

Report of the Examination of
Homestead Mutual Insurance Company
Neenah, Wisconsin
As of December 31, 2023

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March 19, 2025

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

Commissioner:

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

HOMESTEAD MUTUAL INSURANCE COMPANY
Neenah, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Homestead Mutual Insurance Company (HMIC or the company) was conducted in 2019 as of December 31, 2018. The current examination covered the intervening period ending December 31, 2023, and included a review of such subsequent transactions as deemed necessary to complete the examination. The examination of the company was conducted concurrently with the examination of Mutual of Wausau Insurance Corporation (MWIC), an affiliated company domiciled in Wisconsin.

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 to identify current and prospective risks.

All accounts and activities of the company were considered in accordance with the modified risk-focused examination process. This consideration includes 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. If during the examination a financial reporting 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." Special attention was given to the actions taken by the company to satisfy the recommendations 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 modified risk focused 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.

II. HISTORY AND PLAN OF OPERATION

The company was organized in 1873 as Vinland Town Insurance Company. The company has gone through multiple mergers since its inception. The first merger was with Winchester Mutual Insurance Company on June 17, 1999, at which time the company changed its name to Homestead Mutual Insurance Company. A second merger was with Nekimi Mutual Insurance Company on February 2, 2000, and a third merger was with Mt. Calvary Mutual Insurance Company on June 15, 2006. More recently, effective December 31, 2023, Ellington Mutual Insurance Company, Northeastern Mutual Insurance Company, and Washington Town Mutual Insurance Company merged with and into the company.

Effective January 1, 2015, the company converted from a town mutual insurance company to a non-assessable mutual insurance company under ch. 611. Wis. Stat., while simultaneously entering into an affiliation agreement with Mutual of Wausau Insurance Corporation. While the two companies remain as separate entities, MWIC maintains effective control of HMIC by appointing a majority of the directors on the HMIC board. In connection with the affiliation, the companies entered into an affiliation agreement. That agreement documents important affiliation requirements including but not limited to a management agreement, a reinsurance allocation agreement, and a reinsurance pooling agreement. These agreements are documented in the Affiliated Companies section of the report.

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	\$ 528,604	\$ 411,835	\$ 659,060	\$ 281,379
Allied lines	719,748	591,797	897,377	414,168
Farmowners multiple peril	3,132,988	2,463,773	3,300,203	2,296,558
Homeowners multiple peril	7,305,315	6,862,368	8,279,022	5,888,661
Commercial multiple peril (non-liability portion)	762,661	368,330	880,493	250,498
Commercial multiple peril (liability portion)	127,660	86,200	159,166	54,694
Other liability – occurrence	<u>160,107</u>	<u>136,445</u>	<u>318,613</u>	<u>(22,061)</u>
Total All Lines	<u>\$12,737,083</u>	<u>\$10,920,748</u>	<u>\$14,493,934</u>	<u>\$9,163,897</u>

Homestead Mutual Insurance Company is licensed to write business in Wisconsin. The company writes mostly personal lines and a small volume of commercial business. The breakdown of direct premiums written is as follows: 57% of homeowners business, 25% of farmowners business, and 6% of commercial business. The remainder is split between allied lines, fire, and other liability-occurrence. The company utilizes a network of independent agents to market and acquire business.

III. MANAGEMENT AND CONTROL

Board of Directors

Since its affiliation with HMIC, MWIC maintained majority control of HMIC's board of directors. The total number of directors must range between nine and 15 members. Under the company's bylaws, at least five directors must come from MWIC and at least four directors must come from HMIC. Additional directors can be added so long as MWIC retains majority control of the board. As of the examination date, the board of directors consists of nine members, with five directors from MWIC. The directors are divided into three classes. Annually, one class of directors is elected to serve a three-year term. Currently, the board of directors consists of the following persons:

Name	Principal Occupation	Term Expires
Jennifer Bauer	Business Owner – Interior Design	2027
Todd Lentz	MW President/CEO	2025
Michael Mehlberg	VP Lending/Finance	2025
Matt Mikkelsen	Business Owner – Rental Property	2026
Michael Moore	MW VP - UW	2025
Sean Sarver	MW VP - Claims	2026
Wendy Van der Geest	Retired	2026
Jessica VanderPloeg	MW VP – HR & Admin	2027
Tyrrell Wirkus	MW VP - Finance	2027

Officers of the Company

Company officers are elected at the board's annual meeting. At the time of the examination, the officers serving at the company are as follows:

Name	Office
*Darren Reoh	President & Chief Executive Officer
Jessica VanderPloeg	Secretary & Treasurer
Todd Lentz	Chairman of the Board
Dan Peeters	VP Operations & Affiliations

*Subsequently, Todd Lentz succeeded Darren Reoh as President & Chief Executive Officer. This change is documented in more detail in the Subsequent Events section of the Examination Report.

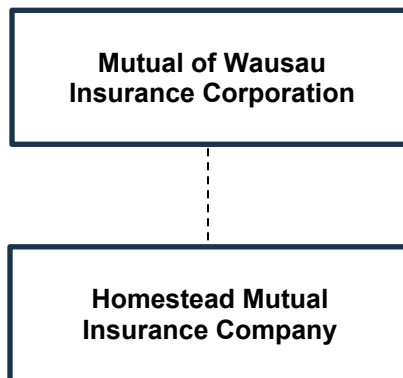
Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. At the time of the examination, there were no committees of the board.

IV. AFFILIATED COMPANIES

Homestead 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.

**Mutual of Wausau Insurance Group
Organizational Chart
As of December 31, 2023**



Mutual of Wausau Insurance Corporation

Mutual of Wausau Insurance Corporation is licensed and writes business in Wisconsin. The company is primarily a personal lines writer, with the highest volume lines of business being homeowners multi-peril and farmowners multi-peril, with 63% and 25% of total direct premiums written, respectively. The company utilizes a network of independent agencies to market and acquire business. As of December 31, 2023, the audited financial statements of Mutual of Wausau Insurance Corporation reported assets of \$39,447,052, liabilities of \$15,911,814, and capital and surplus of \$23,535,238. Wausau's operations for 2023 produced a net loss of \$1,677,138.

Affiliation Agreement

Mutual of Wausau Insurance Corporation and Homestead Mutual Insurance Company entered into an affiliation agreement on January 1, 2015. Subsequently, the agreement was amended to include Ellington Mutual Insurance effective on January 1, 2023. The current agreement, effective January 1, 2024, only includes MWIC and HMIC, as Ellington subsequently merged into Homestead Mutual Insurance Company.

The January 1, 2024, agreement outlines the items to be delivered by each entity. This agreement contains 13 exhibits containing a variety of provisions. The most critical provisions of the Affiliation Agreement include the Reinsurance Pooling Agreement, the Reinsurance Allocation Agreement, and the Management Agreement.

Reinsurance Pooling Agreement

Under the Reinsurance Pooling Agreement, HMIC cedes to MWIC all losses and loss adjustment expenses incurred as of or after January 1, 2024, and all premiums in connection with policies issued by HMIC that are in force as of or issued after January 1, 2024. MWIC makes all appropriate cessions of policies subject to the Reinsurance Pooling Agreement, including the policies assumed from HMIC, to third-party reinsurers. Reinsurance premiums ceded and recoveries from third-party reinsurers are allocated in accordance with the terms of the Reinsurance Allocation Agreement which is described below. HMIC assumes its proportional share of the pooled business, including its share of losses, loss adjustment expenses and written premiums. Each company's participation share in the pool is based on their share of the total gross premiums earned by both companies during each calendar year.

Reinsurance Allocation Agreement

The Reinsurance Allocation Agreement applies to all reinsurance purchased from January 1, 2024, forward. The Reinsurance Allocation Agreement determines the method by which the parties allocate reinsurance premiums, profit commissions, and losses pursuant to the applicable policies. Reinsurance premiums, profit commissions, and losses will be allocated to each party under the Reinsurance Allocation Agreement as follows: (i) Premiums and profit commissions will be allocated in such proportion as the party's subject premiums to the reinsurance agreement bear to the total subject premiums applicable to the reinsurance agreement, and (ii) Losses will be allocated based on the percentage such party's loss bears to the total of all losses contributing to the occurrence.

Management Agreement

The Management Agreement provides that Mutual of Wausau and Homestead may provide to each other certain services, including but not limited to reinsurance services, investment and actuarial services, underwriting, policyholder services, certain back-office services, compliance and strategic planning, premium collection and refunds, and claims management and settlement. A majority of

the services are intended to be provided by Mutual of Wausau to Homestead, but the Management Agreement permits the provision of services by any party to any other party. Payment for these services is to be made within 30 days following the end of each calendar quarter that the services were provided. MWIC and HMIC each prepare a Reimbursable Expenses Statement. The companies' expenses will be netted. The full amount of net reimbursable expenses is to be paid within 45 days of the end of each calendar quarter.

V. REINSURANCE

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

Ceding Contracts

1. Type: Multi-Line Per Risk Excess of Loss

Reinsurer: Various reinsurers brokered through Holborn Corporation:

<u>Reinsurer</u>	<u>Allocation</u>	
	<u>First Layer</u>	<u>Second Layer</u>
Domestic		
American Agricultural Ins. Co.	20.0%	20.0%
Grinnell Mutual Reinsurance Co.	25.0%	25.0%
Church Mutual Ins. Co.	4.0%	4.0%
Kentucky Farm Bureau Mutal Ins. Co.	4.0%	4.0%
Motorists Mutual Ins. Co.	4.0%	4.0%
Farm Bureau Mutual Ins. Co. of MI	4.0%	4.0%
Renaissance Reinsurance U.S. Inc.	14.0%	14.0%
Europe		
DEVK Ruckversicherungs	10.0%	10.0%
Hannover Ruck SE	15.0%	15.0%
Total	100.0%	100.0%

Scope: Two layers of excess liability reinsurance for the Group's business classified as property or casualty and one layer of excess liability reinsurance for the Group's business classified as property & casualty (Basket)

First Layer

Business: Property

Retention: \$400,000

Coverage: The reinsurer shall be liable for the amount by which such ultimate net loss exceeds the company's retention, but the liability of the reinsurer under this paragraph shall not exceed \$600,000 as respects any one risk, each loss, nor shall it exceed \$1,200,000 in all as respects all risks involved in any one loss occurrence.

Business: Casualty

Retention: \$400,000

Coverage: The company shall retain and be liable for the first \$400,000 of ultimate net loss, arising out of each loss occurrence. 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 under this paragraph shall not exceed \$600,000 as respects each loss occurrence.

Business: Basket

Retention: \$400,000

Coverage: The reinsurer shall be liable for the amount by which such ultimate net loss exceeds the company's retention, but the liability of the reinsurer under this paragraph shall not exceed \$400,000 as respects each loss occurrence.

Second Layer

Business: Property

Retention: \$1,000,000

Coverage: The reinsurer shall be liable for the amount by which such ultimate net loss exceeds the company's retention, but the liability of the reinsurer under this paragraph shall not exceed the following: 1) \$1,000,000 as respects any one risk, each loss; nor 2) \$1,000,000 in all as respects all risks involved in any one loss occurrence; nor 3) \$3,000,000 as respects all loss occurrences commencing during the contract's term.

Business: Casualty

Retention: \$1,000,000

Coverage: The reinsurer shall be liable for the amount by which such ultimate net loss exceeds the company's retention, but the liability of the reinsurer under this paragraph shall not exceed \$1,000,000 in respect for each loss occurrence, nor shall it exceed \$2,000,000 as respects all casualty loss occurrences commencing under this second layer.

Effective Date: January 1, 2024

Termination Date: January 1, 2025

2. Type: Excess Catastrophe

Reinsurer: Various reinsurers brokered through Holborn Corporation:

<u>Reinsurer</u>	<u>Allocation</u>		
	<u>First Layer</u>	<u>Second Layer</u>	<u>Third Layer</u>
Domestic			
American Agricultural Ins. Co.	17.5%	17.5%	17.5%
Grinnell Mutual Reinsurance Co.	5.0%	25.0%	25.0%
Odyssey Reinsurance Co.	7.5%	7.5%	7.5%
Renaissance Reinsurance U.S. Inc.	0.0%	5.0%	5.0%
Accident Fund Insurance Co. of America	12.5%	12.5%	12.5%
Canada			
Farm Mutual Reinsurance Plan Inc.	7.5%	7.5%	7.5%

Europe			
DEVK Ruckversicherungs	10.0%	10.0%	10.0%
R&V Versicherung AG	15.0%	15.0%	15.0%
Lloyd's Underwriters Synd. 4472 LIB	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Total	75.0%	100.0%	100.0%

<u>Reinsurer</u>	<u>Allocation</u>		
	<u>Fourth Layer</u>	<u>Fifth Layer</u>	<u>Sixth Layer</u>
Domestic			
American Agricultural Ins. Co.	17.5%	0.0%	0.0%
Grinnell Mutual Reinsurance Co.	25.0%	0.0%	0.0%
Odyssey Reinsurance Co.	7.5%	0.0%	0.0%
Renaissance Reinsurance U.S. Inc.	5.0%	0.0%	100.0%
Accident Fund Insurance Co. of America	12.5%	0.0%	0.0%
Canada			
Farm Mutual Reinsurance Plan Inc.	7.5%	0.0%	0.0%
Europe			
DEVK Ruckversicherungs	10.0%	0.0%	0.0%
R&V Versicherung AG	15.0%	0.0%	0.0%
Lloyd's Underwriters Synd. 4472 LIB	<u>0.0%</u>	<u>100.0%</u>	<u>0.0%</u>
Total	100.0%	100.0%	100.0%

Scope: All business written by the company classified as property business

First Layer

Retention: \$3,500,000

Coverage: The reinsurers' limits of liability: 1) Ultimate net loss in respect of any one loss occurrence: \$1,500,000; 2) Ultimate net loss in respect of all loss occurrences: \$3,000,000.

Second Layer

Retention: \$5,000,000

Coverage: The reinsurers' limits of liability: 1) Ultimate net loss in respect of any one loss occurrence: \$5,000,000; 2) Ultimate net loss in respect of all loss occurrences: \$10,000,000.

Third Layer

Retention: \$10,000,000

Coverage: The reinsurers' limits of liability: 1) Ultimate net loss in respect of any one loss occurrence: \$7,500,000; 2) Ultimate net loss in respect of all loss occurrences: \$15,000,000.

Fourth Layer

Retention: \$17,500,000

Coverage: The reinsurers' limits of liability: 1) Ultimate net loss in respect of any one loss occurrence: \$7,500,000; 2) Ultimate net loss in respect of all loss occurrences: \$15,000,000.

Fifth Layer

Retention: \$25,000,000

Coverage: The reinsurers' limits of liability: 1) Ultimate net loss in respect of any one loss occurrence: \$5,000,000; 2) Ultimate net loss in respect of all loss occurrences: \$10,000,000.

Sixth Layer

Retention: \$30,000,000

Coverage: The reinsurers' limits of liability: 1) Ultimate net loss in respect of any one loss occurrence: \$2,000,000; 2) Ultimate net loss in respect of all loss occurrences: \$2,000,000.

Effective Date: January 1, 2024

Termination Date: January 1, 2025

3. Type: Aggregate Stop Loss

Reinsurer: Reinsurer brokered through **Holborn Corporation:**

<u>Reinsurer</u>	<u>Share</u>
Domestic	
Grinnell Mutual Reinsurance Co.	<u>17.5%</u>
Total	17.5%

Scope: Reinsures the excess liability accrued by policies classified as property business.

Retention: 80% of the company's net earned premium.

Coverage: 100% of the company's ultimate net loss over retention, not to exceed the lesser of \$9,000,000 or 30% of the company's net earned premium.

Effective Date: January 1, 2024

Termination Date: January 1, 2025

4. Type: Umbrella Quota Share

Reinsurer: Various reinsurers brokered through Holborn Corporation:

<u>Reinsurer</u>	<u>Allocation</u>
Domestic	
American Agricultural Ins. Co.	10.0%
Grinnell Mutual Reinsurance Co.	25.0%
Church Mutual Ins. Co.	1.5%
Kentucky Farm Bureau Mutal Ins. Co.	1.5%
Motorists Mutual Ins. Co.	1.5%
Farm Bureau Mutual Ins. Co. of MI	1.5%
Renaissance Reinsurance U.S. Inc.	1.5%
The Cincinnati Ins. Co.	20.0%
Transatlantic Reinsurance Co.	<u>37.5%</u>
Total	100.0%

Scope: All umbrella business written by the company.

Retention/Coverage: **Part 1**

For policies issued by the company with limits up to but not exceeding \$3,000,000, the company shall cede to the reinsurer and the reinsurer shall accept from the company: 95% quota share participation of the company's ultimate net liability as respects the first \$1,000,000; Ultimate net liability, each policy, each loss occurrence, and 100% quota share participation of the company's ultimate net liability as respects amounts of ultimate net liability in excess of \$1,000,000, each policy, each loss occurrence.

Part 2

For accepted policies issued by the company with limits in excess of \$3,000,000, as respects that amount of limits in excess of \$3,000,000. 100% quota share participation of the company's ultimate net liability for amounts in excess of \$3,000,000 each policy, each loss occurrence. Subject to a maximum of \$5,000,000 per policy per contract year.

Effective Date: January 1, 2024

Termination: Either party may terminate the contract as of any subsequent January 1st by giving the other party at any time by giving written notice.

In addition to the reinsurance treaties described above, the company has facultative a reinsurance agreement on property business. For each risk, the agreement's retention is \$2 million, and the agreement's maximum coverage limit above retention is \$7 million. The underlying reinsurer to this agreement is Arch Reinsurance Company.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the commissioner of insurance through annual statement filings. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company and the compulsory and security surplus calculation.

Homestead Mutual Insurance Company
Assets
As of December 31, 2023

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 8,160,175	\$	\$ 8,160,175
Stocks:			
Common stocks	3,918,363		3,918,363
Mortgage loans on real estate			
First lien	715,767		715,767
Real estate:			
Occupied by the company	429,675		429,675
Cash, cash equivalents, and short-term investments	6,189,598		6,189,598
Investment income due and accrued	72,842		72,842
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	277,657	1,438	276,219
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	971,270		971,270
Reinsurance:			
Amounts recoverable from reinsurers	15,834		15,834
Other amounts receivable under reinsurance contracts	59,447	59,447	0
Current federal and foreign income tax recoverable and interest thereon	135,028		135,028
Net deferred tax asset	550,460	160,051	390,409
Electronic data processing equipment and software	17,508	2,555	14,953
Furniture and equipment, including health care delivery assets	14,026	14,026	0
Write-ins for other than invested assets:			
Refundable State Income Taxes	<u>19,805</u>	<u> </u>	<u>19,805</u>
Total Assets	<u>\$21,547,455</u>	<u>\$237,517</u>	<u>\$21,309,938</u>

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

Losses	\$ 1,482,920
Loss adjustment expenses	41,110
Commissions payable, contingent commissions, and other similar charges	269,420
Other expenses (excluding taxes, licenses, and fees)	391,913
Taxes, licenses, and fees (excluding federal and foreign income taxes)	14,339
Unearned premiums	6,049,567
Advance premium	283,203
Ceded reinsurance premiums payable (net of ceding commissions)	108,492
Payable to parent, subsidiaries and affiliates	<u>321,353</u>
 Total Liabilities	 8,962,317
Surplus as Regards Policyholders	<u>12,347,621</u>
 Total Liabilities and Surplus	 <u>\$21,309,938</u>

Homestead Mutual Insurance Company
Statement of Income
For the Year 2023

Underwriting Income

Premiums earned		\$8,502,808
Deductions:		
Losses incurred	\$4,939,372	
Loss adjustment expenses incurred	776,710	
Other underwriting expenses incurred	<u>4,505,031</u>	
Total underwriting deductions		<u>10,221,113</u>
Net underwriting gain (loss)		(1,718,305)

Investment Income

Net investment income earned	286,052	
Net realized capital gains (losses)	<u>(1,574,547)</u>	
Net investment gain (loss)		(1,288,495)

Other Income

Finance and service charges not included in premiums	350,119	
Write-ins for miscellaneous income:		
Miscellaneous	<u>9,465</u>	
Total other income		<u>359,584</u>

Net income (loss) before dividends to policyholders and before federal and foreign income taxes		(2,647,216)
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Net income (loss) after dividends to policyholders but before federal and foreign income taxes		(2,647,216)
Federal and foreign income taxes incurred		<u>(91,251)</u>

Net Loss		<u>(\$2,555,965)</u>
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Homestead Mutual Insurance Company
Cash Flow
For the Year 2023

Premiums collected net of reinsurance		\$9,115,715
Net investment income		364,871
Miscellaneous income		<u>300,137</u>
Total		9,780,723
Benefit- and loss-related payments	\$2,851,871	
Commissions, expenses paid, and aggregate write-ins for deductions	5,159,838	
Federal and foreign income taxes paid (recovered)	<u>35,000</u>	
Total deductions		<u>8,046,709</u>
Net cash from operations		1,734,014
Proceeds from investments sold, matured, or repaid:		
Bonds	\$1,529,369	
Stocks	187,575	
Mortgage loans	<u>40,405</u>	
Total investment proceeds	1,757,349	
Cost of investments acquired (long- term only):		
Bonds	1,497,253	
Stocks	229,237	
Real estate	<u>11,360</u>	
Total investments acquired	<u>1,737,850</u>	
Net cash from investments		19,499
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	<u>529,639</u>	
Net cash from financing and miscellaneous sources		<u>529,639</u>
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		2,283,152
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>3,906,446</u>
End of Year		<u>\$6,189,598</u>

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

Assets		\$21,309,938
Less liabilities		<u>8,962,317</u>
Adjusted surplus		12,347,621
Annual premium:		
Lines other than health and medical malpractice	\$9,163,897	
Factor	<u>20%</u>	
Compulsory surplus (subject to a minimum of \$2 million)		<u>2,000,000</u>
Compulsory Surplus Excess (Deficit)		<u>\$10,347,621</u>
Adjusted surplus (from above)		\$12,347,621
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>2,800,800</u>
Security Surplus Excess (Deficit)		<u>\$ 9,547,621</u>

Homestead Mutual Insurance Company
Analysis of Surplus
For the Five-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	2020	2019
Surplus, beginning of year	\$16,976,563*	\$9,532,667	\$9,216,350	\$8,880,673	\$8,125,799
Net income	(2,555,965)	259,012	335,008	318,894	594,967
Change in net unrealized capital gains/losses	(2,285,805)	(749,645)	(33,508)	3,542	201,528
Change in net deferred income tax	139,679	12,100	10,770	18,272	(41,249)
Change in nonadmitted assets	73,149	502	4,047	(5,031)	(372)
Surplus, End of Year	<u>\$12,347,621</u>	<u>\$9,054,636</u>	<u>\$9,532,667</u>	<u>\$9,216,350</u>	<u>\$8,880,673</u>

*A significant reason for the difference between the 2022 ending surplus and the 2023 beginning surplus amounts is due to mergers that were effective on December 31, 2023. The mergers increased surplus by \$7.9 million.

Growth of Homestead Mutual Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2023*	\$21,309,938	\$8,962,317	\$12,347,621	\$(2,555,965)
2022	12,849,965	3,795,229	9,054,636	259,012
2021	13,232,931	3,700,264	9,532,667	335,008
2020	12,574,441	3,358,091	9,216,350	318,894
2019	11,900,604	3,019,931	8,880,673	594,967
2018	10,740,916	2,615,117	8,125,799	603,610

*The significant increase in admitted assets, liabilities, and surplus as regard to policyholders in 2023 is mostly due to the inclusion of the merged entities in Homestead's financial results. In addition, the mergers explain the difference between beginning and ending surplus documented in the Analysis of Surplus.

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2023	\$23,657,831	\$9,163,897	\$8,502,808	67.2%	45.2%	112.4%
2022	10,087,108	4,097,774	3,880,379	53.7	39.3	93.0
2021	9,205,544	3,759,171	3,481,513	54.8	40.0	94.8
2020	8,141,110	3,325,537	3,130,899	57.7	35.2	92.9
2019	7,196,674	2,972,241	2,818,260	45.3	37.2	82.5
2018	6,591,749	2,720,275	2,596,384	43.8	37.9	81.7

The company's writing on both a gross and net basis has increased every year under examination. In 2023, the large increase in the gross and net premiums written is mostly attributable to the mergers that are discussed elsewhere in the examination report. In 2023, the company reported a combined ratio of 112.4%. The company's 2023 combined ratio was the only time the ratio exceeded 100% during the examination period. The headwinds affecting operating results include the impact of inflation, claim frequency and severity, and increasing reinsurance and operating costs. Despite this, the company's surplus grew from \$8.9 million in 2019 to \$12.3 million at year end 2023. However, the three merged entities in 2023 contributed \$7.9 million of that increase.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There was one specific recommendation in the previous examination report. The action taken by the company as a result of the recommendation was as follows:

1. Schedule P Reporting—It is recommended that, in future annual statements, the company complete Schedule P in accordance with the NAIC Annual Statement Instructions – Property/Casualty as regards an entity that participates in an intercompany pooling arrangement.

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.

Business Continuity Plan/Disaster Recovery Plan Testing

The examination determined that the company has both a Business Continuity Plan and a Disaster Recovery Plan. Both plans are rolled into one document, and the plans appear to be adequate. However, it was determined that the company does not perform regular testing of these plans. In the event either plan is activated, regular testing preserves an understanding of the purpose of each critical function. In addition, regular testing is a way to identify any adjustments needed to maintain the effectiveness of the plans. It is recommended that the company perform Business Continuity Plan and Disaster Recovery Plan testing on a regular basis.

VIII. CONCLUSION

The company was organized in 1873 as Vinland Town Insurance Company. Effective January 1, 2015, the company converted from a town mutual insurance company to a non-assessable mutual company under Ch. 611. Wis. Stat., while simultaneously entering into an affiliation agreement with Mutual of Wausau Insurance Corporation. The company mostly writes personal lines, but also writes some commercial business. The breakdown of direct premiums written is as follows: 57% of homeowners business, 25% of farmowners business, and 6% of commercial business. The remainder is split between allied lines, fire, and other liability-occurrence. The company utilizes a network of independent agents to market and acquire business.

During the examination period the company was the surviving party to multiple mergers. Effective December 31, 2023, Ellington Mutual Insurance Company, Northeastern Mutual Insurance Company, and Washington Town Mutual Insurance Company merged into the company.

The company's combined ratio in 2023 was 112.4%. It was the only time the company's combined ratio exceeded 100% during the examination period. The headwinds affecting the company's operating results include the impact of inflation, claim frequency and severity, and increasing reinsurance and operating costs. Despite this, the company's surplus grew from \$8.9 million in 2019 to \$12.3 million at year end 2023.

Overall, the company complied with the prior exam recommendation. The current examination resulted in one recommendation. There were no adjustments to surplus.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 25 - Business Continuity Plan/Disaster Recovery Plan Testing—It is recommended that the company perform Business Continuity Plan and Disaster Recovery Plan testing on a regular basis.

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
Cole Besteman, AFE	Insurance Financial Examiner
Yi Xu	Insurance Financial Examiner
Jeffery Boyd	Insurance Financial Examiner
Adam Donovan, CISSP	IT Specialist
Terry Lorenz, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Mike Miller, CFE
Examiner-in-Charge

XI. SUBSEQUENT EVENTS

On February 13, 2025, Darren Reoh resigned as Homestead Mutual Insurance Company's President & Chief Executive Officer. Subsequently, the company's board of directors approved Todd Lentz as Homestead's new President & Chief Executive Officer.