

Report of the Examination of  
Mutual of Wausau Insurance Corporation  
Wausau, 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:

MUTUAL OF WAUSAU INSURANCE CORPORATION  
Wausau, Wisconsin

and this report is respectfully submitted.

## I. INTRODUCTION

The previous examination of Mutual of Wausau Insurance Corporation (MWIC or the company) was conducted in 2019 as of December 31, 2018. The current examination covered the intervening period ending December 31, 2023, and it included a review of subsequent transactions deemed necessary to complete the examination. The examination of the company was conducted concurrently with the examination of Homestead Mutual Insurance Company (HMIC), 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 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 the 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 as a town mutual insurance company on January 1, 1998, with the consolidation of two town mutuals: Wausau Mutual Insurance Company, organized in 1875, and Stettin Mutual Insurance Company, organized in 1876. The company assumed the name Wausau Stettin Mutual Insurance Company. Effective January 1, 2011, the company converted from a town mutual insurance company to a non-assessable mutual insurance company under Ch. 611, Wis. Stat., and changed its name to Mutual of Wausau Insurance Corporation.

The company has been subject to multiple mergers and affiliations in its history. On October 1, 2011, Manitowoc Mutual Insurance Company merged into MWIC, with the company being the surviving entity. In 2023, MWIC executed three different mergers. Effective January 1, 2023, Pella Mutual Insurance Company merged into Mutual of Wausau Insurance Corporation. Effective December 31, 2023, Yorkville & Mt. Pleasant Mutual Insurance Company and Fall Creek Mutual Insurance Company merged into Mutual of Wausau Insurance Corporation.

Effective January 1, 2015, the company entered into an affiliation agreement with another domestic mutual insurer, Homestead Mutual Insurance Company. While the two companies remain separate entities, Mutual of Wausau Insurance Corporation maintains effective control of Homestead Mutual Insurance Company by virtue of appointing a majority of HMIC's board of directors. The affiliation 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 examination 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	\$ 649,615	\$ 528,604	\$ 591,927	\$ 586,292
Allied lines	1,115,716	719,748	861,934	973,530
Farmowners multiple peril	5,306,851	2,569,881	3,709,496	4,167,236
Homeowners multiple peril	13,470,354	6,575,864	10,500,605	9,545,613
Commercial multiple peril (non-liability portion)	373,182	692,273	466,750	598,705
Commercial multiple peril (liability portion)	119,038	127,660	119,006	127,692
Other liability – occurrence	<u>224,904</u>	<u>160,107</u>	<u>359,100</u>	<u>25,911</u>

<b>Line of Business</b>	<b>Direct Premium</b>	<b>Reinsurance Assumed</b>	<b>Reinsurance Ceded</b>	<b>Net Premium</b>
Total All Lines	<u>\$21,259,660</u>	<u>\$11,374,137</u>	<u>\$16,608,818</u>	<u>\$16,024,979</u>

Mutual of Wausau Insurance Corporation is licensed and writes business in the state of 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.

### III. MANAGEMENT AND CONTROL

#### Board of Directors

The company's board of directors consists of nine members. Directors are divided into three classes. One class of directors is elected annually to serve a three-year term. The company's officers are elected at the board's annual meeting.

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

<b>Name</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Bruce Bartell	Retired Business Owner	2026
Mark Ellenbecker	Retired Builder	2026
Alfred Nakhla	Retired Bank Officer	2025
Greg Nowicki	Beef Farmer - Owner	2026
Tammy Pestka	Health Insurance Agent	2027
Jon Petroskey	Retired Fire Chief	2025
Bill Rauen	Retired Farmer	2025
Todd Toppen	Bank Officer - CFO	2027
Linda Vollmar	Fire Department Secretary	2027

#### Officers of the Company

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

<b>Name</b>	<b>Office</b>
Todd Lentz	President & Chief Executive Officer
Jon Petroskey	Chairman of the Board
Bruce Bartell	Secretary & Treasurer
Alfred Nakhla	Vice Chairman of the Board

#### Committees of the Board

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

<b>Executive Committee</b>	<b>Audit Committee</b>
Bruce Bartell	Bruce Bartell
Alfred Nakhla	Mark Ellenbecker
Jon Petroskey	Alfred Nakhla

**Nominating Committee**

Bruce Bartell  
Mark Ellenbecker  
Greg Nowicki

Greg Nowicki  
Tammy Pestka  
Jon Petroskey  
Bill Rauen  
Todd Toppen  
Linda Vollmar

**Investment Committee**

Bruce Bartell  
Mark Ellenbecker  
Alfred Nakhla  
Jon Petroskey  
Todd Toppen

**Compensation Committee**

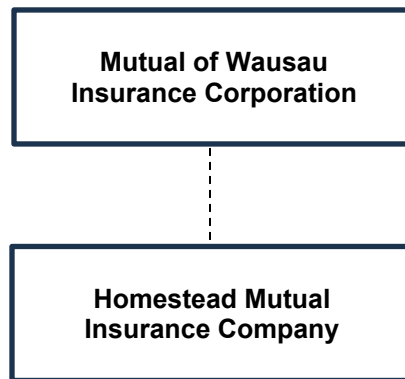
Bruce Bartell  
Alfred Nakhla  
Tammy Pestka  
Jon Petroskey



#### IV. AFFILIATED COMPANIES

Mutual of Wausau Insurance Corporation is a member of a holding company system identified as the Mutual of Wausau Insurance Group. 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**



#### **Homestead Mutual Insurance Company**

Homestead Mutual Insurance Company is an affiliate of MWIC that provides primarily personal line coverage, with the highest volume lines of business being homeowners multiple peril and farmowners multi-peril. The affiliation exists because a majority of HMIC's board members are approved by MWIC. As of December 31, 2023, the audited financial statements of HMIC reported admitted assets of \$21,309,938, liabilities of \$8,962,317, and capital and surplus of \$12,347,621. Homestead's 2023 operations produced a net loss of \$2,555,965.

#### **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 its 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. 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%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

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:

<b><u>Reinsurer</u></b>	<b><u>Allocation</u></b>		
	<b><u>First Layer</u></b>	<b><u>Second Layer</u></b>	<b><u>Third Layer</u></b>
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	0.0%	0.0%	0.0%
<b>Total</b>	<b>75.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b><u>Reinsurer</u></b>	<b><u>Allocation</u></b>		
	<b><u>Fourth Layer</u></b>	<b><u>Fifth Layer</u></b>	<b><u>Sixth Layer</u></b>
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	0.0%	100.0%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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:

<b><u>Reinsurer</u></b>	<b><u>Share</u></b>
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:

<b><u>Reinsurer</u></b>	<b><u>Allocation</u></b>
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.

**Mutual of Wausau Insurance Corporation**  
**Assets**  
**As of December 31, 2023**

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$22,313,595	\$	\$22,313,595
Stocks:			
Common stocks	7,092,097		7,092,097
Real estate:			
Occupied by the company	1,318,582		1,318,582
Cash, cash equivalents, and short-term investments	5,397,873		5,397,873
Investment income due and accrued	186,368		186,368
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	272,884	8,775	264,109
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	1,814,682		1,814,682
Reinsurance:			
Amounts recoverable from reinsurers	22,944		22,944
Net deferred tax asset	329,288		329,288
Electronic data processing equipment and software	25,407	5,100	20,307
Furniture and equipment, including health care delivery assets	21,848	21,848	0
Receivable from parent, subsidiaries, and affiliates	321,354		321,354
Write-ins for other than invested assets:			
Refundable Federal Income Taxes	314,073		314,073
Refundable State Income Taxes	51,780		51,780
Prepaid Expenses	<u>9,105</u>	<u>9,105</u>	<u>          </u>
Total Assets	<u>\$39,491,880</u>	<u>\$44,828</u>	<u>\$39,447,052</u>

**Mutual of Wausau Insurance Corporation**  
**Liabilities, Surplus, and Other Funds**  
**As of December 31, 2023**

Losses	\$ 2,968,252
Loss adjustment expenses	100,651
Commissions payable, contingent commissions, and other similar charges	894,792
Other expenses (excluding taxes, licenses, and fees)	333,153
Taxes, licenses, and fees (excluding federal and foreign income taxes)	1,167
Unearned premiums	10,777,187
Advance premium	582,636
Ceded reinsurance premiums payable (net of ceding commissions)	249,223
Write-ins for liabilities:	
Unclaimed Property	<u>4,753</u>
Total Liabilities	15,911,814
Surplus as regards to policyholders	<u>\$23,535,238</u>
Total Liabilities and Surplus	<u>\$39,447,052</u>

**Mutual of Wausau Insurance Corporation**  
**Statement of Income**  
**For the Year 2023**

**Underwriting Income**

Premiums earned		\$15,282,477
Deductions:		
Losses incurred	\$8,717,876	
Loss adjustment expenses incurred	1,135,937	
Other underwriting expenses incurred	<u>7,534,542</u>	
Total underwriting deductions		<u>17,388,355</u>
Net underwriting gain (loss)		(2,105,878)

**Investment Income**

Net investment income earned	596,242	
Net realized capital gains (losses)	<u>(924,680)</u>	
Net investment gain (loss)		(328,438)

**Other Income**

Finance and service charges not included in premiums	549,047	
Write-ins for miscellaneous income:		
Miscellaneous	<u>1,575</u>	
Total other income		<u>550,632</u>
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		(1,883,684)
Federal and foreign income taxes incurred		<u>(206,546)</u>
Net Income (Loss)		<u>\$ (1,677,138)</u>

**Mutual of Wausau Insurance Corporation**  
**Cash Flow**  
**For the Year 2023**

Premiums collected net of reinsurance		\$16,129,705
Net investment income		863,002
Miscellaneous income		<u>550,632</u>
Total		17,543,339
Benefit- and loss-related payments	\$7,859,787	
Commissions, expenses paid, and aggregate write-ins for deductions	8,603,405	
Federal and foreign income taxes paid (recovered)	<u>(265,889)</u>	
Total deductions		<u>16,197,303</u>
Net cash from operations		1,346,036
Proceeds from investments sold, matured, or repaid:		
Bonds	\$5,045,124	
Stocks	223,604	
Net gains (losses) on cash, cash equivalents, and short-term investments	<u>(285)</u>	
Total investment proceeds	<u>5,268,443</u>	
Cost of investments acquired (long- term only):		
Bonds	4,336,393	
Stocks	454,342	
Real estate	<u>16,390</u>	
Total investments acquired	<u>4,807,125</u>	
Net increase (or decrease) in contract loans and premium notes	<u>(1,132)</u>	
Net cash from investments		462,450
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	<u>(853,936)</u>	
Net cash from financing and miscellaneous sources		<u>(853,936)</u>
<b>Reconciliation:</b>		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		954,550
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>4,443,323</u>
End of Year		<u>\$5,397,873</u>

**Mutual of Wausau Insurance Corporation  
Compulsory and Security Surplus Calculation  
December 31, 2023**

Assets		\$39,447,052
Less liabilities		<u>15,911,814</u>
Adjusted surplus		23,535,238
Annual premium:		
Lines other than health and medical malpractice	\$16,024,979	
Factor	<u>20%</u>	
Compulsory surplus (subject to a minimum of \$2 million)		<u>3,204,996</u>
Compulsory Surplus Excess (Deficit)		<u>\$20,330,242</u>
Adjusted surplus (from above)		\$23,535,238
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>4,486,994</u>
Security Surplus Excess (Deficit)		<u>\$19,048,244</u>

**Mutual of Wausau Insurance Corporation**  
**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 annual statements:

	2023	2022	2021	2020	2019
Surplus, beginning of year	\$26,156,958*	\$20,474,599	\$19,341,126	\$18,812,529	\$16,879,789
Net income	(1,677,138)	973,057	799,535	140,289	1,239,377
Change in net unrealized capital gains/losses	(1,176,845)	(868,383)	335,207	400,005	699,263
Change in net deferred income tax	220,522	(15,689)	(2,630)	18,520	(7,539)
Change in nonadmitted assets	11,741	(6,664)	1,361	(30,217)	1,639
Surplus, End of Year	<u>\$23,535,238</u>	<u>\$20,556,920*</u>	<u>\$20,474,599</u>	<u>\$19,341,126</u>	<u>\$18,812,529</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 January 1, 2023, and on December 31, 2023. The mergers increased surplus by \$5.6 million.

<b>Growth of Mutual of Wausau Insurance Corporation</b>				
<b>Surplus as</b>				
<b>Regards</b>				
<b>Policyholders</b>				
Year	Admitted Assets	Liabilities	Net Income	
2023*	\$39,447,052	\$15,911,814	\$23,535,238	\$(1,677,138)
2022	33,112,995	12,556,075	20,556,920	973,057
2021	33,140,299	12,665,700	20,474,599	799,535
2020	30,585,203	11,244,077	19,341,126	140,289
2019	29,396,208	10,583,679	18,812,529	1,239,377
2018	26,490,900	9,611,111	16,879,789	1,191,480

\*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 MWIC 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		Loss and LAE Ratio		Expense Ratio	Combined Ratio
		Premium Written	Premium Earned				
2023	\$32,633,797	\$16,024,979	\$15,282,477	64.5%	43.6%		108.1%
2022	21,539,581	13,621,061	13,297,091	49.1	43.1		92.2
2021	20,448,201	13,135,003	12,591,330	53.4	42.6		96.0
2020	18,972,844	12,327,527	12,035,427	57.1	43.6		100.7
2019	17,610,477	11,670,130	11,462,424	46.2	42.2		88.4
2018	16,932,580	11,634,159	10,917,361	43.6	42.1		85.7

The company's gross and net premiums written increased every year under examination. The 2023 increase in gross and net premiums written is mainly attributable to mergers that increased the company's overall policy count. In addition, MWIC implemented rate increases in both 2022 and 2023 and expanded the use of inflation guards.

In 2023, the company's combined ratio peaked at 108.1%. MWIC's combined ratio exceeded 100% in two of the last five years. These elevated results are due to several factors including increases in storm frequency and severity, claims cost inflation, and a higher than the industry average expense ratio. Despite these headwinds, the company's surplus has grown each year and is now \$4.7 million more than it was in 2019. The three merged entities in 2023 contributed \$5.6 million of that increase.



## VII. SUMMARY OF EXAMINATION RESULTS

### Compliance with Prior Examination Report Recommendations

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

1. Conflict of Interest—It is recommended that each of the company's officers, directors, and key employees annually make conflict of interest disclosures to the company and that the company retain the disclosures in the company's records from examination to examination, in compliance with the directive of the Commissioner of Insurance and the company's employee handbook.

Action—Compliance.

2. 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**

Mutual of Wausau Insurance Corporation was originally organized as a town mutual insurance company on January 1, 1998. On January 1, 2015, the company entered into an affiliation agreement with Homestead Mutual Insurance Company. In 2023, MWIC executed on three different mergers. Effective January 1, 2023, Pella Mutual Insurance Company was merged into Mutual of Wausau Insurance Corporation. Effective December 31, 2023, Yorkville & Mt. Pleasant Mutual Insurance Company and Fall Creek Mutual Insurance Company merged into Mutual of Wausau Insurance Corporation.

The company is a property and casualty insurer whose highest volume lines of business are homeowners multi-peril and farmowners multi-peril with 61% and 27% of total direct premiums written, respectively. The company is licensed to write business in the state of Wisconsin and acquires business through a network of independent agents.

During the five-year examination period the company experienced relatively steady operating results, with 2023 being an exception. The unfavorable results of 2023 are due to several factors including increases in storm frequency and severity, claims cost inflation, and a higher than the industry average expense ratio. Weather events are the most significant threat to the corporation's underwriting results.

Overall, the company complied with both prior exam recommendations. 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:

<b>Name</b>	<b>Title</b>
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.