Report

of the

Examination of

Districts Mutual Insurance and Risk Management Services

Madison, Wisconsin

As of December 31, 2016

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, *Governor*
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November 30, 2017

Honorable Theodore K. Nickel
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

DISTRICTS MUTUAL INSURANCE AND RISK MANAGEMENT SERVICES
Madison WI

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Districts Mutual Insurance and Risk Management Services (the company or DMI) was conducted in 2012 as of December 31, 2011. The current examination covered the intervening period ending December 31, 2016, and included a review of such 2017 transactions as deemed necessary to complete the examination.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

II. HISTORY AND PLAN OF OPERATION

The company was organized in July, 2004, under the name Districts Mutual Insurance Company. The districts of the Wisconsin Technical College System, through the Wisconsin Technical College Insurance Trust (Trust), sponsored formation of DMI by providing capital and covering organization expenses. DMI is organized under Ch. 611, Wis. Stat., as an assessable municipal mutual insurance company, authorized to write in Wisconsin only. The company changed its name to Districts Mutual Insurance and Risk Management Services in October, 2016. The company provides insurance products for the 16 technical college districts in Wisconsin, with $6,686,242 in direct premium at year-end 2016.

The company's products include coverage that appear on the following annual statement lines of business: workers compensation, other liability-occurrence, commercial auto liability, inland marine, fire, allied lines, auto physical damage, burglary and theft, and boiler and machinery. All policies are issued directly to the policyholder, which eliminates agents' commission expenses.

In addition to insurance products, DMI also provides risk management services to its policyholders, at no additional cost, in the form of hired consultants: Risk & Loss Control Consultant, Business Continuity & Crisis Response Consultant, and Campus Security Consultant. Services provided by these consultants include: On-Site Campus Safety Audits, On-Site Material Handling Training, On-Site OSHA training, Targeted Loss Control Programs, Business Continuity & Crisis Response Assessments, Consultation and Plan Development, Campus Security Assessments, and ALICE (Alert, Lockdown, Inform, Counter, Evaluate) Training. These services were not available from the insurance carriers under previous group insurance programs and were a key reason for DMI's formation.

DMI's original equity came from contributions from the member districts. The start-up business plan proposed that the technical college districts would continue to be charged the same dollar amounts that were paid to the former insurance carrier. A portion of those overall charges would be allocated to policy premiums and the excess would be treated as a contribution to surplus.

However, in aggregate more dollars were allocated to member premiums than expected, resulting in fewer dollars being allocated to start-up surplus. This was due to changes in the administered worker's compensation insurance rates, changes in the worker's compensation premium modification (claim experience), member payrolls being higher than expected and other factors. For some members, the higher premiums exceeded the total they had paid in the prior year, so their initial contribution to surplus was negative; other members contributed more surplus than expected because their premiums turned out to be lower than expected. In order to obtain an equitable position for each member with respect to their capital contributions, the board of DMI revised the company's business plan in 2007. According to the new plan, which was approved by this office in 2007, the third and all subsequent policy year capital contributions from the members are based on each member premium volume as a percentage of the total DMI premium.

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

Line of Business	Direct Premium	Reinsurance Ceded	Net Premium
Fire	$ 393,887	$ 0	$ 393,887
Allied lines	304,365		304,365
Inland marine	465,503		465,503
Workers' compensation	3,801,152	604,835	3,196,317
Other liability – occurrence	1,140,749	532,444	608,305
Commercial auto liability	328,400	70,694	257,706
Auto physical damage	162,775		162,775
Burglary and theft	17,904		17,904
Boiler and machinery	71,507	71,507	0
Total All Lines	$6,686,242	$1,279,480	$5,406,762

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of five members. One or two directors are elected annually, depending on the year, to serve a three-year term, and can serve a maximum of three consecutive terms. Officers are elected at the board's annual meeting. The board members currently receive $300 per meeting, which is paid to the person’s Technical College (all of which are policyholders) for expenses associated with attending the board meeting.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Bonnie Baerwald Fond du Lac, WI	President, Moraine Park Technical College	2017
David Brown Pewaukee, WI	VP-Human Resources, Waukesha Country Technical College	2019
Roxanne Lutgen Rhinelander, WI	VP Finance & Operations, Nicolet Area Technical College	2018
Renea Ranguette Janesville, WI	VP Finance & College Operations, Blackhawk Technical College	2018
Caleb White Fennimore, WI	VP Administrative Services, Southwest Wisconsin Technical College	2017

Officers of the Company

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

Name	Office	Compensation
Steven Stoeger-Moore	President	$184,076
David Brown	Secretary	0
Roxanne Lutgen	Treasurer	0

Committees of the Board

The company's bylaws allow for the formation of certain ad hoc committees by the board of directors. There were no committees at the time of the examination.

IV. REINSURANCE

The company's reinsurance portfolio and strategy is described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts contained proper insolvency provisions.

Nonaffiliated Ceding Contracts

1.	Type:	Excess of Loss
	Reinsurer:	General Reinsurance Corporation
	Scope:	General liability, auto liability, garage keepers legal liability, uninsured and underinsured motorists coverage, damage to premises rented to you coverage, school violent acts coverage, employee benefits liability, educator's legal liability, and school counselor liability prior acts coverage,
	Retention:	$25,000 per incident per member for school violent act coverage $350,000 per occurrence for all other losses (educator's legal liability and employee benefits liability combined limit each wrongful act per member)
	Coverage:	The reinsurer's limit of liability is the difference between the company's retention and the each occurrence limit of DMI's policy. The DMI's policy limits are as follows: $5,000,000 per wrongful act combined single limit for employee benefits liability and educator's legal liability; and per occurrence combined single limit for general liability, auto liability, and garage liability $6,000,000 per occurrence for general liability, auto liability, and garage liability on specified 25-passenger and 27-passenger buses $8,250,000 per occurrence for general liability, auto liability and garage liability on a specified 33-passenger bus $500,000 comprehensive and $500,000 collision for garage keepers' legal liability; and per occurrence of damage to premises rented to you coverage $350,000 per accident for uninsured and under-insured motorists' coverage $250,000 per incident, per member, and in aggregate for school violent acts coverage $2,000,000 per occurrence and $4,000,000 aggregate per member for school counselor liability prior acts coverage (effective August 1, 2017 through June 30, 2018)

Premium:	The following premium is payable in quarterly installments: For automotive liability, a rate of $65.14 per power unit (estimated at 990 power units for the current term), subject to an annual deposit of $64,489 A flat annual reinsurance premium of $1,500 each for the additional $1,000,000 excess $5,000,000 layer of specified 25-passenger and 27-passenger buses A flat annual reinsurance premium of $4,200 for the additional $3,250,000 excess $5,000,000 layer of a specified 33-passenger bus For school violent acts coverage, an annual reinsurance premium determined by applying a rate of $.20 per student (estimated at 64,781 students for the current term), subject to an annual deposit of $12,956 For employee benefits liability, an additional annual reinsurance premium of $1,927 based on a rate of $.5925 x 3,254 FTE employees, administration and faculty x 50% quota share (the reinsurer will pay a 50% share of the per-member deductibles that would otherwise be applicable under DMI's Educators Legal Liability, Employee Benefits Liability and Fiduciary Liability coverage form) For general liability and educator's legal liability, an annual reinsurance premium determined by applying a rate of $3.4096 per student (estimated at 64,781 for the current term), subject to an annual deposit of $220,877 The following is additional reinsurance premium: A flat annual reinsurance premium of $3,500 for school counselor liability prior acts coverage; and reinsurance premium agreed upon by DMI and the reinsurer for special acceptances
Effective date:	July 1, 2017
Termination:	July 1, 2018

2.

Type:	Excess of Loss
Reinsurer:	XL Reinsurance America
Scope:	Worker's compensation not including industrial aid aircraft
Retention:	$500,000 each accident
Coverage:	$1,000,000 each accident excess of company's retention
Premium:	$158,900 net annual premium, payable in two semi-annual installments, 100% minimum and deposit premium adjustable at

		a reinsurance rate of $0.02268 per $100 of annual payroll estimated at $700,657,745
	Effective date:	July 1, 2017
	Termination:	July 1, 2018
3.	Type:	Excess of Loss
	Reinsurer:	Hannover Ruck SE
	Scope:	Worker's compensation not including industrial aid aircraft
	Retention:	$1,500,000 each accident
	Coverage:	$500,000 each accident in excess of $1,500,000 each accident
	Premium:	$45,000 net annual premium, payable in two semi-annual installments, 90% minimum and 100% deposit premium adjustable at a reinsurance rate of $0.00642 per $100 of annual payroll estimated at $700,657,745
	Effective date:	July 1, 2017
	Termination:	July 1, 2018
4.	Type:	Excess of Loss
	Reinsurer:	Safety National Casualty Corporation
	Scope:	Worker's compensation, including aircraft
	Retention:	$2,000,000 each accident $2,000,000 each employee for disease $3,250,000 each accident for aircraft
	Coverage:	Statutory limits above the company's retention
	Premium:	$368,349 deposit premium adjustable at $0.05253 rate per $100 of annual remuneration subject to a minimum reinsurance premium of $663,028
	Effective date:	July 1, 2017
	Termination:	July 1, 2018
5.	Type:	Quota Share
	Reinsurer:	Hartford Steam Boiler Inspection Company
	Scope:	Equipment breakdown
	Retention:	None
	Coverage:	100% - Not to exceed $100,000,000 per accident, and/or per electronic circuitry impairment, per policy

	Premium:	$80,990 – the company shall pay to the reinsurer a reinsurance premium calculated in accordance with the rates contained in the equipment breakdown guidelines (except for referral risks)
	Effective date:	July 1, 2013
	Termination:	The agreement may be terminated by either party giving the other 180 days prior notice in writing. The reinsurer shall continue to cover all losses on policies in force upon termination
6.	Type:	Casualty Quota Share
	Reinsurer:	Lloyd's Syndicate 2623 AFB 82% Lloyd's Syndicate 0623 AFB 18%
	Scope:	Information Security and Privacy Liability Insurance
	Retention:	None
	Coverage:	$1,000,000 each member (special acceptances with greater limits)
	Premium:	$355,641 flat net annual premium plus any premiums for special acceptances as agreed by the reinsurer
	Effective date:	July 1, 2017
	Termination:	July 1, 2018

The company maintains excess insurance for the following coverages:

1.	Type:	Excess of Loss
	Reinsurer:	Fireman's Fund Insurance Company
	Scope:	Property
	Retention:	The first $250,000 of ultimate net loss any one occurrence.
	Coverage:	100% of $500,000,000 per occurrence in excess of the company's retention
	Premium:	$942,843 net annual premium, payable in four quarterly installments
	Effective date:	July 1, 2017
	Termination:	July 1, 2018
2.	Type:	Excess of Loss
	Reinsurer:	Beazley Syndicate 2623/623 and XL Catlin Syndicate 2003 as leads on behalf of underwriters at Lloyd's and others
	Scope:	Sabotage and Terrorism

Retention:	The first $20,000 per occurrence for damage and financial loss combined as per the associated policy (See the Property Excess of Loss coverage above)
Coverage:	$100,000,000 per occurrence and in aggregate damage and financial loss combined during the period of insurance. Lower stated sub-limits of liability apply: Lesser of 10% of liability limit or: $500,000 for brand rehabilitation (if not provided under Allianz) $100,000 for claims preparation: $5,000,000 for contingent financial Loss; denial of access; seepage contamination and pollution/clean up; utilities; attraction; contract works; or threat $500,000 damage/financial loss combined for damage to property at any unspecified third party site, or while in transit; and $500,000 for extinguishment expenses
Premium:	$34,650 net annual premium, payable in four quarterly installments
Commissions:	25%
Effective date:	August 1, 2017
Termination:	July 1, 2018

V. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2016, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation.

Districts Mutual Insurance and Risk Management Services
Assets
As of December 31, 2016

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$16,059,713		$16,059,713
Stocks:			
Common stocks	3,979,545		3,979,545
Cash, cash equivalents, and short-term investments	3,938,186		3,938,186
Investment income due and accrued	111,677		111,677
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	14,648		14,648
Write-ins for other than invested assets:			
Miscellaneous Receivable	25,760	5,000	20,760
Prepaid Expense	114,091	114,091	0
Total Assets	$24,243,620	$119,091	$24,124,529

Liabilities, Surplus, and Other Funds
As of December 31, 2016

Losses		$ 5,127,329
Loss adjustment expenses		2,045,385
Other expenses (excluding taxes, licenses, and fees)		78,172
Unearned premiums		2,871,562
Ceded reinsurance premiums payable (net of ceding commissions)		388,417
Write-ins for liabilities:		
Postretirement Benefit Obligation		13,262
Accrued Return Premium Adjustments		200,000
Payable to Reinsurer		25,978
Total Liabilities		10,750,105
Gross paid in and contributed surplus	4,484,665	
Unassigned funds (surplus)	8,889,759	
Surplus as Regards Policyholders		13,374,424
Total Liabilities and Surplus		$24,124,529

Districts Mutual Insurance and Risk Management Services
Summary of Operations
For the Year 2016

Underwriting Income		
Premiums earned		$5,430,259
Deductions:		
Losses incurred	$2,282,224	
Loss adjustment expenses incurred	955,570	
Other underwriting expenses incurred	2,638,502	
Total underwriting deductions		5,876,296
Net underwriting gain (loss)		(446,037)
Investment Income		
Net investment income earned	366,848	
Net realized capital gains (losses)	(214)	
Net investment gain (loss)		366,634
Net Loss		$ (79,403)

Districts Mutual Insurance and Risk Management Services
Cash Flow
For the Year 2016

Premiums collected net of reinsurance			$5,491,732
Net investment income			465,724
Total			5,957,456
Benefit- and loss-related payments		$2,079,565	
Commissions, expenses paid, and aggregate write-ins for deductions		3,522,710	
Total deductions			5,602,275
Net cash from operations			355,181
Proceeds from investments sold, matured, or repaid:			
Bonds	$7,645,053		
Total investment proceeds		7,645,053	
Cost of investments acquired (long-term only):			
Bonds	7,186,837		
Total investments acquired		7,186,837	
Net cash from investments			458,215
Other cash provided (applied)		(108,153)	
Net cash from financing and miscellaneous sources			(108,153)
Reconciliation:			
Net Change in Cash, Cash Equivalents, and Short-Term Investments			705,243
Cash, cash equivalents, and short-term investments:			
Beginning of year			3,232,943
End of Year			$3,938,186

Districts Mutual Insurance and Risk Management Services
Compulsory and Security Surplus Calculation
December 31, 2016

Assets		$24,124,529
Less security surplus of insurance subsidiaries		0
Less liabilities		10,750,105
Adjusted surplus		13,374,424
Annual premium:		
Lines other than accident and health	$5,406,762	
Factor	20%	
Compulsory surplus		1,081,352
Compulsory Surplus Excess (Deficit)		$12,293,072
Adjusted surplus (from above)		$13,374,424
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%)		1,513,893
Security Surplus Excess (Deficit)		$11,860,531

Districts Mutual Insurance and Risk Management Services
Analysis of Surplus
For the Five-Year Period Ending December 31, 2016

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

	2016	2015	2014	2013	2012
Surplus, beginning of year	$13,008,887	$13,419,169	$12,396,402	$11,370,458	$10,209,941
Net income	(79,403)	(150,909)	896,525	245,469	950,258
Change in net unrealized capital gains/losses	560,401	(255,743)	124,152	774,928	210,008
Change in nonadmitted assets	(115,461)	(3,630)	2,090	5,547	251
Surplus, End of Year	$13,374,424	$13,008,887	$13,419,196	$12,396,402	$11,370,458

Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2016

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. Unusual IRIS results are denoted with asterisks and discussed below the table.

	Ratio	2016	2015	2014	2013	2012
#1	Gross Premium to Surplus	50%	52%	48%	49%	53%
#2	Net Premium to Surplus	40	42	38	41	37
#3	Change in Net Premiums Written	-1	7	1	22	0
#4	Surplus Aid to Surplus	0	0	0	0	0
#5	Two-Year Overall Operating Ratio	103*	93	87	85	80
#6	Investment Yield	1.6*	1.7*	2.0*	1.7*	2.0*
#7	Gross Change in Surplus	3	-3	8	9	11
#8	Change in Adjusted Surplus	3	-3	8	9	11
#9	Liabilities to Liquid Assets	45	44	40	44	44
#10	Agents' Balances to Surplus	0	0	0	0	0
#11	One-Year Reserve Development to Surplus	-12	-11	-19	-13	-16
#12	Two-Year Reserve Development to Surplus	-17	-24	-24	-27	-18
#13	Estimated Current Reserve Deficiency to Surplus	-19	-22	-12	-15	-20

Ratio No. 5 measures the company's profitability over the previous two-year period. The exceptional result in 2016 is due to higher operating expenses caused by reporting a reinsurance contract as excess insurance, starting in 2014.

The exceptional results for Ratio No. 6, "Investment Yield", from 2012 to 2016 can be attributed to the low interest rate environment of recent years and the company's very conservative investment strategies.

Growth of Districts Mutual Insurance and Risk Management Services

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2016	$24,124,529	$10,750,105	$13,374,424	$ (79,403)
2015	23,395,693	10,386,806	13,008,887	(150,909)
2014	22,475,909	9,056,740	13,419,169	896,525
2013	21,940,192	9,543,790	12,396,402	245,469
2012	20,180,380	8,809,922	11,370,458	950,258
2011	19,433,061	9,223,120	10,209,941	771,755

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2016	$6,686,242	$5,406,762	$5,430,259	59.6%	48.8%	108.4%
2015	6,798,030	5,482,060	5,260,363	62.3	48.3	110.6
2014	6,402,115	5,130,633	5,077,612	43.9	48.4	92.3
2013	6,128,360	5,083,931	4,627,285	72.3	27.6	99.9
2012	6,041,835	4,152,620	4,140,677	63.3	23.2	86.5
2011	5,905,981	4,145,741	4,231,026	70.5	22.6	93.1

Total admitted assets increased 24% from $19.4 million in 2011 to $24.12 million in 2016. Liabilities increased 16.6% from $9.2 million in 2011 to $10.75 million in 2016, and surplus increased 31% to $13.4 million during the same period. The company's expense ratio increased 20.8 points between 2013 and 2014, to 48.4% and has remained a little above 48% for 2015 and 2016. This large increase in the expense ratio is because the company started reporting balances related to its excess insurance policies as expenses instead of as reinsurance. This change in reporting is due to the recommendation from the prior 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, 2016 is accepted.

Examination Reclassifications

There were no examination reclassifications as a result of this examination.

VI. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There was one recommendation in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Reinsurance Contracts—It is recommended that the company not report the excess insurance policy as reinsurance as long as the contract does not satisfy the requirements for reinsurance contracts contained in SSAP No. 62R.

   Action: Compliance

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comments on the remaining areas of the company's operations is contained in the examination work papers.

Conflict of Interest

The review of the conflict of interests revealed that the company could not provide signed conflict of interest statements for DMI's Board of Directors or its advisors for 2014 and 2015. It is recommended that each of the company's officers, directors, and advisors to the board of directors annually make conflict of interest disclosures to the company, and that the company retain the disclosures in the company's records from examination to examination, in compliance with the directive of the Commission of Insurance.

Reinsurance Intermediary-Broker Agreement

It was noted during the review of the Reinsurance Intermediary-Broker agreement that DMI has a Compensation Agreement with its Reinsurance Intermediary, Arthur Gallagher, instead of a Reinsurance Intermediary-Broker Agreement. Section Ins 47.03, Wis. Adm. Code specifies contract provisions for all contracts with reinsurance intermediary brokers. The contract must comply with the following:

1) The insurer may terminate the reinsurance intermediary-broker authority at any time;
2) The reinsurance intermediary-broker will render accounts to the insurer accurately detailing all material transactions, including information necessary to support all commissions, charges and other fees received by, or owing, to the reinsurance intermediary-broker, and remit all funds due to the insurer within 30 days of receipt;
3) The reinsurance intermediary-broker will hold all funds collected for the insurer's account in a fiduciary capacity in a qualified United States financial institution;
4) The reinsurance intermediary-broker will comply with s. Ins. 47.04 Wis. Adm. Code;
5) The reinsurance intermediary-broker will comply with the written standards established by the insurer for the cession or retrocession of all risks;
6) The reinsurance intermediary-broker will disclose to the insurer any relationship with any reinsurer to which business will be ceded or retroceded.

It is recommended that in addition to the Compensation Agreement between Districts Mutual Insurance & Risk Management Services and the reinsurance intermediary broker, the company implement a Reinsurance Intermediary Agreement containing all of the required contract provisions in accordance with s. Ins 47.03, Wis. Adm. Code.

Business Continuity

The examination found that the company's current business operations rely on third-party contractors; however, the company's Business Continuity Plan fails to indicate who the third party contractors are, and how the company would respond to business interruptions caused by these third parties. It is recommended that the company develop a Business Continuity Plan that recognizes its reliance on third parties to ensure that the company is able to continue the organization's business activities and processes should an interruption occur. The review of the plan should be done on an annual basis and should incorporate an assessment of the third parties disaster recovery plans as it relates to the business activities including the security of the company's data. This assessment should also include a review of testing performed by third-party providers.

VII. CONCLUSION

The company commenced business on July 1, 2004. DMI only writes business in Wisconsin for Wisconsin Technical Colleges. The company issues only assessable policies and is not subject to limitations to the assessment liability of policyholders. The company changed its name to Districts Mutual Insurance and Risk Management Services in October 2016 to recognize the company's increased focus of providing risk and loss control services on top of its insurance policies.

The current examination resulted in three recommendations and did not make any reclassification of account balances or adjustments to surplus as reported by the company in its year-end 2016 statutory financial statements. The examination determined that, as of December 31, 2016, the company had admitted assets of $24,124,529, liabilities of $10,750,105, and policyholders' surplus of $13,374,424.

VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 20 - Conflict of Interest— It is recommended that each of the company's officers, directors, and advisors to the board of directors annually make conflict of interest disclosures to the company, and that the company retain the disclosures in the company's records from examination to examination, in compliance with the directive of the Commission of Insurance.

2. Page 20 - Reinsurance Intermediary-Broker Agreement— It is recommended that in addition to the Compensation Agreement between Districts Mutual Insurance & Risk Management Services and the reinsurance intermediary broker, the company implement a Reinsurance Intermediary Agreement containing all of the required contract provisions in accordance with s. Ins. 47.03, Wis. Adm. Code.

3. Page 21 - Business Continuity— It is recommended that the company develop a Business Continuity Plan that recognizes its reliance on third parties to ensure that the company is able to continue the organization's business activities and processes should an interruption occur. The review of the plan should be done on an annual basis and should incorporate an assessment of the third parties disaster recovery plans as it relates to the business activities including the security of the company's data. This assessment should also include a review of testing performed by third-party providers.

IX. 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
Terry Lorenz	ACL Specialist
Eleanor Lu	IT Specialist
Jerry DeArmond	Reserve Specialist

Respectfully submitted,

Dana Tice
Examiner-in-Charge