

Report of the Examination of
SECURA INSURANCE, A Mutual Company
Neenah, Wisconsin
As of December 31, 2018

TABLE OF CONTENTS

	Page
I. INTRODUCTION.....	1
II. HISTORY AND PLAN OF OPERATION	3
III. MANAGEMENT AND CONTROL	5
IV. AFFILIATED COMPANIES	7
V. REINSURANCE	10
VI. FINANCIAL DATA	23
VII. SUMMARY OF EXAMINATION RESULTS	32
VIII. CONCLUSION.....	34
IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS.....	35
X. ACKNOWLEDGMENT	36



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tony Evers, Governor
Mark V. Afable, Commissioner

Wisconsin.gov

January 17, 2020

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

Honorable Mark V. Afable
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:

SECURA INSURANCE, A MUTUAL COMPANY
Neenah, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of SECURA INSURANCE, A Mutual Company (the company or SECURA INSURANCE) was conducted in 2014 as of December 31, 2013. The current examination covered the intervening period ending December 31, 2018, and included a review of such 2019 transactions as deemed necessary to complete the examination.

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

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by

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

Emphasis was placed on 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.

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 company's loss and loss adjustment expense reserves. The actuary's results were reported to the examiner-in-charge.

Investment Review

The Capital Markets Bureau of the NAIC was engaged by the Office of the Commissioner of Insurance to perform a review of the company's invested assets portfolio as of December 31, 2018. The results of that review were reported to the examiner-in-charge.

II. HISTORY AND PLAN OF OPERATION

The company was organized in 1900 as The Farmers Home Mutual Hail, Tornado and Cyclone Insurance Company, a town mutual insurance company. In 1932, the company converted to a Wisconsin-domiciled mutual insurer and changed its name to Home Mutual Insurance Company. In 1986, the company changed its name to SECURA INSURANCE, A Mutual Company.

SECURA INSURANCE is the ultimate parent company in a holding company system, which includes a wholly owned intermediate holding company, SECURA Insurance Holdings, Inc. (SECURA Holdings), and a stock insurance company, SECURA Supreme Insurance Company (SECURA Supreme). There was no change to the holding company system during the period under examination. The holding company structure is further explained in the “Affiliated Companies” section of this report.

In 2018, the company wrote direct premium in the following states:

Wisconsin	\$153,685,231	32.2%
Minnesota	77,401,561	16.2
Michigan	49,327,765	10.3
Illinois	47,118,087	9.9
Iowa	26,991,823	5.7
Missouri	23,171,220	4.9
Arizona	22,593,021	4.7
Indiana	22,140,056	4.6
All others	<u>54,715,653</u>	<u>11.5</u>
 Total	 <u>\$477,144,417</u>	 <u>100.0%</u>

The company is currently licensed to write premiums in the following states:

Arizona	Arkansas	Colorado
Idaho	Illinois	Indiana
Iowa	Kansas	Kentucky
Michigan	Minnesota	Missouri
Montana	Nebraska	Nevada
New Mexico	North Dakota	Ohio
Oklahoma	Oregon	Pennsylvania
South Dakota	Tennessee	Utah
Washington	Wisconsin	Wyoming

The major products marketed by the SECURA group include commercial lines, personal lines, farm, and specialty lines. On a direct basis, SECURA INSURANCE focuses primarily on commercial business, and SECURA Supreme primarily focuses on personal

business. The group markets insurance to individuals and business enterprises classified by the company as preferred and standard risks. The major products are marketed through approximately 540 independent agencies.

The following table is a summary of the net insurance premiums written by the company in 2018. 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	\$ 2,482,579	\$ 23,990	\$ 453,194	\$ 2,053,376
Allied lines	2,151,767	52,637	360,663	1,843,741
Farmowner’s multiple peril	56,298,274		9,271,051	47,027,223
Homeowner’s multiple peril	1,334,371	62,193,052	6,430,556	57,096,866
Commercial multiple peril	121,037,946	6,083,457	19,959,791	107,161,613
Inland marine	3,547,137	49,702	543,878	3,052,962
Earthquake	572,726	400,356	129,913	843,168
Workers’ compensation	118,179,645	12,266,989	17,747,070	112,699,564
Other liability – occurrence	35,139,526	4,995,096	13,907,904	26,226,718
Other liability – claims made	3,387,359	75,149	1,708,460	1,754,049
Products liability – occurrence	12,644,837	857,569	1,756,133	11,746,274
Private passenger auto liability	2,687,315	46,250,959	5,128,510	43,809,764
Commercial auto liability	71,238,552	4,612,097	11,725,882	64,124,767
Auto physical damage	40,676,207	46,761,263	9,037,441	78,400,029
Fidelity	52,868	499	6,981	46,386
Burglary and theft	9,825	132	1,331	8,626
Boiler and machinery	5,703,483	108,733	3,829,426	1,982,790
Total All Lines	<u>\$477,144,417</u>	<u>\$184,731,682</u>	<u>\$101,998,183</u>	<u>\$559,877,916</u>

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of 11 members. In 2017, the company amended Article III, Section 2 of its bylaws to change the number of directors on the board from 10 to 11. Three or four directors are elected annually to serve a three-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also serve as members of other boards in the holding company group. The non-employee board members currently receive \$68,000 annually for serving on the board. There is an additional \$15,000 for the board chairperson, \$5,000 for committee chairpersons, and \$1,000 for participation in special meetings and board committees. Employees of the company that serve on the board do not receive additional compensation.

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

Name and Residence	Principal Occupation	Term Expires
David D. Gross Appleton, Wisconsin	President and Chief Executive Officer SECURA INSURANCE, A Mutual Company SECURA Supreme Insurance Company	2020
John A. Bykowski Appleton, Wisconsin	Chairman of the Board of Directors SECURA INSURANCE, A Mutual Company SECURA Supreme Insurance Company	2021
Mark C. Behrens Franksville, Wisconsin	Executive Vice President and Chief Financial Officer Johnson Financial Group	2021
Tim M. Bergstrom Neenah, Wisconsin	President and Chief Operating Officer Bergstrom Automotive	2021
Mary Lou Casey Vero Beach, Florida	Retired	2022
Alice H. Gannon San Antonio, Texas	Retired	2021
James R. Hayes Appleton, Wisconsin	Retired	2020
Wayne R. Micksch Green Bay, Wisconsin	Retired	2022

Name and Residence	Principal Occupation	Term Expires
Daniel Neufelder Lafayette, Indiana	President Indiana University Health West Central Region	2020
Anne E. Ross Madison, Wisconsin	Attorney and Partner Foley and Lardner LLP	2022
Catherine J. Tierney Appleton, Wisconsin	President and Chief Executive Officer Community First Credit Union	2020

Officers of the Company

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

Name	Office	2018 Compensation
David D. Gross	President and Chief Executive Officer	\$1,300,409
Martin S. Arnold	Senior Vice President and Chief Underwriting Officer	544,000
Daniel P. Ferris	Vice President, General Counsel and Corporate Secretary	451,701
Garth P. Wicinsky	Senior Vice President and Chief Administrative Officer	457,283
Jeffrey R. Kargus	Vice President, Chief Financial Officer and Treasurer	449,039
Timothy J. Heyroth	Vice President – Sales	414,586
Amy L. Dehart	Vice President and Chief Actuary	400,514

The above compensation covered all of the services rendered by the individuals to the holding group.

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

John A. Bykowski, Chair
David D. Gross
Catherine J. Tierney
Daniel Neufelder
Tim M. Bergstrom

Audit and Risk Committee

James R. Hayes, Chair
Alice Gannon
Daniel Neufelder
Wayne R. Micksch

Investment Committee

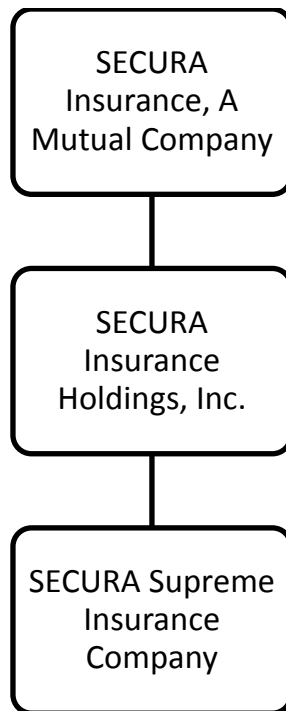
Mary Lou Casey, Chair
Anne Ross
John A. Bykowski
David D. Gross
Mark C. Behrens

IV. AFFILIATED COMPANIES

SECURA INSURANCE is the ultimate parent 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, 2018



SECURA Insurance Holdings, Inc.

SECURA Holdings is a Wisconsin-domiciled corporation organized under ch. 180 Wis. Stat., and was incorporated on January 3, 1994. The company is a wholly owned subsidiary of SECURA INSURANCE and is the direct parent of SECURA Supreme.

SECURA Holdings was capitalized with an initial cash investment from SECURA INSURANCE of \$10,000 in return for 1,000 shares of SECURA Holdings' common stock. On October 3, 1995, SECURA INSURANCE contributed \$4,000,000 cash to SECURA Holdings and received 4,000 shares of SECURA Holdings' common stock. SECURA Holdings, in turn, used this \$4,000,000 as the initial capitalization for SECURA Supreme.

As of December 31, 2018, SECURA Holdings reported a net worth of \$71,269,362, which consisted of its only asset, SECURA Supreme. Since its formation, SECURA Holdings has not conducted any business operations of its own.

SECURA Supreme Insurance Company

SECURA Supreme is a stock property and casualty insurer that was organized in 1995 under Chapter 611 of the Wisconsin statutes. SECURA Holdings owns all the outstanding shares of SECURA Supreme's common stock. SECURA Supreme is the primary personal lines underwriter in the group.

As of December 31, 2018, the audited financial statements of SECURA Supreme reported admitted assets of \$153,923,356, liabilities of \$82,653,994, and surplus of \$71,269,362. Operations for 2018 produced net income of \$6,290,756.

Agreements with Affiliates

Intercompany Pooling Agreement

SECURA INSURANCE and SECURA Supreme participate in an intercompany pooling agreement that was established on July 1, 1996, and amended on October 1, 1999, January 1, 2002, July 1, 2005, and again on January 1, 2010. Under the pooling agreement, SECURA INSURANCE and SECURA Supreme share the net retained underwriting results (after cessions to external reinsurers) in accordance with their pooling participations (90% and 10%, respectively). SECURA INSURANCE performs all administrative services pertaining to the pooled business, including: product design, marketing, billing and collections, underwriting, claims adjudication, regulatory filings, and compliance.

Professional Service Agreement

On July 1, 1996, SECURA INSURANCE and SECURA Supreme entered into a professional service agreement which covers expenses not covered under the pooling agreement. Pursuant to the agreement, SECURA INSURANCE provides professional services to SECURA Supreme, either directly or through engagement of third-party administrators. These services include actuarial, accounting, financial reporting, legal services, investment management, financial audit, and such other professional services as may be requested from

time to time by SECURA Supreme. As consideration for providing the professional services, SECURA INSURANCE is compensated by SECURA Supreme on an actual cost basis. Effective January 1, 2010, all payments due to SECURA INSURANCE are required to be paid on a quarterly basis, within 30 days of the end of each month that precedes a calendar quarter-end. The agreement has a renewal term of five years, unless terminated by either party upon 90 days' prior written notice.

Tax-Sharing Agreement

SECURA INSURANCE, SECURA Supreme, and SECURA Holdings are parties to a tax-sharing agreement. The agreement obligates each company to pay its tax as if filing a separate return, except the exemption contained in IRC section 55 regarding alternative minimum tax shall be allocated to SECURA INSURANCE for administrative ease. Payments are due on or before the 15th day of the 3rd month following the close of the company's tax year.

V. REINSURANCE

As previously described in this report, SECURA INSURANCE and SECURA Supreme participate in an intercompany pooling agreement, whereby the parties share the net retained underwriting results (after cessions to external reinsurers) in accordance with their pooling participations (90% and 10%, respectively). This section discusses the company's external reinsurance program whereby cessions occur prior to pooling. Under the terms of the external treaties, SECURA INSURANCE and SECURA Supreme both have the direct right of recovery from the reinsurers. SECURA INSURANCE guarantees SECURA Supreme's third party reinsurance recoverables.

SECURA INSURANCE's external reinsurance program is comprised of various agreements with nonaffiliated insurers for excess of loss, umbrella, and catastrophe reinsurance coverages, and immaterial assumption of nonaffiliated pool association risks. The company also has a large amount of ceded case reserves in the mandatory Michigan Catastrophic Claims Association.

The company's reinsurance portfolio and strategy 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 and cover the aggregate business of SECURA INSURANCE and SECURA Supreme:

Nonaffiliated Ceding Contracts

1. Type:	Property Per Risk Excess of Loss	
Reinsurers:	Through Guy Carpenter as Intermediary:	
	Arch Reinsurance Company	12.00%
	Allied World RE Mgmt.	5.00
	Hannover Rück SE	27.50
	R+V Versicherung AG	10.00
	Markel Global Reinsurance Company	5.00
	Renaissance Reinsurance U.S. Inc.	13.00
	The TOA Reinsurance Company of America	15.00
	All others	<u>12.50</u>
	Total Placement	<u>100.00%</u>
Scope:	Property Business	
Retention:	\$2,000,000	

Coverage:	100% in excess of \$2,000,000 for each risk and each loss limited to \$5,000,000 with respect to each risk and \$10,000,000 irrespective of the number of risks involved for all losses from one occurrence
Commissions:	None
Effective date:	January 1, 2019, to January 1, 2020
Termination:	January 1, 2020, on a cut-off basis, and the reinsurer shall have no liability for losses occurring at or after termination or expiration of the contract
2. Type:	Property Excess of Loss (Per Risk)
Reinsurer:	General Reinsurance Corporation
Scope:	Exhibit A – Property business Exhibit B – Property business (terrorism occurrences only)
Retention:	Exhibit A – \$7,000,000 Exhibit B – \$7,000,000
Coverage:	Exhibit A and Exhibit B First Excess Cover: \$3,000,000 Second Excess Cover: \$5,000,000 Third Excess Cover: \$5,000,000
Commissions:	None
Effective date:	January 1, 2019, to January 1, 2020
Termination:	At any time by either party after providing 90 days' notice in writing
3. Type:	Property Catastrophe Excess of Loss
Reinsurers:	Through Guy Carpenter as Intermediary:
	Participation
	<u>1st Layer</u> <u>2nd Layer</u> <u>3rd Layer</u>
Allied World Insurance Co.	5.00% 2.50% 3.50%
American Agricultural Ins. Co.	1.00 4.00 0.50
Amlin Bermuda	4.00 4.00 3.00
Arch Reinsurance Company	1.00 1.00 1.00
Employers Mutual Casualty Co.	1.00 1.00 1.00
Fidelis Insurance Bermuda Ltd.	0.00 0.00 7.50
Hamilton Re Ltd.	0.00 1.00 1.00
Hanover Re (Bermuda) Ltd.	0.00 5.00 4.75
Korean Reinsurance Co.	3.50 3.75 4.25
Lloyd's Syndicate No. 4472	3.25 2.00 2.00
Lloyd's Syndicate No. 5886	5.00 5.00 2.00
Lloyd's Syndicate No. 2088	3.50 3.50 3.50
Lloyd's Syndicate No. 3334	2.00 2.00 2.00
Lloyd's Syndicate No. 3268	2.50 2.50 2.00
Lloyd's Syndicate No. 1686	0.00 0.00 2.50
Lloyd's Syndicate No. 1729	0.00 1.25 1.25

	Participation		
	<u>1st Layer</u>	<u>2nd Layer</u>	<u>3rd Layer</u>
Lloyd's Syndicate No. 1861	1.25	1.25	1.00
Lloyd's Syndicate No. 1225	0.00	7.00	1.00
Lloyd's Syndicate No. 2001	12.50	7.50	12.50
Lloyd's Syndicate No. 2014	0.00	1.50	2.00
Lloyd's Syndicate No. 4242	4.25	4.00	3.50
Mapfre Reinsurance	4.75	4.75	4.75
Markel/Cat Co.	7.50	7.50	0.00
Partner Reinsurance Co. Ltd	8.00	2.00	8.00
Peak Re Hong Kong	4.00	3.00	2.00
R+V Versicherung AG	13.50	13.75	13.50
Swiss Reinsurance America Corp.	7.00	7.25	7.00
Taiping Reinsurance Co. Ltd.	<u>3.00</u>	<u>2.00</u>	<u>3.00</u>
Total Placement	<u>97.50%</u>	<u>100.00%</u>	<u>100.00%</u>

Scope: Property business, including but not limited to, earthquake, fire, allied lines, inland marine, automobile physical damage (excluding collision) and property sections of homeowners, farmowners, businessowners and commercial package policies in force at inception of contract, or written or renewed during term of the contract

Retention: The company shall retain the following amount of the ultimate net loss in respect of each and every loss occurrence in each of the three layers of the contract:

First Layer	\$ 7,000,000
Second Layer	\$20,000,000
Third Layer	\$40,000,000

Coverage: Ultimate net loss each loss occurrence in each of the three layers of the contract. Reinsurers have the following limits of liability for all loss occurrences for the respective layers of the contract:

	<u>Per Occurrence</u>	<u>All Occurrences</u>
First Layer	\$13,000,000	\$26,000,000
Second Layer	\$20,000,000	\$40,000,000
Third Layer	\$45,000,000	\$90,000,000

Reinsurer shall not be liable unless two or more risks are involved in the same loss occurrence

Commissions: None

Effective date: January 1, 2019, to January 1, 2020

Termination: January 1, 2020, applying to loss occurrences commencing during the term of the contract

4. Type: Property Catastrophe Top Layer Excess of Loss

Reinsurers: Through Guy Carpenter as Intermediary:
Employers Mutual Casualty Company 1.00%
Fidelis Insurance Bermuda Ltd. 10.00

Fidelis Underwriting Ltd.	5.00
R+V Versicherung AG	8.17
Lloyd's Syndicate No. 2088	5.00
Lloyd's Syndicate No. 2001	33.33
Lloyd's Syndicate No. 2791	25.00
Lloyd's Syndicate No. 1686	7.50
Lloyd's Syndicate No. 1084	<u>5.00</u>
Total Placement	<u>100.00%</u>

Scope: Property business, including earthquake, fire, allied lines, inland marine, automobile physical damage (excluding collision) and property sections of homeowners, farmowners, businessowners and commercial package policies in force at inception of the contract, or written or renewed during term of the contract

Retention: \$85,000,000 each loss occurrence

Coverage: 100% in excess of \$85,000,000 each loss occurrence, limited to \$15,000,000 for each loss occurrence and \$30,000,000 for all loss occurrences

Reinsurer shall not be liable unless two or more risks are involved in the same loss occurrence.

Commissions: None

Effective date: January 1, 2018, to January 1, 2020

Termination: January 1, 2020, applying to loss occurrences commencing during the term of the contract

5. Type: Property Facultative (SECURA INSURANCE only)

Reinsurer: General Reinsurance Corporation

Scope: Property business written by the company, which is defined as fire, allied lines, inland marine and commercial multiple peril except those specifically excluded, on risks located in Arizona, Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, North Dakota, Pennsylvania, and Wisconsin

Retention: \$20,000,000 each risk

Coverage: \$30,000,000 in excess of \$20,000,000 on aggregate basis with respect to acts of terrorism

Commissions: None

Effective date: January 1, 2015

Termination: January 1, 2015, or until terminated by either party at any time with at least 90 days' written notice

6. Type: Umbrella Quota Share and Excess of Loss
- Reinsurer: General Reinsurance Corporation
- Scope: Quota share and excess of loss reinsurance for commercial umbrella business, personal umbrella business, and farm umbrella business
- Retention: As respects umbrella policies written over primary policies with limits of \$2,000,000 each occurrence: 5% of the policy limit in excess of the primary policy
- As respects all other umbrella policies reinsured: 100% of the first \$1,000,000 each occurrence/\$1,000,000 aggregate and 5% of the difference, if any, between the policy limits and the first \$1,000,000 each occurrence/aggregate
- Coverage: As respects umbrella policies written over primary policies with limits of \$2,000,000 each occurrence: 95% of the policy limit in excess of the primary policy
- As respects all other umbrella policies reinsured: NIL% of the first \$1,000,000 each occurrence/aggregate. 95% of the difference, if any, between the policy limit and the first \$1,000,000 each occurrence/aggregate
- The limit of liability of the company with respect to any one policy shall be deemed not to exceed \$10,000,000 each occurrence/aggregate
- Commissions: As respects umbrella policies written over primary policies with limits of \$2,000,000 each occurrence: 95% of the company's subject written premium for policy limits up to \$10,000,000 each occurrence/aggregate
- As respects all other umbrella policies reinsured: 95% of the company's subject written premium for policy limits in excess of \$1,000,000 each occurrence/aggregate up to and including \$10,000,000 each occurrence/aggregate
- The reinsurance premiums set forth above shall be subject to a fixed commission allowance of 43%.
- Effective date: January 1, 2015
- Termination: Either party may terminate by certified mail written notice not less than 90 days' after the date of mailing the notice
7. Type: Excess Casualty Reinsurance Contract (Clash)
- Reinsurers: Through Guy Carpenter as Intermediary:
- | | Participation | | | |
|--------------------------|----------------|----------------|----------------|----------------|
| | <u>2nd X/S</u> | <u>3rd X/S</u> | <u>4th X/S</u> | <u>5th X/S</u> |
| Arch Reinsurance Company | 0.0% | 20.0% | 40.0% | 0.0% |
| Aspen Re America | 3.0 | 0.0 | 0.0 | 0.0 |

	Participation			
	<u>2nd X/S</u>	<u>3rd X/S</u>	<u>4th X/S</u>	<u>5th X/S</u>
Axis Re. Co.	7.5	0.0	0.0	0.0
Employers Mutual Casualty Co.	5.0	5.0	5.0	0.0
Endurance US Re. Co.	10.0	0.0	0.0	0.0
Hannover Rück SE	35.0	30.0	0.0	0.0
Markel Re	0.0	0.0	7.5	10.0
Mutual Reinsurance Bureau	4.5	0.0	0.0	0.0
Lloyd's Syndicate 2987	0.0	5.0	5.0	30.0
Partner Re. Co. of the US	5.0	0.0	0.0	0.0
Renaissance Reins. U.S. Inc.	7.5	15.0	15.0	0.0
Safety National Cas. Corp.	0.0	3.5	5.0	40.0
SCOR Reins. Co.	5.0	0.0	0.0	0.0
Transatlantic Reins. Co.	10.0	0.0	0.0	0.0
Trans Re	7.5	0.0	0.0	0.0
Tokio Millennium Reinsurance	<u>0.0</u>	<u>21.5</u>	<u>22.5</u>	<u>20.0</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Scope: Casualty business, including, but not limited to, automobile liability, general liability, workers' compensation (including employers liability) and liability sections of homeowners, mobile homeowners, farmowners, businessowners and commercial package policy business, and the first \$1,000,000 of policy limit for commercial, personal and farm umbrella liability policies

Retention: The company shall retain the following amount of the ultimate net loss each loss occurrence in each of the five layers of the contract:

Second Excess	\$ 2,000,000
Third Excess	\$10,000,000
Fourth Excess	\$15,000,000
Fifth Excess	\$35,000,000

Coverage: 100% of the ultimate net loss over and above the initial ultimate net loss retention. Reinsurers have the following limits of liability for all loss occurrences for the respective layers of the contract:

	<u>Per Occurrence</u>	<u>All Occurrences</u>
Second Excess	\$ 8,000,000	\$32,000,000
Third Excess	\$ 5,000,000	\$10,000,000
Fourth Excess	\$10,000,000	\$20,000,000
Fifth Excess	\$15,000,000	\$30,000,000

Workers' compensation maximum limit per person:

Third Excess:	\$10,000,000
Fourth Excess:	\$15,000,000
Fifth Excess:	\$20,000,000

The second layer covers losses resulting from acts of terrorism. The third and fourth layers cover losses resulting from acts of terrorism, except for losses resulting from use of any biological, radiological, chemical or nuclear weapon.

Commissions: None

Effective date: January 1, 2019, to January 1, 2020

Termination:	January 1, 2020, applying to losses occurring during term of contract. At expiration there is an option for runoff until the expiration or renewal of policies in force.	
8. Type:	Excess Casualty Reinsurance Contract Top Layer (Clash)	
Reinsurers:	Through Guy Carpenter as Intermediary:	
	Mutual Reinsurance Bureau	10.00%
	Lloyd's Syndicate No. 2987	30.00
	Tokio Millennium Re Bermuda	<u>50.00</u>
	Total Placement	<u>90.00%</u>
Scope:	Casualty business, including, but not limited to, automobile liability, general liability, workers' compensation (including employers liability) and liability sections of homeowners, mobile homeowners, farmowners, businessowners and commercial package policy business, and the first \$1,000,000 of policy limit for commercial, personal and farm umbrella liability policies	
Retention:	\$50,000,000	
Coverage:	100% of the ultimate net loss over and above the initial ultimate net loss retention, subject to a limit of liability of \$10,000,000 for each and every loss occurrence. The liability for all loss occurrences shall not exceed \$20,000,000 and the ultimate net loss for workers' compensation is limited to \$20,000,000.	
Commissions:	None	
Effective date:	January 1, 2018, to January 1, 2020	
Termination:	January 1, 2020, applying to losses occurring during term of contract. At expiration there is an option for runoff until the expiration or renewal of policies in force.	
9. Type:	Property Catastrophe Aggregate Excess of Loss	
Reinsurers:	Through Guy Carpenter as Intermediary:	
	American Agricultural Insurance Company	5.0%
	Taiping Reinsurance Company Ltd.	5.0
	Lloyd's Syndicate No. 1861	5.0
	Lloyd's Syndicate No. 2001	16.0
	Markel/Cat Co.	5.0
	Peak Re Hong Kong	10.0
	R+V Versicherung AG	33.0
	All others	<u>18.5</u>
	Total Placement	<u>97.5%</u>
Scope:	Property business, including earthquake, fire, allied lines, inland marine, automobile physical damage (excluding collision) and property sections of homeowners, farmowners, businessowners and commercial package policies in force at inception of the contract, or written or renewed during term of the contract	

Retention:	\$15,000,000 of the company's aggregate subject ultimate net loss. Subject ultimate net loss means the company's ultimate net loss in excess of \$1,500,000 each loss occurrence but not to exceed \$5,500,000 each loss occurrence.
Coverage:	\$15,000,000 of the aggregate ultimate net loss in excess of \$15,000,000 Reinsurer shall not be liable unless two or more risks are involved in the same loss occurrence
Commissions:	None
Effective date:	January 1, 2019, to January 1, 2020
Termination:	January 1, 2020, applying to loss occurrences commencing during the term of the contract
10. Type:	Property Equipment Breakdown Quota Share
Reinsurer:	The Hartford Steam Boiler Inspection and Insurance Company
Scope:	Equipment breakdown liability, for new and renewal policies effective as respects accidents occurring during term of this agreement
Retention:	0% of company's net loss for amounts for equipment breakdown up to \$25,000,000 for any one accident
Coverage:	100% quota share for amounts for equipment breakdown up to \$25,000,000 for any one accident \$25,000 for data restoration as respects to the company's causes of loss breakdown plus endorsement for any one accident
Commissions:	As respects the reinsurance premium for business owners, commercial package policies and farm policies, other than policies covering referral risks, no ceding commission shall be allowed. As respects policies covering referral risks meeting the reinsurer's specified underwriting guidelines, the reinsurer shall allow a ceding commission of 30% of the reinsurance premium ceded unless otherwise agreed upon by both parties for specific policy forms or particular accounts.
Effective date:	October 1, 2002
Termination:	At any time by either party by providing six months prior notice in writing provided that the reinsurer shall continue to be bound hereunder for the balance of the term of all policies of insurance written by the company which remain in force on the termination date of this agreement

11. Type: Property Equipment Breakdown Quota Share
- Reinsurer: The Hartford Steam Boiler Inspection and Insurance Company
- Scope: The company's liability for losses covered under a data compromise coverage form
- Retention: 0% of company's net loss for amounts for equipment breakdown up to \$1,000,000 for any one accident
- Coverage: 100% quota share up to \$1,000,000 for any one accident for response expenses and for defense and liability annual aggregate per policy
- Commissions: None
- Effective date: October 1, 2015
- Termination: An unlimited duration but may be terminated by either party given 180 days' notice in writing
12. Type: Employment Practices Liability Quota Share
- Reinsurer: General Reinsurance Corporation
- Scope: The company shall cede to the reinsurer the employment practices liability business described in the exhibits to this agreement.
- Exhibit A: Quota Share Reinsurance: Package policy employment practices liability business
- Exhibit B: Quota Share Reinsurance: Monoline employment practices liability business
- Exhibit C: Quota Share Reinsurance: Directors, officers, and trustees liability business
- Retention: Exhibit A: 50% of policy limit
- Exhibit B: 50% of the first \$100,000 of the company's net loss each claim and 10% of the next \$900,000 of the company's net loss each claim in excess of the first \$100,000 and 0% of the next \$1,000,000 of the company's net loss each claim in excess of \$1,000,000
- Exhibit C: Not for profit organization directors, officers and trustees 50% of \$1,000,000 policy limit of the company's net loss on each claim
- Coverage: Exhibit A: Single policy limit of 50% of \$100,000 each claim/aggregate limit

	Exhibit B: Shall apply to employment practices liability written on a stand-alone basis. 50% of the first \$100,000 of net loss each claim, 90% of the next \$900,000 of net loss each claim in excess of the first \$100,000 and 100% of the next \$1,000,000 of net loss each claim in excess of \$1,000,000
	Exhibit C: 50% of \$1,000,000 policy limits of net loss each claim
Commissions:	Exhibit A: The reinsurance premium set forth above shall be subject to a fixed commission allowance of 12.5%
	Exhibit B: The reinsurance premium for commercial employment practices liability as written on the company's employment practices liability monoline insurance policy shall be subject to a fixed commission allowance of 25%
	Exhibit C: Subject to a fixed commission allowance of 22.5%
Effective date:	March 1, 2010 (Exhibit A), March 1, 2010 (Exhibit B), March 1, 2010 (Directors, Officers and Trustees Liability Business)
Termination:	May be terminated by either party sending to the other 90 days' notice. Upon termination the reinsurer shall continue to be liable with respect to policies in force at the time and date of termination for employment practices occurring until the expiration or cancellation date, not to exceed a reinsurance run-off period no more than 18 months in total, provided that the claim is made to the company during the policy period or within 30 days thereafter. However, if the company provides an extended reporting period within the reinsurance runoff period on any policy which is in force at the time and date of termination, or if an extended reporting period is in force at the time and date of termination, the reinsurer shall continue to be liable for claims made to the company during the extended reporting period.
13. Type:	Workers' Compensation and Employers' Liability Business Excess of Loss
Reinsurer:	General Reinsurance Corporation
Scope:	Exhibit A: Workers' compensation and employers' liability business
	Exhibit B: Casualty business - automobile liability, general liability, the liability sections of homeowners. Mobile homeowners, farmowners, businessowners and commercial package policy business and the first \$1,000,000 of limit of commercial, personal and farm umbrella liability
Retention:	Exhibit A: Workers' compensation and employers' liability business \$10,000,000 each person
	Exhibit B: Casualty business \$25,000,000

Coverage: Exhibit A: 100% of \$10,000,000 in excess of \$10,000,000 each person

The liability of the reinsurer shall not exceed \$10,000,000 with respect to all ultimate net loss arising out of all war or terrorism occurrences commencing during the term of the contract

The liability of the reinsurer shall not exceed \$20,000,000 with respect to all ultimate net loss arising out of all occurrences, including war or terrorism occurrences, commencing during the term of the contract

Exhibit B: Casualty business 100% of \$10,000,000 in excess of \$25,000,000

The liability of the reinsurer shall not exceed \$10,000,000 with respect to all ultimate net loss arising out of all war or terrorism occurrences commencing during the term of the contract

The liability of the reinsurer shall not exceed \$20,000,000 with respect to all ultimate net loss arising out of all occurrences, including war or terrorism occurrences, commencing during the term of the contract

As respects workers' compensation and employers' liability business the amount of ultimate net loss for any one employee shall not exceed \$20,000,000

Exhibit A and B: The limits of liability of the company with respect to any one policy shall not exceed:

Workers' compensation – Statutory
Employers' liability:
\$1,000,000 each accident
\$1,000,000 policy limit
\$1,000,000 each employee

Commissions: None

Effective date: January 1, 2019, to December 31, 2019

Termination: At any time by either party by providing 90 days' notice in writing

14. Type: Multiple Line Excess of Loss

Reinsurers:	Through Guy Carpenter as Intermediary:	
	Hannover Rück SE	35.00%
	Employers Mutual Casualty Company	5.00
	Everest Reinsurance Company	17.50
	Markel Global Reinsurance Company	7.50
	Mutual Reinsurance Bureau	5.00
	Partner Reinsurance Company of the US	6.00
	The Toa Reinsurance Company of America	15.00
	All others	<u>9.00</u>
	Total Placement	<u>100.00%</u>

Scope:	Business classified as property and casualty business, in force at inception.								
Retention:	Property: \$1,000,000 Casualty: \$1,000,000 Property and Casualty Combined: \$1,000,000								
Coverage:	<p>Property: Reinsurer shall be liable in respect of each risk, each loss, for the ultimate net loss over and above an initial ultimate net loss of \$1,000,000 each risk, each loss, subject to a limit of liability to the reinsurer of \$1,000,000 each risk, each loss, and further subject to a limit of liability to the reinsurer of \$2,000,000 each loss occurrence</p> <p>Casualty: Reinsurer shall be liable in respect of each loss occurrence, for the ultimate net loss over and above an initial ultimate net loss of \$1,000,000 each loss occurrence, subject to a limit of liability to the reinsurer of \$1,000,000 each loss occurrence</p> <p>Property and Casualty combined: In the event of a loss occurrence involving at least one property policy and at least one casualty policy subject of this contract, the reinsurer shall be liable in respect of each loss occurrence for the ultimate net loss over and above an initial ultimate net loss of \$1,000,000 each loss occurrences, subject to a limit of liability to the reinsurer of \$1,000,000 each loss occurrence</p>								
Commissions:	None								
Effective date:	January 1, 2019, to January 1, 2020								
Termination:	The company may terminate this contract at any time by giving written notice given certain circumstances.								
15. Type:	NBCR Terrorism Excess of Loss								
Reinsurer:	<table border="0" style="width: 100%;"> <tr> <td>Through Guy Carpenter as Intermediary:</td> <td></td> </tr> <tr> <td>Lloyd's Syndicate No. 2001</td> <td style="text-align: right;">25.0%</td> </tr> <tr> <td>Lloyd's Syndicate No. 2003</td> <td style="text-align: right;"><u>75.0</u></td> </tr> <tr> <td>Total Placement</td> <td style="text-align: right;"><u>100.0%</u></td> </tr> </table>	Through Guy Carpenter as Intermediary:		Lloyd's Syndicate No. 2001	25.0%	Lloyd's Syndicate No. 2003	<u>75.0</u>	Total Placement	<u>100.0%</u>
Through Guy Carpenter as Intermediary:									
Lloyd's Syndicate No. 2001	25.0%								
Lloyd's Syndicate No. 2003	<u>75.0</u>								
Total Placement	<u>100.0%</u>								
Scope:	Acts of terrorism and/or acts of sabotages losses for all policies classified as property and casualty, including workers' compensation business								
Retention:	\$15,000,000 each loss occurrence								
Coverage:	The reinsurer shall be liable in respect of each loss occurrences, for the ultimate net loss over and above an initial ultimate net loss of \$15,000,000 each loss occurrences, subject to a limit of liability to the reinsurer of \$20,000,000 each loss occurrence. The reinsurer's liability for all loss occurrences shall not exceed \$20,000,000								

For the purposes of this contract the maximum contribution to the company's ultimate net loss shall not exceed 1) \$10,000,000 as respects any one life; or 2) \$10,000,000 as respects any one risk

Commissions: None
 Effective date: January 1, 2019, to January 1, 2021
 Termination: The company may terminate this contract for cause at any time by giving written notice

16. Type: Property Catastrophe Back-up Excess of Loss

Reinsurer: Through Guy Carpenter as Intermediary:

Allied World Re Mgmt.	5.0%
Arch Reinsurance Company	10.0
Navigators Reinsurance	5.0
Swiss Reinsurance America Corporation	10.0
Peak Re Hong Kong	7.5
Lloyd's Syndicate No. 1686	10.0
Lloyd's Syndicate No. 2791	7.5
R+V Versicherung AG	25.0
All others	<u>20.0</u>
Total Placement	<u>100.0%</u>

Scope: Property business, including earthquake, fire, allied lines, inland marine, automobile physical damage (excluding collision) and property sections of homeowners, farmowners, businessowners and commercial package policies in force at inception of contract, or written or renewed during term of the contract

Retention: \$7,000,000 for each and every loss occurrence

Coverage: \$7,000,000 for each and every loss occurrence, subject to a limit of liability to the reinsurer of \$13,000,000. Further, the reinsurer has limited liability of \$13,000,000 for all loss occurrences commencing during the term of the contract

The reinsurer shall not be liable unless two or more risks are involved in the same loss occurrence. The company shall be sole judge of what constitutes one risk for all purpose of this contract

Commissions: None
 Effective date: September 6, 2019, to January 1, 2020
 Termination: The company may terminate this contract at any time by giving written notice.

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, 2018, 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.

SECURA INSURANCE, A Mutual Company
Assets
As of December 31, 2018

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 679,154,706	\$	\$ 679,154,706
Stocks:			
Preferred stocks	15,684,510		15,684,510
Common stocks	231,938,269		231,938,269
Real estate:			
Occupied by the company	84,024,089		84,024,089
Properties held for sale	7,236,448		7,236,448
Cash, cash equivalents, and short-term investments	(2,910,254)		(2,910,254)
Other invested assets	546,622		546,622
Receivables for securities	1,336		1,336
Investment income due and accrued	6,279,571		6,279,571
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	4,618,201	695,170	3,923,031
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	179,213,413	652,948	178,560,465
Reinsurance:			
Amounts recoverable from reinsurers	6,436,134		6,436,134
Net deferred tax asset	25,609,474		25,609,474
Electronic data processing equipment and software	46,452,788	42,772,561	3,680,227
Furniture and equipment, including health care delivery assets	3,524,799	3,524,799	
Receivable from parent, subsidiaries, and affiliates	456,385		456,385
Write-ins for other than invested assets:			
Prepaid benefit cost	30,760,648	30,760,648	
Overfunded plan asset	(30,760,648)	(30,760,648)	
Other assets	8,197,912	941,710	7,256,202
Total Assets	<u>\$1,296,464,402</u>	<u>\$48,587,189</u>	<u>\$1,247,877,213</u>

SECURA INSURANCE, A Mutual Company
Liabilities, Surplus, and Other Funds
As of December 31, 2018

Losses	\$ 307,945,145
Loss adjustment expenses	109,468,117
Commissions payable, contingent commissions, and other similar charges	12,791,399
Other expenses (excluding taxes, licenses, and fees)	34,257,399
Taxes, licenses, and fees (excluding federal and foreign income taxes)	1,562,469
Current federal and foreign income taxes	224,856
Borrowed money and interest thereon	18,539,945
Unearned premiums	278,341,900
Advance premium	2,938,293
Dividends declared and unpaid:	
Policyholders	4,662,777
Ceded reinsurance premiums payable (net of ceding commissions)	2,472,705
Amounts withheld or retained by company for account of others	863,338
Remittances and items not allocated	986,743
Payable for securities	138,835
Write-ins for liabilities:	
Liability for pension benefits	10,648,000
Reserve for escheats	492,468
Other liabilities	<u>54,210</u>
 Total Liabilities	 786,388,599
 Write-ins for special surplus funds:	
Guaranty fund	\$ 1,000,000
Unassigned funds (surplus)	<u>460,488,614</u>
 Surplus as Regards Policyholders	 <u>461,488,614</u>
 Total Liabilities and Surplus	 <u>\$1,247,877,213</u>

SECURA INSURANCE, A Mutual Company
Summary of Operations
For the Year 2018

Underwriting Income		
Premiums earned		\$538,045,348
Deductions:		
Losses incurred	\$267,135,033	
Loss adjustment expenses incurred	50,295,778	
Other underwriting expenses incurred	<u>179,393,890</u>	
Total underwriting deductions		<u>496,824,701</u>
Net underwriting gain (loss)		41,220,647
Investment Income		
Net investment income earned	28,302,182	
Net realized capital gains (losses)	<u>1,467,025</u>	
Net investment gain (loss)		29,769,207
Other Income		
Net gain (loss) from agents' or premium balances charged off	(749,816)	
Finance and service charges not included in premiums	763,345	
Write-ins for miscellaneous income:		
Other income (loss)	<u>(104,363)</u>	
Total other income		<u>(90,834)</u>
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		70,899,020
Dividends to policyholders		<u>11,720,062</u>
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		59,178,958
Federal and foreign income taxes incurred		<u>9,594,566</u>
Net Income		<u>\$ 49,584,393</u>

SECURA INSURANCE, A Mutual Company
Cash Flow
For the Year 2018

Premiums collected net of reinsurance		\$549,882,517
Net investment income		34,012,224
Miscellaneous income		<u>(90,834)</u>
Total		583,803,907
Benefit- and loss-related payments	\$262,876,656	
Commissions, expenses paid, and aggregate write-ins for deductions	215,370,897	
Dividends paid to policyholders	11,226,684	
Federal and foreign income taxes paid (recovered)	<u>6,146,718</u>	
Total deductions		<u>495,620,955</u>
Net cash from operations		88,182,952
Proceeds from investments sold, matured, or repaid:		
Bonds	\$128,521,134	
Stocks	19,277,658	
Other invested assets	523,511	
Miscellaneous proceeds	<u>70,136</u>	
Total investment proceeds		148,392,439
Cost of investments acquired (long-term only):		
Bonds	144,744,012	
Stocks	22,314,497	
Real estate	60,281,884	
Other invested assets	250,000	
Miscellaneous applications	<u>55,362</u>	
Total investments acquired		<u>227,645,755</u>
Net cash from investments		(79,253,316)
Cash from financing and miscellaneous sources:		
Borrowed funds	16,000,000	
Other cash provided (applied)	<u>(19,538,309)</u>	
Net cash from financing and miscellaneous sources		<u>(3,538,309)</u>
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		5,391,328
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>(8,301,581)</u>
End of Year		<u>\$(2,910,254)</u>

SECURA INSURANCE, A Mutual Company
Compulsory and Security Surplus Calculation
December 31, 2018

Assets		\$1,247,877,213
Less investment in insurance subsidiaries		71,269,364
Less liabilities		<u>786,388,599</u>
Adjusted surplus		390,219,250
Annual premium:		
Lines other than accident and health	\$550,324,854	
Factor	<u>20%</u>	
Compulsory surplus (subject to a minimum of \$2 million)		<u>110,064,970</u>
Compulsory Surplus Excess (Deficit)		<u>\$ 280,154,280</u>
Adjusted surplus (from above)		\$390,219,250
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>136,480,562</u>
Security Surplus Excess (Deficit)		<u>\$ 253,738,688</u>

SECURA INSURANCE, A Mutual Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2018

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

	2018	2017	2016	2015	2014
Surplus, beginning of year	\$431,735,982	\$404,206,696	\$353,074,654	\$332,915,953	\$321,684,646
Net income	49,584,393	36,469,573	27,682,926	24,684,461	37,909,618
Change in net unrealized capital gains/losses	(9,304,626)	7,965,430	19,790,634	1,465,679	(664,038)
Change in net deferred income tax	1,722,531	(9,442,184)	2,692,289	2,955,083	6,630,179
Change in non-admitted assets	(8,309,823)	(12,885,080)	2,478,274	(10,608,685)	(5,328,393)
Change in provision for reinsurance	179,000	(179,000)			
Write-ins for gains and (losses) in surplus:					
Other surplus changes – benefit plans	(3,660,817)	6,100,547	(1,512,081)	1,662,163	(27,316,059)
Other surplus changes – prior period adjustments	(458,026)	(500,000)			
Surplus, End of Year	<u>\$461,488,614</u>	<u>\$431,735,982</u>	<u>\$404,206,696</u>	<u>\$353,074,654</u>	<u>\$332,915,953</u>

SECURA INSURANCE, A Mutual Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2018

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	2018	2017	2016	2015	2014
#1 Gross Premium to Surplus	143%	141%	143%	154%	150%
#2 Net Premium to Surplus	121	119	122	131	127
#3 Change in Net Premiums Written	9	4	6	9	10
#4 Surplus Aid to Surplus	0	0	0	0	0
#5 Two-Year Overall Operating Ratio	89	89	89	88	87
#6 Investment Yield	2.9	2.7*	2.5*	2.4*	3.2
#7 Gross Change in Surplus	7	7	14	6	3
#8 Change in Adjusted Surplus	7	7	14	6	3
#9 Liabilities to Liquid Assets	71	66	66	69	68
#10 Agents' Balances to Surplus	1	1	1	1	1
#11 One-Year Reserve Development to Surplus	-8	-6	-7	-5	-4

Ratio	2018	2017	2016	2015	2014
#12 Two-Year Reserve Development to Surplus	-11	-10	-8	-7	-12
#13 Estimated Current Reserve Deficiency to Surplus	-6	-9	-6	-1	-1

Ratio No. 6 measures the company's investment yield. The exceptional results in 2015, 2016, and 2017 were partly due to low market interest rates. The group also sold certain investments at a loss in 2015 and 2016, which contributed to the low investment yield in those years. In 2015, the group sold mutual fund securities that resulted in approximately \$10 million in realized capital losses; it also recognized Other than Temporary Impairments (OTTI) on certain energy securities totaling \$1.9 million.

Growth of SECURA INSURANCE, A Mutual Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2018	\$1,247,877,213	\$786,388,599	\$461,488,614	\$49,584,393
2017	1,161,736,289	730,000,307	431,735,982	36,469,573
2016	1,090,098,623	685,891,927	404,206,696	27,682,926
2015	1,018,729,139	665,654,485	353,074,654	24,684,461
2014	940,358,583	607,442,630	332,915,953	37,909,618
2013	872,115,755	550,431,109	321,684,646	45,318,264

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2018	\$661,876,099	\$559,877,916	\$538,045,348	59.0%	32.1%	91.1%
2017	607,520,926	512,898,871	498,079,718	61.5	31.2	92.7
2016	579,258,106	491,307,621	476,988,411	59.9	31.1	91.0
2015	545,093,296	462,532,657	449,765,675	60.1	30.6	90.7
2014	500,901,050	424,374,481	407,758,541	62.6	29.9	92.5
2013	458,183,221	387,099,579	366,080,244	59.4	31.0	90.4

The company's continued focus on growth through what the company regards as a conservative but open-minded risk selection process is reflected in the financial results listed above. Gross premium written, net premium written, and premium earned have trended upward, and have increased by 44%, 45%, and 47%, respectively, compared to the previous examination. The trend was driven by an increase in policies in force and strong year over year premium retention. During the same period, the loss and LAE and expense ratios remained consistent (at

around 60% and 30%, respectively). As a result, the company reported underwriting gains for each of the years under examination (the most was \$43 million in 2016, and the least was \$26 million in 2014). Despite the realized capital losses in 2015 and 2016, the company's investment income has trended upward (from \$10 million in 2015 to \$30 million in 2018). Overall, the company's profitable operations have resulted in a \$140 million increase in policyholders' surplus since the previous examination.

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, 2018, 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

The current examination resulted in no adverse or material findings.

VIII. CONCLUSION

SECURA INSURANCE is a mutual insurer writing commercial, personal, farm, and specialty lines with the goal to drive profitable business through what it regards as a conservative but open-minded approach to risk selection. The company is licensed in 27 states but is currently actively writing in 12 states. The company participates in an intercompany pooling agreement with its subsidiary, SECURA Supreme, whereby each company shares the net retained underwriting risk in accordance with their pooling participations (90% and 10%, respectively).

Wisconsin is the company's largest market, representing 32% of 2018 book of business, followed by Minnesota at 16%. Most of the company's business is in the workers' compensation and commercial multiple peril (non-liability portion) lines, which represent 25% and 16%, respectively, of its book of business.

For all of the years under examination, the company reported underwriting income and investment income. The reported net income ranged from \$25 million in 2015 to \$50 million in 2018. Since the previous examination, the company's policyholders' surplus increased by 43% due to profitable operations.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

The current examination resulted in no recommendations. There were no adjustments or reclassifications to the balance sheet amounts as a result of this examination.

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
Michael Miller	Insurance Financial Examiner
Xi Yu	Insurance Financial Examiner
Ryan Maren	Insurance Financial Examiner
Ana Careaga	ACL Specialist
Eleanor Lu	IT Specialist
Terry Lorenz, AFE	Workpaper Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Junji Nartatez
Examiner-in-Charge