

Report of the Examination of
Eagle Point Mutual Insurance Company
Chippewa Falls, Wisconsin
As of December 31, 2023

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October 7, 2024

Honorable Nathan D. Houdek
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:

EAGLE POINT MUTUAL INSURANCE COMPANY
Chippewa Falls, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Eagle Point Mutual Insurance Company (Eagle Point or the company) was conducted in 2021 as of December 31, 2020. 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 was conducted using a modified 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, and identify current and prospective risks.

Targeted accounts and activities of the company were considered in accordance with the modified risk-focused examination process. This process 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. In addition, 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 completing this examination were performed. The examination work papers contain documentation concerning the alternative or additional examination steps performed during the examination.

In addition to auditing, the public accounting firm performs tax preparation services for the company. On December 3, 2010, an exemption was granted by the commissioner, pursuant to s. Ins 50.08 (5), Wis. Adm. Code, permitting the independent auditor to perform this non-audit work for the company.

II. HISTORY AND PLAN OF OPERATION

The company was organized as a town mutual insurance company on June 7, 1879, under the provisions of the then-existing Wisconsin Statutes. The original name of the company was the Eagle Point Mutual Fire Insurance Company. Subsequent amendments to the company's articles and bylaws changed the company's current name. On April 24, 2014, the company submitted a 'Plan of Conversion' to convert to a Ch. 611, Wis. Stat., domestic insurer. The proposed conversion was approved by the Office of the Commissioner of Insurance on April 28, 2014, and was approved by its policyholders on June 3, 2014. As part of the conversion, the company became non-assessable and expanded its territory to include additional Wisconsin counties. The conversion was effective January 1, 2015.

Effective on January 1, 2023, Barron Mutual Insurance Company (Barron) and Luck Mutual Insurance Company (Luck) merged with and into Eagle Point Mutual Insurance Company. Both Barron and Luck were Wisconsin town mutual insurers prior to the merger.

The company is licensed to write property, including windstorm and hail, and nonproperty insurance within the state of Wisconsin and is not licensed in any other state. The major products marketed by the company are homeowners and farmowners business (each line comprises approximately 43% of the company's net business written). The major products are marketed through 29 agencies comprising 129 independent agents.

The following table is a summary of the net insurance premiums written by the company in 2023. The growth of the company is discussed in the “Financial Data” section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Fire	\$ 284,691	\$0	\$ 76,183	\$ 208,508
Allied lines	427,036		114,274	312,762
Farmowners multiple peril	2,601,477		696,154	1,905,323
Homeowners multiple peril	2,569,663		687,638	1,882,025
Commercial multiple peril (non-liability portion)	49,430		13,227	36,203
Other liability – occurrence	<u>60,611</u>	<u>—</u>	<u>60,178</u>	<u>433</u>
Total all lines	<u>\$5,992,908</u>	<u>\$0</u>	<u>\$1,647,654</u>	<u>\$4,345,254</u>

III. MANAGEMENT AND CONTROL

Board of Directors

Currently, the board of directors consists of six members.¹ Each director is elected to serve a three-year term. Officers are elected at the company's annual meeting. The audit, investment, succession, and corporate governance committees are comprised of the full board. Currently, the board of directors consists of the following persons:

Name	Principal Occupation	Term Expires
Duron Bergeson	Farmer	2025
Leslie Danielson	Farmer	2025
Carsten Ellison	Insurance Agent	2025
Raymond Kliscz	Retired Agent	2027
Todd Meinen	Insurance Agent	2027
Michael Ruff	Farmer	2026

Officers of the Company

Currently, the officers serving the company are as follows:

Name	Office
Ron Staples	President/CEO
Leslie Danielson	Chairman of the Board
Michael Ruff	Vice-Chairman of the Board
Todd Meinen	Secretary/Treasurer
Karen Smith	Vice-President

Committees of the Board

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

Currently, the board committees and its members are listed below:

Executive Committee	Nominating Committee
Leslie Danielson, Chair	Leslie Danielson, Chair
Todd Meinen	Carsten Ellison

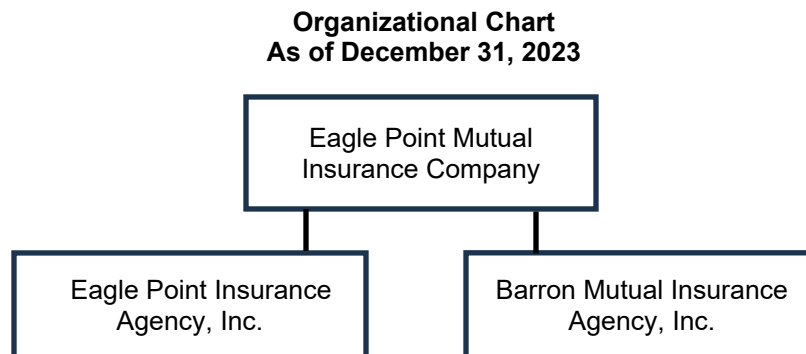
¹ Per s. 611.51, Wis. Stat. - if there are fewer than nine directors, there can be no more than one inside director (such as an agent). Since there are two agents currently on the board - the company was not in compliance with this statute at the time of this report. The company plans to address this issue through a merger with Jamestown Mutual Insurance Company (discussed in the Subsequent Events section of this report). If the proposed merger is effected, there will be nine board members.

Executive Committee
Michael Ruff

Nominating Committee
Michael Ruff

IV. AFFILIATED COMPANIES

Eagle Point Mutual Insurance Company is the ultimate parent of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group as of December 31, 2023. A brief description of the significant affiliates follows the organizational chart.



Eagle Point Insurance Agency, Inc.

Eagle Point Agency, Inc. (the agency) is controlled by Eagle Point Mutual by 100% stock ownership. The agency was formed in 1999. Currently, the agency is effectively dormant. The agency does not hold any policies. The company is keeping ownership of the agency to potentially acquire the book of business in the future. The agency has minimal assets, and its only expenditures are corporation filing fees.

Barron Mutual Insurance Agency, Inc.

Barron Mutual Insurance Agency, Inc. was controlled by Eagle Point Mutual by 100% stock ownership. The book of business was sold effective November 1, 2023, and the corporation was dissolved in May of 2024.

Agreements with Affiliates

Currently, there are no significant agreements between Eagle Point Mutual Insurance Company and its remaining affiliate.

V. REINSURANCE

The company's current reinsurance portfolio is described below. In addition to the significant reinsurance contracts listed, the company has a Boiler and Machinery Semi-Automatic Reinsurance Agreement with The Travelers Indemnity Company. All the company's reinsurance contracts contained the proper insolvency provisions.

Nonaffiliated Ceding Contracts

1. Type: Property Per Risk Excess of Loss

Reinsurer: Grinnell Mutual Reinsurance Company

Scope: Policies Classified by the Company as Property and Casualty

Retention/Coverage: Layer 1: The company shall retain and be liable for the first \$300,000 of the ultimate net loss as respects any one risk, each loss. The reinsurer shall then be liable for the amount by which such ultimate net loss exceeds the company's retention, but the liability of the reinsurer shall not exceed \$1,000,000 as respects any one risk, each loss, including the company retention.

Layer 2: The company shall retain and be liable for the first \$1,000,000 of the ultimate net loss as respects any one risk, each loss. The reinsurer shall then be liable for the amount by which such ultimate net loss exceeds the company's retention, but the liability of the reinsurer shall not exceed \$4,000,000 as respects any one risk, each loss.

Layer 3: The company shall retain and be liable for the first \$5,000,000 of the ultimate net loss as respects any one risk, each loss. The reinsurer shall then be liable for the amount by which such ultimate net loss exceeds the company's retention, but the liability of the reinsurer shall not exceed \$5,000,000 as respects any one risk, each loss.

The company shall maintain or shall be deemed to maintain facultative reinsurance coverage excess of \$10,000,000 as respects any one property risk, recoveries under which shall inure to the benefit of this contract.

Effective date: January 1, 2024

Termination: January 1, 2025, unless terminated earlier as delineated in the contract termination clause
2. Type: Property Catastrophe Excess of Loss

Reinsurer: Grinnell Mutual Reinsurance Company

Scope: Policies Classified by the Company as Property and Casualty

Retention/Coverage: A. The company shall retain and be liable for the first \$1,000,000 of ultimate net loss, arising out of each loss occurrence. The reinsurer shall

then be liable for 100% of the amount by which the company's ultimate net loss exceeds the company's retention, but the liability of the reinsurer shall not exceed 100% of \$5,000,000 each loss occurrence nor shall it exceed 100% of \$10,000,000 in all during the term of this contract.

B. The company shall make no recovery under this exhibit unless at least two risks insured by the company are involved in the same loss occurrence.

C. The company shall maintain or shall be deemed to maintain facultative reinsurance coverage excess of \$10,000,000 as respects any one property risk, recoveries under which shall inure to the benefit of this contract.

Effective date: January 1, 2024

Termination: January 1, 2025, unless terminated earlier as delineated in the contract termination clause

3. Type: Property Aggregate Excess of Loss

Reinsurer: Grinnell Mutual Reinsurance Company

Scope: Policies Classified by the Company as Property and Casualty

Retention/Coverage: A. The reinsurer shall be liable for 100% of the ultimate net loss of the company incurred in the aggregate during the term of this contract in excess of an amount equal to a 77.5529% loss ratio.

B. The company shall maintain or shall be deemed to maintain facultative reinsurance coverage excess of \$10,000,000 as respects any one property risk, recoveries under which shall inure to the benefit of this contract.

Effective date: January 1, 2024

Termination: January 1, 2025, unless terminated earlier as delineated in the contract termination clause

4. Type: Liability Contract

Reinsurer: Grinnell Mutual Reinsurance Company

Scope: Policy Classified as Liability Insurance

Retention: The first \$10,000 of Ultimate Net Loss each Loss Occurrence

Coverage: 100% of the company's ultimate net loss in excess of the company retention each loss occurrence, however, the reinsurer's maximum liability shall not exceed \$1,000,000 each loss occurrence except for the company's farmowners liability policies where the reinsurer's maximum liability hereunder shall not exceed \$2,000,000 each loss occurrence.

Effective date: January 1, 2024

Termination: January 1, 2025, unless terminated earlier as delineated in the contract termination clause

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the commissioner of insurance in the December 31, 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." Included in this section are schedules that reflect the growth of the company and the compulsory and security surplus calculation.

Eagle Point Mutual Insurance Company
Assets
As of December 31, 2023

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 1,531,129	\$	\$ 1,531,129
Stocks:			
Preferred stocks	170,841		170,841
Common stocks	6,369,299		6,369,299
Real estate:			
Occupied by the company	139,774		139,774
Cash, cash equivalents, and short-term investments	712,631		712,631
Investment income due and accrued	16,365		16,365
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	72,047	1,127	70,920
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	844,576		844,576
Reinsurance:			
Amounts recoverable from reinsurers	15,988		15,988
Current federal and foreign income tax recoverable and interest thereon	197,074		197,074
Net deferred tax asset	136,378	46,740	89,638
Electronic data processing equipment and software	18,213	15,597	2,616
Furniture and equipment, including health care delivery assets	1,237	1,237	
Write-ins for other than invested assets:			
Prepaid Expenses	34,906	34,906	
Refundable State Income Taxes	8,330		8,330
Fire Dues Recoverable	<u>5,459</u>	<u> </u>	<u>5,459</u>
Total Assets	<u>\$10,274,247</u>	<u>\$99,607</u>	<u>\$10,174,640</u>

Eagle Point Mutual Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2023

Losses	\$ 96,210
Loss adjustment expenses	49,523
Commissions payable, contingent commissions, and other similar charges	232,484
Other expenses (excluding taxes, licenses and fees)	37,232
Unearned premiums	3,052,308
Advanced premiums	119,430
Ceded reinsurance premiums payable (net of commissions)	<u>147,674</u>
Total Liabilities	<u>3,734,861</u>
Surplus as Regards Policyholders	<u>6,439,779</u>
Total Liabilities and Surplus	<u>\$10,174,640</u>

Eagle Point Mutual Insurance Company
Summary of Operations
For the Year 2023

Underwriting Income

Premiums earned		\$ 4,172,983
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Deductions:

Losses incurred	\$2,566,757	
Loss adjustment expenses incurred	656,919	
Other underwriting expenses incurred	1,909,983	
Total underwriting deductions		<u>5,133,659</u>
Net underwriting gain (loss)		(960,676)

Investment Income

Net investment income earned	147,347	
Net realized capital gains (losses)	<u>(698,792)</u>	
Net investment gain (loss)		(551,445)

Other Income

Finance and service charges not included in premiums	181,934	
Write-ins for miscellaneous income:	<u>12,512</u>	
Total other income		<u>194,446</u>

Net income (loss) before dividends to policyholders and before federal and foreign income taxes		(1,317,675)
Federal and foreign income taxes incurred		<u>(146,590)</u>

Net Income (Loss)		<u><u>\$(1,171,085)</u></u>
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Eagle Point Mutual Insurance Company
Cash Flow
For the Year 2023

Premiums collected net of reinsurance		\$4,332,182
Net investment income		193,916
Miscellaneous income		<u>194,446</u>
Total		4,720,544
Benefit and loss-related payments	\$3,252,036	
Commissions, expenses paid, and aggregate write-ins for deductions	1,822,450	
Dividends paid to policyholders		
Federal and foreign income taxes paid (recovered)	9,276	
Total deductions	<u>5,083,762</u>	
Net cash from operations		(363,218)
Proceeds from investments sold, matured, or repaid:		
Bonds	\$1,626,972	
Stocks	<u>2,102,656</u>	
Miscellaneous proceeds		
Total investment proceeds	3,729,628	
Cost of investments acquired (long- term only):		
Stocks	<u>3,465,019</u>	
Total investments acquired	<u>3,465,019</u>	
Net cash from investments		264,609
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	<u>(139,000)</u>	
Net cash from financing and miscellaneous sources		<u>(139,000)</u>
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		(237,609)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>950,240</u>
End of Year		<u>\$ 712,631</u>

**Eagle Point Mutual Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2023**

Assets		\$10,174,640
Less liabilities		<u>3,734,861</u>
Adjusted surplus		6,439,779
Annual premium:		
Lines other than health and medical malpractice	\$4,345,254	
Factor	<u>20%</u>	
Total	\$869,050	
Compulsory surplus (subject to a minimum of \$2 million)		<u>\$ 2,000,000</u>
Compulsory Surplus Excess (Deficit)		\$ 4,439,779
Adjusted surplus (from above)		\$ 6,439,779
Security surplus (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum factor of 110%)		<u>2,800,000</u>
Security Surplus Excess (Deficit)		<u>\$ 3,639,779</u>

Eagle Point Mutual Insurance Company
Analysis of Surplus
For the Three-Year Period Ending December 31, 2023

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

	2023	2022*	2021
Surplus, beginning of year	\$8,721,571	\$11,106,709	\$4,652,216
Net income	(1,171,085)	(941,251)	418,943
Change in net unrealized capital gains/losses	(1,015,070)	(1,470,221)	172,609
Change in net deferred income tax	62,702	16,713	15,552
Change in nonadmitted assets	(64,088)	9,621	5,436
Cumulative effect of changes in accounting principles	<u>(94,251)</u>	<u> </u>	<u> </u>
Surplus, End of Year	<u>\$6,439,779</u>	<u>\$8,721,571</u>	<u>\$5,264,756</u>

Growth of Eagle Point Mutual Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2023	\$10,174,640	\$3,734,861	\$6,439,779	(\$1,171,085)
2022*	12,667,494	3,945,923	8,721,571	(\$941,251)
2021	7,512,644	2,247,888	5,264,756	418,943
2020	6,515,209	1,862,993	4,652,216	381,964

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2023	\$5,992,908	\$4,345,254	\$4,172,983	77.3%	39.5%	116.8%
2022*	5,962,908	3,947,736	3,735,717	49.7	33.6	83.3
2021	2,502,287	1,923,273	1,797,628	44.2	33.9	78.1
2020	2,246,419	1,809,438	1,651,322	46.5	30.7	77.2

*The 2022 results and ratios reflect a restatement of the financial statements as a result of the 2023 mergers with Barron and Luck (in accordance with SSAP No. 3, par. 12).

The large increase in admitted assets, liabilities, and surplus as regards policyholders for 2022 is largely due to the company's mergers with Barron and Luck in 2023.²

² Per statutory accounting principles (SSAP No. 3, par. 12): For mergers, prior years' amounts in the annual statement shall be restated as if the merger had occurred as of January 1 of the prior year. Additionally, restatement shall be required for the two most recent years included in the Five Year Historical Summary.

The company's high combined ratio for 2023 was due to an increase in claims frequency, claim cost inflation, and the largest catastrophe loss in the company's history. In addition, the company's 2023 surplus was impacted by the liquidation of Wisconsin Reinsurance Corporation (WRC), which resulted in a write-off of the company's WRC stock holdings.

Reconciliation of Surplus per Examination

No adjustments to surplus were made 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. The actions taken by the company were as follows:

1. Conflict of Interest Disclosures—It is again recommended that on an annual basis the company's directors and officers fully complete, and the company retain, all conflict-of-interest disclosure forms.

Action—Compliance.

2. Affiliates—It is recommended that the company comply with the reporting and disclosure requirements pertaining to holding company systems and investments in subsidiaries, as prescribed by the NAIC's Annual Statement Instructions Property/Casualty and SSAP No. 97 (Investments in Subsidiary, Controlled and Affiliated Entities).

Action—Compliance.

3. Affiliates—It is further recommended that the company file all appropriate holding company forms as prescribed under s. Ins 40.03 and 40.04, Wis. Adm. Code.

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. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Qualified Actuary

Pursuant to s. Ins 50.30, Wis. Adm. Code, an insurer shall file with the annual statement a statement of actuarial opinion from a qualified actuary in accordance with the appropriate NAIC's annual statement instructions. Section Ins 50.60, Wis. Adm. Code, further states that a "qualified actuary" means a member in good standing of the American Academy of Actuaries. The examination noted that the company's 2023 actuarial opinion was prepared by the company's president, who is not a member of the American Academy of Actuaries.

It is recommended that the company's actuarial opinion filed with the annual statement be prepared by a "qualified actuary" pursuant to s. Ins 50.30 and s. Ins 50.60, Wis. Adm. Code.

Custodial Agreement Language

The examination noted that the company's Custodial Agreement with Wisconsin Bank and Trust does not contain the following provisions recommended by the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*:

1. The custodian is obligated to indemnify the insurance company for any loss of securities of the insurance company in the custodian's custody occasioned by the negligence or dishonesty of the custodian's officers or employees, or burglary, robbery, holdup, theft, or mysterious disappearance, including loss by damage or destruction.
2. In the event of a loss of securities of which the custodian is obligated to indemnify the insurance company, the securities shall be properly replaced, or the value of the securities and the value of any loss of rights or privileges resulting from said loss of securities shall be promptly replaced.
3. If the custodian agreement has been terminated, or if 100% of the account assets in any one custody account have been withdrawn, the custodian shall provide written notification, within three business days of termination or withdrawal, to the insurer's domiciliary commissioner.

4. During regular business hours, and upon reasonable notice, an officer or employee of the insurance company, an independent accountant selected by the insurance company, and a representative of an appropriate regulatory body shall be entitled to examine, on the premises of the custodian, its records relating to securities, if the custodian is given written instructions to that effect from an authorized officer of the insurance company.
5. To the extent that certain information maintained by the custodian is relied upon by the insurance company in preparation of its annual statement and supporting schedules, the custodian agrees to maintain records sufficient to determine and verify such information.
6. The custodian shall provide, upon written request from a regulator or an authorized officer of the insurance company, the appropriate affidavits, with respect to the insurance company's securities held by the custodian.

It is recommended that the company amend its Custodial Agreement to include the recommended provisions as set forth in the NAIC's *Financial Condition Examiners Handbook*.

Management Salary Approval

Per Section 4.10 of the company's bylaws, the salary of the president/CEO shall be set and approved by the board annually. The examination's review of the board meeting minutes indicated that the board approved the president/CEO's salary in 2023. However, there was no record that the board approved the president/CEO's salary for any of the other years under examination.

It is recommended that the board of directors approve the president/CEO's salary annually, as required by the company's bylaws.

Disaster Recovery Plan/Business Continuity Plan

The examination determined that Eagle Point's insurance operations may not be fully restored at an alternate site for business continuity unless local systems are duplicated in the cloud or at branch locations. In addition, the company has not provided a business impact analysis to identify the key business functions and resources that should be prioritized for restoration to minimize the damages during a disruption or disaster. Conducting a Business Impact Analysis is essential for implementing an effective Disaster Recovery Plan and Business Continuity Plan.

It is recommended that the company conduct a business impact analysis to evaluate the potential risks associated with the loss of critical vendors or systems before reviewing the disaster recovery plan. Additionally, it is recommended that the company test its disaster recovery plan and business continuity plan at least annually, or when the IT landscape has a significant change, as it is imperative to validate its feasibility and effectiveness.

Board of Directors

As previously noted in the Management and Control Section, the company has six board members, two of whom are agents, which are considered to be inside directors. Per s. 611.51(2) (a), Wis. Stat., if a company has more than one inside director, then the company shall have at least nine directors.

It is recommended that the company comply with the requirements of s. 611.51 (2) (a), Wis. Stat., pertaining to the number of members that a Chapter 611 insurer is required to have on its board.³

³ The company plans to address this issue through a merger with Jamestown Mutual Insurance Company (discussed in the Subsequent Events section of this report). If the proposed merger is effected, there will be nine board members.

VIII. CONCLUSION

Eagle Point Mutual Insurance Company is a mutual insurer authorized to write business in the state of Wisconsin. The company has been in business for over 145 years, providing property and liability insurance to its policyholders. Effective January 1, 2015, the company converted from a town mutual insurer to a domestic insurer under ch. 611, Wis. Stat. Effective on January 1, 2023, Barron Mutual Insurance Company and Luck Mutual Insurance Company merged with and into the company.

The company complied with all prior exam recommendations. The current examination resulted in six recommendations and no adjustments to surplus or reclassifications.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 20 - Qualified Actuary—It is recommended that the company's actuarial opinion filed with the annual statement be prepared by a “qualified actuary” pursuant to s. Ins 50.30 and s. Ins 50.60, Wis. Adm. Code.
2. Page 21 - Custodial Agreement Language—It is recommended that the company amend its Custodial Agreement to include the recommended provisions as set-forth in the NAIC's *Financial Condition Examiners Handbook*.
3. Page 21 - Management Salary Approval—It is recommended that the board of directors approve the President/CEO's salary annually, as required by the company's Bylaws.
4. Page 22 - Disaster Recovery Plan/Business Continuity Plan— It is recommended the company conduct a business impact analysis to evaluate the potential risks associated with the loss of critical vendors or systems before reviewing the disaster recovery plan.
5. Page 22 - Disaster Recovery Plan/Business Continuity Plan—It is recommended that the company test its disaster recovery plan and business continuity plan at least annually, or when the IT landscape has a significant change, as it is imperative to validate its feasibility and effectiveness.
6. Page 22 - Board of Directors— It is recommended that the company comply with the requirements of s. 611.51 (2) (a), Wis. Stat., pertaining to the number of members that a Chapter 611 insurer is required to have on its board.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended by the officers and employees of the company during the course of the examination 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
Kayleigh Chrostowski	Insurance Financial Examiner
Eleanor Lu, CISA	IT Specialist
Nick Hartwig, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Mike Miller, CFE
Examiner-in-Charge

XI. SUBSEQUENT EVENT

After the examination report date, the company's board approved a plan of merger with Jamestown Mutual Insurance Company, a town mutual insurer. The plan of merger is currently under review by the Office of the Commissioner of Insurance.