Wisconsin Office of the COMMISSIONER OF INSURANCE

TOWN MUTUAL ANNUAL STATEMENT PACKET

Ref: Section 601.42, Wis. Stat.*

INSTRUCTIONS: Return this form and all other required forms with the annual statement to the above address by **FEBRUARY 15**.
Please refer to oci.wi.gov/Pages/Companies/PremiumTax.aspx for remittance of taxes and fees.

Insurer Name

I certify that the items checked below have been filed with the Commissioner of Insurance, state of Wisconsin.

_____ Fire Department Dues Report

_____ Schedule of Fees

Town mutuals are required to file two copies of either A or B:

A.

_____ NAIC Property/Casualty Statement

_____ Schedule M and Additional Interrogatories (Pages 30 through 38 of Town Mutual Annual Statement)

B.

_____ OCI Town Mutual Annual Statement, OCI 22-070X (2 hard copies)

Title of Officer	Name of Officer (Type or Print)
Date	Signature of Officer

The following additional Wisconsin forms are due June 1. Please check if included with annual statement filings.

_____ CPA Audit Report/Checklist (Under ch. Ins 50, Wis. Adm. Code) **OR**

_____ CPA Audit Exemption Under ch. Ins 50, Wis. Adm. Code

Please refer to oci.wi.gov/Pages/Companies/PremiumTax.aspx to remit payment.

If you have problems, please contact ocifinancial@wisconsin.gov or (608) 266-0091.

* **OCI may treat some or all of the information reported as public under ch. 19, Wis. Stat. If you believe your response contains proprietary confidential information, please identify the basis for your claim. A claim of confidentiality does not guarantee exemption from disclosure.**

Wisconsin Office of the COMMISSIONER OF INSURANCE

FIRE DEPARTMENT DUES

Ref: Section 601.93 (2) and 601.42, Wis. Stat.***

INSTRUCTIONS: Forward this form along with the Schedule of Fees form to the above address by **FEBRUARY 15. Please refer to oci.wi.gov/Pages/Companies/PremiumTax.aspx for remittance of taxes and fees.**

Insurer Name		
Individual Responsible for Preparing Form	Telephone Number	E-mail

FIRE PREMIUMS WRITTEN IN WISCONSIN
For Year Ending December 31, ______

Lines of Insurance	A Net Direct Premiums Less Dividends	B Present Allocation	C Premiums Subject to Dues
1. Fire		100%	
2. Homeowner's, Farmowner's, Commercial Multiple Peril, and All Other Multiple Peril		30%	
3. Inland Marine (including valuable papers and personal property floater coverages)		25%	
4. Automobile Comprehensive: All policies with deductible	XXX	30%	XXX
5. Full Coverage Automobile Comprehensive: All policies no deductible	XXX	15%	XXX
6. Aircraft Physical Damage	XXX	30%	XXX
7. All Other Applicable Fire Premiums*		100%	
8. Total (Lines 1 through 7)			
Fire Department Dues Rate			.02
9. Total Amount Due (Line 8 x .02)**			

* All other premiums applicable to motor vehicle insurance, including the fire portion of combined coverages (excluding $50 deductible comprehensive and full coverage comprehensive), such as fire and theft; or fire, theft, and windstorm, should be reported at the actual fire premium or portion.

The allocation of all other multiple peril premiums including the peril of fire, not covered by the foregoing instructions, shall be on an actual basis or on a basis determined by the company consistent with the current rating plan.

**** TRANSFER AMOUNT ON LINE 9 TO SCHEDULE OF FEES FORM**

***** OCI may treat some or all of the information reported as public under ch. 19, Wis. Stat. If you believe your response contains proprietary confidential information, please identify the basis for your claim. A claim of confidentiality does not guarantee exemption from disclosure.**

125 South Webster Street, P.O. Box 7873 | Madison, WI 53707-7873
p: 608-266-3585 | p: 1-800-236-8517 | f: 608-266-9935
ociinformation@wisconsin.gov | oci.wi.gov

Wisconsin Office of the
COMMISSIONER OF INSURANCE

SCHEDULE OF FEES
Town Mutuals

Ref: Sections 601.32 and 601.42, Wis. Stat.*

INSTRUCTIONS: Have officer sign and date form, and forward with annual statement to the above address by **FEBRUARY 15**.
Please refer to oci.wi.gov/Pages/Companies/PremiumTax.aspx for remittance of taxes and fees.

Insurer Name		
Individual Responsible for Preparing Form	Telephone Number	E-mail

For Year Ending December 31, ______

All Subject Insurers

1.	Certificate of Authority Fee		$100.00

Town Mutual Insurers

2.	Fire Department Dues (Line 9, Fire Dues Form)		
3.	Less Any Overpayment From Previous Year		
4.	Quarterly Fire Department Dues Payments to Date		
5.	Net Fire Dues Payable		
6.	**TOTAL AMOUNT DUE** (Lines 1 and 5)		

IF NEGATIVE AMOUNT, OVERPAYMENT WILL BE APPLIED TO QUARTERLY INSTALLMENT DUE APRIL 15.

I certify that the above statement is a true and correct representation of amounts due the state of Wisconsin.

Title of Officer	Name of Officer (Type or Print)
Date	Signature of Officer

* **OCI may treat some or all of the information reported as public under ch. 19, Wis. Stat. If you believe your response contains proprietary confidential information, please identify the basis for your claim. A claim of confidentiality does not guarantee exemption from disclosure.**

125 South Webster Street, P.O. Box 7873 | Madison, WI 53707-7873
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Wisconsin Office of the COMMISSIONER OF INSURANCE

CPA AUDIT CHECKLIST FOR TOWN MUTUALS

Ref: Chapter Ins 50, Wis.Adm. Code, and s. 601.42, Wis. Stat.*

INSTRUCTIONS: Complete, sign form, and forward audit report and required information to above address by **JUNE 1,** unless CPA Audit Exemption Certification is filed.

Insurer Name	NAIC Group	NAIC Number
	000	

Complete and return this with your CPA audit report by June 1 unless a CPA Audit Exemption Certification is filed.

For Year Ending December 31, ________

1. Name of Certified Public Accountant (CPA) firm engaged to perform insurer audit:

____

		Circle One	
a.	Did company have a change in CPAs this year? If NO, go to question 2. If YES, complete 1 b. - e.	YES	NO
b.	Have you notified this office within 5 business days of the dismissal or resignation of the former CPA?	YES	NO
c.	Have you submitted a letter, within 15 business days, stating whether in the 24 months preceding the change there were any disagreements with the former CPA as to accounting matters?	YES	NO
d.	Have you submitted a letter from the former CPA stating whether they agree with the company's statement in the letter described in item 1 c.?	YES	NO
e.	Have you submitted a letter from the new CPA stating an understanding of the provisions of the Wisconsin insurance code and of the rules of the Commissioner relating to accounting and financial matters?	YES	NO

2. Name of accounting firm partner or other person responsible for rendering the audit report: ______________________________

   Number of consecutive years (including the year most recently audited) the firm partner or other person responsible for rendering the audit has acted in this capacity for this insurer: ________

3. Does the audit report include the following:

a.	The report of the independent certified public accountant?	YES	NO
b.	A balance sheet reporting admitted assets, liabilities, capital and surplus?	YES	NO
c.	A statement of operations?	YES	NO
d.	A statement of cash flows?	YES	NO
e.	A statement of changes in capital and surplus?	YES	NO
f.	Notes to the financial statements? (Refer to NAIC annual statement instructions.)	YES	NO

4. a. Were audit adjustments made subsequent to the filing of the annual statement? YES NO

   b. If YES, do notes to the financial statements reconcile and explain any differences between the annual statement and the annual report? YES NO

If differences are material, or if adjustments result in insurer not meeting the minimum capital and surplus requirements of the Commissioner, your CPA is required to notify the board of directors or the audit committee of the insurer, in writing, within 5 business days. The insurer is required to forward a copy of the report to the Commissioner within 5 business days of receipt of the report.

125 South Webster Street, P.O. Box 7873 | Madison, WI 53707-7873
p: 608-266-3585 | p: 1-800-236-8517 | f: 608-266-9935
ociinformation@wisconsin.gov | oci.wi.gov

Insurer Name

Circle One

5. Have you submitted a consolidated report? YES NO

   If YES, complete 5 a., 5 b., and 5 c.

   a. Is the company part of a group of insurers which utilizes a pooling or 100% reinsurance agreement that affects the solvency and integrity of the insurer's reserves under which the insurer cedes all direct and assumed business? YES NO

   b. Have you attached a worksheet reconciling the consolidated balance sheet to annual statement of the insurers with a column for each insurer and explanations of consolidating and eliminating entries? YES NO

   c. Have you obtained approval for consolidating from domiciliary state? (attach copy) YES NO

6. Reconciliation between annual statement and audit report:

	Annual Statement	Audit Report	Difference
a. Admitted Assets			
b. Capital and Surplus			
c. Net Income			

If differences, these have been reconciled in (check one):

☐ Notes to the financial statements ☐ Consolidated worksheets prepared for question No. 5 ☐ Other (attach)

7. The due date is **JUNE 1** for all insurers. Have you filed for an extension? YES NO

   Requests for extension must be made in writing 10 days before due date of the audit report and must show why the insurer and the CPA consider the extension necessary, including sufficient detail to permit an informed decision on the request.

8. a. AN INTERNAL CONTROL LETTER FROM THE AUDITOR IS REQUIRED WITHIN 60 DAYS AFTER DUE DATE OF CPA AUDIT REPORT. WAS AN INTERNAL CONTROL LETTER ISSUED? YES NO

   b. ANY MATERIAL WEAKNESS NOTED IN THE INTERNAL CONTROL LETTER MUST BE ACCOMPANIED BY A SUMMARY OF ANY REMEDIAL ACTION TAKEN OR PROPOSED. HAS THE COMPANY FILED REMEDIAL ACTION TAKEN WITH THIS OFFICE? YES NO

9. Have you enclosed an accountant's letter of qualifications, pursuant to s. Ins 50.13, Wis. Adm. Code, noting the accountant's understanding that OCI will be relying on the information and agreeing to make work papers available for review? YES NO

Title of Officer	Name of Officer (Type or Print)
Date	Signature of Officer

* **OCI may treat some or all of the information reported as public under ch. 19, Wis. Stat. If you believe your response contains proprietary confidential information, please identify the basis for your claim. A claim of confidentiality does not guarantee exemption from disclosure.**

Wisconsin Office of the COMMISSIONER OF INSURANCE

CPA AUDIT EXEMPTION FOR TOWN MUTUALS

Ref: Chapter Ins 50, Wis. Adm. Code, and s. 601.42, Wis. Stat.*

INSTRUCTIONS: Complete, sign form, and forward this form to above address by **JUNE 1,** only if your company qualifies for exemption under this chapter.

Insurer Name	NAIC Group	NAIC Number
	000	

I certify that to the best of my knowledge, information, and belief, the above-named insurer is exempt from the filing requirements of s. Ins 50.05, Wis. Adm. Code, for the year ending December 31, _______, by virtue of having less than $100,000 in direct premiums during the year and fewer than 1,000 policyholders, **or** by virtue of having less than $500,000 of total premiums written for this year, including premiums on nonproperty coverage and provided:

a. It has as of the past December 31 financial statement a net of reinsurance premium to surplus ratio less than 3 to 1.

b. Its Articles of Incorporation do not authorize operation in more than eight counties.

c. It does not engage in the writing of nonproperty coverage unless such coverage is 90% reinsured.

Title of Officer	Date	Signature of Officer

Per s. Ins 50.18, Wis. Adm. Code, the insurer may be exempt if it is determined that complying with the 50.05 rule would constitute a financial or organizational hardship. Application for exemption under this provision **must** be made in advance and **must** be in writing to the Commissioner.

* **OCI may treat some or all of the information reported as public under ch. 19, Wis. Stat. If you believe your response contains proprietary confidential information, please identify the basis for your claim. A claim of confidentiality does not guarantee exemption from disclosure.**

TOWN MUTUAL ANNUAL STATEMENT

Instructions

STATE OF WISCONSIN
OFFICE OF THE COMMISSIONER OF INSURANCE

TOWN MUTUAL ANNUAL STATEMENT INSTRUCTIONS

The Office of the Commissioner of Insurance (OCI) will accept **either** the OCI Town Mutual annual statement blank **or** the NAIC Property/Casualty annual statement blank for this year's statutory financial statements. If your company has chosen to file the NAIC blank, please refer to pages 4 and 5 of this booklet for instructions relating to the OCI requirements for a Town Mutual filing the NAIC blank.

GENERAL

Starting the reporting year 2019, companies are required to file the annual statement electronically, using the Excel spreadsheets located on the OCI website, oci.wi.gov/pages/OCIForms/TownMut.aspx, by February 15, 2019, to ocifinancial@wisconsin.gov.

No other forms will be accepted. In addition to the electronic filing, the companies are required to submit two (2) printed copies of the annual statement, mailed to:

State of Wisconsin
Office of the Commissioner of Insurance
P.O. Box 7873
Madison, WI 53707-7873

The financial statement included in the annual statement must be on the accrual basis of accounting.

In general, the income is to be reported as earned, rather than as received, and expenses and losses are to be reflected as incurred, rather than as paid. The following steps are used to complete the Statement of Operations:

A. Expenses and Losses:

To any expenses and losses paid during the year, add amounts which had been incurred but were not yet paid at the end of the year. Then subtract amounts which were incurred in prior years but which had not yet been paid at the end of the prior year.

B. Income and Revenue:

To amounts received during the year, add amounts earned (such as accrued interest receivable). Then subtract amounts earned but not received at the end of the prior year. Refer to the receivables established at the end of the previous year for this information.

The forms which follow contain specific instructions to prepare the enclosed statement. However, if there are questions, please call the Commissioner's Office.

The "As of 12/31/2018" column of this statement should agree with the "current year" column of last year's annual statement unless a merger has occurred. Then, the "prior year" column should be restated as though the merger occurred January 1 of the prior year, to enhance comparability of the current year's statement. Explanation of any differences from the prior year's statement should be noted as a footnote and in Question 22 of the Interrogatories.

Computer-generated schedules will be accepted only if they conform to the Town Mutual Annual Statement format. Companies using a computerized system should back up their files on December 31 of each year and retain these back ups in accordance with s. Ins 6.80, Wis. Adm. Code, Retention of Records.

If you have any questions about completing the Town Mutual Annual Statement please contact the Office of the Commissioner of Insurance at telephone number (608) 266-3585 or by email at ocifinancial@wisconsin.gov.

SPECIFIC

New for 2019

General Interrogatories have been renumbered and #25 (as numbered on the 2018 statement) was removed. Starting 2019 all statments are required to be filed electronically with OCI.

Exhibit A - Cross Checking Guide has been removed.

CPA Audit Requirement Test has been added as page 38. Indicate "yes" or "no" as to whether non-property coverage is 90% or more reinsured.

1. Read the questions, captions of schedules, and individual lines so that items are reported in accordance with the requirements of the statement.

2. As necessary, instructions for specific annual statement pages and schedules are contained in this booklet.

3. Complete all schedules in their entirety and answer all questions. If no entries are to be made, write “None” across the schedule in question.

4. Total columns and proofread the statements after completion and before submission to this office.

5. Complete subtotals where applicable.

6. The statement must be filed on or before February 15. Late filing is a violation which is subject to a forfeiture under s. 601.64 (3) (c), Wis. Stat., and each week of delay constitutes a new violation. Contact OCI if your company needs an extension of this deadline.

7. All dollar amounts should be shown as whole dollars. The amounts should be rounded and not truncated.

   Examples:
   $125.63 should be $126
   $125.41 should be $125

8. All percentages should be shown as percentages.

   Example:
   163.24%

9. For write-ins, if the company has more items than there is space available, then the smallest amounts should be summed and included as one item. This item should be listed as miscellaneous.

10. A Statement Cross Checking Guide is included. This guide can be used to verify agreement of numbers within the statement.

11. The statement should be completed using eleven point font and if using the electronic spreadsheet version should not be printed any smaller than 70% of the normal size of the page.

Instructions for All Town Mutuals

New for 2019

A new form is required to be filed by all Town Mutuals. One copy of the Corporate Governance Annual Disclosure (CGAD) is to be filed with OCI by June 1 of each year. The CGAD is a state filing only and should not be submitted by the company to the NAIC. See the NAIC Annual Statement Instructions.

Insurers are reminded to file the Designation of Registered Agent form as needed.

The Designation of Registered Agent form should be filed on March 1 and whenever there is a change in connection with a company's Registered Agent for Service of Process.

Available on OCI's website with AccessGov: wi.accessgov.com/oci-wi/Forms/Page/oci-wi/designation-of-registered-agent-12-014/

Instructions for Town Mutuals Filing the
NAIC Property/Casualty Annual Statement

1. It is the town mutual's responsibility to complete the NAIC statement, including the general interrogatories and the notes to the financial statements, in accordance with the NAIC *Accounting Practices and Procedures Manual—Property and Casualty* and the NAIC *Annual Statement Instructions—Property and Casualty*.

2. Town mutuals filing the NAIC annual statement blank must also file Schedule M and the OCI interrogatories (pages 30 through 38 of the OCI Town Mutual Annual Statement) and the other items listed on the Annual Statement Packet checklist. These pages should be removed from the OCI statement, completed, and filed along with the NAIC blank. (It is not necessary to file the OCI pages with any of the rating organizations.) Please note that the line item references on the OCI forms refer to OCI Town Mutual Annual Statement pages. A partial list of references to the NAIC blank can be found on the following page. The Ratio Analysis and Financial and Operating Statistics pages contain NAIC annual statement blank references and should be completed in place of the OCI Town Mutual Annual Statement pages by all companies filing the NAIC blank.

3. For town mutuals filing the NAIC annual statement blank, line of business reporting should be done in compliance with NAIC rules. Town mutuals should classify business as fire, allied lines, farmowner's multiple peril, homeowner's multiple peril, etc. It is not acceptable to combine all business as a write-in on line 31 as "town mutual business," or under one annual statement line (such as allied lines).

4. If the NAIC blank is used, it must be filed in the 9" x 14" size. Other sizes will not be accepted.

5. The due date for the NAIC Fire and Casualty Annual Statement has been extended to **March 1**. In addition, the deadline for the following items is **March 1**:

   - Town Mutual Annual Statement Packet
   - Financial and Operating Statistics
   - Fire Department Dues
   - Schedule of Fees
   - Management Discussion and Analysis

6. It is not necessary to file a copy of the annual statement with the NAIC.

7. There are NAIC annual statement software packages and cross-checking lists available from private vendors. This office does not require, recommend, or endorse any particular vendor of software or cross-checking guides.

8. It is the town mutual's responsibility to correspond with rating organizations to obtain a rating from those organizations. Generally, three years of NAIC financial statements are required to receive a rating. OCI is not responsible for the requirements of A.M. Best, Demotech, or other rating organizations.

9. Town mutuals will not be required to file the Insurance Expense Exhibit of the NAIC annual statement with OCI.

10. Town mutuals filing the NAIC statement blank will be required to file a loss reserve certification, with the annual statement, from a "qualified actuary" unless an exemption is obtained. Insurers must request an exemption in writing prior to December 1 each year. The *NAIC Annual Statement Instructions—Property and Casualty* describe the details of the exemption requirements and the necessary qualifications of a "qualified actuary."

NAIC Annual Statement References

Admitted Assets	Page 2, line 28, column 3
Liabilities	Page 3, line 28, column 1
Surplus	Page 3, line 37, column 1
Direct Premium Written	Page 8, Part 1b, line 35, column 1+2+3
Net Premium Written	Page 8, Part 1b, line 35, column 6
Net Premium Earned	Page 6, Part 1, line 35, column 4
Reinsurance Ceded	Page 8, Part 1b, line 35, column 4+5
Net Losses Incurred	Page 9, line 35, column 7
Net LAE Incurred	Page 4, line 3, column 1
Other Underwriting Expenses	Page 4, line 4, column 1
Net Underwriting Gain/Loss	Page 4, line 8, column 1
Net Investment Gain/Loss	Page 4, line 11, column 1
Net Income/Loss	Page 4, line 20, column 1
Loss & LAE Ratio	Page 4, line 2+3, column 1/ Page 4, line 1, column 1
Underwriting Expense Ratio	Page 4, line 4, column 1/ Page 6, line 35, column 1

Instructions for Town Mutuals Filing the OCI Town Mutual Annual Statement

An electronic spreadsheet is available to assist in completing your annual statement. The spreadsheet is available at oci.wi.gov/Pages/Companies/PremiumTax.aspx. The spreadsheet was created in Excel 2010 and is available **AS IS**. Hard copy statements must be filed this year.

PAGE 1—Jurat Page

List the officers and directors holding office as of year-end. Indicate officers or directors elected subsequent to the previous year's annual statement with a "#." Indicate internal directors with a "@."

The office manager is the individual primarily responsible for the day-to-day operations of the town mutual. If an office manager is also an officer, report the salary in the officer category and show no salary in the office manager category.

Show date of annual meeting in the year in which you are filing this report.

PAGE 2—Statement of Admitted Assets

Line 3.1—Total Cash and Invested Cash: This subtotal line will be used in the statement of cash flow, page 6.

Line 9a—Premiums and Agents' Balances in Course of Collection: Include premiums and agents' balances due to the company, but which have not been collected. Balance should be net of reinsurance.

Line 9b—Premiums, Agents' Balances, and Installments Booked but Deferred and Not Yet Due: Include premiums and agents' balances which are receivable from insureds but which are not yet due because the insured has chosen a semiannual, quarterly, or monthly billing mode. For multi-year policies, do not include any receivables for coverage beginning with the next policy anniversary date. Balance should be net of reinsurance.

Town mutual insurers must show all premiums receivable including Deferred and Not Yet Due on lines 9a and 9b, and all unearned premiums on page 3, line 8. For most town mutuals, accounting for premiums on the effective date basis will not materially affect net income or surplus. For these companies, a prior period adjustment would not be necessary. However, if the effect of this change is material to the surplus position of the town mutual, then a prior period adjustment should be debited/credited to surplus to record the cumulative effect of the change.

Note: Agents' Balances or Uncollected Premiums for new or renewal policies with an effective date after December 31st should not be included on the balance sheet, even if the insured was billed prior to December 31st.

Line 14—Fire Dues Recoverable: This line is used to record any overpayment of fire dues.

Line 15—Reinsurance Premium Recoverable: This line is used to record any overpayment of reinsurance premium.

Line 16—Other Assets: Lines 16a thru 16d should report only expense related assets. Lines 16e thru 16h should report only nonexpense related assets.

PAGE 3—Statement of Liabilities and Policyholders' Surplus

Line 4—Fire Department Dues Payable: This line should contain amounts payable at year end for fire department dues. Overpayment should be reflected as an asset on page 2, line 14.

Line 8—Unearned Premiums: Premiums collected for current in force policies but not earned as of 12/31. Premiums collected for policies becoming effective in the next year are considered advance premiums and are now reported on line 12f. Balance should be net of reinsurance.

Line 10—Amounts Withheld for the Account of Others: Examples of the nature of items to be included in this account are:

Federal Withholding Taxes due at year end
State Withholding Taxes due at year end
FICA (Social Security) Taxes at year end - include the employee
    portion only. Show employer portion as Unpaid Payroll Taxes.
Group Health Insurance Deductions due at year end - include
    employee portion only. In the instances where the employer participates in this cost, this portion should be shown as an Other Expense.
Pension deductions due at year end
Any other employe payroll deductions which were due to some other
    entity at year end, including but not limited to such items as credit union deductions, loan deductions, garnishments, etc.

Line 11—Payroll Taxes Payable: This line should include the employer portion of unpaid payroll taxes. Examples of this would be the employer portion of FICA (Social Security) Taxes, Unemployment Compensation Taxes, etc.

Line 12—Other Liabilities: Expense related liabilities result from unpaid obligations of expenses listed on Schedule K. Nonexpense related liabilities do not relate to Schedule K items. Report them on lines 12f through 12i.

Line 12.f—Premiums Received in Advance: Premiums collected for policies effective in the next year are considered advance premiums. Balance should be net of reinsurance. Advance premiums are to be shown on this line and not included in premium receivables.

Examples of expense related liabilities are any unpaid brokers fees, unpaid rent, employee reimbursement.

Examples of nonexpense related liabilities are payables for furniture and equipment, payables for investments.

PAGE 4—Statement of Operations

Line 8a—Policy and Installment Fees: Report policy and installment fees received in the reporting year.

Line 10—Policyholder Refunds or Dividends: This line should be used for refunds or dividends declared companywide or for a particular line of business. As an example, if the company gave a 10% premium refund to all policyholders, the total refunded would be recorded on this line. Do not reduce premium written for this type of item because it will distort the company's premium written trend.

PAGE 5—Statement of Policyholders' Surplus

Line 3—Net Unrealized Capital Gains (Losses): This information is computed on Schedules C and D. The difference in market value of bonds, stocks, and mutual funds from December 31, previous year, to December 31, current year, is to be shown on line 3.

Line 5—Other Changes in Surplus: Give accurate description on Page 5 the nature of items shown in Lines 5a thru 5d. Changes in estimates to the previous year's financial statement should not be included here, but should be reflected in current operations.

PAGE 6—Statement of Cash Flow

Line 12—Other Cash Provided: Amounts used in this computation include decreases in certain receivables or nonadmitted assets, increases in nonexpense-related payables, proceeds from the sale of furniture and fixtures.

Line 14—Cost of Investment Acquired: Any other invested assets not included in line 14a and line 14b should be included on line 14c. For example, real estate purchases and capital improvements would be entered on line 14c. Also, any reinvestment of interest/dividends increasing the value of the asset held should be reported in these lines.

Line 15—Other Cash Applied: Amounts used in this computation include increases in certain receivables or non-admitted assets, decreases in non-expense related payables, the cost of furniture and fixtures acquired.

Expense related payables are recognized in determining expenses paid on Schedule K. They should not be used in the computation of other cash provided or applied.

PAGE 7—Exhibit I - Analysis of Assets

Line 5: Stocks and Mutual Fund Investments should be shown both in column 1 and column 4 at market value.

Line 9a: Those amounts of Agents' Balances or Uncollected Premiums in excess of 90 days past due contained in column 1 should be reflected in column 3 as a non-admitted asset.

Line 10: Investment Income Accrued should be shown as a non-ledger asset.

Line 11: Those amounts of Assessments Receivable in excess of 90 days past due should be reflected in column 3 as a non-admitted asset.

Line 13: Software other than operating system software should be non-admitted. **EDP equipment should be depreciated over a three-year useful life.**

Line 16—Other Assets: Prepaid expenses should be reported in Line 18 as a non-admitted asset.

Line 17: Furniture and equipment should be reported as a non-admitted asset.

Line 18: Include other non-admitted assets with accurate descriptions. Lines 18a and 18b should report only non-expense related non-admitted assets. Lines 18c and 18d should report only expense related non-admitted assets.

Column 5: Prior year **ledger and non-ledger assets**, as taken from column 1, Ledger Assets, and column 2, Non-Ledger Assets, of the prior year's annual statement.

Each amount shown in column 4, including the total, should reconcile to the amounts reflected on page 2, column 1.

PAGE 8—Exhibit II - Analysis of Non-Admitted Assets

Changes in Non-Admitted Assets: Certain assets are not admitted by the Commissioner of Insurance. These include, but are not limited to, furniture and fixtures, uncollected premiums over 90 days' past due, supplies inventories, prepaid expenses, etc. Such items should not be included in the Statement of Assets, Liabilities, and Surplus as an asset on page 2. Calculate the difference between such assets at December 31, previous year, and December 31, current year, and show this difference on the lines provided. If there is an increase in the non-admitted asset from the beginning of the year to the end, the difference should be reflected as a subtraction from Surplus. If the non-admitted asset decreased during the year, the difference should be shown as an increase to surplus. Lines 6a and 6b should report only nonexpense related nonadmitted assets. Lines 6c and 6d should report only expense related non-admitted assets.

PAGE 9—Cash Deposited in Noninterest-Bearing Checking Accounts

Do not include deposits which bear deposit dates after December 31. If the cash was actually in the possession of the company at year end, and was not deposited on that date, it should be reported as cash in company's office, page 7, column 1, line 1. Cash invested in interest-bearing accounts should be included in Schedule B.

All institutions should be listed in alphabetical order.

If the cash was neither deposited at year end nor in the possession of the company, it would not be reported as cash, but as some other asset to which it pertains. EXAMPLE: AGENTS' BALANCES, UNCOLLECTED PREMIUMS, ETC.

PAGE 10—Schedule B - Cash Deposited at Interest

Investments or deposits held at year-end in financial institutions which earn interest, such as interest-bearing checking accounts, certificates of deposit (regardless of remaining duration or time to maturity date), and money market savings or checking accounts, should all be listed in this schedule. All interest received, accrued, or earned on investments or deposits disposed of during the year should be summarized in line 998.

All institutions should be listed in alphabetical order.

Money market mutual funds should be included on Schedule D.

In Column 2a, using one of the following symbols, indicate the manner in which cash is being deposited at interest with each banking institution:

CD for certificate of deposit, including CDs placed through CDARS;
CK for interest bearing checking account;
SV for savings account; and
OT for all other types of cash deposits at interest

The following terms are used in regards to cash deposited through the CDARS program:

Relationship Institution: an institution that submits its depositors' funds for placement through CDARS and acts as custodian with respect to its depositors' certificates of deposit

Issuing Institution: an institution that issues CDs to depositors for funds placed through the CDARS program

Certificates of deposits purchased from issuing institutions placed through the CDARS program by a relationship institution should be individually listed, in Column 1, by issuing institution and not by the relationship institution through which the depositor's funds were placed. Note that the relationship institution can also be one of the issuing institutions through which a deposit was placed with.

The following identifiers should be used in Column 2b (titled "CDARS") to group issuing institutions who sold a CD to the depositor by individual relationship institutions through which it was placed:

"R" indicates that a CD was purchased from a relationship institution that originally placed the depositor's fund through CDARS. "I" indicates a CD purchased from an issuing institution participating in the CDARS program. A sequentially preferred number is to precede each identifier to indicate CDs purchased through each relationship institution.

The following is an example of reporting funds placed by two different relationship institutions through CDARS:

The company deposited $300,000 with two different relationship institutions (institutions "1" and "2" deposited evenly at $150,000 each), to be placed through the CDARS program. In one case the relationship institution placed the depositor's funds with one other issuing institution, while in the other case the relationship institution placed the depositor's funds with two other issuing institutions, so in either case there was not more than $100,000 deposited in each institution. Using this example the following should be reported under Columns 1, 2a, 2b, and 6 in Schedule B.

Name of Institution	Type	CDARS	Book Value
Bank of Town A	CD	1R	$100,000
B City Bank	CD	1I	$50,000
Community Bank C	CD	2R	$25,000
National Bank D	CD	2I	$75,000
County Bank E	CD	2I	$50,000

Enter the book value of all CDAR holdings in the cell titled 'Total Book Value of CDARS' at the bottom of this page.

If interest rates fluctuate during the holding period, the rate in column 3b should be indicated as various (VAR).

Column 3a, How Paid, has the following comment:

> This should be entered as M - DD where M is the month or months interest is paid and DD is the day interest is paid. If payment is annual, the three-letter month abbreviation should be used. If the payment is semiannual or quarterly, the first letter of the months should be used. If the payment is monthly, use MTLY. If interest is paid at maturity, use MATR.

The three-letter month abbreviations to use are:

Jan = January
Feb = February
Mar = March
Apr = April
May = May
Jun = June
Jul = July
Aug = August
Sep = September
Oct = October
Nov = November
Dec = December

The following are examples:

An investment that pays annually in July on the 15th would have Jul-15 in the How Paid column.

An investment that pays semiannually on March and September 24th would have MS-24 in the How Paid column.

An investment that pays quarterly on March, June, September, and December 12th would have MJSD-12 in the How Paid column.

An investment that pays monthly would have MTLY in the How Paid column.

An investment that pays at maturity would have MATR in the How Paid column.

The above are examples and are not all inclusive of what should be shown in the How Paid column.

This also applies to pages 12 and 17.

If the company has purchased any brokered CDs (CDs purchased at a premium or discount and not at face/par value) they need to be recorded on Schedule C, Section 1 – Bonds (page 11) rather than Schedule B – Cash Deposited at Interest (page 10) and amortized over the remaining life of the investment.

PAGES 11—Schedule C. Section 1 - Bonds

Schedule C is now one schedule. A town mutual should include all Type 1 and Type 2 bonds on Schedule C, Section 1.

Enter the investment designation type in Column 2b. Indicate ‘1’ if the security is a Type 1 bond and indicate ‘2’ if the security is a Type 2 bond. Type 1 bonds include direct obligations of the United States government, bonds of any United States or Canadian corporation, and bonds of any United States municipality. Type 1 bonds must have a final maturity of 15 years or less and must have a rating of 'BBB-' or better by Standard or Poor's or a Moody's rating equivalent or have a rating of '1' or '2' by the NAIC's Securities Valuation Office. Notwithstanding, all zero coupon bonds, collateralized mortgage obligations, and payment in kind bonds are considered Type 2 bonds. Please review the investment rule [s. Ins 6.20 (6), Wis. Adm. Code] for a complete description of Type 1 and Type 2 bonds. 'BBB-' rated bonds: statement value = amortized book value. Bonds rated less than 'BBB-': statement value = the lower of amortized book value or market value.

Some bonds are purchased at a value different than face value. The original cost of the bond should be shown in column 8. The bond discount or premium should be amortized (written-off) over the life of the bond, with the face value being shown in column 6 and the amortized book value shown in column 5. Amortized book values should be based on bond amortization listed on Schedule C, Section 2, columns 7 and 8.

These schedules should also include Treasury notes and commercial paper.

Column 2a—'Sec': Indicate 'Dir' if a security is a direct obligation. Indicate 'PT' if the bond is a pass-through security. Indicate 'TR' if the bond is tranched. Indicate 'PTC' if a security is a pass-through collateralized mortgage obligation. Indicate 'TRC' if a security is a tranched collateralized mortgage obligation.

Direct obligation bonds are debt securities that are issued by individual entities.

Pass-through certificates are loan-backed securities, mortgage, or other loan related securities, where the payment of interest and/or principal of the security is directly proportional to interest and/or principal received by the trust or other business entity from the loans supporting the security.

Tranched bonds are loan-backed securities which have been divided into two or more classes, where the payment of interest and/or principal of any class of the securities has been allocated in a manner which is not directly proportional to interest and/or principal received by the business entity from the loans supporting the security.

Collateralized mortgage obligations are structured securities that are backed by mortgage loans.

Column 11: List the rating at time of purchase for securities purchased after 1/1/1998, and if available, for securities purchased prior to 1/1/1998. See instructions for Ratings in Column 12.

Column 12: Include the current rating by a national rating service (Fitch, Moody's, or Standard and Poor's). Current bond ratings may also be obtained from the NAIC's Securities Valuation Office (SVO). When using the SVO, the rating should be left as 1, 2, 3, 4, 5, or 6 and not changed to its equivalent ratings by Moody's, Standard and Poor's, and Fitch Investors Service. (Note: The SVO '2' rating is equivalent to the 'BBB-' rating required by the investment rule. Therefore, a SVO rating of 3 through 6 indicates an unacceptable investment for town mutual insurers unless the bond was 'BBB-' rated at the time of purchase.) If the bond is unrated, write "none." Ratings might be obtained from your public library or investment advisor. List the most recently available rating but not older than September 30 of the annual statement year.

Reduce the book, face, and cost basis columns for a return of capital from a bond. For example, return of the principal portion of a GNMA bond would reduce its book, face, and cost basis on this schedule. Schedule L would show corresponding amounts in columns 3 and 4.

All bonds should be listed in alphabetical order.

PAGE 12—Schedule C, Section 2 - Bond Investment Income

Column 2b was added to include the investment's effective interest rate. The effective interest rate is the interest rate that is actually earned on the investment. If the amount paid for the bond was higher or lower than par value, then the effective interest rate will not be the same as the stated interest rate.

Purchased interest should be shown as a reduction of the gross amount of interest received - column 4, and should not be reflected as a disbursement on page 4 or Schedule K.

All interest received, accrued or earned through year-end on bonds disposed of during the year should be summarized on line 998. Insert additional lines as necessary.

Any increase or decrease in the book value of bonds resulting from the amortization of the bond premium or discount over the life of the bond should be shown in Schedule C, Section 2, column 7 or 8. Any net increase or decrease should be carried forward to the appropriate line in Schedule I, line 2, column 2.

All bonds should be listed in alphabetical order.

PAGE 13—Schedule C, Section 3 - Unrealized Capital Gains/(Losses) on Bonds With Less Than 'BBB-' Ratings

This schedule is used to record unrealized capital gains/losses on bond investments. Town mutual insurers are generally limited to purchasing bonds with a minimum rating from an NRSRO (Nationally Recognized Statistical Rating Organization—such as Moody's, Fitch or Standard and Poor's) of "BBB-", "Baa3" or the equivalent; such bonds are reported at amortized cost. If a bond's rating subsequently decreases to less than "BBB-", "Baa3" or the equivalent, the bond shall be reported at the lower of amortized cost or fair value, and the unrealized gain or loss shall be reported on this schedule. The bond would continue to be reported on this schedule with subsequent increases or decreases in fair value reported as unrealized capital gains or losses in each succeeding year.

Loan-backed and structured securities may have the potential for loss of principal due to changes in interest rates or changes in the prepayment rate of the underlying loans. (Examples of such securities include interest-only structured securities and structured securities purchased at a significant premium over par value.) Such securities shall be valued using current interest rates and currently anticipated prepayments, and shall be reported on this schedule.

PAGES 14, 14.1, and 14.2—Schedule D - Stocks and Mutual Fund Investments

Schedule D was subdivided into 3 parts. A town mutual should include preferred stock in Schedule D, Section 1 - Part 1, mutual funds in Section D, Section 1 - Part 2, and common stock in Schedule D, Section 1 - Part 3.

Preferred stock may be considered to be a Type 1 investment if it is issued by a United States or Canadian corporation and has a rating of 'BBB' or better by Standard or Poor's or Moody's or have a rating of '1' or '2' by the NAIC's Securities Valuation Office. In aggregate, preferred stocks that are considered to be Type 1 investments may not exceed 10% of admitted assets.

Conversions of preferred stock to common should be recorded as if a cash transaction had occurred. The preferred stock should be included as sold on Schedule L and the value of the preferred stock converted should be used to calculate the cost basis of the common stock acquired and presented on Schedule D.

For mutual fund investments, in column 8 please indicate 'MM' for money market mutual funds, 'MFB' for bond mutual funds, and 'MFS' for stock mutual funds. For reporting purposes, a mutual fund that invests in both bonds and stocks should be reported as 'MFS.'

Indicate the ticker symbol in column 1 of Schedule D, Section 1 - Part 2, for all mutual funds. A ticker symbol is assigned to a mutual fund by NASDAQ. It is five characters in length and may be found in the operations section of the Morningstar profile of the mutual fund. The operations section lists the general information about the companies that operate and distribute the fund, including information about the minimum initial purchase and the fund's fees. For example, the ticker symbol for Washington Mutual Investor is 'AWSHX' and for Putnam High Yield B is 'PHBBX.'

Stock and mutual fund investments should be recorded on page 2, line 5, at their market value. Any fluctuation in the market value of these investments from the beginning of the year to the end of the year should be shown as unrealized capital gains and losses in column 7 of pages 14, 14.1, and 14.2. The total of these columns (on page 14.2) is carried to page 14.3. The total net unrealized capital gains and losses from page 14.3 are carried forward to page 5, line 3.

For stock and mutual funds purchased during the year, report the market value at the beginning of the year (column 5) the same as cost (column 4). Stocks or Mutual Funds purchased and disposed during the year should be recognized in both Schedule D, Section 2, and Schedule L.

Dividends earned and reinvested should be reported as a purchase. The amount of dividends received should be recognized in the cost, beginning market value, and ending market value columns. This instruction applies to all sections of Schedule D.

Town mutuals who hold Wisconsin Reinsurance Corp. (WRC) common or preferred stock shall value this investment based on the most recent WRC audited financial statement. For the town mutual's December 31, 2019, annual statement, this would be WRC's December 31, 2018, statement. This valuation method is considered a "permitted practice" by this office until further notice. WRC common and preferred stock are considered to be Type 2 investments.

This office amended its position regarding the admissibility of NAMICO stock in 1992. Town Mutuals should include the value of NAMICO stock, as determined by the NAIC Valuations of Securities manual, as an admitted asset. This investment should be included in Schedule D. The gain to surplus resulting from this change should not affect Net Income, but rather be reflected as an unrealized capital gain or a decrease in nonadmitted assets, as appropriate.

All stocks and mutual funds should be listed in alphabetical order, using the exact name of the security.

All exchange-traded funds (ETFs), regardless of the individual investments within the ETF, should be reported as common stock on page 14.2. Any individual ETF investment should be limited to 3% of assets per fund and all investments in ETFs with a common sponsor or manager are limited to 10% of assets. Identify all ETFs by placing an "X" in corresponding lines in Column 9.

PAGE 15—Stock and Mutual Fund Investments Dividend Income

If you have preferred and common stock from one issuer, report the dividends for preferred and common on separate lines.

PAGE 19 and 19.1—Other Invested Assets and Other Invested Assets Interest or Dividend Income

Schedule G, Section 1 includes all other invested assets that were not included in the previous investment schedules A through F. If an invested asset listed in this schedule is not denominated in shares or does not have a maturity date, please leave these columns blank.

Schedule G, Section 2 includes interest, dividend, or other income from other invested assets listed on Schedule G, Section 1. For Income Type, in column 2, please indicate "Interest," "Dividend" or "Other."

PAGES 20-23—Schedules H. Section 1 to Section 4 - Premium

The H schedules include data relating to premium income. Schedule H, Section 1 is used for premium in-force. Schedule H, Section 2 reconciles premium receipts to written. Schedule H, Section 3 takes premium written, plus or minus the change in unearned premium, to determine premium earned. Schedule H, Section 4 relates to assessments.

PAGE 20—Schedule H. Section 1 - Premiums In-Force

Column 2, Direct Premiums In-Force Dec. 31 Last year, is taken from column 5, Direct Premiums In-Force, of the prior year's annual statement.

Column 3, labeled "Premiums Written" should include any additions made during a policy year at their full-term premium rather than at the amount actually charged.

Example: During 20X2 company X wrote $5,000 of new premiums, $10,000 of renewals and one addition to an existing policy with a $50 premium for 1/3 of a year.

Premiums written Schedule H, Section 3, column 1 would equal $15,050, ($5,000 + $10,000 + $50). However, premiums per column 3 of Schedule H, Section 1, on the original premium basis would be $15,150. The difference between the Schedule H, Section 3 premiums written (cash basis) and the Schedule H, Section 1 premiums written (original premium basis) is due to the fact that additions are included on Schedule H, Section 3 at the amount collected and on Schedule H, Section 1 at the rate that would have been charged had the addition run a full-term.

Likewise, column 4 of Schedule H, Section 1 is also on the original premium basis.

Example: Company X writes only one-year policies. During 20X2 the company wrote $2,000 of new premiums, $9,000 of renewals and had one addition during that year. The addition was $40 for 1/2 of a year. Expirations per column 4, Schedule H, Section 1 would be $11,080 for 20X3, ($2,000 + $9,000 + $80). Since the company writes only one-year policies, those written in 20X2 expired during 20X3. The additions which have expired should be on the original premium basis, hence $80 instead of $40. (Note: Return premiums on cancellations should also be in this column on the original premium basis.)

If inventory method used Columns 2 and 4 will have the same amount, Column 3 will have current year inventory and equal Column 5.

Line 3 was added to break out Mechanical Breakdown Coverage. Mechanical Breakdown Coverage must be specifically identified and can no longer be included in other coverage.

PAGE 21—Schedule H, Section 2 - Reconciliation of Premium Receipts to Premium Written

This schedule is used to reconcile the premium and assessment receipts, less premium and assessments receivable as of the prior year, plus premium and assessments receivable as of year-end, to the current year premium written. The net premium and assessments received, line 16, column 1, should agree to the statement of cash flow, page 6, line 1. The first section of the schedule relates to direct premium dollars (before reinsurance). The second section of the schedule relates to reinsurance ceded.

Line 16 shows the net amount of sections 1 and 2. It is calculated by subtracting line 15 from line 7.

For the direct premium section only the premium written (column 4) need be split as to fire, EC, Mechanical Breakdown, Other or liability. For the reinsurance ceded section only the total ceded (column 4) need be split as to pro rata and excess reinsurance.

Reinsurance Ceded Definitions:

> Pro Rata Reinsurance. Pro rata reinsurance is a sharing, on a predetermined basis, by the insurer and the reinsurer of premiums and losses on a risk, class of risks, or particular portion of the insurer's business. In consideration of a predetermined portion of the insurer's premium or premiums, the reinsurer agrees to pay a similar portion of claims and claim adjustment expenses incurred on the business reinsured. The reinsurer's participation in the claims is set without regard to the actual frequency and severity of claims. Pro rata reinsurance can be effected by means of quota share or surplus share reinsurance. The insurer usually receives a commission at the time of ceding on this type of reinsurance.
>
> Excess Reinsurance. Under excess reinsurance, the insurer limits its liability to all or a particular portion of the amount in excess of a predetermined deductible or retention. Thus, the reinsurer's portion of the loss depends on the size of the loss. The relationship between the premium and claims of the insurer and the reinsurer is not proportional. This type of reinsurance is generally used to supplement pro rata reinsurance and replace it on many casualty lines. Excess reinsurance takes three basic forms: per risk basis, per occurrence basis, and aggregate basis.

The total premiums and assessments written in column 4 should carry forward to page 22, line 7, column 1.

Premiums and assessments written off as uncollectible should be accounted for similar to returned premium, that is, debited to premium written.

Net reinsurance premiums payable or receivable in the prior or current years should be shown in columns 2 and 3, respectively.

Line 3 and line 9 were added for Mechanical Breakdown Coverage.

PAGE 22—Schedule H, Section 3 - Net Premiums and Assessments Earned

This schedule takes premium from a written basis to an earned basis. The first section (lines 1 – 7) should include by line the direct amounts of premiums written and assumed during the year and the applicable amounts of unearned premium to arrive at direct premiums and assessments earned.

The second section (lines 8 – 15) should reflect amounts that have been ceded to your reinsurer. These amounts should be obtainable through reports received from your reinsurance company.

Line 16 shows the net amount of sections 1 and 2. It is calculated by subtracting line 15 from line 7.

See instructions for page 21—Schedule H, Section 2 for definition of the reinsurance types.

The calculation of unearned premium should be in accordance with s. Ins 13.08, Wis. Adm. Code:

Ins 13.08 Valuation of liabilities.

(3) Unearned Premium Reserve. The financial statements of town mutuals which charge advance premiums shall show as a liability an unearned premium reserve. The unearned premium reserve must be calculated on all advance premiums, on the original or full-term premium basis, plus all advance premiums on reinsurance assumed from other town mutual insurers, less advance premiums on risks assumed by other insurers under reinsurance contract. The minimum unearned premium reserves shall be calculated on the premiums in force as follows:

(a) One year policies or policies on which premiums are paid annually.
   1. 50% of the net advance premium.

(b) Two year policies on which the entire premium is paid in advance.
   1. 75% on policies in first year of term.
   2. 25% on policies in second year of term.

(c) Three year policies on which entire premium is paid in advance.
   1. 83% on policies in first year of term.
   2. 50% on policies in second year of term.
   3. 17% on policies in third year of term.

Use of a method other than that in s. Ins 13.08, Wis. Adm. Code, requires approval from the Insurance Commissioner.

Line 3 and line 8 were added for Mechanical Breakdown Coverage.

PAGE 23—Schedule H. Section 4 - Assessment Income and Receivable

Line 8—Previous Assessments:

Column 4 - is the amount of unpaid assessments at the beginning of the year from the previous years' assessments.

Column 5 - is the amount of assessments collected during the year from previous years' assessments.

Column 6 - is the amount of assessments cancelled during the year from previous years' assessments.

Column 7 - is the amount of remaining unpaid previous years' assessments and are nonadmitted assets in page 7, line 11, column 3.

Assessments levied should be included in Direct Premiums Written lines 1 – 7 on Schedule H, Section 2.

PAGE 24—Schedule I: Net Investment Income Earned

Include any reinvestment of interest/dividends increasing the value of the asset held in this schedule.

PAGE 25—Schedule J, Section 1 - Net Losses Incurred

Section 1 (lines 1 - 7) should reflect direct losses paid by the company. Direct losses paid column 4 should include all losses paid on policies written by your company whether paid directly by you or by your reinsurer on your behalf.

Line 3 and line 8 were added for Mechanical Breakdown Coverage.

Section 2 (lines 8 - 17) should contain reinsurance recoveries and recoverables related to your paid and unpaid losses and LAE. This information should be obtainable through reports of your reinsurer. See Schedule H, Section 2 instructions for reinsurance definitions. Nonproperty losses and LAE paid on a company's behalf by its reinsurer should be shown in both direct losses and reinsurance recoveries; that is, direct nonproperty losses incurred on policies written by the company should include all nonproperty losses whether paid by the company or by the reinsurer. Line 16 should be LAE Reinsurance Recoverables on Paid Losses. Column 2 will equal page 28, column 2, line 11.c and column 3 will equal page 28, column 2, line 11.b.

Line 18 computes net losses incurred. Amounts are computed by subtracting line 15 from line 7.

Line 19c, Net Losses Paid, should agree with the Statement of Cash Flow, page 6, line 2.

Column 5, line 18, Unpaid Losses, should agree to Schedule J-1, page 26, column 4, line 16.

Line 3 and line 8 were added for Mechanical Breakdown Coverage.

The two lines denoted with asterisks '*' (at the bottom of the schedule) should be completed if applicable. If Schedule J includes anticipated salvage and subrogation (net of reinsurance), this should be reported in the line denoted by the asterisk '*'.

PAGES 27-28—Schedule K - Net Expenses Incurred

This schedule includes the expenses of the company with the current year totals split as to loss adjustment, other underwriting, or investment expenses. The allocation of expenses provides for a better matching of revenue and expenses.

Expenses reported on lines 1 through 7 should be on the incurred basis. Many line items can appropriately be included in a particular column. The following table identifies a suggested pattern for allocation. However, for line items which do not clearly relate to a single expense type (LAE, other underwriting, or investment) should be allocated based on a reasonable systematic method. If it is not practical to determine a reasonable basis, split the general expenses as follows: 10% loss adjusting, 80% other underwriting, 10% investment. You should be able to support the basis you use for allocation.

Line 2b, relating to ceded commissions, in most cases is positive unless the company is paying back commissions to the reinsurer.

Line 4d-Retirement Plans: This line includes all company contributions to employee retirement plans including but not limited to 401(k), SEPP and Simple.

Line 7h—Report investment fees paid to investment advisor during the reporting year. Report fees that are based on a standard fee structure such as percentage of admitted assets, fixed/flat fees, hourly rate, annual rate/retainer, or any other contractual arrangement.

Line 7i—Report other transactional investment expenses paid during the year (brokerage fees, etc.).

Line 11b Plus Reinsurance Recoverable LAE Current Year, this amount is from page 25, column 3, line 16.

Line 11c Less Reinsurance Recoverable LAE will equal the amount reported on page 25, column 2, line 16.

Schedule K

Suggested Basis for Allocation of Expenses

Type of Expense	(1) Loss Adjustment Expense (LAE)	(2) Other Underwriting	(3) Investment
1. Loss Adjusting Expenses			
a. Direct	All		
b. Reinsurance Ceded	All		
2. Commissions			
a. Direct		All	
b. Reinsurance Ceded		All	
3. Directors Fees and Expenses			
a. Meeting Fees	Studies	Studies	Studies
b. Loss Adjusting Fees	All		
c. Underwriting and Inspection		All	
d. Meeting Expenses	Studies	Studies	Studies
e. D&O Insurance	Studies	Studies	Studies
4. Personnel Costs			
a. Salaries and Wages	% of Time	% of Time	% of Time
b. Health Insurance/ Benefits	% of Time	% of Time	% of Time
c. Payroll Taxes	**	**	**
d. Other	**	**	**
5. Real Estate Costs			
a. Rental of Office Space	**	**	**
b. Utilities - Heat and Electric	**	**	**
c. Property Taxes	**	**	**
d. Depreciation - Real Estate	**	**	**
e. Insurance	**	**	**
6. Office Costs			
a. Telephone	**	**	**
b. Advertising	**	**	**
c. Printing and Stationery	**	**	**
d. Office Maintenance/Supplies	**	**	**
e. Equipment Lease/Maintenance	**	**	**
f. Depreciation-Furniture and Equipment	**	**	**
g. Depreciation-Computer	**	**	**
h. Computer Software	**	**	**
i. Automobile Expenses	**	**	**

**Same % as Salaries

Schedule K

Suggested Basis for Allocation of Expenses (Continued)

Type of Expense	(1) Loss Adjustment Expense (LAE)	(2) Other Underwriting	3) Investment
7. Other			
a. Loss Prevention and Inspection		All	
b. Rating Bureaus		All	
c. Trade Association Dues		All	
d. Legal and Accounting	Studies	Studies	Studies
e. Interest Expense		All	
f. Fire Department Dues		All	
g. Agent Licensing		All	
h. Investment Management Fees			All
i. Other Investment Fees			All
j. Seminars/Conventions		All	

** Same % as salaries.

Lines 9 and 10: Expenses unpaid for the current and prior year are computed using the following items:

Liabilities

Unpaid Loss Adjustment Expenses
Interest Unpaid
Fire Department Dues Payable
Commissions Payable
Payroll Taxes Payable
Accounts Payable
Accrued Property Taxes
Return Commissions Due Reinsurer
Other Expense-Related Liabilities

Less Assets

Fire Department Dues Recoverable
Reinsurance Commissions Receivable
Other Expense-Related Assets*

Unpaid liabilities falling in the category of Amounts Withheld for the Account of Others (page 3, line 10) and other Liabilities Nonexpense Related (page 3, line 12f thru line 12h) should not be included in these calculations. They are not expense related.

*Including prepaid expenses.

PAGE 29—Schedule L - Net Realized Capital Gains and Losses on Invested Assets

This schedule assists in determining the amount of realized capital gains and losses on sales of investments. Include all invested assets disposed of or redeemed, even if the net realized capital gain is zero.

In 2005, cash deposited at interest has been included in this schedule in the event there is a gain or loss on a sale or redemption. Cash transactions do not flow through to the cash flow page (6). Therefore, cash deposited at interest transactions only need to be reported if there has been a realized gain or loss.

Purchase dates and dates sold should be in the MM/DD/YY format. VAR for various would also be appropriate.

Bonds have a face value. If the bond is purchased for less than face value, the bond was purchased at a discount. This discount should be amortized (written off) over the life of the bond. The cost or other basis as shown in column 3 is the actual cost, or the amortized basis in the case of a bond that was acquired at a price other than face value. If the bond was purchased for more than face value, a premium exists, and this premium should be amortized (written off) in the same, but opposite, manner as the bond discount. Bond amortization should be calculated annually in Schedule C.

In the case of real estate, the cost or other basis again would be the book value—original cost less depreciation taken to the date of sale.

Column 4: The consideration received normally means the selling price. However, brokers' commissions, etc., might also be involved, and the selling price in these instances should be the net amount received (after consideration of brokers' fees).

When a return of capital is received from an investment (e.g., GNMA Bond principal), report the basis and amount of capital received on Schedule L, columns 3 and 4, respectively. When the basis equals the consideration received (i.e., GNMA principal amounts), the net realized capital gain will be zero and should be entered in column 5.

The return of capital noted above should also be reflected on Schedule C or D as a reduction in the book, face, and cost basis.

Mutual fund sales should be reported in column 4 using an adjusted cost basis (cost adjusted for past sales, purchases, and reinvested dividends), column 4 would show the consideration received.

A column was added (Asset Type) to this schedule. Please choose Asset Type for each investment sold.

Note: Pages 30 to 38 must also be completed by town mutuals filing the NAIC Fire and Casualty Annual Statement.

PAGE 30—Schedule M - Policies and Risk In-Force

To arrive at Gross In-Force on package policies (Homeowners, Mobilehomeowners, Farmowners, S.M.P., etc.) you must total all coverages extended under Section I of the policy.

Example:	Homeowner: Section I	A.	Dwelling	$50,000
		B.	Appurtenant structures	5,000
		C.	Unscheduled personal property	25,000
		D.	Additional living expense	10,000
			Total coverage offered	$90,000

Line 6—Only deduct reinsurance which is ceded on facultative or quota share basis, not on excess of loss or catastrophic basis. Your reinsurer might be able to provide this information to you.

Column 4 should include the sum of Mechanical Breakdown and Other Coverage.

PAGES 31-34—General Interrogatories

All questions must be answered.

Question 2b-Identify the number of internal and external board of director members: A separate bulletin was issued by the Office of the Commissioner of Insurance in 2005 further defining the term "Inside Director" as it relates to s. 612.13 (1m), Wis. Stat. Please refer to the bulletin and the statute when completing this question. (Note: If the company has no "Inside" directors, enter "0".)

Question 6—Change in Management: For purposes of this question change in management includes hiring or replacement of office manager or other personnel responsible for the daily operation of the company. This may include the appointment or election of a new secretary or treasurer or other key personnel.

Question 8a—Written Investment Plan: The new investment rule requires the board of directors to adopt a written plan for acquiring and holding investments. [s. Ins 6.20 (6) (h), Wis. Adm. Code] The investment plan should include guidelines on the quality, maturity, and diversification of the company's investments. The investment strategies should be appropriate for the business conducted by the town mutual, the company's liquidity needs and its surplus level. Indicate the date this plan was adopted by the board of directors and the most recent amendment, if applicable.

Question 8c: A cell was added to include the effective date of the custodial agreement. If the custodial agreement has been amended, this date should be the date of the most recent amendment.

Question 13a—Largest Agents: List the largest agents by premium volume, who exceed 10% of the town mutual's direct business, including director-agents. Please indicate individual agent's name and agency name, if available. It includes disclosure of the approximate percentage of the town mutual's volume produced by each agent, and if the agent also writes for competing insurers.

Question 13b—Commissions: List commission rates for new and renewal business by lines of business. If the commission rate for all lines of business is the same, it is acceptable to report "all lines of business" instead of listing each line separately. The company may also list lines with the same rate together.

Question 13c—Policy Term: Please check each item which applies.

Question 15—Largest Risks: The largest single net risk in force is defined as the maximum possible fire loss at any one location, net of reinsurance. This may not necessarily be your largest policy. It is not sufficient to report your reinsurance coverages. Please report the actual amount of coverage on this risk. (For example, some town mutuals do not always cede every possible facultative risk.)

Question 20—Federal Income Taxation: Please identify the town mutual's method of federal income taxation.

Question 21—Last Examination: Please indicate the "as of" year examined, not the date the examination team was on-site.

Question 22: Please comment on events or transactions during the year that represent major changes or unusual events for the company. Examples of events that might be included are: mergers, reunderwriting, expansion of territory, reduction in number of agents, material changes in investments, significant gains/losses, causes of material changes in key ratios, difference between amounts reported between years, etc.

Companies with Pension Plans

It is expected that Wisconsin-domiciled insurers adequately fund their pension plan commitments to employees. If a town mutual insurance company's pension plan commitments include a defined benefit pension plan, then the town mutual insurance company is to comply with the National Association of Insurance Commissioners' Statement of Statutory Accounting Principles No. 102 relating to reporting for employers' pension obligations. If the projected benefit obligation for vested employees exceeds the fair value of plan assets as of December 31, 2019, this liability shall be recognized in accordance with one of the two following methods that has been consistently applied:

a. If the company has elected to record the entire liability as a direct charge to surplus in the past, it shall report a liability equal to the difference between the fair value of plan assets and the projected obligation as of December 31, 2019.

b. If the company has elected to amortize this liability as the component of net periodic pension cost over a three-year period, it should adjust the annual amortization amount for any excess over the original estimates and reported in surplus.

Each town mutual insurance company that sponsors any form of pension plan should include, under Item #22 in the General Interrogatories of the Annual Statement, a brief description of the pension plan, including the type of plan, when it was established, who is covered, a general description of benefits provided, and the cost of the plan to the company in the calendar year covered by the Annual Statement. If the pension plan is a defined benefit pension plan, the disclosure should also include the plan's projected benefit obligation, the fair value of plan assets, and the assumptions used in the measurement of the company's net periodic benefit cost, including the discount rate, the expected long-term rate of return, and the assumed rate of compensation increase.

PAGE 35—Ratio Analysis

This page includes a recap of selected financial data and statistics (lines 1-11) and computation of selected financial ratios (lines 12-19). Selected ratios are computed on both a direct and net basis.

Line 5 and Line 6

Since negative amounts are entered on L1C and L2C, these amounts should be subtracted in the formula. This will be the same as addition.

See Crosscheck guide (page 39) for references of these amounts for lines 1-11.

PAGE 36—Schedule of Investment Limitations

Town mutuals must have a certain amount of less risky investments, "type 1," before being allowed to invest additional funds in more risky investments, "type 2." The purpose of this schedule is to determine if the town mutual has sufficient funds in type 1 investments and if there is additional capacity to invest in type 2 funds.

Please review the investment rules [s. Ins 6.20 (6), Wis. Adm. Code) for Type 1 and Type 2 investment definitions. Wisconsin Administrative Rules are published at docs.legis.wisconsin.gov/code/admin_code/ins.

Type 2 Investments include: *

- Unrated Wisconsin Municipal Bonds
- Bonds with Maturity Greater than 15 Years
- Common Stock
- Preferred Stock not Included as a Type 1 Investment
- Mutual Funds Which Trade in Common Stock, Preferred Stock, or Convertible Securities (Must have a Morningstar Rating of 4 or Better)
- Mutual Funds Allowed Under the Old Investment Rule (Must have a Morningstar Rating of 4 or Better)
- Real Estate
- Mortgage Loans
- CMO & Tranch Bonds
- Exchange-Traded Funds (ETF)

If company has been granted a higher percentage in common stock, preferred stock, and mutual funds, enter the approved percentage and use to compute limitation (enter percentage under "Type 2 Investment Limitation %").
Note: For individual and aggregate limits on investments, please review the updated investment rule.

Enter yes or no for "Did the company have Excess Type 1 Assets as of 12/31/2018."

PAGE 37—Fidelity Bond

The Fidelity Bond requirements for town mutual insurers is reproduced below:

> “(6) FIDELITY BOND REQUIREMENTS. All insurers subject to this rule shall procure and maintain in force a fidelity bond or honesty insurance as a guaranty against financial loss caused by employe dishonesty. The bond shall cover all fraudulent or dishonest acts, including larceny, theft, embezzlement, forgery, misappropriation, wrongful abstraction or willful application, committed by employes acting alone or in collusion. The bond shall cover all officers, directors and employes having direct access to the company’s assets and with responsibility for the handling and processing of income of the company and disbursements of the company. The minimum amount of the bond shall be determined on the basis of the total admitted assets, plus gross income of the company as set forth in the following schedule:”

Total Admitted Assets Plus Gross Income (Investment Income Plus Direct Written Premium)	Minimum Amount of Bond
$ 0 - $ 500,000	$ 20,000
500,001 - 1,000,000	35,000
1,000,001 - 1,500,000	50,000
1,500,001 - 2,000,000	65,000
2,000,001 - 2,500,000	80,000
2,500,001 - 3,000,000	95,000
3,000,001 - 3,500,000	110,000
3,500,001 - 4,000,000	125,000
4,000,001 - 4,500,000	140,000
4,500,001 - 5,000,000	155,000
5,000,001 - 5,500,000	170,000
5,500,001 - 6,000,000	185,000
6,000,001 - 6,500,000	200,000
6,500,001 - 7,000,000	215,000
7,000,001 - 7,500,000	230,000
7,500,001 - 8,000,000	245,000
8,000,001 - 8,500,000	260,000
8,500,001 - 9,000,000	275,000
9,000,001 - 9,500,000	290,000
9,500,001 - 10,000,000	305,000

PAGE 38—Signature Page

The annual statement must have original signatures of the company President, Secretary, and Manager. If there is no Manager, the Treasurer should sign in the Manager's space.