

Report
of the
Examination of
Maple Valley Mutual Insurance Company
Lena, Wisconsin
As of December 31, 2017

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

July 31, 2018

125 South Webster Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: ociinformation@wisconsin.gov
Web Address: oci.wi.gov

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:

MAPLE VALLEY MUTUAL INSURANCE COMPANY
Lena, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Maple Valley Mutual Insurance Company (the company) was conducted in 2013 as of December 31, 2012. The current examination covered the intervening period ending December 31, 2017, and included a review of such 2018 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. The approach was modified to focus on the significant financial statement balances and transactions.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles,

annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

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

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 assistance with complex transactions such as accounting for income taxes and compilation of the annual statement. On December 20, 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 in 1891 as Maple Valley Mutual Home Fire Insurance Company. Subsequent amendments to the company's articles and bylaws changed the company's name to that presently used. On January 1, 1987, the company converted from a town mutual insurer licensed under ch. 612, Wis. Stat., to a nonassessable domestic mutual insurer licensed under ch. 611, Wis. Stat.

The company is licensed only in Wisconsin and is limited by order to writing business in 21 counties. In the state of Wisconsin, the company is licensed to transact the following lines of business as defined by s. Ins 6.75 (2), Wis. Adm. Code:

- (a) Fire, Inland Marine, and Other Property
- (d) Liability and Incidental Medical Expense
- (e) Automobile
- (o) Aircraft

The major products marketed by the company include farmowner's, homeowner's, and commercial multiple peril, fire, and allied lines. These products are marketed through independent agents. The company has approximately 208 independent agents, representing 55 agencies located in northeastern Wisconsin.

The following table is a summary of the net insurance premiums written by the company in 2017. The growth of the company is discussed in the "Financial Data" section of this report.

Line of Business	Direct Premium	Reinsurance Ceded	Net Premium
Fire	\$ 562,618	\$ 93,591	\$ 469,027
Allied lines	375,079	62,394	312,685
Farmowner's multiple peril	2,931,283	487,616	2,443,667
Homeowner's multiple peril	2,032,583	338,110	1,694,428
Commercial multiple peril	692,145	115,137	577,008
Other liability—occurrence	<u>92,765</u>	<u>88,127</u>	<u>4,638</u>
Total All Lines	<u>\$6,686,428</u>	<u>\$1,184,975</u>	<u>\$5,501,453</u>

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of nine members. Three directors are elected annually to serve a three-year term. Officers are elected at the board's annual meeting. The board members currently receive a per diem of \$275 per meeting for serving on the board.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Thomas A. Bitters Lena, Wisconsin	Farmer	2020
James J. Kugel Lena, Wisconsin	Owner Kugel's Cheese Mart	2020
Duane J. Magnin Oconto Falls, Wisconsin	Owner Ourown Construction Corporation	2021
John H. Matravers Oconto, Wisconsin	Retired	2019
Alvin H. Schuettpelz DePere, Wisconsin	President, Chief Executive Officer and General Manager Maple Valley Mutual Insurance Company	2020
Linda S. Sinkula Kewaunee, Wisconsin	Farmer	2021
Patrick J. Van De Hey Wrightstown, Wisconsin	Farmer	2019
Garrett E. Weber Green Bay, Wisconsin	Senior Technical Analyst Georgia-Pacific LLC	2019
Francis J. Wranosky Oconto Falls, Wisconsin	Farmer	2021

Officers of the Company

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

Name	Office	2017 Compensation
Alvin Harlan Schuettpelz	President/Treasurer	\$179,498
Thomas Arlyn Bitters	Chairman of the Board	12,300
Duane J. Magnin	Vice Chairman / Secretary	3,575

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:

Executive Committee

Thomas A. Bitters, Chair
Duane J. Magnin
Alvin H. Schuettpelz

Adjusting Committee

Thomas A. Bitters, Chair
Duane J. Magnin
Alvin H. Schuettpelz
Chadwick J. Schuettpelz – VP Claims

Nominating Committee

James J. Kugel, Chair
Thomas A. Bitters
Alvin H. Schuettpelz

Audit Committee

Thomas A. Bitters, Chair
Duane J. Magnin
Alvin H. Schuettpelz

Investment Committee

Thomas A. Bitters, Chair
Duane J. Magnin
Alvin H. Schuettpelz

IV. REINSURANCE

The company's reinsurance portfolio and strategy is described below. The contract contained proper insolvency provisions.

Nonaffiliated Ceding Contracts

The examiners' review of the company's reinsurance portfolio revealed there is currently one ceding treaty.

Reinsurer: Wisconsin Reinsurance Corporation
Effective date and term: January 1, 2018, and continuously thereafter until terminated
Termination provisions: By either party, on any January 1, with 90 days advanced written notice

The coverages provided under this treaty are summarized as follows:

1. Type of contract: Casualty Excess of Loss Insurance
 - Scope: All casualty or liability business written by the company; does not cover Umbrella Liability or Workers' Compensation
 - Retention: \$75,000 in respect to each and every loss occurrence
 - Coverage: 100% of each and every loss, including loss adjustment expense, in excess of the company's net retention of \$75,000, subject to the maximum policy limits stated below:
 - a. \$1,000,000 per occurrence, single limit, combined for bodily injury and property damage liability
 - b. \$1,000,000 split limits, in any combination of bodily injury and property damage liability
 - c. \$25,000 for medical payments, per person
 - d. \$25,000 for medical payments, per accident for Personal Lines per accident
 - Premium: 25% of the premium written for each and every policy issued by the company, subject to an annual premium deposit of \$269,124
 - Commission: None
2. Type of contract: Combination Umbrella Liability Quota Share and Excess of Loss Reinsurance
 - Scope: All business written by the company classified as Umbrella Liability
 - Commission: 27.5% of the premium paid to the reinsurer
 - Premium: 95% of net premium for each and every policy issued by the company, subject to annual deposit premium of \$88,944

Part 1—95% Quota Share of the first \$1,000,000 Limit of Liability

- Coverage: 95% of losses, including loss adjustment expenses, subject to a maximum limit of liability of \$950,000, this amount being 95% of \$1,000,000 on each loss occurrence
- Retention: 5% of up to \$1,000,000, each loss occurrence
- Part 2—100% of \$1,000,000 in excess of \$1,000,000 each loss occurrence
- Coverage: 100% of each loss occurrence, including loss adjustment expense, in excess of net retention of \$1,000,000, subject to the limit of 100% of \$1,000,000 of each loss occurrence
- Retention: \$1,000,000 of each loss occurrence
3. Type of contract: First per Risk Excess of Loss Reinsurance
- Scope: All property business written by the company
- Retention: \$100,000 in respect to each and every risk resulting from one loss occurrence
- Coverage: 100% of each and every loss, including loss adjustment expense in excess of the company's retention of \$100,000, subject to a limit of 100% of \$900,000
- Limit: 100% of \$900,000 in respect to each and every risk resulting from one loss occurrence
- Premium: 4% of net premium, subject to \$227,339 annual deposit premium
- Commission: None
4. Type of contract: Second per Risk Excess of Loss Reinsurance
- Scope: All property business written by the company
- Retention: \$1,000,000 in respect to each and every risk resulting from one occurrence
- Coverage: 100% of each and every loss, including loss adjustment expense, in excess of retention of \$1,000,000 in respect to each and every risk resulting from one occurrence
- Limit: 100% of \$1,000,000, in respect to each and every risk resulting from one occurrence
- Premium: 1.25% of net premium, subject to \$71,043 annual deposit premium
5. Type of contract: First Catastrophe of Loss Reinsurance
- Scope: All property business written by the company
- Retention: \$650,000 in respect to each and every loss
- Coverage: For the amount by which the company's losses, including loss adjustment expense, exceed an amount equal to the retention of \$650,000

- Limit: 100% of \$2,350,000
- Premium: 5% of net premium, subject to \$267,130 annual deposit premium
6. Type of contract: First Aggregate Excess of Loss Insurance
- Scope: All business written by the company
- Retention: 67% of net earned premium, estimated attachment point of \$3,944,636
- Coverage: 100% of the amount, if any, by which the aggregate of the company's net losses, including loss adjustment expense, that occur during the annual period exceed the attachment point of 67% of net premium
- Limit: 100% of 40% of annual net premium
- Premium: For each annual period, the company will pay 3% of net premium to the Reinsurer, subject to \$176,626 annual deposit premium.
7. Type of Contract: Second Aggregate Excess of Loss Reinsurance
- Scope: Covers all business written by the company
- Retention: In respect to each annual period, the company shall retain net for its own account of net losses, including loss adjustment expenses, equal to not less than the Attachment Point of 107% of net premium.
- Coverage: 100% of the amount, if any, by which the aggregate of the company's net losses, including loss adjustment expense, that occur during the annual period exceed the attachment point of 107% of net premium
- Limit: 100% of all loss, including loss adjustment expense, in excess of the retention
- Premium: For each annual period, the company will pay 1.5% of net premium to the Reinsurer, subject to \$88,313 annual deposit premium.

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, 2017, 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.

Maple Valley Mutual Insurance Company
Assets
As of December 31, 2017

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 6,590,453	\$	\$ 6,590,453
Stocks:			
Preferred stocks	75,000		75,000
Common stocks	3,458,043		3,458,043
Real estate:			
Occupied by the company	159,087		159,087
Properties held for the production of income	37,182		37,182
Properties held for sale			
Cash, cash equivalents, and short- term investments	3,381,971		3,381,971
Investment income due and accrued	70,778		70,778
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	34,359	923	33,436
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	976,123		976,123
Reinsurance:			
Amounts recoverable from reinsurers	(2,573)		(2,573)
Current federal and foreign income tax recoverable and interest thereon	36,922		36,922
Electronic data processing equipment and software	16,841	1,388	15,453
Furniture and equipment, including health care delivery assets	9,602	9,602	
Write-ins for other than invested assets:			
Automobiles	94,399	94,399	
Refundable State Income Taxes	16,898		16,898
Prepaid Expenses	<u>14,425</u>	<u>14,425</u>	<u> </u>
Total Assets	<u>\$14,969,510</u>	<u>\$120,737</u>	<u>\$14,848,773</u>

Maple Valley Mutual Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2017

Losses		\$ 732,495
Loss adjustment expenses		81,621
Commissions payable, contingent commissions, and other similar charges		223,581
Other expenses (excluding taxes, licenses, and fees)		62,941
Taxes, licenses, and fees (excluding federal and foreign income taxes)		8,346
Net deferred tax liability		209,970
Unearned premiums		3,372,290
Advance premium		105,017
Ceded reinsurance premiums payable (net of ceding commissions)		80,684
 Total Liabilities		 4,876,945
 Unassigned funds (surplus)	 \$9,971,828	
Surplus as Regards Policyholders		<u>9,971,828</u>
 Total Liabilities and Surplus		 <u>\$14,848,773</u>

**Maple Valley Mutual Insurance Company
Summary of Operations
For the Year 2017**

Underwriting Income		
Premiums earned		\$5,449,064
Deductions:		
Losses incurred	\$2,669,882	
Loss adjustment expenses incurred	625,303	
Other underwriting expenses incurred	<u>2,013,310</u>	
Total underwriting deductions		<u>5,308,495</u>
Net underwriting gain (loss)		140,569
Investment Income		
Net investment income earned	185,110	
Net realized capital gains (losses)	<u>31,243</u>	
Net investment gain (loss)		216,353
Other Income		
Finance and service charges not included in premiums	205,210	
Write-ins for miscellaneous income:		
Other Income	<u>92</u>	
Total other income		<u>205,302</u>
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		<u>562,224</u>
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		562,224
Federal and foreign income taxes incurred		<u>143,370</u>
Net Income		<u>\$ 418,854</u>

Maple Valley Mutual Insurance Company
Cash Flow
For the Year 2017

Premiums collected net of reinsurance		\$5,474,046
Net investment income		259,630
Miscellaneous income		<u>205,302</u>
Total		5,938,978
Benefit- and loss-related payments	\$3,039,995	
Commissions, expenses paid, and aggregate write-ins for deductions	2,026,196	
Federal and foreign income taxes paid (recovered)	<u>160,000</u>	
Total deductions		<u>5,226,191</u>
Net cash from operations		712,787
Proceeds from investments sold, matured, or repaid:		
Bonds	\$1,314,363	
Stocks	<u>198,814</u>	
Total investment proceeds		1,513,177
Cost of investments acquired (long-term only):		
Bonds	2,247,705	
Stocks	400,015	
Real estate	<u>24,121</u>	
Total investments acquired		<u>2,671,841</u>
Net cash from investments		(1,158,664)
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	<u>(37,827)</u>	
Net cash from financing and miscellaneous sources		<u>(37,827)</u>
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		(483,704)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>3,865,675</u>
End of Year		<u>\$3,381,971</u>

**Maple Valley Mutual Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2017**

Assets		\$14,848,773
Less liabilities		<u>4,876,945</u>
Adjusted surplus		9,971,828
Annual premium:		
Lines other than accident and health	\$5,501,453	
Factor	<u>20%</u>	
Compulsory surplus (subject to a minimum of \$2 million)		<u>2,000,000</u>
Compulsory Surplus Excess (Deficit)		<u>\$ 7,971,828</u>
Adjusted surplus (from above)		\$9,971,828
Security surplus (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum factor of 110%)		<u>2,800,000</u>
Security Surplus Excess (Deficit)		<u>\$ 7,171,828</u>

**Maple Valley Mutual Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2017**

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

	2017	2016	2015	2014	2013
Surplus, beginning of year	\$9,124,722	\$8,068,560	\$7,541,505	\$7,273,987	\$7,238,033
Net income	418,854	915,278	564,720	41,721	(133,067)
Change in net unrealized capital gains/losses	349,564	181,517	(7,866)	188,117	154,401
Change in net deferred income tax	78,522	(3,350)	6,809	27,568	13,140
Change in nonadmitted assets	<u>166</u>	<u>(37,283)</u>	<u>(36,608)</u>	<u>10,112</u>	<u>1,480</u>
Surplus, End of Year	<u>\$9,971,828</u>	<u>\$9,124,722</u>	<u>\$8,068,560</u>	<u>\$7,541,505</u>	<u>\$7,273,987</u>

**Maple Valley Mutual Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2017**

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

Ratio	2017	2016	2015	2014	2013
#1 Gross Premium to Surplus	67%	72%	80%	84%	84%
#2 Net Premium to Surplus	55	58	64	67	66
#3 Change in Net Premiums Written	3	3	3	4	9
#4 Surplus Aid to Surplus	0	0	0	0	0
#5 Two-Year Overall Operating Ratio	83	79	91	103*	97
#6 Investment Yield	1.4*	1.4*	1.8*	1.9*	2.1*
#7 Gross Change in Surplus	9	13	7	4	0
#8 Change in Adjusted Surplus	9	13	7	4	0
#9 Liabilities to Liquid Assets	29	30	34	38	32
#10 Agents' Balances to Surplus	0	0	0	0	0
#11 One-Year Reserve Development to Surplus	-2	0	-2	0	-2
#12 Two-Year Reserve Development to Surplus	0	-2	-1	-2	-2
#13 Estimated Current Reserve Deficiency to Surplus	0	6	0	-12	-1

Ratio No. 5 measures the company's profitability over the previous two-year period.

The exceptional result in 2014 was due to some unusual, severe hail storms and tornados that occurred in 2013 and 2014, resulting in large catastrophe losses.

Ratio No. 6 measures the amount of the company's net investment income as percentage of the average amount of cash and invested assets. The company reported an exceptional ratio each year under examination. The exceptional results are primarily due to the low interest rate environment, as well as the company's reliance on tax-exempt bonds, which usually have a lower interest rate.

Growth of Maple Valley Mutual Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2017	\$14,848,773	\$4,876,945	\$9,971,828	\$418,854
2016	13,848,704	4,723,982	9,124,722	915,278
2015	12,963,569	4,895,009	8,068,560	564,720
2014	12,732,577	5,191,072	7,541,505	41,721
2013	11,335,555	4,061,568	7,273,987	(133,067)
2012	11,126,706	3,888,673	7,238,033	379,035

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2017	\$6,686,428	\$5,501,453	\$5,449,064	61%	33%	94%
2016	6,577,871	5,326,652	5,259,483	40	38	78
2015	6,490,374	5,191,861	5,036,330	54	34	88
2014	6,308,283	5,033,104	4,906,374	71	33	104
2013	6,087,945	4,822,283	4,685,800	78	33	111
2012	5,741,548	4,418,852	4,188,609	55	37	92

During the period under examination, the company's admitted assets increased by 33.5%, policyholders' surplus increased by 37.8%, and gross premium written increased by 16.5%. The growth in the company over the examination period is the result of investment gains, as well as profitable underwriting results from 2015–2017.

The company had large catastrophe losses in 2017, 2014, and 2013 due to unusual, severe hail storms experienced in those years. In 2013, six tornados touched down in northeastern Wisconsin. As a result, the combined ratios for those years were elevated: in 2013 and 2014, the combined ratio exceeded 100%. The underwriting loss in 2014 was offset by a net investment gain and other income.

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, 2017, 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.

Committees of the Board of Directors

In order to more effectively supervise the company, the board of directors has established five committees, which are each properly composed of at least three directors in accordance with s. 611.56 (1), Wis. Stat. The five board committees are the Executive Committee, the Adjusting Committee, the Audit Committee, the Investment Committee, and the Nominating Committee. Section 611.56 (1), Wis. Stat., states, in relevant part, "If the articles or bylaws of a corporation so provide, the board by resolution adopted by a majority of the full board may designate one or more committees." Of the board's committees, only the Executive Committee is authorized under the company's articles of incorporation or bylaws. The addition of an additional section in Article III of the company's bylaws, authorizing the board of directors to establish any committees as it may resolve to establish, would be sufficient to remedy this oversight. Alternatively, the board of directors could choose to designate each committee by name in either the articles of incorporation or the bylaws. It is recommended that the company amend its articles of incorporation or bylaws to provide that the board of directors may designate one or more committees, as the board of directors deems appropriate, in addition to the Executive Committee, in accordance with s. 611.56 (1), Wis. Stat.

Written Policies

A conflict of interest is a situation in which the primary interest of a director, officer, or employee for the company could become subordinated to that person's personal interest. During the course of the examination, it was noted that the company's Code of Ethics does not require directors to abstain from voting on matters in which they have a potential conflict of interest. It is

appropriate for directors to contribute to board discussions even in those instances in which they have a conflict of interest. However, when directors have a potential conflict of interest, they should refrain from voting on applicable resolutions, and the abstention should be indicated in the minutes. It is recommended that the company's Code of Ethics be amended to require that directors with a potential conflict of interest properly abstain from voting on matters affecting their interest and that the minutes clearly indicate their abstention, pursuant to s. 611.60 (2), Wis. Stat. The company maintains that it has an informal conflict of interest policy for directors.

Information Technology

During the course of examination, a review was made of the company's general controls over its information systems. The review resulted in certain findings, which were presented in a letter to management dated July 31, 2018. It is recommended that the company strengthen its information system controls in accordance with the recommendations made in the letter to management dated July 31, 2018.

VIII. CONCLUSION

Maple Valley Mutual Insurance Company is a property and casualty insurance company licensed to write in 21 counties in northeastern Wisconsin. The company converted from a town mutual insurer to non-assessable Chapter 611 domestic insurer effective January 1, 1987.

The major products marketed by the company are farmowner's and homeowner's multiple peril, which accounted for 74% of the company's direct business in 2017.

During the period under examination, the company's admitted assets increased by 33.5%, policyholders' surplus increased by 37.8%, and gross premium written increased by 16.5%. The growth in the company over the examination period is the result of investment gains, as well as profitable underwriting results from 2015 – 2017.

The company had large catastrophe losses in 2017, 2014, and 2013 due to unusual, severe hail storms experienced in those years. In 2013, six tornados touched down in northeastern Wisconsin. As a result, the combined ratios for those years were elevated: in 2013 and 2014, the combined ratio exceeded 100%. The underwriting loss in 2014 was offset by a net investment gain and other income.

The current examination resulted in three recommendations. No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2017, is accepted.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 17 - Committees of the Board of Directors— It is recommended that the company amend its articles of incorporation or bylaws to provide that the board of directors may designate one or more committees, as the board of directors deems appropriate, in addition to the Executive Committee, in accordance with s. 611.56 (1), Wis. Stat.
4. Page 18 - Written Policies— It is recommended that the company's Code of Ethics be amended to require that directors with a potential conflict of interest properly abstain from voting on matters affecting their interest and that the minutes clearly indicate their abstention, pursuant to 611.60 (2), Wis. Stat.
6. Page 18 - Information Technology— It is recommended that the company strengthen its information system controls in accordance with the recommendations made in the letter to management dated July 31, 2018.

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
Gene Renard	Insurance Financial Examiner-Advanced (Lead Analyst)
Eleanor Lu	Insurance Financial Examiner-Advanced, Information Systems Audit Specialist
Jerry DeArmond	Insurance Financial Examiner-Advanced, Loss Reserve Specialist
Karl Albert	Insurance Financial Examiner-Advanced, Exam Planning & Quality Control Specialist

Respectfully submitted,



Junji Nartatez
Examiner-in-Charge