Report

of the

Examination of

Eagle Point Mutual Insurance Company

Chippewa Falls, Wisconsin

As of December 31, 2015

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, *Governor*
Theodore K. Nickel, *Commissioner*

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August 30, 2016

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:

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 (the company) was conducted in 2011 as of December 31, 2010. The current examination covered the intervening period ending December 31, 2015, and included a review of such 2016 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 the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination.

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

In addition to auditing, the public accounting firm performs non-auditing services for the company, including bookkeeping assistance in connection with the year-end close, assistance with the preparation of the annual statement, and tax return preparation. 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 name to that presently used.

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 policyholders on June 3, 2014. As part of the conversion the company became non-assessable and expanded its territory to include an additional four Wisconsin counties. The conversion was effective January 1, 2015.

During the period under examination, there was one amendment to the articles of incorporation and one amendment to the bylaws. Both amendments were related to the company's conversion.

The company is licensed to write property, including windstorm and hail, and nonproperty insurance in 19 counties within the state of Wisconsin and is not licensed in any other state. The company is authorized to write business in the following 19 counties:

Barron	Jackson*	St. Croix
Buffalo	La Crosse*	Taylor
Burnett	Marathon	Trempealeau
Chippewa	Pepin	Washburn
Clark	Pierce	Wood*
Dunn	Polk	
Eau Claire	Rusk	

* Company was granted permission to write in 2016

The company is primarily a personal lines writer, with the highest volume lines of business being farmowner's multi-peril and homeowner's multi-peril, with 66% and 26% of total direct premiums written, respectively. The company utilizes a network of approximately 45 agents to market and acquire business.

Agents receive a 13% commission for all new and renewal business. In addition to the standard commission, the company offers a contingent commission program for its agents. The plan is offered to agents producing a minimum of $25,000 - $100,000 in premiums according to an escalating scale of production in the first through fourth and subsequent years the agency is contracted with the company. The bonuses paid are based on calendar year results and are based on a combination of the agent's average two-year loss ratio and growth rate. Agents generating sufficient profit and growth are eligible for bonuses ranging from 0.27% - 9.85% of their net written premium.

The following table is a summary of the net insurance premiums written by the company in 2015. 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	$ 43,221	$	$ 14,773	$ 28,448
Allied lines	64,836		22,161	42,675
Farmowner's multiple peril	975,947		333,585	642,362
Homeowner's multiple peril	379,982		129,880	250,102
Commercial multiple peril	19,586		6,695	12,891
Total All Lines	$1,483,572	$	$507,094	$976,478

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of seven members divided into three classes. One class of directors is elected annually to serve a three-year term. Officers are elected at the board's annual meeting. The board members currently receive compensation of $60 for each board meeting and an additional $60 for sitting on a committee.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Gary Krumenauer Chippewa Falls, WI	Eagle Point Secretary/Treasurer/Manager	2016
Michael Ruff Bloomer, WI	Farmer	2016
Duron Bergeson Colfax, WI	Farmer	2017
Leslie Danielson Cadott, WI	Farmer	2017
Donald Crank Holcombe, WI	Farmer	2018
Raymond Kliscz Chippewa Falls, WI	Retired Agent	2018
Stephen Meinen Chippewa Falls, WI	Retired Loan Officer	2018

Officers of the Company

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

Name	Office	2015 Compensation
Stephen Meinen**	President	$ 1,580
Michael Ruff**	Vice President	1,060
Gary Krumenauer*	Treasurer/Secretary/General Manager	79,875

* Mr. Krumenauer's compensation consists of his compensation as general manager as well as stipends for sitting on the company's board.

** Mr. Meinen and Mr. Ruff have a base salary of $500 and $100, respectively, for their role as company officers. The remaining compensation is from their duties as directors.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The committees at the time of the examination are listed below:

Claims Adjusting Committee
Membership is full board

Audit Committee
Membership is full board

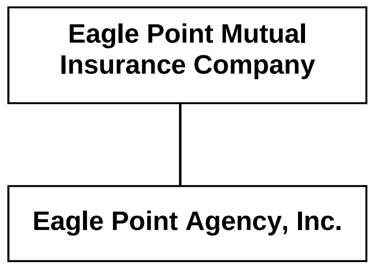
Investment Committee
Leslie Danielson, Chair
Gary Krumenauer
Stephen Meinen
Michael Ruff

Nominating Committee
Stephen Meinen, Chair
Gary Krumenauer

IV. AFFILIATED COMPANIES

Eagle Point Mutual Insurance Company is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates follows the organizational chart.

Organizational Chart
As of December 31, 2015



Eagle Point Agency, Inc.

Eagle Point Agency, Inc. (the agency) was formed in 1999 to acquire a former agent's book of business. The following year the company sold the renewal rights to Meinen Insurance Agency, which currently produces approximately 48% of company's direct premium. In 2008, the company again purchased a book of business from a former insurance agency. The renewal rights were subsequently distributed among local agents. Current activity of the agency is limited, as the agency does not hold any policies. The company is keeping ownership of the agency should it want to acquire an additional book of business at some point in the future. As of December 31, 2015, the unaudited financial statements of Eagle Point Insurance Agency reported assets of $342, liabilities of $0, and equity of $342. Operations for 2015 produced a net loss of $25. The net loss was from licensing fees.

V. REINSURANCE

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

Reinsurer:	Wisconsin Reinsurance Corporation (WRC)
Effective date:	January 1, 2016
Termination provisions:	Either party may terminate this contract on any January 1 by giving the other party at least 90 days' advance notice in writing

The coverages provided under this treaty are summarized as follows:

1.	Type of contract:	Exhibit AX1 – Casualty Excess of Loss Reinsurance
	Lines reinsured:	All casualty or liability business written by the company (excluding umbrella liability)
	Company's retention:	$10,000 in respect to each and every loss occurrence
	Coverage:	100% of each and every loss occurring on the business covered by this contract, including loss adjustment expenses in excess of the retention, subject to maximum policy limits of $1,000,000 per occurrence, $1,000,000 split limits, $25,000 for medical payments, per person; $25,000 per accident for personal lines
	Reinsurance premium:	41.67% of casualty premium written for each and every policy issued. Annual deposit premium of $114,005.
2.	Type of contract:	Exhibit AUQ99X1 – Combination Umbrella Quota Share and Excess of Loss
	Lines reinsured:	All umbrella liability business written by the company
	Coverage:	<u>Part 1 – 99% Quota Share of the first $1,000,000 Limit of Liability</u> The company shall cede on a pro rata basis and the reinsurer shall assume a 99% quota share of the business covered, subject to the limits of liability set forth in the following paragraph The reinsurer shall be liable for 99% of each loss occurrence, including loss adjustment expense, on the business covered, subject to a maximum limit of liability of $990,000 (99% of $1,000,000) on each loss occurrence

		<u>Part 2 – 100% of $1,000,000 in excess of $1,000,000 excess loss occurrence</u> The reinsurer shall be liable for 100% of each loss occurrence, on the business covered, in excess of the company's retention of $1,000,000, subject to the reinsurer's limit of liability of $1,000,000 each loss occurrence Loss adjustment expense is included in addition to losses covered hereunder and in addition to the reinsurer's limit of liability for Part 1 and Part 2
	Reinsurance premium:	99% of net umbrella liability premium written
	Commission:	27.5% of the Part 1 premium paid to the reinsurer
3.	Type of contract:	Exhibit B1 – First Surplus Reinsurance
	Lines reinsured:	All property business written by the company
	Company's retention:	$1,000,000 per ceded risk
	Coverage:	Up to $2,000,000 on a pro rata basis, company may apply for facultative coverage on single location policies in excess of $2,500,000
	Reinsurance premium:	Pro rata share of all premiums, fees, and assessments charged by the company corresponding to the amount of each risk ceded. Annual deposit premium of $80,294.
	Ceding commission:	15%, plus 15% profit commission
4.	Type of contract:	Exhibit C1 – Excess of Loss - First Layer
	Lines reinsured:	All property business written by the company
	Company's retention:	$75,000 per occurrence
	Coverage:	100% of any loss, including loss adjustment expense, in excess of $75,000, subject to a limit of liability to the reinsurer of $100,000
	Reinsurance premium:	Rate: 6.0% of the company's net premiums in respect to the business covered Annual premium deposit: $79,849
5.	Type of contract:	Exhibit C-2 – Excess of Loss - Second Layer
	Lines reinsured:	All property business written by the company
	Company's retention:	$175,000 per occurrence
	Coverage:	100% of any loss, including loss adjustment expense, in excess of $175,000, subject to a limit of liability to the reinsurer of $325,000

	Reinsurance premium:	6.0% of the company's net premiums in respect to the business covered Annual premium deposit: $79,849
6.	Type of contract:	Exhibit C-3 – Excess of Loss - Third Layer
	Lines reinsured:	All property business written by the company
	Company's retention:	$500,000 per occurrence
	Coverage:	100% of each and every loss, including loss adjustment expense, in excess of $500,000, subject to a limit of liability to the reinsurer of $500,000
	Reinsurance premium:	2.5% of the company's net premiums in respect to the business covered Annual premium deposit: $33,270
7.	Type of contract:	Exhibit D1 – First Aggregate Excess of Loss Reinsurance
	Lines reinsured:	All business written by the company
	Company's retention:	75% of net written premium (estimated at $1,117,814)
	Coverage:	100% of the amount by which the aggregate of the company's losses, including loss adjustment expenses, exceeds the company's retention with a limit of 50% of net premium written
	Reinsurance premium:	Rate: 5.6% Annual premium deposit: $83,463 Estimated attachment point: $1,117,814
8.	Type of contract:	Exhibit D2 – Second Aggregate Excess of Loss Reinsurance
	Lines reinsured:	All business written by the company
	Company's retention:	125% of net written premium
	Coverage:	100% of aggregate net losses, including loss adjustment expenses, in the annual period that exceed the retention
	Reinsurance premium:	Rate: 2.25% Annual premium deposit: $33,534

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, 2015, 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.

Eagle Point Mutual Insurance Company
Assets
As of December 31, 2015

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 706,548	$	$ 706,548
Stocks:			
Preferred stocks	260,145		260,145
Common stocks	2,434,955		2,434,955
Real estate:			
Occupied by the company	82,074		82,074
Cash, cash equivalents, and short-term investments	568,162		568,162
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	3,930	38	3,892
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	242,688		242,688
Electronic data processing equipment and software	4,150		4,150
Furniture and equipment, including health care delivery assets	3,593	3,593	
Total Assets	$4,306,245	$3,631	$4,302,614

Eagle Point Mutual Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2015

Losses		$ 19,030
Loss adjustment expenses		1,250
Commissions payable, contingent commissions, and other similar charges		77,708
Other expenses (excluding taxes, licenses, and fees)		3,637
Taxes, licenses, and fees (excluding federal and foreign income taxes)		6,791
Current federal and foreign income taxes		22,510
Net deferred tax liability		396,130
Unearned premiums		662,421
Advance premium		34,604
Ceded reinsurance premiums payable (net of ceding commissions)		1,008
Total liabilities		1,225,089
Unassigned funds (surplus)	$3,077,525	
Surplus as regards policyholders		3,077,525
Total Liabilities and Surplus		$4,302,614

Eagle Point Mutual Insurance Company
Summary of Operations
For the Year 2015

Underwriting Income		
Premiums earned		$923,923
Deductions:		
Losses incurred	$194,461	
Loss adjustment expenses incurred	80,720	
Other underwriting expenses incurred	486,193	
Total underwriting deductions		761,374
Net underwriting gain (loss)		162,549
Investment Income		
Net investment income earned	64,260	
Net realized capital gains (losses)	901	
Net investment gain (loss)		65,161
Other Income		
Finance and service charges not included in premiums	68,975	
Write-ins for miscellaneous income	50	
Total other income		69,025
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		296,735
Federal and foreign income taxes incurred		33,860
Net Income		$262,875

Eagle Point Mutual Insurance Company
Cash Flow
For the Year 2015

Premiums collected net of reinsurance			$ 920,979
Net investment income			44,068
Miscellaneous income			68,882
Total			1,033,929
Benefit- and loss-related payments		$318,186	
Commissions, expenses paid, and aggregate write-ins for deductions		450,457	
Federal and foreign income taxes paid (recovered)		11,350	
Total deductions			779,993
Net cash from operations			253,936
Proceeds from investments sold, matured, or repaid:			
Stocks	$169,800		
Miscellaneous proceeds	(9,511)		
Total investment proceeds		160,289	
Cost of investments acquired (long-term only):			
Stocks		824,618	
Net cash from investments			(664,329)
Other cash provided (applied)		(5,118)	
Net cash from financing and miscellaneous sources			(5,118)
Reconciliation:			
Net change in cash, cash equivalents, and short-term investments			(415,511)
Cash, cash equivalents, and short-term investments:			
Beginning of year			983,673
End of Year			$ 568,162

Eagle Point Mutual Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2015

Assets		$4,302,614
Less liabilities		1,225,089
Adjusted surplus		3,077,525
Annual premium:		
Lines other than accident and health	$976,478	
Factor	20%	
Compulsory surplus (subject to a minimum of $2 million)		2,000,000
Compulsory Surplus Excess (or Deficit)		$1,077,525
Adjusted surplus (from above)		$3,077,525
Security surplus: (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum factor of 110%)		2,800,000
Security Surplus Excess (or Deficit)		$ 277,525

Eagle Point Mutual Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2015

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

	2015	**2014**	**2013**	**2012**	**2011**
Surplus, beginning of year	$3,096,691	$2,720,779	$2,638,986	$2,927,518	$2,903,141
Net income	262,875	(45,882)	41,383	9,563	49,779
Change in net unrealized capital gains/losses	84,538	420,464	41,500	(299,703)	(27,259)
Change in net deferred income tax	(40,203)				
Change in non-admitted assets	1,372	1,330	(1,090)	1,608	1,857
Write-ins for gains and (losses) in surplus:					
Change in accounting for deferred taxes-converted to domestic status	(327,748)				
Surplus, End of Year	$3,077,525	$3,096,691	$2,720,779	$2,638,986	$2,927,518

Eagle Point Mutual Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2015

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. IRIS ratios No. 11-13 from 2011-2014 were not calculated because reserve development is not reported on the town mutual annual statement.

	Ratio	2015	2014	2013	2012	2011
#1	Gross Premium to Surplus	48%	45%	48%	47%	40%
#2	Net Premium to Surplus	32	31	30	24	20
#3	Change in Net Premiums Written	1	18	28	8	(5)
#4	Surplus Aid to Surplus	0	0	0	0	0
#5	Two-Year Overall Operating Ratio	83	99	101*	99	104*
#6	Investment Yield	1.7*	1.5*	1.1*	0.3*	0.2*
#7	Gross Change in Surplus	(1)	14	3	(10)*	1
#8	Change in Adjusted Surplus	(1)	14	3	(10)*	1
#9	Liabilities to Liquid Assets	25	16	16	14	12
#10	Agents' Balances to Surplus	0	0	0	0	0
#11	One-Year Reserve Development to Surplus	1	NA	NA	NA	NA
#12	Two-Year Reserve Development to Surplus	0	NA	NA	NA	NA
#13	Estimated Current Reserve Deficiency to Surplus	2	NA	NA	NA	NA

Ratio No. 5 measures the company's profitability over the previous two-year period. The exceptional ratio in 2011 was due to significant losses in 2010, when the company incurred higher than average losses due to a windstorm and several large fire claims. The exceptional ratio in 2013 can be attributable to poor underwriting results which occurred in both 2013 and 2012.

Ratio No.6 measures the amount of the company's net investment income as a percentage of the average amount of cash and invested assets. The company reported an exceptional ratio each year under examination. The exceptional ratios are primarily due to the low interest rate environment. The company's investment yield was not remarkable, as the industry average during the period under examination was approximately 2.5%.

Ratio No.7 measures the gross change in surplus and is a measure of overall improvement or deterioration of an insurer's financial condition during the year; the calculation takes operational results and paid-in or transferred capital into account. Ratio No. 8 measures the improvement or deterioration of an insurer's financial condition during the year based on operational results. The company reported exceptional results for both ratios in 2012 due to a 10% decrease in surplus. The decrease is largely from an unrealized loss of $267,364 from the company's common stock holdings in Wisconsin Reinsurance Corporation.

Growth of Eagle Point Mutual Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2015	$4,302,614	$1,225,089	$3,077,525	$ 262,875
2014	3,918,584	821,893	3,096,691	(45,882)
2013	3,427,609	706,830	2,720,779	41,383
2012	3,292,658	653,672	2,638,986	9,563
2011	3,542,694	615,176	2,927,518	49,779
2010	3,533,822	630,681	2,903,141	(114,910)

Year	Direct Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2015	$1,483,572	$976,478	$923,923	29.8%	42.7%	72.5%
2014	1,379,837	967,552	866,904	74.5	32.9	107.3
2013	1,306,076	819,512	760,676	68.4	32.3	100.7
2012	1,228,884	638,637	594,087	71.9	36.2	108.1
2011	1,161,216	590,082	575,211	59.3	32.9	92.2
2010	1,117,136	621,706	602,811	89.7	30.4	120.0

During the period under examination direct premium written increased approximately 33%, as the company has expanded into additional counties and increased the number of agents who produce business. The number of policies increased from 902 in 2010 to 1,187 in 2015.

Total liabilities increased 94% during the exam period. Most of the increase was in 2015 and was the result of a $396,130 deferred tax liability first reported in 2015. Most of the deferred tax liability is from unrealized investment gains from holdings in Wisconsin Reinsurance Corporation stock. When the company was a town mutual it was not required to report deferred tax assets or liabilities.

The company's expense ratio remained mostly consistent from 2010 to 2014; however in 2015, the expense ratio increased to 42.7%. The cause of the increase is from a reallocation of loss adjustment, underwriting, and investments expenses. The company decreased its allocation from loss adjustment and investment expenses and increased the allocation of expenses to underwriting to better reflect actual overhead costs.

Surplus increased 6% during the exam period. The increase was mostly attributable to a net income in four of the past five years as well as an increase in unrealized investment gains. Despite reporting a net income in four of the past five years, the company also reported underwriting losses in four of the past five years; however, it was able to offset the losses through policy fees and investment income. Surplus growth would have been larger except for the recognizing of a significant deferred tax liability as previously discussed.

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, 2015, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were no specific comments and recommendations in the previous examination report.

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.

Disaster Recovery

The company has a disaster recovery plan that is poorly documented but appears to be understood by employees. Because of the limited size of the operation, it is likely to be adequate if employees are all available and have done a walk-through of the written plan. It is recommended that the company annually engage in disaster recovery exercises of a basic level, such as a table-top walk-through, and working with key vendors to assure that the company can recover quickly from a disaster to the company.

Business Continuity

The company has no formal business continuity plan. It relies on what each employee knows and there is not a trained backup for each activity in the company. It is recommended that the company develop a business continuity plan that includes necessary job documentation and appropriate cross-training if an employee is not available to do the job for a long period of time.

Rental Agreement

The company leases office space to Meinen Insurance Agency. A rental agreement was previously in effect between the company and Meinen Insurance Agency; however, the agreement expired at the end of 2014 and a new agreement was not executed, even though the company continued to lease office space to the agency. During 2015 and through 2016, the Meinen Insurance Agency continued to pay rent under the terms of the expired agreement. It is recommended that the company execute a rental contract with its current tenant and keep any such agreement up to date. It should be noted that the company's board approved a new rental agreement with Meinen Insurance Agency on July 18, 2016.

Executive Compensation

The examination reviewed the Wisconsin Report on Executive Compensation filed with the commissioner for year 2015 to verify that it disclosed all required compensation. Such compensation should include employer 401(k) and deferred compensation contributions, employer-paid insurance premiums, payments made on executive incentive plans, and any other compensation. It was discovered as part of the review that the company report did not include contributions for group term life insurance, long-term disability insurance, and accidental death and dismemberment insurance. It is recommended that the company report all remuneration, including employer-paid insurance benefits and any other forms of compensation, for employees that meet the requirements to be reported on the Executive Compensation form in accordance with s. 611.63, Wis. Stat.

Committees of Directors

The company's board of directors has a nominating committee that consists of two directors. Section 611.56 (1), Wis. Stat., requires that each board committee consist of at least three directors. It is recommended that the composition of each committee of the board of directors complies with s. 611.56 (1), Wis. Stat.

Conflict of Interest Statements

Company policy requires directors and officers to complete conflict of interest statements on an annual basis. A review of the conflict of interest statements revealed that several directors did not disclose that they had family members who were also insurance agents that produced a significant amount of business for the company. Even though the board of directors was aware of the relationship, the disclosure should still be made on an annual basis. It is recommended that on an annual basis the company's directors and officers fully complete and the company retain all conflict of interest disclosure forms.

VIII. CONCLUSION

Eagle Point Mutual Insurance Company is a small mutual insurer with an authorized territory of 19 counties. The company has been in business over 138 years providing property and liability insurance to its policyholders. Effective January 1, 2015, the company converted from a town mutual to a domestic insurer under ch. 611, Wis. Stat.

During the period under examination, the company's direct premium written increased 33% to $1,483,572, as it expanded into additional counties and added new agents. Surplus increased 6% and the increase was mostly attributable to a net income in four of the past five years as well as an increase in unrealized investment gains. Despite reporting a net income in four of the past five years, the company also reported underwriting losses in four of the past five years; however, it was able to offset the losses through policy fees and investment income.

The examination resulted in six recommendations and no adjustment to surplus or reclassifications.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 21 - Disaster Recovery—It is recommended that the company annually engage in disaster recovery exercises of a basic level, such as a table-top walk-through, and working with key vendors to assure that the company can recover quickly from a disaster to the company.

2. Page 21 - Business Continuity—It is recommended that the company develop a business continuity plan that includes necessary job documentation and appropriate cross-training if an employee is not available to do the job for a long period of time.

3. Page 21 - Rental Agreement—It is recommended that the company execute a rental contract with its current tenant and keep any such agreement up to date.

4. Page 22 - Executive Compensation—It is recommended that the company report all remuneration, including employer-paid insurance benefits and any other forms of compensation, for employees that meet the requirements to be reported on the Executive Compensation form in accordance with s. 611.63, Wis. Stat.

5. Page 22 - Committees of Directors—It is recommended that the composition of each committee of the board of directors complies with s. 611.56 (1), Wis. Stat.

6. Page 22 - Conflict of Interest—It is recommended that on an annual basis the company's directors and officers fully complete and the company retain all conflict of interest disclosure forms.

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
Greg Mielke	Insurance Financial Examiner
David Jensen	Insurance Financial Examiner – Advanced, Information Systems Audit Specialist

Respectfully submitted,

Levi Olson
Examiner-in-Charge