

Report of the Examination of
SECURA Supreme Insurance Company
Neenah, Wisconsin
As of December 31, 2018

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tony Evers, Governor
Mark V. Afable, Commissioner

Wisconsin.gov

January 17, 2020

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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 SUPREME INSURANCE COMPANY
Neenah, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of SECURA Supreme Insurance Company (the company or SECURA Supreme) 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 on November 30, 1995, as a wholly owned subsidiary of SECURA Insurance Holdings, Inc. (SECURA Holdings) (a Wisconsin-domiciled corporation organized under ch. 180, Wis. Stat.). SECURA Holdings, in turn, is a wholly owned subsidiary of SECURA INSURANCE, A Mutual Company (SECURA INSURANCE.)

SECURA Holdings was incorporated on January 3, 1994, and 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.

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	\$ 75,806,424	39.2%
Minnesota	32,520,626	16.8
Colorado	13,638,309	7.1
Missouri	11,186,634	5.8
Iowa	11,146,670	5.8
Arizona	10,003,243	5.2
Michigan	9,859,878	5.1
Illinois	9,076,622	4.7
All others	<u>19,947,423</u>	<u>10.3</u>
 Total	 <u>\$193,185,829</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	\$ 23,771	\$ 228,153	\$ 23,771	\$ 228,153
Allied lines	55,246	204,860	55,246	204,860
Farmowners multiple peril		5,225,246		5,225,246
Homeowners multiple peril	67,313,731	6,344,094	67,313,731	6,344,094
Commercial multiple peril	6,428,804	11,906,844	6,428,804	11,906,844
Inland marine	52,405	339,218	52,405	339,218
Earthquake	426,655	93,685	426,655	93,685
Workers' compensation	11,185,604	12,522,173	11,185,604	12,522,173
Other liability – occurrence	5,804,204	2,914,078	5,804,204	2,914,078
Other liability – claims made	122,009	194,894	122,009	194,894
Products liability – occurrence	888,049	1,305,141	888,049	1,305,141
Private passenger auto liability	48,360,329	4,867,751	48,360,329	4,867,751
Commercial auto liability	5,013,528	7,124,973	5,013,528	7,124,973
Auto physical damage	47,207,733	8,711,114	47,207,733	8,711,114
Fidelity	556	5,154	556	5,154
Burglary and theft	136	958	136	958
Boiler and machinery	303,069	220,309	303,069	220,309
Total All Lines	<u>\$193,185,829</u>	<u>\$62,208,645</u>	<u>\$193,185,831</u>	<u>\$62,208,646</u>

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of 11 members. In 2017, the company amended its bylaws, Article III, Section 2, 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

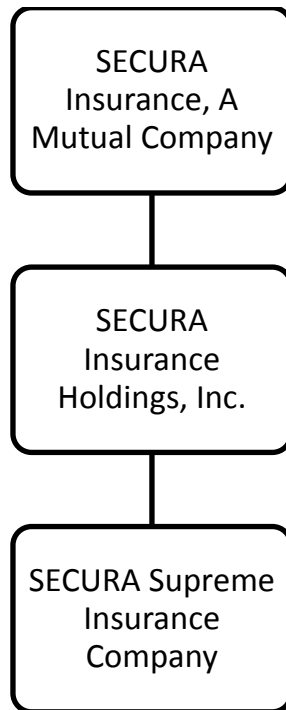
Investment Committee

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

IV. AFFILIATED COMPANIES

SECURA Supreme is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates follows the organizational chart.

**Organizational Chart
As of December 31, 2018**



SECURA INSURANCE, A Mutual Company

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

SECURA INSURANCE is the ultimate parent company in the holding company system.

As of December 31, 2018, the audited financial statements of SECURA INSURANCE reported admitted assets of \$1,247,877,213, liabilities of \$786,388,599, and surplus of \$461,488,614. Operations for 2018 produced net income of \$49,584,393.

SECURA Insurance Holdings, Inc.

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

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 of its own.

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 discussed, 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 (where cessions occur prior to pooling). [Note: SECURA INSURANCE and SECURA Supreme both have the direct right of recovery from the non-affiliated reinsurers, per the terms of the treaties. SECURA INSURANCE guarantees SECURA Supreme's third party reinsurance recoverables.]

SECURA Supreme's external reinsurance program includes various nonaffiliated insurers for excess of loss, umbrella, and catastrophe reinsurance coverages.

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		
	1 st Layer	2 nd Layer	3 rd Layer
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
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

	Participation		
	<u>1st Layer</u>	<u>2nd Layer</u>	<u>3rd Layer</u>
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
Total Placement

5.00
100.00%

- 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:	<p>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</p> <p>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</p>																																								
Coverage:	<p>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</p> <p>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</p> <p>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</p>																																								
Commissions:	<p>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</p> <p>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</p> <p>The reinsurance premiums set forth above shall be subject to a fixed commission allowance of 43%.</p>																																								
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:	<p>Through Guy Carpenter as Intermediary:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th></th> <th colspan="4" style="text-align: center;">Participation</th> </tr> <tr> <th></th> <th style="text-align: center;"><u>2nd X/S</u></th> <th style="text-align: center;"><u>3rd X/S</u></th> <th style="text-align: center;"><u>4th X/S</u></th> <th style="text-align: center;"><u>5th X/S</u></th> </tr> </thead> <tbody> <tr> <td>Arch Reinsurance Company</td> <td style="text-align: center;">0.0%</td> <td style="text-align: center;">20.0%</td> <td style="text-align: center;">40.0%</td> <td style="text-align: center;">0.0%</td> </tr> <tr> <td>Aspen Re America</td> <td style="text-align: center;">3.0</td> <td style="text-align: center;">0.0</td> <td style="text-align: center;">0.0</td> <td style="text-align: center;">0.0</td> </tr> <tr> <td>Axis Re. Co.</td> <td style="text-align: center;">7.5</td> <td style="text-align: center;">0.0</td> <td style="text-align: center;">0.0</td> <td style="text-align: center;">0.0</td> </tr> <tr> <td>Employers Mutual Casualty Co.</td> <td style="text-align: center;">5.0</td> <td style="text-align: center;">5.0</td> <td style="text-align: center;">5.0</td> <td style="text-align: center;">0.0</td> </tr> <tr> <td>Endurance US Re. Co.</td> <td style="text-align: center;">10.0</td> <td style="text-align: center;">0.0</td> <td style="text-align: center;">0.0</td> <td style="text-align: center;">0.0</td> </tr> <tr> <td>Hannover Rück SE</td> <td style="text-align: center;">35.0</td> <td style="text-align: center;">30.0</td> <td style="text-align: center;">0.0</td> <td style="text-align: center;">0.0</td> </tr> </tbody> </table>		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	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
	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																																					
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																																					

	Participation			
	<u>2nd X/S</u>	<u>3rd X/S</u>	<u>4th X/S</u>	<u>5th X/S</u>
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:	<p>Exhibit A: The reinsurance premium set forth above shall be subject to a fixed commission allowance of 12.5%</p> <p>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%</p> <p>Exhibit C: Subject to a fixed commission allowance of 22.5%</p>
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 runoff 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:	<p>Exhibit A: Workers' compensation and employers' liability business</p> <p>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</p>
Retention:	<p>Exhibit A: Workers' compensation and employers' liability business \$10,000,000 each person</p> <p>Exhibit B: Casualty business \$25,000,000</p>
Coverage:	<p>Exhibit A: 100% of \$10,000,000 in excess of \$10,000,000 each person</p> <p>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</p>

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 9.00 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: 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

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

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

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: 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

Reinsurers: 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 Supreme Insurance Company
Assets
As of December 31, 2018

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$126,254,462	\$	\$126,254,462
Cash, cash equivalents, and short-term investments	3,426,279		3,426,279
Receivables for securities	16		16
Investment income due and accrued	1,118,854		1,118,854
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	513,133	77,241	435,892
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	19,912,601	72,550	19,840,051
Reinsurance:			
Amounts recoverable from reinsurers	1,032,652		1,032,652
Net deferred tax asset	<u>1,815,149</u>	<u> </u>	<u>1,815,149</u>
 Total Assets	 <u>\$154,073,147</u>	 <u>\$149,791</u>	 <u>\$153,923,356</u>

SECURA Supreme Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2018

Losses		\$ 34,216,147
Loss adjustment expenses		12,163,114
Commissions payable, contingent commissions, and other similar charges		1,421,267
Current federal and foreign income taxes		1,686,304
Unearned premiums		30,926,782
Advance premium		795,151
Dividends declared and unpaid:		
Policyholders		518,086
Ceded reinsurance premiums payable (net of ceding commissions)		177,307
Amounts withheld or retained by company for account of others		85,051
Remittances and items not allocated		208,399
Payable to parent, subsidiaries, and affiliates		<u>456,386</u>
Total Liabilities		82,653,994
Common capital stock	\$ 6,000,000	
Gross paid in and contributed surplus	11,960,000	
Unassigned funds (surplus)	<u>53,309,362</u>	
Surplus as Regards Policyholders		<u>71,269,362</u>
Total Liabilities and Surplus		<u>\$153,923,356</u>

SECURA Supreme Insurance Company
Summary of Operations
For the Year 2018

Underwriting Income		
Premiums earned		\$59,782,809
Deductions:		
Losses incurred	\$29,681,674	
Loss adjustment expenses incurred	5,588,428	
Other underwriting expenses incurred	<u>19,251,158</u>	
Total underwriting deductions		<u>54,521,260</u>
Net underwriting gain (loss)		5,261,549
Investment Income		
Net investment income earned	3,942,959	
Net realized capital gains (losses)	<u>(62,242)</u>	
Net investment gain (loss)		3,880,717
Other Income		
Net gain (loss) from agents' or premium balances charged off	(71,096)	
Finance and service charges not included in premiums	202,961	
Write-ins for miscellaneous income:		
Other income	<u>22,794</u>	
Total other income		<u>154,660</u>
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		9,296,926
Dividends to policyholders		<u>1,302,229</u>
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		7,994,697
Federal and foreign income taxes incurred		<u>1,703,941</u>
Net Income		<u>\$ 6,290,756</u>

SECURA Supreme Insurance Company
Cash Flow
For the Year 2018

Premiums collected net of reinsurance		\$62,208,671
Net investment income		4,710,445
Miscellaneous income		<u>154,660</u>
Total		67,073,775
Benefit- and loss-related payments	\$28,842,172	
Commissions, expenses paid, and aggregate write-ins for deductions	23,635,724	
Dividends paid to policyholders	1,247,410	
Federal and foreign income taxes paid (recovered)	<u>1,715,350</u>	
Total deductions		<u>55,440,656</u>
Net cash from operations		11,633,119
Proceeds from investments sold, matured, or repaid:		
Bonds	25,660,379	
Cost of investments acquired (long-term only):		
Bonds	\$40,163,040	
Miscellaneous applications	<u>16</u>	
Total investments acquired	<u>40,163,056</u>	
Net cash from investments		(14,502,677)
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	<u>3,744,040</u>	
Net cash from financing and miscellaneous sources		<u>3,744,040</u>
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		874,482
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>2,551,797</u>
End of Year		<u>\$ 3,426,279</u>

**SECURA Supreme Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2018**

Assets		\$153,923,356
Less liabilities		<u>82,653,994</u>
Adjusted surplus		71,269,362
Annual premium:		
Lines other than accident and health	\$62,120,418	
Factor	<u>20%</u>	
Compulsory surplus (subject to a minimum of \$2 million)		<u>12,424,083</u>
Compulsory Surplus Excess (Deficit)		<u>\$58,845,279</u>
Adjusted surplus (from above)		\$71,269,362
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>17,269,475</u>
Security Surplus Excess (Deficit)		<u>\$53,999,887</u>

**SECURA Supreme Insurance 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	\$64,807,851	\$61,185,296	\$56,063,204	\$51,328,258	\$47,731,806
Net income	6,290,756	4,496,177	5,043,140	4,630,579	3,507,643
Change in net unrealized capital gains/losses				12,079	(12,079)
Change in net deferred income tax	173,102	(1,028,355)	99,214	67,360	144,925
Change in nonadmitted assets	<u>(2,347)</u>	<u>154,733</u>	<u>(20,262)</u>	<u>24,928</u>	<u>(44,037)</u>
Surplus, End of Year	<u>\$71,269,362</u>	<u>\$64,807,851</u>	<u>\$61,185,296</u>	<u>\$56,063,204</u>	<u>\$51,328,258</u>

**SECURA Supreme Insurance 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	358%	363%	355%	368%	386%
#2 Net Premium to Surplus	87	88	89	92	92
#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	87	87	86	87	86
#6 Investment Yield	3.2	3.1	3.0*	3.1	3.1
#7 Gross Change in Surplus	10	6	9	9	8
#8 Change in Adjusted Surplus	10	6	9	9	8
#9 Liabilities to Liquid Assets	48	50	50	51	51
#10 Agents' Balances to Surplus	1	1	1	1	1
#11 One-Year Reserve Development to Surplus	-6	-4	-5	-4	-3
#12 Two-Year Reserve Development to Surplus	-8	-7	-5	-5	-9
#13 Estimated Current Reserve Deficiency to Surplus	-4	-7	-4	-1	0

Ratio No. 6 measures the company's investment yield. The exceptional result in 2016 was partly due to low market interest rates. The group also sold 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 an 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 Supreme Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2018	\$153,923,356	\$82,653,994	\$71,269,362	\$6,290,756
2017	141,866,689	77,058,837	64,807,851	4,496,177
2016	136,459,263	75,273,967	61,185,296	5,043,140
2015	125,363,359	69,300,155	56,063,204	4,630,579
2014	115,591,975	64,263,717	51,328,258	3,507,643
2013	107,795,074	60,063,268	47,731,806	4,205,193

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2018	\$255,394,477	\$62,208,647	\$59,782,809	59.0%	30.7%	89.7%
2017	235,169,388	56,988,753	55,342,184	61.5	30.4	91.9
2016	216,919,221	54,589,726	52,998,705	59.9	30.0	89.9
2015	206,058,682	51,392,509	49,973,958	60.1	30.0	90.1
2014	198,008,279	47,152,712	45,306,498	62.6	29.8	92.4
2013	183,023,761	43,011,056	40,675,576	59.4	29.5	88.9

The company's continued focus on growth through 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 40%, 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 \$5 million in 2018 and the least was \$3 million in 2014). Despite the realized capital losses in 2017 and 2018, the company's investment income has trended upward (from \$3 million in 2014 to \$3.9 million in 2018). Overall, the company's profitable operations have resulted in a \$24 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. There were no adjustments or reclassifications to the balance sheet amounts as a result of this examination.

VIII. CONCLUSION

SECURA Supreme was organized on November 30, 1995, as a wholly owned subsidiary of SECURA Holdings, a Wisconsin-domiciled corporation organized under ch. 180, Wis. Stat. SECURA Holdings, in turn, is a wholly owned subsidiary of SECURA INSURANCE. 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 39.2% of 2018 book of business, followed by Minnesota at 16.8%. Most of the company's business is in the homeowners' multiple peril, private passenger auto physical damage, and other private passenger auto liability lines, which represent 34.8%, 23.3% and 22.9%, 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 \$3.5 million in 2014, to \$6.3 million in 2018. Since the previous examination, the company's policyholders' surplus increased by 49%, 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