result of the recommendations were as follows:

1. Custodial Agreement—It is recommended that the company have the custodian revise the custodial agreement to include the guideline provisions contained in the NAIC's *Financial Condition Examiners' Handbook*.

Action—Compliance.

2. Reserve Adjustments— It is recommended that the claim handling policy include a threshold standard for reporting cumulative changes for all reserves applicable to any one claim.

Action—Compliance.

3. Succession Plan—It is recommended that the company's board of directors establish and approve a written, detailed succession plan, including how the company would continue normal business activities in the event any of its critical third-party service providers discontinue their services to the company and provide a copy of this succession plan to OCI within six months following the adoption of this examination report.

Action—Compliance.

Summary of Current Examination ResultsWisconsin County Mutual Insurance Corporation:

There were no adverse or material examination findings as a result of the current examination of WCMIC.

Community Insurance Corporation:

There were no adverse or material examination findings as a result of the current examination of CIC.

VIII. CONCLUSION

WCMIC and CIC are municipal mutual property and casualty insurance companies organized by member counties and the Wisconsin Counties Association, and both entities work together to provide insurance to Wisconsin municipalities, counties, local governments, school districts, and other governmental entities. CIC cedes all its business to WCMIC under a 100% quota share reinsurance agreement.

Over the period under examination, premiums for the Group grew consistently through 2023, with net premiums written (which includes premiums assumed from CIC) of \$25.6 million in 2018 increasing to \$29.1 million in 2023. Including the assumed results from CIC, WCMIC's loss and LAE ratio over the five-year period averaged 71.7% and has increased to 87% and 82% for 2022, and 2023, respectively. The increased loss and LAE ratios also accounted for a net loss from operations in these two years. Overall, WCMIC reported a net income in three of the five years over the examination period.

The examination determined that both WCMIC and CIC were in compliance with the three recommendations made by the previous examination. The current examination resulted in no recommendations. The examination verified the financial condition of WCMIC and CIC as reported and there were no reclassifications of account balance or adjustments to surplus as reported in their year-end 2023 financial statutory financial statements.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no recommendations made as a result of this examination.

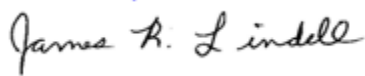
X. ACKNOWLEDGMENT

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
Diana Havitz	Insurance Financial Examiner
Michael Herman	Insurance Financial Examiner
Samantha Sable	Insurance Financial Examiner
Junji Nartatez, CISA	IT Specialist
Nicholas Hartwig, CFE	Quality Control Specialist
Levi Olson, CFE	Reserve Specialist

Respectfully submitted,



James Lindell,
Examiner-in-Charge

XI. APPENDIX A: MANAGEMENT AND CONTROL

Community Insurance Corporation

The board of directors consists of seven members, five representing counties and two representing municipalities other than counties. Directors are elected by the sole shareholder at the annual shareholder's meeting to serve for a period of two years. The terms of the directors are staggered by their division into two classes.

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

Name and Residence	Principal Occupation	Term Expires
Ted Cushing Oneida County	County Supervisor	2026
Willie Johnson, Jr.* Milwaukee County	County Supervisor	2025
Jim Metz* Taylor County	County Board Chair	2025
Lee Schlenvogt* Ozaukee County	County Board Chair	2026
Thomas Wegner* Sheboygan County	County Supervisor	2026
Larry Oehmichen Town of Colby-Representing Municipality	Town Supervisor	2025
Vacant Representing Municipality		2026

* These individuals are members of the board of directors of Wisconsin Counties Association. All these members abstain from voting on matters regarding WCASI and/or WCA.

Officers of the Company

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

Name	Office
Lee Schlenvogt	Chairman
Willie Johnson, Jr.	Vice Chairman
Thomas Wegner	Secretary/Treasurer
Michael Lamont	Assistant Secretary - Permanent

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors.

The Operations Oversight Committee consists of five members, three directors of the company and two external members. The committee members at the time of the examination are listed below.

Operations Oversight Committee

Brian Adesso (external member)
Patrick Brennand (external member)
Ted Cushing
Willie Johnson, Jr.
Thomas Wegner

Executive Committee

Willie Johnson, Jr.
Lee Schlenvogt
Thomas Wegner

Management

CIC contracts with outside vendors to provide agreed-upon services. The services include corporate management, general administration, claims administration, auditing, actuarial, and investment.

Since the formation of CIC, WCASI has been contracted to provide general corporate management services. The services to be provided under the management services contract are summarized as follows:

- A. Manage and oversee all CIC's service contracts including, but not limited to, contracts for claims administration, general administration, risk management services and training, public relations, investment, and reinsurance brokerage. WCASI shall review and approve the expenditure of funds associated with any service contract approved by the corporation's board prior to the disbursement of such funds.
- B. Oversee investment of CIC's assets.
- C. Provide customer services on behalf of CIC to school districts and municipalities.
- D. Coordinate board meetings.
- E. Arrange for legal services for the board.
- F. Arrange for insurance consultant services.
- G. Provide for and oversee marketing of CIC.
- H. Communicate with rating agencies.
- I. Recommend and draft board policies to ensure compliance with state and federal laws and regulations.
- J. Reimburse directors for personal travel expenses, subject to CIC reimbursement to WCASI.
- K. Pay expenses for CIC subject to reimbursement.
- L. Issue communication to policyholders.

- M. Prepare periodic financial reports on corporate management services.
- N. Receive and deposit all premiums for the corporation.
- O. Monitor unclaimed property and submit annual filing to the State Treasurer.
- P. Serve as staff for the board.
- Q. Maintain an office as the corporate office.
- R. Provide legislative services at both the state and federal level.
- S. Provide services to the Owner-Direct Insurance Program (ODIP) program, including:
 - Develop a s. 66.30, Wis. Stat. (replaced by s. 66.0301, Wis. Stat.), organization to act as the “financially responsible party”
 - Manage the s. 66.30, Wis. Stat., organization
 - Promote services to school districts and municipalities
 - Provide legislative support
 - Manage the services
- T. Arrange for training programs for the board of directors.

The current management services contract with WCASI is effective January 1, 2023, and continues through December 31, 2027. The contract provides different compensation rates based on the type of coverage being managed.

Administration

Since 1992, significant administration services for the group have been provided by Aegis, which is also the group’s managing general agent. The administrative services to be provided per the General Administration Agreement are summarized as follows:

- A. Maintain the appropriate records and procedures to comply with the Office of the Commissioner of Insurance regulations.
- B. Coordinate with other service producers and administer a loss prevention program.
- C. Provide services to the ODIP program, including:
 - a. Develop any required forms and filing special forms
 - b. Develop rates
 - c. Provide administration services
 - d. Provide safety services
 - e. Promote the program
- D. Manage and provide claims adjustment and reports for the company’s liability, worker’s compensation, and property programs.
- E. Pay expenses as allowed or directed by CIC and provide a monthly accounting of all monies so expended.

- F. Issue insurance policies and/or certificates and issue all invoices; collect amounts due, and/or return amounts payable.
- G. Assisting in procuring on the behalf of CIC and at CIC's expense, insurance and reinsurance coverages for protection of CIC's coverage, limits, and financial well-being, provided that such procurement will be at the direction and approval of CIC.
- H. Provide monthly accounting for all income and expenses of CIC.
- I. Maintain books and records in a manner consistent with the Statements of Statutory Accounting Principles.
- J. Compute the annual premiums established by CIC.
- K. Procure actuarial support services in determining premiums necessary on a continuing basis.
- L. Report monthly on the actual income and expenses compared to the budget.
- M. Prepare all reports required to be filed with the Office of the Commissioner of Insurance.
- N. Subject to board approval, do and perform such other, further, and additional acts and duties as are generally done and performed.

XII. APPENDIX B: FINANCIAL DATA

Community Insurance Corporation Assets As of December 31, 2023

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$5,680,854	\$	\$5,680,854
Cash, cash equivalents, and short-term investments	348,174		348,174
Investment income due and accrued	34,641		34,641
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	33,701	50	33,651
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	142,224		142,224
Reinsurance:			
Amounts recoverable from reinsurers	1,388,905		1,388,905
Write-ins for other than invested assets:			
Prepaid expenses	8,987	8,987	
Other receivables	<u>1,613</u>	<u> </u>	<u>1,613</u>
Total Assets	<u>\$7,639,098</u>	<u>\$9,037</u>	<u>\$7,630,062</u>

Community Insurance Corporation Liabilities, Surplus, and Other Funds As of December 31, 2023

Advance premium	\$ 145,467
Ceded reinsurance premiums payable (net of ceding commissions)	500,939
Funds held by company under reinsurance treaties	71,469
Amounts withheld or retained by company for account of others	<u>178,531</u>
Total Liabilities	896,406
Common capital stock	\$ 2,000,000
Gross paid in and contributed surplus	12,000,000
Unassigned funds (surplus)	(7,266,345)
Surplus as Regards Policyholders	<u>6,733,655</u>
Total Liabilities and Surplus	<u>\$7,630,062</u>

Community Insurance Corporation
Summary of Operations
For the Year 2023

Underwriting Income

Deductions:

Other underwriting expenses incurred	<u>(\$317,202)</u>	
Total underwriting deductions		<u>(\$317,202)</u>
Net underwriting gain (loss)		317,202

Investment Income

Net investment income earned	86,007	
Net realized capital gains (losses)	<u>(128,414)</u>	
Net investment gain (loss)		<u>(42,708)</u>

Net income (loss) before dividends to policyholders and before federal and foreign income taxes		274,795
Dividends to policyholders		<u>249,185</u>

Net Income (Loss)		<u>\$ 25,609</u>
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Community Insurance Corporation
Cash Flow
For the Year 2023

Premiums collected net of reinsurance			(\$340,652)
Net investment income			<u>71,104</u>
Total			(269,548)
Benefit- and loss-related payments	(\$438,033)		
Commissions, expenses paid, and aggregate write-ins for deductions	(317,202)		
Dividends paid to policyholders	<u>249,185</u>		
Total deductions			<u>(506,050)</u>
Net cash from operations			236,501
Proceeds from investments sold, matured, or repaid:			
Bonds	<u>\$1,960,338</u>		
Total investment proceeds		1,960,338	
Cost of investments acquired (long-term only):			
Bonds	<u>1,982,524</u>		
Total investments acquired		<u>1,982,524</u>	
Net cash from investments			(22,186)
Cash from financing and miscellaneous sources:			
Other cash provided (applied)	<u>(9,075)</u>		
Net cash from financing and miscellaneous sources			<u>(9,075)</u>
Reconciliation:			
Net Change in Cash, Cash Equivalents, and Short-Term Investments			205,240
Cash, cash equivalents, and short-term investments:			
Beginning of year			<u>142,935</u>
End of Year			<u>\$ 348,175</u>