Report

of the

Examination of

Wilson Mutual Insurance Company

Sheboygan, Wisconsin

As of December 31, 2013

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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December 2, 2014

Honorable Theodore K. Nickel
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

WILSON MUTUAL INSURANCE COMPANY
Sheboygan, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Wilson Mutual Insurance Company (hereinafter Wilson or the company) was conducted in 2009 as of December 31, 2008. The current examination covered the intervening period ending December 31, 2013, and included a review of such 2014 transactions as deemed necessary to complete the examination.

The examination was conducted using a risk-focused approach in accordance with the NAIC Financial Condition Examiners Handbook, which sets forth guidance for planning and performing an examination to evaluate the financial condition and identify prospective risks of an insurer. This approach includes the obtaining of information about the company including corporate governance, the identification and assessment of inherent risks within the company, and the evaluation of system controls and procedures used by the company to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation and management’s compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations.

The examination of the company was conducted concurrently with the examination of Motorists Mutual Insurance Company (MMIC) and affiliates. Representatives of the Ohio Department of Insurance acted in the capacity as the lead state for the coordinated exams. Work performed by the Ohio Department of Insurance was reviewed and relied on where deemed appropriate.

The examination consisted of a review of all major phases of the company's operations and included the following areas:

History
Management and Control
Corporate Records
Conflict of Interest
Fidelity Bonds and Other Insurance
Employees' Welfare and Pension Plans
Territory and Plan of Operations
Affiliated Companies
Growth of Company
Reinsurance
Financial Statements
Accounts and Records
Data Processing

Emphasis was placed on the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of 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 Ohio Department 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. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

The company was organized in 1872 as a town mutual insurer under the name Town of Wilson Mutual Fire Insurance Company. Subsequent amendments to the company's articles and bylaws changed the name of the company to that presently used. The company was converted to a Wisconsin domestic mutual insurance company under ch. 611, Wis. Stat., effective January 1, 1986, and became a nonassessable mutual insurance company on April 2, 1991.

The company absorbed all of the assets and assumed all of the liabilities of Plymouth Mutual Insurance Company on December 31, 1991; Ashford Mutual Insurance Company on October 1, 1996; Dunn County Mutual Insurance Company on January 1, 1997; Dodgeville Mutual Insurance Company on July 1, 1998, and Moraine Mutual Insurance Company on August 1, 2006.

In November of 2001, Wilson policyholders approved an affiliation with MMIC of Columbus, Ohio. Wilson operates as a member of the Motorists Insurance Group through affiliation and surplus note agreements. See section captioned "Affiliated Companies" for a description of the various agreements that the company has with members of the group.

The company is licensed in the states of Wisconsin, Ohio and Minnesota. In 2013, the company wrote direct premium in the following states:

Wisconsin	$102,559,169	81.1%
Minnesota	23,866,115	18.9
Total	$126,425,284	100.0%

The major products marketed by the company include farmowner's, homeowner's, commercial multiple peril, worker's compensation, private passenger auto, and auto physical damage insurance. The major products are marketed through 424 independent agencies. In 2013, Wilson wrote 18.3% of the direct premium written by the seven-member pool.

The following table is a summary of the net insurance premiums written by the company in 2013. 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	$ 2,272,601	$ 271,038	$ 2,272,601	$ 271,038
Allied lines	1,826,770	258,628	1,826,770	258,628
Farmowner's multiple peril	6,453,072	197,534	6,453,072	197,534
Homeowner's multiple peril	22,515,033	3,951,083	22,515,033	3,951,083
Commercial multiple peril	22,557,985	2,106,355	22,557,985	2,106,355
Ocean marine		8,962		8,962
Inland marine	3,065,444	542,282	3,065,444	542,282
Earthquake	2,002	57,427	2,002	57,427
Other accident and health		341		341
Worker's compensation	22,925,736	1,894,616	22,925,736	1,894,616
Other liability – occurrence	9,364,777	2,062,761	9,364,777	2,062,761
Other liability – claims made		20,369		20,369
Products liability – occurrence	211,994	159,499	211,994	159,499
Private passenger auto liability	15,856,619	3,210,974	15,856,619	3,210,974
Commercial auto liability	4,387,471	1,981,191	4,398,103	1,970,559
Auto physical damage	14,548,376	3,298,550	14,548,376	3,298,550
Fidelity		27,149		27,149
Surety		353		353
Burglary and theft	108,994	28,014	108,994	28,014
Boiler and machinery	328,411	31,804	328,411	31,804
Reinsurance – non-proportional assumed property		234,021		234,021
Reinsurance – non-proportional assumed liability		92,521		92,521
Total All Lines	$126,425,284	$20,435,471	$126,435,916	$20,424,839

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of 11 members. The affiliation with MMIC in November 2001 remains active and provides that the majority control of the board be retained by MMIC directors. Currently, 7 of the 11 board members are also board members of MMIC. The board is comprised of three classes of directors, each elected for a three-year term. Officers are elected at the board's annual meeting. Each class of directors nominates successor directors in its class in advance of expirations. The three classes of directors are established to stagger the expiration dates of the directors. According to the company's bylaws, Classes I and III should each consist of at least 3 but not more than 4 directors with terms expiring in 2015 and 2017, respectively. Class II should consist of at least 2 but not more than 3 directors whose terms expire in 2016. Currently, Class II has 4 directors and Class III has 3 directors. The company is aware of this inconsistency with its bylaws and will correct the class count matter in 2016 when terms for Class II directors expire.

A board member currently receives $550 per diem for each meeting attended and an annual retainer of $14,520. There are no additional fees associated with committee meetings. Members of the company's board of directors may also be members of other boards of directors in the holding company group.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Bishop, John J. Powell, OH	Former Chairman and Chief Executive Officer Motorists Mutual Insurance Company	2017 Class III
Bowers, Richard B. Mukwonago, WI	Owner of an insurance and financial product sales agency	2015 Class I
Forrester, Larry L. Bloomington, IN	Executive Insurance Education Institute (non-profit)	2015 Class I
Haack, Susan E. Canal Winchester, OH	Chief Risk Officer and Secretary Motorists Mutual Insurance Company	2016 Class II
McCracken, Robert L. Manitowoc, WI	Partner of Nash, Spindler, Grimstad & McCracken, LLP	2016 Class II

Name and Residence	Principal Occupation	Term Expires
Ogg, Thomas C. Powell, OH	Former Senior Vice President and Secretary Motorists Mutual Insurance Company	2015 Class I
Kaufman, David L. Columbus, OH	President and Chief Executive Officer Motorists Mutual Insurance Company	2016 Class II
Western, Robert L. Sheboygan, WI	Former President and Chief Operating Officer Wilson Mutual Insurance Company	2017 Class III
Wiseman, Michael L. Powell, OH	Senior Vice President, Treasurer and CFO Motorists Mutual Insurance Company	2017 Class III
Lappin, Michael S. Howards Grove, WI	President Wilson Mutual Insurance Company	2015 Class I
Stapleton, Charles D. New Albany, OH	Senior Vice President – Claims Motorists Mutual Insurance Company	2016 Class II

Officers of the Company

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

Name	Office	2013 Compensation
David Kaufman*	Chief Executive Officer	$ 66,252
Michael Lappin	President	177,063
John Bishop*	Chief Executive Officer – Retired 2013	48,193
Robert Western**	President – Retired 2013	166,149
Michael Wiseman*	Treasurer	31,892
Susan Haack*	Secretary	20,649
Tami Jones-Fahser	Senior Vice President-Administration	132,819
Timothy Kemmel	Vice President-Claims	106,590
Jeff Jacobs	Vice President-Commercial Lines	104,361
Roxanne Freeman	Vice President-Information Technology	104,354
Karen Schultz	Vice President-Personal Lines	110,947

* Officers of Motorists Mutual Insurance Company – represents the portion of their salary allocated to Wilson.

** In 2008, Mr. Western became fully vested in a nonqualified deferred compensation plan which will provide a monthly benefit following his retirement. The future benefits had a (discounted) present value as of December 31, 2013, of $1,655,186.

Committees of the Board

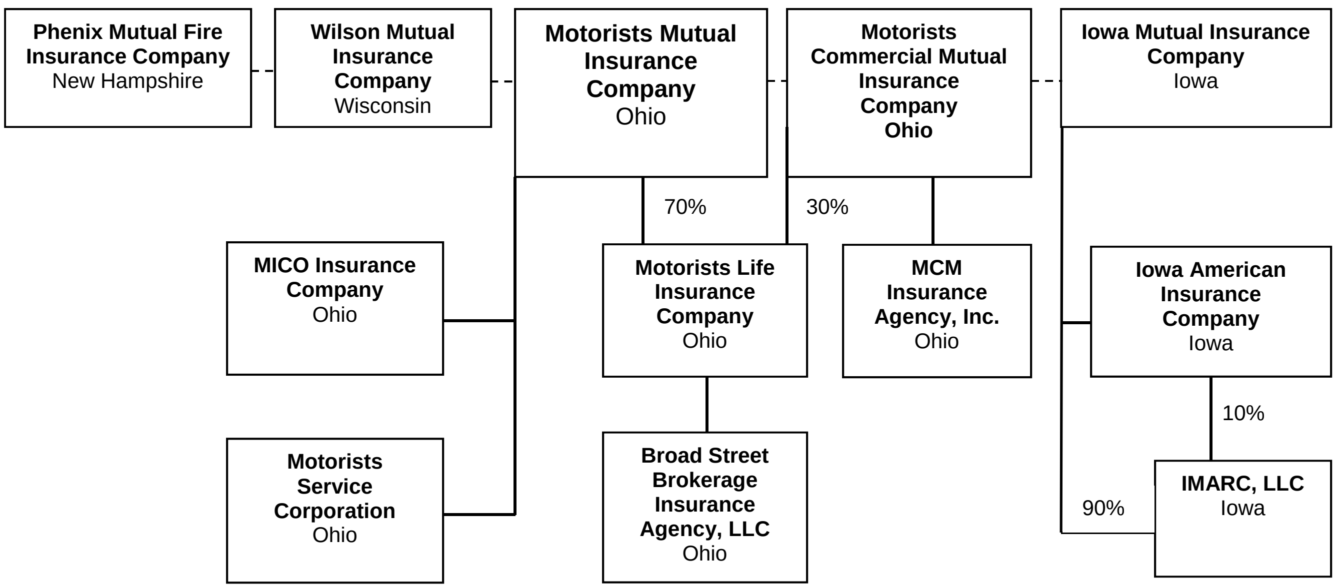
The company's bylaws allow for the formation of certain committees by the board of directors; however, Wilson's board has appointed no committees. The Motorists Insurance Group appoints several committees, which are made up of directors from the different companies in the group. Wilson's board receives reports from the Motorists Insurance Group committees and may choose to adopt or enact the recommendations of those committees. The Motorists Insurance Group committees at the time of the examination are listed below:

Executive Committee	Audit Committee
Governance Committee	Compensation Committee
Investment Committee	Qualified Benefit Plan Committee
Non-Qualified Benefit Plan Committee	

IV. AFFILIATED COMPANIES

Wilson is a member of a group affiliation 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, 2013



Motorists Mutual Insurance Company

MMIC, the largest and lead insurer in the Motorists Insurance Group, was formed in 1928. It is domiciled in Ohio and is licensed in six states. MMIC offers a wide range of both personal and commercial products. In 2013, MMIC wrote 61.7% of the direct premiums written by the seven-member pool. As of December 31, 2013, the audited financial statements of the Motorists Insurance Group reported MMIC assets of $1,335,833,011, liabilities of $767,048,720, and surplus of $568,784,291. Operations for 2013 produced net income of $37,917,852.

MICO Insurance Company

MICO Insurance Company (MICO) was organized under the laws of the state of Ohio in 1981 and is licensed in five states. The company is a wholly owned subsidiary of MMIC and the officers are employees of MMIC. MICO limits its underwriting to nonstandard and high-risk personal automobile insurance. In 2013, MICO wrote 0.1% of the direct premiums written by the seven-member pool. As of December 31, 2013, the audited financial statements of the Motorists Insurance Group reported MICO assets of $14,478,574, liabilities of $1,654,046, policyholders' surplus of $12,824,528, and net income of $554,449.

Motorists Life Insurance Company

Motorists Life Insurance Company (MLIC) was organized under the laws of the state of Ohio in 1965 and is licensed in 16 states. The company is 70% owned by MMIC and 30% owned by Motorists Commercial Mutual Insurance Company (MCMIC). The MLIC product portfolio consists of a line of traditional life and fixed annuity products with a small amount of group life. As of December 31, 2013, the audited financial statements of the MLIC reported assets of $495,257,374, liabilities of $440,521,942, policyholders' surplus of $54,735,432, and net income of $3,613,850.

Motorists Service Corporation

Motorists Service Corporation (MSC) was organized under the laws of the state of Ohio in 2003. The company is a wholly owned subsidiary of MMIC and provides administrative services to members of the Motorists Insurance Group. As discussed later in this report, all the employees working at Wilson are employed by MSC, which facilitates the provision of the same employee benefit package for them as for Motorists Insurance Group employees.

Motorists Commercial Mutual Insurance Company

MCMIC was formerly known as American Hardware Mutual Insurance Company until the change to its current name on June 30, 2011. MCMIC was formed as a Minnesota company in May 1899 by a group of hardware store owners. The company became an affiliate of the Motorists Insurance Group in 1993; concurrent with the affiliation, MCMIC redomiciled to Ohio. It is licensed in 44 states and the District of Columbia, and is primarily active in 17 states. The company markets its products through an independent agency system and its direct writings are almost exclusively commercial risks. In 2013, MCMIC wrote 4.8% of the direct premiums written by the seven-member pool. As of December 31, 2013, the audited financial statements of the Motorists Insurance Group reported MCMIC assets of $336,894,974, liabilities of $195,978,427, and surplus of $140,916,547. Operations for 2013 produced net income of $9,008,804.

Iowa Mutual Insurance Company

Iowa Mutual Insurance Company (IMIC) was formed in 1900 as The Iowa Assessment Mutual Fire Insurance Association. IMIC is licensed in 12 states; it markets its products through independent agents and writes both personal and commercial policies. In 2013, IMIC wrote 10.8% of the direct premiums written by the seven-member pool. As of December 31, 2013, the audited financial statements of the Motorists Insurance Group reported IMIC assets of $99,216,827, liabilities of $66,746,420, and surplus of $32,470,407. Operations for 2013 produced net income of $1,653,870.

Iowa American Insurance Company

Iowa American Insurance Company (IAIC) was formed in 1973 as an Iowa corporation. IAIC is licensed in six states; it markets its products through independent agents and focuses on low to moderate risk commercial policies. In 2013, IAIC wrote 1.5% of the direct premiums written by the seven-member pool. As of December 31, 2013, the audited financial statements of the Motorists Insurance Group reported IAIC assets of $22,464,569, liabilities of $13,507,595, and surplus of $8,956,974. Operations for 2013 produced net income of $297,397.

Phenix Mutual Fire Insurance Company

Phenix Mutual Fire Insurance Company (PMFIC) was incorporated and began business in 1886 under the laws of New Hampshire. PMFIC is the surviving member of the former Manufacturers and Merchants Group which was comprised of three property casualty carriers: Manufacturers and Merchants Mutual Insurance Company, Capital Fire Insurance Company and PMFIC. On November 12, 2009, PMFIC announced its affiliation with MMIC. PMFIC is licensed in seven states and operates predominantly as a homeowner's insurer in five New England states and South Carolina. In 2013, PMFIC wrote 2.7% of the direct premiums written by the seven-member pool. As of December 31, 2013, the audited financial statements of the Motorists Insurance Group reported PMFIC assets of $60,022,752, liabilities of $38,316,928, and surplus of $21,705,825. Operations for 2013 produced net income of $1,654,255.

Agreements with Affiliates

The company is a participant in a reinsurance pooling agreement. See the section captioned “Reinsurance” for a description of the agreement.

The company and MMIC have cost-sharing and management and cash processing agreements, effective November 19, 2001, wherein Motorists is responsible for managing the business affairs of Wilson.

The company and the members of the Motorists Insurance Group have a January 1, 2009, cost-sharing agreement wherein each company shall bear all of its direct costs and, in addition, bear its proportionate share of costs incurred for the benefit of the group as a whole. The agreement may be terminated by mutual agreement of the parties or by either party giving at least 90 days’ written notice to the other parties.

On January 1, 2003, all employees of the company became employees of Motorists Service Corporation (MSC), a wholly owned subsidiary of Motorists. Concurrent with the employee transfer, the company and MSC entered into an Employee Leasing Agreement whereby the company leases its former employees from MSC for the direct costs associated with maintaining this staff.

V. REINSURANCE

All voluntary contracts reviewed by examiners contained proper insolvency provisions and proper intermediary provisions. Involuntary arrangements, such as worker's compensation funds, have provisions deemed appropriate by the governmental authorities that establish and administer them. Significant treaties and arrangements are summarized as follows.

Affiliated Pooling Agreement

Wilson Mutual Insurance Company participates in a pooling arrangement with certain of its affiliates. The pool participants cede 100% of their net premiums written (after external reinsurance is ceded), losses, loss adjustment expenses, underwriting expenses and related balance sheet categories to Motorists Mutual Insurance Company. MMIC, as the lead company and pool manager, administers all aspects of the pooled business. MMIC distributes the net pooled business according to the participations listed below. Income and expenses related to investment operations and corporate taxes, including federal income taxes, are not included in pooling.

Participations:

	12/31/2013
Motorists Mutual Insurance Company	70.5%
Motorists Commercial Mutual Insurance Company	18.5
Iowa Mutual Insurance Company	3.5
Phenix Mutual Insurance Company	3.5
Wilson Mutual Insurance Company	3.0
Iowa American Insurance Company	1.0
MICO Insurance Company	0.0
Total Motorists Mutual Group Pool	100.0%

Lines covered:	100% of the net retained business on policies written
Items included:	Net premiums written and earned, losses, loss adjustment expenses, underwriting expenses, salvage and subrogation recoveries, assessments, taxes, and policyholder dividends
Effective:	January 1, 1993, continuous to present
Termination:	At any time with 90 days' prior written notice by any party. Each participant shall remain liable with respect to all business written after their effective date of termination.

Additional comments:	Any dispute arising out of this agreement shall be settled through arbitration. There have been six amendments to the original agreement primarily to add participants and change percentages.

Non-Affiliated Ceding Contracts

1. Type: Property and Casualty Multi Line Excess of Loss

Reinsurers: As of January 1, 2013, participation was as follows:

	Percentage
Swiss Reinsurance Company Ltd.	50.0%
Axis Reinsurance Company	2.5
Hannover Ruckversicherung AG	4.0
Munich Reinsurance America, Inc.	25.0
Partner Reinsurance Co. of the US	4.5
Platinum Underwriters Reinsurance, Inc.	10.0
QBE Reinsurance Corp.	4.0
Total	100.0%

Scope:	All business classified as property business and casualty business
Retention:	The first $2,000,000 of each and every loss per occurrence
Coverage:	Ultimate net loss up to $10,000,000 in excess of $2,000,000 per loss occurrence, with an annual aggregate limit of $20,000,000. Loss occurrences relating to acts of terrorism are limited to a $20,000,000 annual aggregate.
Premium:	Annual deposit premium of $7,500,000 paid in semiannual installments; annual minimum premium of $6,000,000, subject to adjustment at the rate of 1.571% of subject net earned premium
Commissions:	None
Effective date:	January 1, 2013, continuous to present
Termination:	This contract may be terminated on January 1, 2014, or any subsequent January 1, by either party giving to the other 90 days' prior written notice. At the option of the company, the reinsurer shall remain liable for property losses occurring, or casualty loss occurrences, claims made and losses discovered, including any applicable discovery period, with dates of loss at or after the termination time and date of this contract on policies in force prior to the termination time and date until the natural expiration or first anniversary date, whichever occurs first, plus any extensions of coverage for extended reporting, of such policies

2. Type: Property per Risk Excess of Loss

Reinsurers: As of January 1, 2013, participation was as follows:

	Percentage
Swiss Reinsurance Company Ltd.	50.0%
Allied World Reinsurance Company	5.0
Hannover Ruckversicherung AG	10.0
Mapfre Re Compania de Reaseguros SA	8.0
Lloyds Syndicates	27.0
Total	100.0%

Scope: All business classified by the company as property including, but not limited to, fire, allied lines, inland marine, earthquake, automobile physical damage except collision (motor vehicle dealers written through the company's commercial division only), garage keeper's, property sections of commercial multiple peril, homeowner's, mobile homeowner's and farmowner's business

Retention: The first $12,000,000 of each loss, each risk per occurrence

Coverage: Losses occurring on covered business up to $13,000,000 in excess of $12,000,000 per each loss, each risk, and each occurrence with a limit of $39,000,000 as respects all losses occurring during any one contract year

Premium: Annual deposit premium of $400,000 paid in semiannual installments; annual minimum premium of $320,000, subject to adjustment at the rate of .372% of subject net earned premium

Commission: None

Effective date: January 1, 2013, continuous to present

Termination: May be terminated at January 1, 2014, or any subsequent January 1, by either party giving to the other 90 days' prior written notice. At the option of the company, the reinsurer shall remain liable for property losses occurring, or casualty loss occurrences, claims made and losses discovered, including any applicable discovery period, with dates of loss at or after the termination time and date of this contract on policies in force prior to the termination time and date until the natural expiration or first anniversary date, whichever occurs first, plus any extensions of coverage for extended reporting, of such policies.

3. Type: Casualty Excess of Loss (multiple layers)

Reinsurers: As of January 1, 2013, participation was as follows:

Reinsurer	Participation First Layer	Participation Second Layer
Swiss Reinsurance Company Ltd.	50.0%	50.0%
Munich Reinsurance America, Inc.	20.0	20.0
Platinum Underwriters Reinsurance, Inc.	10.0	10.0
QBE Reinsurance Corp.	10.0	10.0
Safety National Casualty Corporation	10.0	10.0
Total	100.0%	100.0%

Scope: All business classified by the company as casualty business including, but not limited to, general liability, automobile liability (including no fault automobile and personal injury protection), umbrella liability, crime, fidelity, surety, worker's compensation and employers liability business, whether written separately or as part of any multiple peril or similar type of policy business classified by the company as the following property business – small business (includes garage keeper's legal liability coverage), class specific products, property brokerage and dealers open lot

Retention: First Excess Layer—Ultimate losses occurring on up to $12,000,000 in respect of each and every loss occurrence, claim made or loss discovered

Second Excess Layer—Ultimate losses occurring on up to $20,000,000 in respect of each and every loss occurrence, claim made or loss discovered

Coverage: First Excess Layer—100% of $8,000,000 ultimate net loss in respect of each and every loss occurrence, claim made or loss discovered in excess of $12,000,000, subject to a limit of liability to the reinsurer of $16,000,000 ultimate net loss in the aggregate in any one contract year

Second Excess Layer—100% of $10,000,000 ultimate net loss in respect of each and every loss occurrence, claim made or loss discovered in excess of $20,000,000, subject to a limit of liability to the reinsurer of $20,000,000 ultimate net loss in the aggregate in any one contract year

Premium: First Excess Layer—Annual deposit premium of $400,000 paid in semiannual installments; annual minimum premium of $320,000, subject to adjustment at the rate of .126% of subject net earned premium

Second Excess Layer—Annual deposit premium of $300,000 paid in semiannual installments; annual minimum premium of

	$240,000, subject to adjustment at the rate of .094% of subject net earned premium
Commissions:	None
Effective:	January 1, 2013, continuous to present
Termination:	May be terminated at January 1, 2014, or any subsequent January 1, by either party giving to the other 90 days' prior written notice. At the option of the company, the reinsurer shall remain liable for property losses occurring, or casualty loss occurrences, claims made and losses discovered, including any applicable discovery period, with dates of loss at or after the termination time and date of this contract on policies in force prior to the termination time and date until the natural expiration or first anniversary date, whichever occurs first, plus any extensions of coverage for extended reporting, of such policies.

4. Type: Underlying Property Catastrophe Excess of Loss

Reinsurers: As of January 1, 2013, participation was as follows:

	Percentage
Allied World Reinsurance Company	7.5%
Alterra Bermuda Limited	4.0
Everest Reinsurance Company	17.5
Hannover Ruckversicherung AG	15.0
XL Re Limited	15.0
Subtotal – subscribed	59.0
Retained by the company	41.0
Total	100.0%

Scope:	All business classified by the company as property, including automobile physical damage (excluding collision)
Retention:	The first $7,500,000 of ultimate net loss any one occurrence after the application of an annual aggregate retention of the first $7,500,000 of ultimate net loss otherwise recoverable under the agreement; plus 41% retention of the next $7,500,000
Coverage:	Ultimate net loss up to $7,500,000 in excess of $7,500,000 per loss occurrence, with an annual contract limit of $15,000,000; coverage is 59% subscribed
Premium:	Annual deposit premium of $1,650,000 paid in semiannual installments; annual minimum premium of $1,320,000, subject to adjustment at the rate of .616% of subject net earned premium
Commissions:	None
Effective date:	January 1, 2013

Termination:	The contract is scheduled to expire on January 1, 2014. The company may terminate a reinsurer's percentage share in this agreement at any time on a cut-off basis by giving 30 days' prior written notice to the reinsurer in the event of any of the outlined circumstances.

5. Type: Catastrophe Aggregate Excess of Loss

Reinsurers: As of January 1, 2013, participation was as follows:

	Percentage
ACE Tempest Reinsurance Ltd.	20.00%
Amlin AG	2.92
Arch Reinsurance Company	20.00
Hannover Ruckversicherung AG	15.00
Lloyds Syndicates	17.08
Subtotal – subscribed	75.00
Retained by the company	25.00
Total	100.00%

Scope:	All business classified by the company as property, including automobile physical damage (excluding collision)
Retention:	The first $35,000,000 of aggregate net loss, subject to recoveries of the underlying property catastrophe excess of loss contract, and 25% of the next $35,000,000 of aggregate net loss
Coverage:	Ultimate net loss up to $35,000,000 in excess of $35,000,000 aggregate catastrophe loss; coverage is 75% subscribed
Premium:	Annual deposit premium of $5,075,000 paid in semiannual installments; annual minimum premium of $4,060,000, subject to adjustment at the rate of 1.965% of subject net earned premium
Commissions:	None
Effective date:	January 1, 2013
Termination:	The contract is scheduled to expire on January 1, 2014. The company may terminate a reinsurer's percentage share in this agreement at any time on a cut-off basis by giving 30 days' prior written notice to the reinsurer in the event of any of the outlined circumstances.

6. Type: First-Fourth Catastrophe Excess of Loss (multiple layers)

Reinsurers: As of January 1, 2013, participation was as follows:

	Participation			
Reinsurer	**First Layer**	**Second Layer**	**Third Layer**	**Fourth Layer**
Allied World Reinsurance Company	7.50%	5.00%	3.50%	5.00%
Alterra Bermuda Limited	5.00	2.50	0.00	0.00
American Agricultural Insurance Company	0.00	3.00	3.00	3.00
Arch Reinsurance Company	0.00	5.00	10.00	10.00
Argo Re Ltd.	1.50	5.00	2.50	2.50
DaVinci Reinsurance Ltd.	9.40	4.00	0.00	0.00
Employers Mutual Casualty Company	1.00	3.00	2.00	2.00
Everest Reinsurance Company	0.00	15.00	7.50	0.00
Hannover Ruckversicherung AG	3.50	2.50	2.50	0.00
Mapfre Re Compania de Reaseguros SA	0.00	0.00	7.50	7.50
MS Frontier Reinsurance Ltd.	0.00	0.00	4.00	0.00
Munich Reinsurance America, Inc.	5.00	10.00	10.00	10.00
Mutual Reinsurance Bureau	7.50	7.50	7.50	7.50
QBE Reinsurance Corporation	0.00	0.00	1.00	5.00
Odyssey Reinsurance Company	0.00	0.00	0.00	5.00
Q-Re LLC	6.00	3.50	1.00	3.50
Renaissance Reinsurance Ltd.	14.10	6.00	0.00	0.00
S.A.C. Re Ltd	2.00	2.00	0.00	2.00
Shelter Mutual Insurance Company	0.00	0.00	7.50	7.50
Transatlantic Reinsurance Company	0.00	0.00	0.00	4.00
XL Re Limited	7.50	10.00	10.00	5.00
Lloyds Syndicates	0.00	11.00	15.50	15.50
Subtotal – subscribed	70.00	95.00	95.00	95.00
Company retention	30.00	5.00	5.00	5.00
Total	100.00%	100.00%	100.00%	100.00%

Scope: All business classified as property, including automobile physical damage (excluding collision)

Retention: First Excess Layer—The first $15,000,000 of ultimate net loss any one occurrence and 30% of the next $10,000,000

Second Excess Layer—The first $25,000,000 of ultimate net loss any one occurrence and 5% of the next $10,000,000

Third Excess Layer—The first $35,000,000 of ultimate net loss any one occurrence and 5% of the next $25,000,000

Fourth Excess Layer—The first $60,000,000 of ultimate net loss any one occurrence and 5% of the next $45,000,000

	Coverage:	First Layer—The reinsurers will be liable for the amount of ultimate net loss in excess of $15,000,000 any one loss occurrence; layer is 70% subscribed
		Second Layer—The reinsurers will be liable for the amount of ultimate net loss in excess of $25,000,000 any one loss occurrence; layer is 95% subscribed
		Third Layer—The reinsurers will be liable for the amount of ultimate net loss in excess of $35,000,000 any one loss occurrence; layer is 95% subscribed
		Fourth Layer—The reinsurers will be liable for the amount of ultimate net loss in excess of $60,000,000 any one loss occurrence; layer is 95% subscribed
	Premium:	First Layer—Annual deposit premium of $3,200,000 paid in semiannual installments; annual minimum premium of $2,560,000, subject to adjustment at the rate of 1.195% of subject net earned premium
		Second Layer—Annual deposit premium of $1,850,000 paid in semiannual installments; annual minimum premium of $1,480,000, subject to adjustment at the rate of .691% of subject net earned premium
		Third Layer—Annual deposit premium of $2,125,000 paid in semiannual installments; annual minimum premium of $1,700,000, subject to adjustment at the rate of .794% of subject net earned premium
		Fourth Layer—Annual deposit premium of $1,800,000 paid in semiannual installments; annual minimum premium of $1,440,000, subject to adjustment at the rate of .672% of subject net earned premium
	Commissions:	None noted
	Effective:	January 1, 2013, continuous to present
	Termination:	The contract is scheduled to expire on January 1, 2014. The company may terminate a reinsurer's percentage share in this agreement at any time on a cut-off basis by giving 30 days’ prior written notice to the reinsurer in the event of any of the outlined circumstances.
7.	Type:	Worker’s Compensation Excess of Loss
	Reinsurer:	Safety National Casualty Corporation
	Scope:	All business classified by the company as worker’s compensation business
	Retention:	The initial ultimate net loss of $2,000,000 each and every person, each and every loss occurrence

	Coverage:	The first $10,000,000 ultimate net loss in excess of the company's retention of $2,000,000 of ultimate loss. The reinsurer's limit of liability will be no more than $40,000,000 of ultimate net loss for all occurrences during the term of the contract.
	Premium:	Annual deposit premium of $1,200,000 paid in semiannual installments; annual minimum premium of $960,000, subject to adjustment at the rate of 1.89% of subject net earned premium
	Commissions:	None noted
	Effective:	January 1, 2013
	Termination:	The contract is scheduled to expire on January 1, 2014
8.	Type:	Semi-Automatic Excess Umbrella
	Reinsurer:	Munich Reinsurance America, Inc.
	Scope:	All business classified by the company as excess commercial umbrella liability business and attaching in excess of at least $10,500,000 of the combined underlying primary and umbrella liability coverage
	Retention:	The initial ultimate net loss of $10,500,000 each and every policy, each occurrence, each claim made or each loss discovered
	Coverage:	The first $10,000,000 ultimate net loss in excess of the company's retention of $10,000,000 of ultimate loss. The reinsurer's limit of liability will be no more than $10,000,000 of ultimate net loss for all occurrences during the term of the contract.
	Premium:	100% of the original gross net written premiums on all business ceded. Such payment shall be due the reinsurer 45 days after the end of each contract quarter.
	Commissions:	Ceding commission of 25% of the original gross net written premiums
	Effective:	January 1, 2013, continuous to present
	Termination:	May be terminated on January 1, 2014, or any subsequent January 1, by either party giving to the other 90 days' prior written notice
9.	Type:	Boiler & Machinery Breakdown Reinsurance
	Reinsurer:	The Hartford Steam Boiler Inspection and Insurance Company
	Scope:	100% of all business written and classified by the company as specialty products equipment breakdown insurance

Retention:	None
Coverage:	100% of the losses occurring and/or claims made under policies in force at the inception of this contract or renewed during the term of this contract with limits of liability not to exceed $25,000,000 on any one accident, any one policy
Premium:	Calculated at a rate of $0.11 per $100 of total insurable values for each policy covered, or the pro rata portion for in-term transactions or odd-term policies
Commissions:	None noted
Effective:	May 1, 2004, continuous to present
Termination:	Either party may terminate this agreement with 6 months' prior written notice
Additional comment:	The company and the reinsurer shall have the right to offset any balance or amounts due from one party to the other under the terms of this contract

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, 2013, annual statement. 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. 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."

Wilson Mutual Insurance Company
Assets
As of December 31, 2013

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$26,475,253	$ 0	$26,475,253
Stocks:			
Common stocks	7,266,327	0	7,266,327
Real estate:			
Occupied by the company	5,098,655	0	5,098,655
Cash, cash equivalents, and short-term investments	1,873,923		1,873,923
Other invested assets	3,001,390	697,931	2,303,459
Receivables for securities	8,208	0	8,208
Investment income due and accrued	209,001	0	209,001
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	8,660,122		8,660,122
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	24,926,503	43,400	24,883,103
Reinsurance:			
Amounts recoverable from reinsurers	6,295,189	0	6,295,189
Funds held by or deposited with reinsured companies	5,393,479	0	5,393,479
Current federal and foreign income tax recoverable and interest thereon	33,000	0	33,000
Net deferred tax asset	1,262,475	0	1,262,475
Electronic data processing equipment and software	685,711	461,390	224,322
Furniture and equipment, including health care delivery assets	364,315	364,315	0
Receivable from parent, subsidiaries, and affiliates	308,695	0	308,695
Write-ins for other than invested assets:			
Officer life insurance cash surrender value	2,931,351	0	2,931,351
Pooled general expenses receivable	2,079,484	0	2,079,484
Equities and deposits in pools and associations	10,484	0	10,484
Employee advances	1,612	1,612	0
Automobiles	211,001	211,001	0
Total Assets	$97,096,181	$1,779,649	$95,316,532

Wilson Mutual Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2013

Losses		$12,566,811
Reinsurance payable on paid loss and loss adjustment expenses		1,075,525
Loss adjustment expenses		3,283,191
Commissions payable, contingent commissions, and other similar charges		673,508
Other expenses (excluding taxes, licenses, and fees)		198,570
Taxes, licenses, and fees (excluding federal and foreign income taxes)		210,046
Unearned premiums		9,217,345
Advance premium		1,247,729
Dividends declared and unpaid: Policyholders		226,478
Ceded reinsurance premiums payable (net of ceding commissions)		9,473,749
Funds held by company under reinsurance treaties		31,186,118
Amounts withheld or retained by company for account of others		2,493,629
Remittances and items not allocated		304,066
Provision for reinsurance		13,639
Payable to parent, subsidiaries, and affiliates		438,824
Write-ins for liabilities:		
Pooled general expenses payable		260,350
Escheatable funds		137,781
Miscellaneous liabilities		997
Reinsurance assumed overhead payable		588
Premium deficiency reserve		27
Total liabilities		73,008,968
Surplus notes	$13,000,000	
Unassigned funds (surplus)	9,307,564	
Surplus as regards policyholders		22,307,564
Total Liabilities and Surplus		$95,316,532

Wilson Mutual Insurance Company
Summary of Operations
For the Year 2013

Underwriting Income		
Premiums earned		$19,880,279
Deductions:		
Losses incurred	$10,709,260	
Loss adjustment expenses incurred	2,579,307	
Other underwriting expenses incurred	7,229,724	
Write-ins for underwriting deductions:		
Change in premium deficiency reserve	(57)	
Total underwriting deductions		20,518,233
Net underwriting loss		(637,954)
Investment Income		
Net investment income earned	942,733	
Net realized capital gains	652,205	
Net investment gain		1,594,938
Other Income		
Net income from agents or premium balances charged off	(23,996)	
Finance and service charges not included in premiums	126,491	
Write-ins for miscellaneous income:		
Surplus note interest credit	325,000	
Change in officer life insurance cash surrender value	161,788	
Miscellaneous income or expense	(144)	
Surplus note interest expense	(422,500)	
Officer life insurance premiums	(46,902)	
Total other income		119,736
Net income before dividends to policyholders and before federal and foreign income taxes		1,076,720
Dividends to policyholders		(247,511)
Net income after dividends to policyholders but before federal and foreign income taxes		829,209
Federal and foreign income taxes incurred		(268,695)
Net Income		$ 1,097,904

Wilson Mutual Insurance Company
Cash Flow
For the Year 2013

Premiums collected net of reinsurance			$20,250,513
Net investment income			1,308,297
Miscellaneous income			119,736
Total			21,678,546
Benefit- and loss-related payments		$10,991,711	
Commissions, expenses paid, and aggregate write-ins for deductions		9,903,669	
Dividends paid to policyholders		250,151	
Federal and foreign income taxes paid (recovered)		7,822	
Total deductions			21,153,353
Net cash from operations			525,193
Proceeds from investments sold, matured, or repaid:			
Bonds	$10,859,384		
Stocks	3,611,927		
Other invested assets	168,232		
Miscellaneous proceeds	509		
Total investment proceeds		14,640,053	
Cost of investments acquired (long-term only):			
Bonds	12,047,155		
Stocks	2,084,668		
Other invested assets	100,000		
Total investments acquired		14,231,824	
Net cash from investments			408,229
Cash from financing and miscellaneous sources:			
Other cash provided (applied)		(181,441)	
Net cash from financing and miscellaneous sources			(181,441)
Reconciliation:			
Net change in cash, cash equivalents, and short-term investments			751,981
Cash, cash equivalents, and short-term investments:			
Beginning of year			1,121,942
End of Year			$ 1,873,923

Wilson Mutual Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2013

Assets			$95,316,532
Less liabilities			73,008,968
Adjusted surplus			22,307,564
Annual premium:			
Individual accident and health	$ 341		
Factor	15%		
Total		$ 51	
Lines other than accident and health	20,583,339		
Factor	20%		
Total		4,116,667	
Compulsory surplus (subject to a minimum of $2 million)			4,116,718
Compulsory Surplus Excess (or Deficit)			$18,190,846
Adjusted surplus (from above)			$22,307,564
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%)			5,763,405
Security Surplus Excess (or Deficit)			$16,544,159

Wilson Mutual Insurance Company
Reconciliation and Analysis of Surplus
For the Five-Year Period Ending December 31, 2013

The following schedule is a reconciliation of total surplus during the period under examination as reported by the company in its filed annual statements:

	2013	2012	2011	2010	2009
Surplus, beginning of year	$20,893,322	$20,094,242	$20,986,318	$17,690,035	$15,828,717
Net income	1,097,904	(335,246)	(657,903)	(480,786)	(606,299)
Change in net unrealized capital gains/losses	455,560	616,280	(586,756)	482,291	1,144,449
Change in net deferred income tax	(100,810)	473,478	(66,864)	(271,923)	157,068
Change in non-admitted assets	(196,131)	139,684	813,338	864,806	496,985
Change in provision for reinsurance	104,877	28,816	(147,332)	11,403	(10,885)
Prior period income adjustment	32,973				
Prior period residual market equity adjustment	19,868				
Change in surplus from SSAP No. 101		(123,933)	(246,558)	(309,509)	680,000
Change in surplus notes				3,000,000	
Surplus, End of Year	$22,307,564	$20,893,322	$20,094,242	$20,986,318	$17,690,035

Wilson Mutual Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2013

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	**2013**	**2012**	**2011**	**2010**	**2009**
#1	Gross Premium to Surplus	658%	689%	679%	622%	697%
#2	Net Premium to Surplus	92	93	94	99	117
#3	Change in Net Premiums Written	5	3	(9)	0	8
#4	Surplus Aid to Surplus	0	0	0	0	0
#5	Two-Year Overall Operating Ratio	101*	107*	108*	104*	102*
#6	Investment Yield	2.3*	2.0*	2.4*	2.0*	2.6*
#7	Gross Change in Surplus	7	4	(4)	19	12
#8	Change in Adjusted Surplus	7	4	(4)	2	12
#9	Liabilities to Liquid Assets	134*	137*	149*	145*	154*
#10	Agents' Balances to Surplus	39	33	39	36	56*
#11	One-Year Reserve Development to Surplus	(1)	(2)	(4)	(3)	(2)
#12	Two-Year Reserve Development to Surplus	(2)	(4)	(5)	(4)	(5)
#13	Estimated Current Reserve Deficiency to Surplus	4	(2)	(7)	(3)	(4)

Ratio No. 5 measures the company's overall operating ratio on a two-year basis. This ratio has been exceptional each of the past five years. Due to increased frequency and severity of weather-related events during the period, the combined ratio was over 105.0% in every year except for 2013, which led to the high overall operating ratios seen during the examination period.

Ratio No. 6 measures the company's investment yield. This ratio has been exceptional each of the last five years. The company's investment yield was driven by a decrease in long-term bonds and reduced investment yields due to lower market interest rates. The company's significant holdings are in tax-exempt municipal bonds, which generally produce lower pre-tax yields than taxable bonds, in equities, for which capital appreciation is emphasized, and in real estate holdings related to its insurance operations.

Ratio No. 9 measures the company's adjusted liabilities to liquid assets. This ratio has been exceptional each of the past five years. These exceptions were due to the increases in the company’s gross premium written, which is ceded 100% to the Motorists Insurance Group, causing an increase in the liability account funds held by the company under reinsurance treaties.

Ratio No. 10 measures the company’s gross agents’ balances to policyholders’ surplus. The 2009 exception was due to the company increasing gross premium written along with its reduction in surplus primarily from the net loss sustained in 2008.

Growth of Wilson Mutual Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2013	$95,316,532	$73,008,968	$22,307,564	$ 1,097,904
2012	94,880,989	73,987,667	20,893,322	(335,246)
2011	88,705,046	68,610,803	20,094,242	(657,903)
2010	87,970,126	66,983,809	20,986,318	(480,786)
2009	81,784,070	64,094,035	17,690,035	(606,299)
2008	74,215,672	58,386,955	15,828,717	(1,411,166)

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2013	$146,860,756	$20,424,839	$19,880,279	66.8%	34.8%	101.6%
2012	143,953,056	19,495,268	19,105,509	70.9	34.8	105.7
2011	136,431,997	18,848,920	19,593,741	77.9	34.4	112.3
2010	130,540,777	20,724,228	20,585,808	73.5	34.8	108.3
2009	123,316,226	20,691,869	20,045,296	73.2	34.0	107.2
2008	112,352,879	19,095,764	18,694,012	73.5	32.4	105.9

Admitted assets and surplus have increased during the last five years and are at their highest levels of the examination period. The large surplus increase in 2010 is attributable to a second Contribution Note MMIC purchased from the company in the amount of $3,000,000. The effective date of this Note is May 20, 2010. The Note has an expiration date of May 19, 2015, and includes a semiannual interest payment provision. The first Contribution Note in the amount of $10,000,000 was issued to MMIC in November 2001 and renewed in May 2010. The Note has an expiration date of May 19, 2020, and it also includes a semiannual interest payment provision.

The company produced net income in only one year (2013) due to increased weather-related events leading to a combined ratio over 105.0% in every other year. Gross premium written increased each year, though net premium written and premium earned fluctuated over the examination period. The company has increased its gross premium written and net premium written 30.7% and 7.0%, respectively, over 2008 levels. The company's ratio of Gross Premiums Written to Surplus as of year-end 2013 was 658% compared to 710% as of year-end 2008.

Weather-related claims accounted for most of the increase in the combined ratio, which peaked at 112.3% in 2011. The pooled loss and LAE ratio was in the range of 66.8% to 77.9% during the examination period with a low in 2013.

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, 2013, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were five specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Management and Control—It is recommended that the company include elected and appointed vice presidents on its jurat page, as directed by this office, pursuant to NAIC Annual Statement Instructions – Property and Casualty.

   Action—Compliance.

2. Management and Control—It is recommended that the company properly file biographical information in accordance with s. Ins 6.52 (5), Wis. Adm. Code.

   Action—Compliance.

3. Report on Executive Compensation—It is recommended that the company include all officer and director compensation when reporting the total compensation amounts on the reports in accordance with ss. 601.42 and 611.63 (4), Wis. Stat.

   Action—Compliance.

4. Schedule Y, Part 2—It is recommended that the company prepare Schedule Y, Part 2, in accordance with NAIC Annual Statement Instructions.

   Action—Compliance.

5. Business Continuity Plan—It is recommended that the company establish a procedure which requires periodical testing of the business continuity plans for its critical business functions.

   Action—Partial Compliance.

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Business Continuity Plan

The company has created a disaster recovery plan and a business continuity plan for their functional units. An important part of any continuity plan is a review of key service providers to evaluate their established internal control environment. The company had not reviewed its key service providers since 2010 to evaluate the appropriateness and effectiveness of their control environments, and no external attestation reports were obtained by the service providers which could provide evidence of the control environments. It is again recommended that the company establish a procedure which requires periodical testing of the business continuity plans for its critical business functions.

VIII. CONCLUSION

As of December 31, 2013, the company reported assets of $95,316,532, liabilities of $73,008,968, and policyholders' surplus of $22,307,564.

Admitted assets and surplus have increased during the last five years and are at their highest levels of the examination period. The large surplus increase in 2010 is attributable to a second Contribution Note MMIC purchased from the company in the amount of $3,000,000. The effective date of this Note is May 20, 2010. The Note has an expiration date of May 19, 2015, and includes a semiannual interest payment provision.

The company produced net income in only one of the last five years, 2013, due to increased weather-related events leading to a combined ratio over 105.0% in every other year. Gross premium written increased each year, though net premium written and premium earned fluctuated over the examination period. The company has increased its gross premium written and net premium written 30.7% and 7.0%, respectively, over 2008 levels. The company's ratio of Gross Premiums Written to Surplus as of year-end 2013 was 658% compared to 710% as of year-end 2008. In 2013, Wilson wrote 18.3% of the direct premium written by the seven-member Motorists Insurance Group pool, but is only a 3.0% participant in the pool.

Weather-related claims accounted for most of the increase in the combined ratio, which peaked at 112.3% in 2011. The pooled loss and LAE ratio was in the range of 66.8% to 77.9% during the examination period with a low in 2013.

The prior examination resulted in five recommendations, no adjustments to surplus and no reclassifications. The current examination resulted in one repeat recommendation, no adjustments to surplus and no reclassifications.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 34 - Business Continuity Plan—It is again recommended that the company establish a procedure which requires periodical testing of the business continuity plans for its critical business functions.

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
Vickie Ostien	Insurance Financial Examiner
Holly Poore	Insurance Financial Examiner
David Jensen	Information Systems Audit Specialist
John Litweiler	Examination Planning & Quality Control Specialist

Respectfully submitted,

Karl Albert, CFE
Examiner-in-Charge