

Combined Report of the Examination of  
Jewelers Mutual Insurance Company, SI and JM Specialty Insurance Company  
Neenah, Wisconsin  
As of December 31, 2023

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October 10, 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 the following Wisconsin-domiciled, multi-state property and casualty insurance companies, hereinafter referred to as the Jewelers Mutual Group, or Group:

JEWELERS MUTUAL INSURANCE COMPANY, SI  
JM SPECIALTY INSURANCE COMPANY  
Neenah, Wisconsin

and this report is respectfully submitted.

## I. INTRODUCTION

The previous examination of Jewelers Mutual Group was conducted in 2019 as of December 31, 2018. The current examination covered the intervening period ending December 31, 2023, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination of the Group included the following companies:

Company	State
Jewelers Mutual Insurance Company, SI	Wisconsin
JM Specialty Insurance Company	Wisconsin

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

currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

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

Emphasis was placed on those areas of the companies' operations that were accorded a high priority by the examiner-in-charge when planning the examination.

The companies are 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.

#### **Independent Actuary's Review**

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of the companies' loss and loss adjustment expense reserves. The actuary also reviewed the reasonableness of the companies' pricing practices. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

## II. HISTORY AND PLAN OF OPERATION

Jewelers Mutual Insurance Company (JMIC) is a property and casualty insurance company which incorporated in March 1913 in the state of Wisconsin and commenced business in June 1914. It provides risk management and insurance solutions to the jewelry industry and writes commercial and personal jewelry insurance coverage in the United States and Canada. In 2017, JMIC formed a new property and casualty stock insurance subsidiary, JM Specialty Insurance Company (JMSI), also domiciled in Wisconsin. The focus for JMSI is to introduce a “Personal Articles Policy” coverage for jewelry and eventually to expand coverage to additional classes of personal articles (e.g., coin or stamp collections, other collectibles, fine arts, etc.). JMIC’s personal lines focus exclusively on jewelry, while JMSI, through the Personal Articles Policy, will help expand the type of items being covered.

Effective January 1, 2020, Jewelers Mutual Group’s corporate structure was reorganized as a mutual insurance holding company. As part of the reorganization, JMIC formed two new holding company entities: a mutual holding company, Jewelers Mutual Holding Company (JMHC), and its wholly-owned holding company, JM New Holdings, Inc. (JMNH). JMIC converted to a stock insurer and added SI to its name to reflect this change. JMHC became an ultimate parent of the group and JMIC became directly owned by JMNH. JMIC transferred its interest in JM Insurance Services, LLC, an insurance agency organized in 2000, and JM Facets, LLC, formed in 2017 to provide essential, noninsurance solutions (such as a shipping solution) to the jewelry industry in support of the Group’s insurance offerings, to JMNH, and the previous intermediary holding company, JM Holdings, Inc. was dissolved.

### **Jewelers Mutual Insurance Company, SI**

In 2023, JMIC wrote direct premium in the following states:

Florida	\$ 52,337,760	13.8%
New York	44,406,111	11.7
California	40,223,792	10.6
Texas	34,253,331	9.0
New Jersey	20,679,340	5.4
All others	<u>188,565,378</u>	<u>45.5</u>
Total	<u>\$380,465,712</u>	<u>100.0%</u>

JMIC is licensed in all 50 states and writes business in all states as well as the District of Columbia, the US Virgin Islands, and all provinces in Canada. The major products marketed by JMIC include two major lines of business: inland marine and commercial multiple perils, with an immaterial amount of fire and allied lines. The majority of the commercial policies offered include Jewelers Block (inland marine) which covers the jeweler's stock from losses related to theft, robbery, and certain other perils, and Business Owners (commercial multiple peril). JMIC also offers personal jewelry coverage and other services to the jewelry industry including risk management, loss control and prevention services, and a service contract/extended warranty program through its affiliated JM Care Plan, Inc. (Care Plan) and JM Care Plan Services, Inc (Care Plan Services). Commercial line products are distributed through captive and independent agencies. Personal line products are distributed through direct channels (referral from a jeweler), digital marketing (selling products from its own website), and by developing strategic partnerships with other P&C companies.

#### **JM Specialty Insurance Company**

In 2023, JMSI wrote direct premium in the following states:

Texas	\$ 532,310	17.5%
California	419,755	13.8
New Jersey	266,601	8.7
Pennsylvania	147,920	4.9
Louisiana	146,739	4.8
Georgia	135,978	4.5
All others	<u>1,397,832</u>	<u>45.8</u>
Total	<u>\$3,047,135</u>	<u>100.0%</u>

JMSI is licensed in all 50 states and writes business in all states as well as the District of Columbia. JMSI sells personal lines insurance (inland marine) covering jewelry and began writing in 2019. The lines are primarily written through call centers and online, with all business ultimately being ceded to JMIC.

The following table is a summary of the net insurance premiums written by the Group in 2023. JMIC assumes 100% of the business written by JMSI on a quota share basis. As such, substantially all the Group net results ultimately reside with JMIC.

<b>Line of Business</b>	<b>Direct Premium</b>	<b>Reinsurance Assumed</b>	<b>Reinsurance Ceded</b>	<b>Net Premium</b>
Fire	\$ 509,688	\$	\$ 509,427	\$ 262
Allied lines	5,122		5,089	33
Commercial multiple peril (non-liability portion)	22,937,127		1,701,325	21,235,802
Commercial multiple peril (liability portion)	13,835,315		2,520,089	11,315,226
Ocean marine	2,586,883		43,458	2,543,425
Inland marine	340,438,704	3,047,135	6,297,433	337,188,406
Other liability –occurrence	152,873			152,873
Total All Lines	<u>\$380,465,712</u>	<u>\$3,047,135</u>	<u>\$11,076,821</u>	<u>\$372,436,026</u>

### III. MANAGEMENT AND CONTROL

#### Board of Directors

Ultimate oversight of JMIC and JMSI occurs at the mutual holding company level, through the JMHC board of directors. The directors of JMIC and JMSI boards are members of management, all as described below in Appendix A, Management & Control. The JMHC board of directors may consist of up to 13 members and currently consists of 12 “outside” members and the CEO. Directors serve three-year terms, and the CEO is nominated annually for a one-year term. Directors nominated for board service are elected at the annual meeting of members (policyholders of JMIC and JMSI) each May. Officers are elected at the board's annual organizational meeting that follows the annual meeting of members.

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

<b>Name</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Alex Barcados	Co-owner C.D. Barcados Co. Ltd.	2025
Constance Bayne	Retired Insurance Executive	2027
Susan Doyle	Retired Insurance Executive	2027
John Green	President & Chief Executive Officer Lux, Bond & Green	2026
Patti Griffin	Retired Software Executive	2027
Dione Kenyon	Retired Financial Services Executive	2026
Dana Lorberg	Semi-retired Technology Executive Mastercard	2025
Marianne Marck	Retired Chief Information Officer	2025
Scott Murphy	President and Chief Executive Officer JMIC and JMSI	2025
Terry Murphy	Former Chief Financial Officer and Board Member of public companies	2025
Niveet Nagpal	President & Head Designer Omi Gems, Inc.	2025
Robert Reeg	Principal Owner RWReeg Consulting LLC	2026



<b>Name</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Craig Underwood	President Underwood's Fine Jewelers	2025

#### **Officers of JMHC**

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

<b>Name</b>	<b>Office</b>
Scott Murphy	President & Chief Executive Officer
Sumit Dangi	Chief Financial Officer & Treasurer
Mark Willson	VP General Counsel & Corporate Secretary

#### **Committees of the Board**

JMHC'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:

##### **Investment Committee**

Constance Bayne, Chair  
Patti Griffin  
Dione Kenyon  
Dana Lorberg  
Terry Murphy  
Craig Underwood

##### **Audit Committee**

Susan Doyle, Chair  
Alex Barcados  
John Green  
Dione Kenyon  
Dana Lorberg  
Niveet Nagpal

##### **Compensation Committee**

Patti Griffin, Chair  
Constance Bayne  
Susan Doyle  
Marianne Marck  
Niveet Nagpal  
Robert Reeg

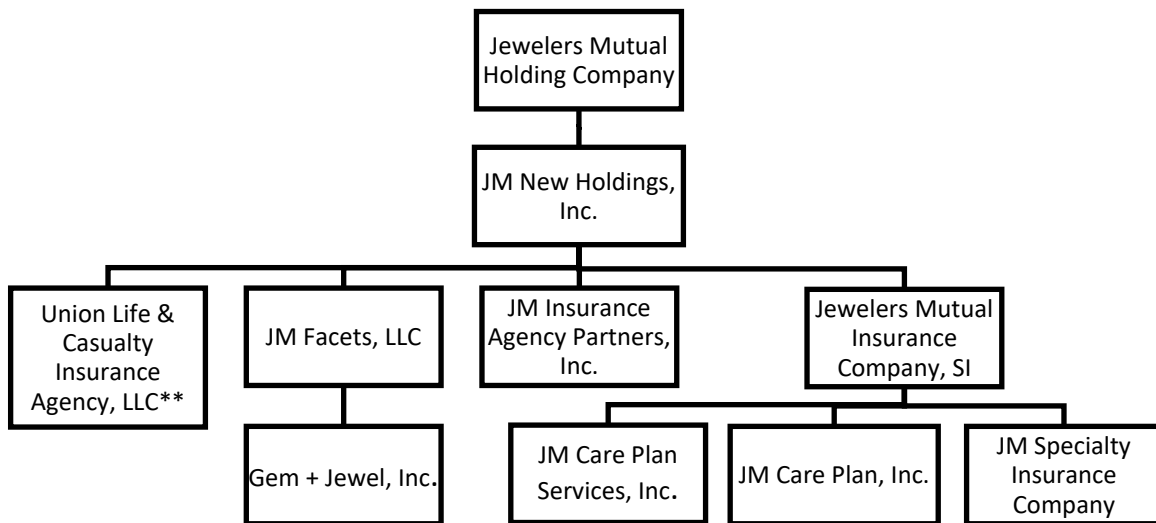
##### **Governance Committee**

John Green, Chair  
Alex Barcados  
Marianne Marck  
Scott Murphy  
Robert Reeg  
Craig Underwood

#### IV. AFFILIATED COMPANIES

JMIC and its affiliates are members 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, 2023**



\*\* Union Life & Casualty Insurance Agency, LLC (ULC) was acquired by JMNH on July 31, 2024. This transaction is described in section IX of this report captioned “Subsequent Events”.

**Jewelers Mutual Holding Company**

Jewelers Mutual Holding Company was formed on January 1, 2020, and is a mutual insurance holding company. JMHC is the ultimate parent in this group and holds the shares of JM New Holdings, Inc. As of December 31, 2023, the statutory-basis audited financial statements of JMHC reported assets of \$452.8 million, liabilities of \$31.8 thousand, and total equity of \$452.7 million. Operations for 2023 produced a net loss of \$64.7 thousand.

**JM New Holdings, Inc.**

JM New Holdings, Inc. was formed on January 1, 2020, and is wholly owned by JMHC. JMNH is a stock holding company for the purpose of holding the shares of JMHC and its subsidiaries and of other Group companies. As of December 31, 2023, the unaudited financial statements of JMNH reported assets of \$488.5 million, liabilities of \$800, with total equity of \$488.5 million. Operations for 2023 produced net income of \$5.5 million.

**JM Facets, LLC**

JM Facets, LLC, was formed in 2017 and is a wholly owned subsidiary of JMNH. JM Facets provides essential, non-insurance solutions – such as shipping – in support of the group's insurance offerings. As of December 31, 2023, the unaudited financial statements of JM Facets reported assets of \$8.8 million, liabilities of \$1.4 million, with total equity of \$7.4 million. Operations for 2023 produced a net loss of \$1.0 million.

**JM Insurance Agency Partners, Inc. (JMIA)**

On January 1, 2023, JM Insurance Services, LLC merged with and into Wexler Insurance Agency, Inc., and Wexler simultaneously changed its name to JM Insurance Agency Partners, Inc. JM Insurance Services, LLC was created on December 4, 2000, to establish a JMHC-owned independent agency for the purchase and retention of a book of business in California. Wexler Insurance Agency was originally founded in Miami, FL, in 1968 and was acquired by JMNH in 2020. Wexler Insurance Agency, Inc. was one of the world's largest independent insurance agencies specializing in providing insurance to the jewelry trade, including jewelers, pawnbrokers, check cashers, museums, and antique and fine art dealers.

JMIA is a wholly owned subsidiary of JMNH. JMIA is an insurance agency that complements the critical services provided by independent agents, with an emphasis on securing and offering commercial coverages for jewelers, pawnbrokers, and check cashing businesses. As of December 31, 2023, the unaudited financial statements of JMIA reported assets of \$50.9 million, liabilities of \$19.8 million, with total equity of \$31.1 million. Operations for 2023 produced a net loss of \$1.3 million.

**Gem + Jewel, Inc.**

Gem + Jewel, Inc. was under independent ownership until JM Facets, LLC acquired majority control of it in 2021, and it is now a wholly-owned subsidiary of JM Facets. As of December 31, 2023, the unaudited financial statements of Gem + Jewel, Inc. reported assets of \$2.6 million, liabilities of \$2.7M, with total equity of (\$0.1) million. Operations for 2023 produced a net loss of \$1.4 million.

**JM Care Plan, Inc.**

JM Care Plan, Inc. was formed in 2016 and is a wholly owned subsidiary of JMIC. JM Care Plan Inc. provides specialized services for jewelers, focusing on customer care and support through service contract protection plans for jewelry products. It is the main operational entity for the offering of this product, operating in all states (plus the District of Columbia) where JM Care Plan Services does not operate. As of December 31, 2023, the unaudited financial statements of JM Care Plan, Inc. reported assets of \$35.9 million, liabilities of \$39.6 million, with total equity of (\$3.7) million. Operations for 2023 produced a net loss of \$1.1 million.

**JM Care Plan Services, Inc.**

JM Care Plan Services, Inc. was formed in 2017 and is a wholly owned subsidiary of JMIC. JM Care Plan Services Inc. also provides specialized services for jewelers, focusing on customer care and support through service contract protection plans for jewelry products. It operates in only three states: Florida, Oklahoma, and Washington. As of December 31, 2023, the unaudited financial statements of JM Care Plan Services, Inc. reported assets of \$1.9 million, liabilities of \$1.6 million, with total equity of \$0.3 million. Operations for 2023 produced a net loss of \$74.0 thousand.

## **Agreements with Affiliates**

### **Management Agreement**

The management agreement, effective January 1, 2023, applies to JMHC and all of its subsidiaries. JMHC and any of its affiliated companies agree to furnish each other with employees, computer and telephone, actuarial, accounting, banking, investment management, financial reporting, financial auditing, legal, corporate insurance, risk management, information technology services, and other services or goods as may be requested by each such affiliated company from time to time for the purpose of enabling such affiliated company to conduct its business (collectively, the services). Compensation for the services provided is calculated based on the actual costs of the services. All payments due to a company providing services are charged monthly as incurred and payable on a quarterly basis no later than 45 days following the end of each calendar quarter.

### **Tax Sharing Agreement**

The tax sharing agreement, effective January 1, 2023, applies to JMHC and all members of the consolidated tax return filing. JMHC prepares and files consolidated tax returns for JMHC and each subsidiary. JMHC also makes or coordinates all required payments of consolidated income tax on behalf of the group. Each affiliate's tax liability is an amount equal to the affiliate's separate tax liability with respect to any consolidated return. Quarterly estimated tax payments from each affiliate to JMHC, or as instructed by JMHC, are made either one business day prior to the due date or on a quarterly basis no later than 45 days following the end of each calendar quarter.

### **Agency Agreement**

The agency agreement, effective January 1, 2023, is between JMHC and JMIA. According to this agreement, JMHC appoints JMIA for the territory limited to all fifty states of the United States plus the District of Columbia (Territory). Agent may solicit and receive applications for all classes of insurance written by JMHC on property located within the territory including applications from subagents, external brokers, and subproducers, subject to restrictions set forth by the laws and regulations of the territory and the terms and conditions of the Agreement. The assignment of the

territory is not an exclusive arrangement between JMIA and JMIC. JMIC retains the right to appoint additional agents and/or accept business on a direct basis in the Territory.

**Amended and Restated Quota Share Reinsurance Agreement**

JMSI cedes all of its business to JMIC in accordance with a 100% affiliated quota share reinsurance agreement between JMIC and JMSI which is described in section V of this report captioned "Reinsurance."

## V. REINSURANCE

The group'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 the proper insolvency provisions. The group's reinsurance program covers commercial and personal business through a broker; the group's complied with the Reinsurance Intermediary regulation. Any new business written by JMSI is 100% ceded to JMIC through a quota share agreement. The ceded reinsurance program covers Commercial Property, Casualty, and Umbrella exposures along with Personal Jewelry business written by the group.

### Nonaffiliated Ceding Contracts

1. Type: Multiple Line Excess of Loss

Reinsurers:

	Participation Percentage:
Hannover Rück SE	35.0
MS Reinsurance	10.0
Renaissance Reinsurance U.S. Inc.	47.5
The Toa Reinsurance Company of America	<u>7.5</u>
Total	<u>100.0</u>

Scope: Covers Commercial Property, Casualty and Umbrella and Personal Property Loss for US and Canadian Business

Following retention, coverage, and premium when it applies to United States, dollar sign indicates U.S. dollar; when it applies to Canada, dollar sign indicates Canadian dollar.

Retention:	<u>Commercial</u>	<u>Personal</u>
	\$2 million	\$1 million

(Each loss, each risk; Total recoveries subject to an Annual Aggregate Deductible of \$467,500)

Coverage:	<u>Commercial</u>	<u>Personal</u>
Each loss, each risk	\$5 million	\$6 million
Any loss occurrence	\$10 million	\$12 million

Effective date: January 1, 2024, through January 1, 2025.

2. Type: Property Per Risk Excess of Loss

Reinsurers:

	Participation Percentage
DEVK Rückversicherungs-und Beteiligungs-AG	2.5
Grinnell Mutual Reinsurance Company	7.5
Hannover Rück SE	15.0
Korean Reinsurance Company	7.5
R+V Versicherung AG	30.0
Renaissance Reinsurance U.S. Inc.	25.0
Shelter Mutual Insurance Company	5.0
The Toa Reinsurance Company Of America	<u>7.5</u>
Total	<u>100.0</u>

Scope: Covers All Property Perils Commercial and Personal for US and Canadian Business

Following retention, coverage, and premium when it applies to United States, dollar sign indicates U.S. dollar; when it applies to Canada, dollar sign indicates Canadian dollar.

Retention: \$7 million (Each loss, each risk)

Coverage: Each loss, each risk \$13 million  
Any loss occurrence \$26 million

Effective date: January 1, 2024, through January 1, 2025.

### 3. Type: Casualty Excess of Loss

Reinsurers:

	Participation Percentage
Lloyd's Underwriter Syndicate No. 0435 FDY	12.5
Lloyd's Underwriter Syndicate No. 4444 CNP	12.5
Hannover Rück SE	15.0
Korean Reinsurance Company	25.0
Renaissance Reinsurance U.S. Inc.	<u>35.0</u>
Total	<u>100.0</u>

Scope: Covers Commercial Casualty and Umbrella for US and Canadian Business

Following retention, coverage, and premium when it applies to United States, dollar sign indicates U.S. dollar; when it applies to Canada, dollar sign indicates Canadian dollar.

Retention: \$7 million (Each loss, each risk)

Coverage: \$6 million

Effective date: January 1, 2024, through January 1, 2025.



4. Type: Property Catastrophe Excess of Loss

Reinsurers (percentage participation):

	Layer 1	Layer 2
Allied World Assurance Company Limited	10.0	10.0
American Family Connect Prop & Cas	5.0	5.0
DEVK Rückversicherungs-und Beteiligungs-AG	2.5	2.5
Grinnell Mutual Reinsurance Company	7.5	7.5
Hannover Rück SE	10.0	10.0
Korean Reinsurance Company	15.0	15.0
R+V Versicherung AG	30.0	30.0
Renaissance Reinsurance U.S. Inc.	15.0	15.0
Shelter Mutual Insurance Company		5.0
The Toa Reinsurance Company Of America	<u>5.0</u>	
Total	<u>100.0</u>	<u>100.0</u>

Scope: Covers All Property Perils Commercial and Personal for US and Canadian Business

Following retention, coverage, and premium when it applies to United States, dollar sign indicates U.S. dollar; when it applies to Canada, dollar sign indicates Canadian dollar.

Retention: layer 1: \$5 million layer 2: \$20 million

Coverage: layer 1: \$15 million layer 2: \$20 million

Effective date: January 1, 2024, through January 1, 2025.

5. Type: Property Excess Cessions

Reinsurers:

	Participation Percentage
General Reinsurance Corporation	10.0
Lloyd's Underwriter Syndicate No. 4444 CNP	40.0
Lloyd's Underwriter Syndicate No. 1969 APL	16.0
Lloyd's Underwriter Syndicate No. 2001 AML	19.0
XL Reinsurance America Inc.	<u>15.0</u>
Total	<u>100.0</u>

Scope: Covers All Property Perils Commercial and Personal for US and Canadian Business

Following retention, coverage, and premium when it applies to United States, dollar sign indicates U.S. dollar; when it applies to Canada, dollar sign indicates Canadian dollar.

Retention: \$20 Million

Coverage: Each loss, each risk \$100 million  
Any loss occurrence \$200 million

Effective date: January 1, 2024, through January 1, 2025.

6. Type: Equipment Breakdown

Reinsurer: The Hartford Steam Boiler Inspection and Insurance Company and the Boiler Inspection and Insurance Company of Canada

Scope: All Equipment Breakdown Coverage

Retention: none

Coverage: 100% of the direct losses plus the direct allocated loss expenses less any salvage, subrogation or other recoveries plus assumed losses and assumed allocated loss expenses

Effective date: June 1, 2013, until termination

Termination: Either company has the right to terminate the agreement following not less than 180 days' prior written notice.

7. Type: Cyber Liability

Reinsurer: Houston Casualty Company

Scope: Claims made under Cyber Liability Endorsement

Retention: none

Coverage: 90% of the direct losses plus the direct allocated loss expenses less any salvage, subrogation or other recoveries plus assumed losses and assumed allocated loss expenses

Effective date: September 1, 2020, until termination

Termination: Either company has the right to terminate the agreement as of any September 1, following not less than 90 days' prior written notice.

8. Type: Employment Practices Liability

Reinsurer: General Reinsurance Corporation

Scope: Employment Practices Liability Coverage

Retention: none

Coverage: 75% of the direct losses plus the direct allocated loss expenses less any salvage, subrogation or other recoveries plus assumed losses and assumed allocated loss expenses

Effective date: November 1, 2015, until termination

Termination: Either company has the right to terminate the agreement following not less than 90 days' prior written notice.

### **Affiliated Assuming Contracts**

1. Type: Quota Share

Reinsured: JMSI

Scope: Every binder, policy, or contract of insurance issued, accepted or held, covered by or on behalf of JMSI

Retention: None

Coverage: 100% of the direct losses plus the direct allocated loss expenses less any salvage, subrogation or other recoveries plus assumed losses and assumed allocated loss expenses

Effective date: June 1, 2018, until termination

Termination: Either company has the right to terminate the agreement as of any January 1, following not less than 90 days' prior written notice.

## **VI. FINANCIAL DATA**

The following financial statements reflect the financial condition of JMIC as reported to the commissioner of insurance in the December 31, 2023, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of JMIC and the compulsory and security surplus calculation.

The financial results for JMSI can be found in Appendix B of this report.

**Jewelers Mutual Insurance Company, SI**  
**Assets**  
**As of December 31, 2023**

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$377,356,887	\$	\$377,356,887
Stocks:			
Preferred stocks			
Common stocks	259,865,088	338,368	259,526,720
Real estate:			
Occupied by the company	8,236,932		8,236,932
Properties held for the production of income	1,385,441		1,385,441
Cash, cash equivalents, and short-term investments	34,738,182		34,738,182
Other invested assets	21,119,617	297,062	20,822,555
Investment income due and accrued	2,803,280		2,803,280
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	1,407,611	27,562	1,380,050
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	46,663,092		46,663,092
Accrued retrospective premiums and contracts subject to redetermination			
Reinsurance:			
Amounts recoverable from reinsurers	146,129		146,129
Guaranty funds receivable or on deposit	443,303		443,303
Electronic data processing equipment and software	11,918,004	11,057,368	860,636
Furniture and equipment, including health care delivery assets	1,024,478	1,024,478	
Receivable from parent, subsidiaries, and affiliates	6,948,560		6,948,560
Write-ins for other than invested assets:			
Assets held for deferred compensation	7,892,976		7,892,976
Other prepaid expenses	5,264,990	5,264,990	
Other miscellaneous receivable	88,992	(15)	89,007
Guaranty fund surcharges	<u>120,318</u>	<u>                    </u>	<u>120,318</u>
Total Assets	<u>\$787,423,880</u>	<u>\$18,009,813</u>	<u>\$769,414,068</u>

**Jewelers Mutual Insurance Company, SI**  
**Liabilities, Surplus, and Other Funds**  
**As of December 31, 2023**

Losses		\$ 44,584,440
Reinsurance payable on paid loss and loss adjustment expenses		7,446
Loss adjustment expenses		9,303,174
Commissions payable, contingent commissions, and other similar charges		6,016,293
Other expenses (excluding taxes, licenses, and fees)		38,073,382
Taxes, licenses, and fees (excluding federal and foreign income taxes)		2,859,913
Current federal and foreign income taxes		1,753,555
Net deferred tax liability		9,776,156
Unearned premiums		192,810,724
Ceded reinsurance premiums payable (net of ceding commissions)		2,322,503
Funds held by company under reinsurance treaties		2,429,175
Amounts withheld or retained by company for account of others		999,261
Remittances and items not allocated		3,252,960
Net adjustments in assets and liabilities due to foreign exchange rates		2,508,324
Write-ins for liabilities:		
Liability for NQDB pension		149,193
Liability for postretirement benefits		<u>(15,270)</u>
Total Liabilities		316,831,230
Common capital stock	\$ 10,000,000	
Gross paid in and contributed surplus	600,000	
Unassigned funds (surplus)	<u>441,982,837</u>	
Surplus as Regards Policyholders		<u>452,582,837</u>
Total Liabilities and Surplus		<u>\$769,414,068</u>

**Jewelers Mutual Insurance Company, SI**  
**Summary of Operations**  
**For the Year 2023**

**Underwriting Income**

Premiums earned		\$351,595,156
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Deductions:

Losses incurred	\$124,399,101	
Loss adjustment expenses incurred	11,825,230	
Other underwriting expenses incurred	<u>156,416,729</u>	
Total underwriting deductions		<u>292,641,059</u>
Net underwriting gain (loss)		58,954,096

**Investment Income**

Net investment income earned	13,842,672	
Net realized capital gains (losses)	<u>1,426,102</u>	
Net investment gain (loss)		15,268,774

**Other Income**

Net gain (loss) from agents' or premium balances charged off	(321,886)	
Finance and service charges not included in premiums	2,544,320	
Write-ins for miscellaneous income:	<u>(16,009)</u>	
Total other income		<u>2,206,425</u>

Net income (loss) before dividends to policyholders and before federal and foreign income taxes		76,429,295
Federal and foreign income taxes incurred		<u>19,017,363</u>

Net Income (Loss)		<u>\$ 57,411,932</u>
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**Jewelers Mutual Insurance Company, SI**  
**Cash Flow**  
**For the Year 2023**

Premiums collected net of reinsurance		\$368,838,341
Net investment income		15,338,001
Miscellaneous income		<u>2,206,425</u>
Total		386,382,767
Benefit- and loss-related payments	\$125,894,479	
Commissions, expenses paid, and aggregate write-ins for deductions	151,216,778	
Federal and foreign income taxes paid (recovered)	<u>18,642,941</u>	
Total deductions		<u>295,754,197</u>
Net cash from operations		90,628,570
Proceeds from investments sold, matured, or repaid:		
Bonds	\$56,226,225	
Stocks	8,509,834	
Other invested assets	<u>122,656</u>	
Total investment proceeds	64,858,714	
Cost of investments acquired (long-term only):		
Bonds	96,744,860	
Stocks	22,804,367	
Real estate	670,451	
Other invested assets	<u>2,588,577</u>	
Total investments acquired	<u>122,808,256</u>	
Net cash from investments		(57,949,541)
Cash from financing and miscellaneous sources:		
Dividends to stockholders	7,500,000	
Other cash provided (applied)	<u>(8,040,980)</u>	
Net cash from financing and miscellaneous sources		<u>(15,540,980)</u>
<b>Reconciliation:</b>		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		17,138,048
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>17,600,134</u>
End of Year		<u>\$ 34,738,182</u>



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

Assets		\$769,414,069
Less security surplus of insurance subsidiaries		2,800,000
Less liabilities		<u>316,831,230</u>
Adjusted surplus		449,782,839
Annual premium:		
Lines other than health and medical malpractice	\$373,959,415	
Factor	<u>20%</u>	
Compulsory surplus (subject to a minimum of \$2 million)		<u>74,791,883</u>
Compulsory Surplus Excess (Deficit)		<u>\$374,991,006</u>
Adjusted surplus (from above)		\$449,782,839
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>96,481,465</u>
Security Surplus Excess (Deficit)		<u>\$353,301,374</u>

**Jewelers Mutual Insurance Company, SI**  
**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	\$367,174,620	\$367,453,504	\$ 326,457,185	\$330,071,920	\$295,178,407
Net income	57,411,932	32,912,856	36,437,728	38,513,023	27,655,877
Change in net unrealized capital gains/losses	33,349,912	(27,467,683)	27,157,792	28,203,848	8,590,321
Change in net unrealized foreign exchange capital gains/losses	(228,798)	(84,001)	(1,154,370)	324,468	107,799
Change in net deferred income tax	3,987,987	2,844,295	1,673,280	1,005,160	(587,157)
Change in nonadmitted assets	(1,438,681)	(4,582,861)	(1,044,999)	6,883,605	(674,197)
Capital changes:					
Transferred from surplus				10,000,000	
Surplus adjustments:					
Paid in				600,000	
Transferred to capital				(10,000,000)	
Dividends to stockholders	(7,500,000)	(4,000,000)	(22,000,000)	(45,000,000)	
Change in treasury stock					
Restructuring distribution/transfer				(34,076,256)	
Other surplus changes – benefit plans	<u>174,135</u>	<u>98,509</u>	<u>(73,112)</u>	<u>(68,582)</u>	<u>(199,131)</u>
Surplus, End of Year	<u>\$452,582,837</u>	<u>\$367,174,620</u>	<u>\$367,453,504</u>	<u>\$326,457,185</u>	<u>\$330,071,920</u>

**Growth of Jewelers Mutual Insurance Company, SI**

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2023	\$769,414,068	\$316,831,230	\$452,582,837	\$57,411,932
2022	642,938,152	275,763,532	367,174,620	32,912,856
2021	614,136,762	246,683,258	367,453,504	36,437,728
2020	539,554,410	213,097,224	326,457,185	38,513,023
2019	517,122,367	187,050,447	330,071,920	27,655,877
2018	463,994,140	168,815,733	295,178,407	34,997,695

<b>Year</b>	<b>Gross Premium Written</b>	<b>Net Premium Written</b>	<b>Premium Earned</b>	<b>Loss and LAE Ratio</b>	<b>Expense Ratio</b>	<b>Combined Ratio</b>
2023	\$383,512,847	\$372,436,026	\$351,595,156	38.7%	41.4%	80.1%
2022	341,458,857	332,968,393	312,027,751	46.2	40.5	86.7
2021	299,703,075	291,805,985	274,403,841	40.5	43.5	84.0
2020	263,192,661	255,853,781	245,497,195	38.9	42.2	81.1
2019	245,748,867	238,485,304	227,731,912	43.6	44.2	87.8
2018	224,721,382	216,619,397	205,920,886	44.5	39.7	84.2

During the five years under examination, JMIC's admitted assets grew 66%, liabilities grew 88%, and surplus grew 53%. This growth was primarily driven by strong operating results in all years since the previous examination and net unrealized and realized gains from investments. JMIC saw an increase of 71% in gross premium written, 72% in net premium written, and 71% in premium earned over the past five years.

JMIC has been consistently profitable, with substantial underwriting gains each of the last five years. Net income rose to \$57 million in 2023. The Loss and LAE ratio in 2023 was at the lowest rate in the examination period at 38.7% which is also reflected in the five-year low combined ratio of 80.1%. JMIC implements various loss-prevention strategies to mitigate losses including the use of various non-insurance group entities to maximize efficiencies.

**Reconciliation of Surplus per Examination**

No adjustments were made to the surplus as a result of the examination. The amount of surplus reported by the for each company as of December 31, 2023, is accepted.

## **VII. SUMMARY OF EXAMINATION RESULTS**

### **Compliance with Prior Examination Report Recommendation**

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

1. Reserving and Reporting—It is recommended that the Actuarial Report include an exhibit that ties to the Annual Statement and compares the Appointed Actuary's conclusions to the carried amounts consistent with the segmentation of exposure or liability groupings used in the analysis, as stated in NAIC Annual Statement Instructions – Property & Casualty.

Action—Compliance.

2. Management and Control—It is recommended that the company comply with s. 611.63 (4), Wis. Stat., by reporting all compensation received by officers, executive management, and directors in accordance with the instructions stated on the Report on Executive Compensation.

Action—Compliance.

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

1. Management and Control—It is recommended that the company comply with s. 611.63 (4), Wis. Stat., by reporting all compensation received by officers, executive management, and directors in accordance with the instructions stated on the Report on Executive Compensation.

Action—Compliance.

### **Summary of Current Examination Results**

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

## **VIII. CONCLUSION**

Jewelers Mutual Insurance Company, SI is a stock property and casualty insurer incorporated in March 1913 and commenced business in June 1914. JMIC provides risk management and insurance solutions to the jewelry industry and writes commercial and personal jewelry coverage in the United States and Canada. In 2017, JMIC formed a new property and casualty stock insurance subsidiary, JM Specialty Insurance Company. JMIC's personal lines focus is exclusively on jewelry, while JM Specialty, through the Personal Articles Policy, will help expand the type of items being covered. Effective January 1, 2020, JMIC converted its corporate structure to a mutual holding company, became a stock company and changed its name to Jewelers Mutual Insurance Company, SI.

During the five years under examination, admitted assets grew 66%, liabilities grew 88%, and surplus grew 53%. This growth was primarily driven by strong operating results in all examination years, especially 2023. Net unrealized and realized gains from investments have also been strong over this time.

JMIC has been consistently profitable, with substantial underwriting gains each of the last five years. Net income rose to \$57 million in 2023. The Loss and LAE ratio was at the lowest rate in the examination period at 38.7% which is also reflected in the five-year low combined ratio of 80.1%. JMIC saw an increase of 71% in gross premium written, 72% in net premium written, and 71% in premium earned over the past five years.

JMIC and JMSI complied with the recommendations of the prior examination reports. The current examination resulted in no recommendations, no adjustments to policyholders' surplus, and no reclassifications to the balance sheet.

## **IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

There were no recommendations as a result of this examination.

## **X. ACKNOWLEDGMENT**

The courtesy and cooperation extended by the officers and employees of the group 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:

<b>Name</b>	<b>Title</b>
James Lindell	Insurance Financial Examiner
Cole Besteman	Insurance Financial Examiner
Samir Hossain	Insurance Financial Examiner
Ana Careaga	Data Specialist
Adam Donovan, APIR, CISSP	IT Specialist
Terry Lorenz, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Kenton Harrison  
Examiner-in-Charge



## **XI. SUBSEQUENT EVENTS**

Union Life & Casualty Insurance Agency, LLC (ULC) was acquired by JMNH on July 31, 2024. The purpose of the ULC acquisition is to continue to enhance JM's general agency product offerings. ULC, which has been in business since 1965, is an insurance agency specializing primarily in the insurance needs of pawnshop owners as well as many related industries, such as, buy sell trade stores, gold buyers, check cashers, coin dealers, consignments stores, and more. It has carrier relationships that both expand and complement existing JMIA offerings.

## **XII. APPENDIX A: MANAGEMENT & CONTROL**

### **Jewelers Mutual Insurance Company, SI and JM Specialty Insurance Company**

#### **Board of Directors**

The board of directors of both JMIC and JMSI are identical. Directors are elected at the annual meetings of the companies' shareholders to serve one-year terms.

Currently, the boards of directors of both insurers consist of the following persons:

<b>Name</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Mike Alexander	Chief Operating Officer	2025
Sumit Dangi	Chief Financial Officer & Treasurer	2025
John Kreul	Chief Information Officer	2025
Scott Murphy	Chief Executive Officer	2025
Bryon Nelson	Chief Product & Analytics Officer	2025
Nancy Finch	Chief Experience Officer	2025

#### **Officers of JMIC and JMSI**

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

<b>Name</b>	<b>Office</b>
Scott Murphy	President & Chief Executive Officer
Mike Alexander	Chief Operating Officer
Sumit Dangi	Chief Financial Officer & Treasurer
Nancy Finch	Chief Experience Officer
John Kreul	Chief Information Officer
Bryon Nelson	Chief Product & Analytics Officer
Mark Willson	VP General Counsel & Secretary

### XIII. APPENDIX B: FINANCIAL DATA

#### JM Specialty Insurance Company Assets As of December 31, 2023

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$16,144,942	\$	\$16,144,942
Cash, cash equivalents, and short-term investments	793,616		793,616
Investment income due and accrued	74,999		74,999
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	13,702	1,040	12,662
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	207,883		207,883
Reinsurance:			
Amounts recoverable from reinsurers	7,446		7,446
Guaranty funds receivable or on deposit	3,929		3,929
Receivable from parent, subsidiaries, and affiliates	40,772		40,772
Write-ins for other than invested assets:			
Guaranty Fund surcharges	<u>449</u>		<u>449</u>
Total Assets	<u>\$17,287,739</u>	<u>\$1,040</u>	<u>\$17,286,699</u>

**JM Specialty Insurance Company**  
**Liabilities, Surplus, and Other Funds**  
**As of December 31, 2023**

Commissions payable, contingent commissions, and other similar charges	\$ 551
Other expenses (excluding taxes, licenses, and fees)	7,251
Taxes, licenses, and fees (excluding federal and foreign income taxes)	42,143
Current federal and foreign income taxes	18,621
Net deferred tax liability	22,422
Ceded reinsurance premiums payable (net of ceding commissions)	221,586
Amounts withheld or retained by company for account of others	<u>495</u>
Total Liabilities	313,068
Common capital stock	\$ 3,500,000
Gross paid in and contributed surplus	12,725,565
Unassigned funds (surplus)	<u>748,066</u>
Surplus as Regards Policyholders	<u>16,973,630</u>
Total Liabilities and Surplus	<u>\$17,286,699</u>

**JM Specialty Insurance Company**  
**Summary of Operations**  
**For the Year 2023**

**Underwriting Income**

**Investment Income**

Net investment income earned	\$312,442	
Net realized capital gains (losses)	<u>(5,269)</u>	
Net investment gain (loss)		\$307,173
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		307,173
Federal and foreign income taxes incurred		<u>60,934</u>
Net Income (Loss)		<u>\$246,239</u>

**JM Specialty Insurance Company**  
**Cash Flow**  
**For the Year 2023**

Net investment income			\$282,215
Total			<u>282,215</u>
Benefit- and loss-related payments	\$ (4,903)		
Commissions, expenses paid, and aggregate write-ins for deductions	6,151		
Federal and foreign income taxes paid (recovered)	<u>94,786</u>		
Total deductions			<u>96,033</u>
Net cash from operations			186,182
Proceeds from investments sold, matured, or repaid:			
Bonds	<u>\$3,078,291</u>		
Total investment proceeds	3,078,291		
Cost of investments acquired (long-term only):			
Bonds	<u>3,438,880</u>		
Total investments acquired	<u>3,438,880</u>		
Net cash from investments			<u>(360,589)</u>
Cash from financing and miscellaneous sources:			
Other cash provided (applied)	<u>(2,248)</u>		
Net cash from financing and miscellaneous sources			<u>(2,248)</u>
<b>Reconciliation:</b>			
Net Change in Cash, Cash Equivalents, and Short-Term Investments			(176,655)
Cash, cash equivalents, and short-term investments:			
Beginning of year			<u>970,271</u>
End of Year			<u>\$793,616</u>