Report

of the

Examination of

Dupont Mutual Insurance Company

Marion, Wisconsin

As of December 31, 2014

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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August 5, 2015

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

Commissioner:

In accordance with your instructions, an examination has been performed as of December 31, 2014, of the affairs and financial condition of:

DUPONT MUTUAL INSURANCE COMPANY
Marion, Wisconsin

and the following report thereon is respectfully submitted:

I. INTRODUCTION

The previous examination of Dupont Mutual Insurance Company (the company or Dupont) was made in 2010 as of December 31, 2009. The current examination covered the intervening time period ending December 31, 2014, and included a review of such subsequent transactions deemed essential to complete this examination.

The “Summary of Examination Results” contains elaboration on all areas of the company's operations. 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.

The company was organized as a town mutual insurance company on July 24, 1883, under the provisions of the then existing Wisconsin Statutes. The original name of the company was the Dupont Farmers Mutual Fire Insurance Company. Subsequent amendments to the company's articles and bylaws changed the company's name to that presently used.

During the period under examination, there was one amendment to the articles of incorporation and no amendments to the bylaws. The amendment was to add Marinette County to and remove Green Lake County from Dupont's authorized territory. This amendment was adopted by Dupont at the March 13, 2012, annual meeting.

The company is currently licensed to write property, including windstorm and hail, and nonproperty insurance. The company is currently licensed to write business in the following counties:

Brown	Calumet
Fond du Lac	Forest
Marathon	Marinette
Menominee	Langlade
Oconto	Oneida
Outagamie	Portage
Shawano	Waupaca
Waushara	Winnebago

A review was made of the policy and application forms currently used by the company. The company issues approved policies with or without endorsements for terms of one year with premiums payable on the advance premium basis. The company also charges a policy fee equal to $36 for each policy and $6 for each installment payment.

Business of the company is acquired through 89 agents, one of whom is a director of the company. Agents are presently compensated for their services with a 13% commission for new and renewed business. Contingent commissions are possible based on premium written and loss ratio. Loss ratio tiers are established by Dupont in increments of five percentage points. Agents are able to receive an increasing percentage of premiums they write for Dupont as additional compensation the lower their loss percentage is in the current year. Contingent commissions start at a loss ratio of 50%. Every year is a fresh start for purposes of calculating this contingent commission.

Agents have no authority to adjust losses. Losses in excess of $5,000 are reviewed by the board of directors and adjusted by James Jueds, who is a board member. Adjusters receive $0.56 per mile for travel allowance.

Policyholders may participate in the management and control of the company by attending and voting at all annual or special meetings of the members. No member may vote by proxy. The annual meeting of the company for the election of directors and special meetings of the company are held in accordance with its articles of incorporation.

Board of Directors

The board of directors consists of seven members divided into three classes. One class is elected at each annual meeting for a term of three years. Vacancies on the board may be filled by the directors for the interim to the next annual meeting when a director shall be chosen for the unexpired term.

The current board of directors consists of the following policyholders of the company:

Name	Principal Occupation	Residence	Expiry
Mark Sether	Loan Officer	Iola, Wisconsin	2017
Daniel Madden	Farmer	New London, Wisconsin	2017
W. Greg Hanson	Farmer	Clintonville, Wisconsin	2017
Roger Pescinski	Loan Officer	Shawano, Wisconsin	2016
Kelly Zillmer	Assessor	Marion, Wisconsin	2016
Michael White*	Insurance Agent	Birnamwood, Wisconsin	2015
James Jueds	Business Owner	Marion, Wisconsin	2015

Directors who are also agents are identified with an asterisk.

Members of the board currently receive $60 for each regular meeting attended, $25 for each special meeting attended, and $0.56 per mile for travel expenses.

Section 612.13 (1m), Wis. Stat., requires:

(1) If a town mutual has fewer than nine directors, no more than one director may be an employee or representative of the town mutual; and

(2) Employees and representatives of a town mutual may not constitute a majority of its board.

The company is in compliance with these requirements.

Officers

Officers are elected by the board of directors from among its members and hold office for one year or until their successors are duly elected and qualified. Officers serving at the present time are as follows:

Name	Office	2014 Compensation
W. Greg Hanson	President	$ 1,314
Kelly Zillmer	Vice-President	816
James Jueds	Secretary/Treasurer	965
Jamie Baierl	Interim Manager	37,748

Reported compensation is the total compensation paid by the insurer for the year and includes salary, commissions, director fees and rental income as applicable.

Growth of Company

The growth of the company since the previous examination as compiled from its filed annual statements was as follows:

Year	Net Premiums Earned	Policies In Force	Net Income	Admitted Assets	Policyholders' Surplus
2014	$ 957,810	2,391	$ (4,571)	$1,723,208	$ 800,932
2013	1,224,798	2,904	(84,702)	1,538,040	603,085
2012	1,019,100	3,646	(348,833)	1,949,304	669,864
2011	1,033,039	3,592	(472,904)	2,427,267	1,229,929
2010	1,012,300	3,456	(290,679)	2,819,763	1,704,264
2009	1,026,543	3,454	63,720	3,075,794	1,940,139

The ratios of gross and net premiums written to surplus as regards policyholders since the previous examination were as follows:

Year	Gross Premiums Written	Net Premiums Written	Policyholders' Surplus	Writings Ratios	
				Net	Gross
2014	$1,542,991	$ 875,946	$ 800,932	109%	193%
2013	1,788,256	1,017,642	603,085	169	297
2012	2,107,521	1,100,460	669,864	164	315
2011	1,917,712	1,068,247	1,229,929	87	156
2010	1,858,539	1,019,436	1,704,264	60	109
2009	1,834,191	1,034,674	1,940,139	53	95

For the same period, the company's operating ratios were as follows:

Year	Net Losses and LAE Incurred	Other Underwriting Expenses Incurred	Net Premiums Earned	Loss Ratio	Expense Ratio	Com-posite Ratio
2014	$ 640,435	$426,264	$ 957,810	67%	49%	116%
2013	836,500	593,312	1,224,798	68	58	127
2012	928,761	612,670	1,019,100	91	56	147
2011	1,059,114	568,158	1,033,039	103	53	156
2010	988,836	508,313	1,012,300	98	50	148
2009	531,779	541,843	1,026,543	52	52	104

Since the prior examination, Dupont has recorded net losses in all five years with the largest net loss of $472,904 occurring in 2011. Due to these net losses, Dupont's surplus has decreased by $1,139,207, or 58.7%, in the examination period. In addition, admitted assets have declined $1,352,586, or 44%, since December 31, 2009.

Dupont's premium writings have decreased since the prior examination as well. Net premium written decreased $158,725, or 15.3%, since the prior examination. The main driver of this decrease is the decline in Dupont's policies in force. As of December 31, 2014, policies in force totaled 2,391, a decrease of 1,063 policies, or 30.8%, from December 31, 2009. The decline in policy count was due to a comprehensive re-underwriting effort on the part of the company in order to improve its financial position for the long term.

II. REINSURANCE

The examiners' review of the company's reinsurance portfolio revealed there is currently one ceding treaty and no assuming treaties. The treaty reviewed contained a proper insolvency clause. The treaty complied with s. Ins 13.09 (3), Wis. Adm. Code, concerning maximum wind loss. Company retentions of risk complied with s. Ins 13.06, Wis. Adm. Code.

Reinsurer:	Wisconsin Reinsurance Corporation
Effective date:	January 1, 2015
Termination provisions:	Either party may terminate as of January 1st by giving at least 90 days' written notice to the other party. In the event of termination, the reinsurer shall not be liable for losses occurring on or after the effective date of termination.

The coverages provided under this treaty are summarized as follows:

1.	Type of contract:	Class AX1 Casualty Excess of Loss
	Lines reinsured:	All casualty or liability business
	Company's retention:	$2,500 each and every loss occurrence
	Coverage:	100% of each and every loss occurrence, including loss adjustment expense, in excess of the company's retention subject to the maximum policy limits of: a. $1,000,000 per occurrence, single limit or combined for bodily injury and property damage liability b. $1,000,000 split limits, in any combination of bodily injury and property damage liability c. $25,000 for medical payments, per person; $25,000 per accident
	Reinsurance premium:	65% of net premium written Annual deposit premium: $154,440
2	Type of contract:	Class B1 First Surplus
	Lines reinsured:	All property business
	Company's retention:	When the company's net retention is $400,000 or more, the company may cede on a pro rata basis up to $2,000,000
	Coverage:	Pro rata portion of each and every loss, including loss adjustment expense that exceeds the retention of the company

	Premium:	Pro rata portion of all premiums, fees and assessments corresponding to each of the risks ceded Annual deposit premium: $112,544
	Ceding commission:	Commission allowance: 15% of the premium paid Profit commission: 15% of the net profit
3.	Type of contract:	Class C-1 First Per Risk Excess of Loss
	Lines reinsured:	All property business
	Company retention:	$65,000 for each and every loss occurrence
	Coverage:	100% of any loss, including loss adjustment expense, in excess of the company's retention of $65,000 for each and every risk resulting from one loss occurrence up to a maximum of $95,000 in respect to each and every loss occurrence
	Reinsurance premium:	14% of net premium written Annual deposit premium: $180,020 Annual aggregate deductible: $40,000
4.	Type of contract:	Class C-2 Second Per Risk Excess of Loss
	Lines reinsured:	All property business
	Company retention:	$160,000 for each and every loss occurrence
	Coverage:	100% of any loss, including loss adjustment expense, in excess of the company's retention of $160,000 for each and every risk resulting from one loss occurrence up to a maximum of $240,000 in respect to each and every loss occurrence
	Reinsurance premium:	8% of net premium written Annual deposit premium: $102,868
5.	Type of contract:	Class D1 First Aggregate Excess of Loss Reinsurance
	Lines reinsured:	All business written by the company
	Company retention:	48% of net premium written
	Coverage:	100% of annual aggregate losses, including loss adjustment expenses, in excess of the company's retention up to 118% of net premium written
	Premium:	For each annual period the company shall pay the reinsurer a premium calculated by multiplying the current rate of 8.9% by the company's net premium Annual deposit premium: $121,842

6.	Type of contract:	Class D2 Second Aggregate Excess of Loss Reinsurance
	Lines reinsured:	All business written by the company
	Company retention:	118% of net premium written
	Coverage:	100% of annual aggregate losses, including loss adjustment expenses, in excess of the company's retention
	Premium:	2% of subject net premium Annual deposit premium: $27,380

III. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2014, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Policyholders' Surplus."

Dupont Mutual Insurance Company
Statement of Assets and Liabilities
As of December 31, 2014

	Ledger Assets	Nonledger Assets	Nonadmitted Assets	Admitted Assets
Cash on hand	$ 25	$	$	$ 25
Cash in checking	128,853			128,853
Cash deposited at interest	104,424			104,424
Bonds	479,682			479,682
Stocks and mutual fund investments	754,458			754,458
Real estate	29,265			29,265
Premiums, agents' balances and installments:				
In course of collection	9,326		107	9,219
Deferred and not yet due	194,431			194,431
Investment income accrued		19,526		19,526
Reinsurance recoverable on paid losses and LAE	1,235			1,235
Electronic data processing equipment	320			320
Fire dues recoverable	1,770			1,770
Furniture and fixtures	4,366		4,366	
Other nonadmitted assets:				
Software	2,417		2,417	
Prepaid expenses		8,579	8,579	
Total Assets	$1,710,572	$28,105	$15,469	$1,723,208

Liabilities and Surplus

Net unpaid losses	$ 68,267
Unpaid loss adjustment expenses	4,500
Commissions payable	35,553
Federal income taxes payable	1,978
Unearned premiums	720,986
Reinsurance payable	54,714
Other liabilities:	
Expense-related:	
Accounts payable	4,982
Nonexpense-related:	
Premiums received in advance	31,296
Total liabilities	922,276
Policyholders' surplus	800,932
Total Liabilities and Surplus	$1,723,208

Dupont Mutual Insurance Company
Statement of Operations
For the Year 2014

Net premiums and assessments earned		$ 957,810
Deduct:		
Net losses incurred	$557,070	
Net loss adjustment expenses incurred	83,365	
Net other underwriting expenses incurred	426,264	
Total losses and expenses incurred		1,066,699
Net underwriting gain (loss)		(108,889)
Net investment income:		
Net investment income earned	(769)	
Net realized capital gains (losses)	13	
Total investment gain (loss)		(756)
Other income (expense):		
Installment and policy fees	105,074	
Total other income		105,074
Net income (loss) before federal income taxes		(4,571)
Federal income taxes incurred		
Net Income (Loss)		$ (4,571)

Dupont Mutual Insurance Company
Reconciliation and Analysis of Surplus as Regards Policyholders
For the Five-Year Period Ending December 31, 2014

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

	2014	**2013**	**2012**	**2011**	**2010**
Surplus, beginning of year	$603,085	$669,864	$1,229,929	$1,704,264	$1,940,139
Net income	(4,571)	(84,702)	(348,833)	(472,904)	(290,679)
Net unrealized capital gain or (loss)	201,525	13,787	(200,090)	(4,683)	57,760
Change in nonadmitted assets	893	4,136	(11,142)	3,252	(2,956)
Surplus, End of Year	$800,932	$603,085	$ 669,864	$1,229,929	$1,704,264

Reconciliation of Policyholders' Surplus

The examination resulted in no adjustments to policyholders' surplus. The amount reported by the company as of December 31, 2014, is accepted.

IV. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

Comments and recommendations contained in the last examination report and the action taken on them by the company are as follows:

1. Board of Directors—It is recommended that the company properly report the number of internal and external directors on its annual financial statements.

   Action—Compliance

2. Accounts and Records—It is recommended that the company adopt procedures to include all policies in force at year-end in its annual financial statements.

   Action—Compliance

3. Accounts and Records—It is recommended that the company develop reports with the proper cutoff date or perform alternate procedures to exclude all policies effective in a subsequent year on its annual financial statements.

   Action—Compliance

Current Examination Results

Corporate Records

The minutes of the annual meetings of policyholders and meetings of the board of directors and committees thereof were reviewed for the period under examination and also for the subsequent period.

Biographical data relating to company officers and directors have been reported in accordance with the provisions of s. Ins 6.52, Wis. Adm. Code.

During the period under examination, there was one amendment to the articles of incorporation and no amendments to the bylaws. The amendment was to add Marinette County to and remove Green Lake County from Dupont's authorized territory. This amendment was adopted by Dupont at the March 13, 2012, annual meeting. However, the company filed this amendment as a form filing with the Wisconsin Office of the Commissioner of Insurance. It is recommended that the company file amended articles and bylaws with this office as a separate and distinct filing as soon as possible after any changes have been voted on and approved in accordance with s. 612.04 (2), Wis. Stat.

The company has executed formal written agreements with its agents. The contracts include language indicating the agent will represent the company's interests "in good faith." However, the contracts do not include language that the company requires agents to carry errors and omissions coverage. It is recommended that the company execute formal written agreements with all agencies or agents that represent the company to require that a specified level of errors and omissions insurance be kept in force.

Conflict of Interest

In accordance with a directive of the Commissioner of Insurance, each company is required to establish a procedure for the disclosure to its board of directors of any material interest or affiliation on the part of its officers, directors, or key employees which conflicts or is likely to conflict with the official duties of such person. A part of this procedure is the annual completion of a conflict of interest questionnaire by the appropriate persons. The company has adopted such a procedure for disclosing potential conflicts of interest. Conflict of interest questionnaires were reviewed for the period under examination with no apparent conflicts being noted.

Fidelity Bond and Other Insurance

The company is afforded coverage under the terms of the following bonds or contracts and has complied with s. Ins 13.05 (6), Wis. Adm. Code, which sets forth the minimum requirements for fidelity bond coverage:

Type of Coverage	Coverage Limits
Fidelity bond	$ 250,000
Worker's compensation:	
Employee injury	Statutory
Employee liability:	
Each accident	500,000
Each employee	500,000
Policy limit	500,000
Commercial:	
Building	216,300
Personal property	45,000
Liability and medical expenses	1,000,000
Medical expenses—each person	5,000
Fire damage	100,000
Aggregate limit	2,000,000
Professional liability and officers and directors liability	1,000,000

Underwriting

The company has a written underwriting guide. The guide covers all the lines of business that the company is presently writing.

The company has a formal inspection procedure for both new and renewal business. A sampling of new applications and renewal business is inspected by committee members who are independent of the risk under consideration and review.

Claims Adjusting

The company has an adjusting committee consisting of at least three directors as required by s. 612.13 (4), Wis. Stat. The function of this committee is to adjust or supervise the adjustment of losses.

Accounts and Records

The examiners' review of the company's records indicated that the company is in compliance with s. Ins 13.05, Wis. Adm. Code, which sets forth the minimum standards for the handling of cash and recording of cash transactions by town mutual insurance companies. The examiners noted the following:

1. A proper policy register is maintained.
2. A proper cash receipts journal is maintained.
3. A proper cash disbursements journal is maintained.
4. A proper general journal is maintained.
5. A proper general ledger is maintained.

An extensive review was made of income and disbursement items. Cash receipts were traced from source records and the proper recording and eventual deposit thereof ascertained. Negotiated checks issued during the period under examination were reviewed, test checked for proper endorsement, and traced to cash records. The verification of assets and determination of liabilities were made as of December 31, 2014.

The company is audited annually by an outside public accounting firm.

EDP Environment

Company personnel were interviewed with respect to the company's electronic data processing environment. Access to the computers is limited to people authorized to use the computers. Company personnel back up the computers daily and the backed-up data is kept off-site.

The company has manuals documenting the use of its software and outlining the steps to complete specific tasks. The manuals assist in the continuity of operations by providing instructions for seldom-used applications or when staff turnover occurs.

Business Continuity Plan

A business continuity plan identifies steps to be performed by a company in the event of business interruptions including, but not limited to, the inability to access its computer, the loss of information on its computer, the loss of a key employee, or the destruction of its office building. The company has developed a business continuity plan. The company's business continuity plan appears to be adequate.

Invested Assets

Section 610.23, Wis. Stat., requires insurers to hold all investments and deposits of its funds in its own name except that:

(1) Securities kept under a custodial agreement or trust arrangement with a bank or banking and trust company may be issued in the name of a nominee of the bank or banking and trust company; and

(2) Any insurer may acquire and hold securities in bearer form.

For securities not held under a custodial agreement or trust arrangement with a bank or banking and trust company, s. Ins 13.05 (4), Wis. Adm. Code, requires that:

> Non-negotiable evidences of company investments such as registered bonds, certificates of deposits, notes, etc., shall be maintained in a safe or vault with adequate safety controls or in a safety deposit box in a bank. Negotiable evidences of company investments shall be maintained in a safety deposit box in a bank. Access to a company safety deposit box containing negotiable securities shall require the presence and signature of at least 2 officers, directors or employees of the company.

The company is in compliance with these requirements.

Investment Rule Compliance

The investment rule for town mutual insurers allows a company to invest in common stocks, common stock mutual funds, and other higher risk investments (referred to as "Type 2") provided that the town mutual has a sufficient amount of lower risk investments (referred to as "Type 1"). A town mutual may invest in Type 2 securities only if it already has sufficient Type 1 investments. Type 1 investments must equal or exceed the greater of items 1, 2, or 3.

1.	Liabilities plus $300,000	$1,222,276
2.	Liabilities plus 33% of gross premiums written	1,431,463
3.	Liabilities plus 50% of net premiums written	1,360,249
4.	Amount required (greater of 1, 2, or 3)	1,431,463
5.	Amount of Type 1 investments as of 12/31/2014	824,093
6.	Excess or (deficiency)	$ (607,370)

The company does not have sufficient Type 1 investments.

The investment rule prescribes that a town mutual shall divest of any investment which does not comply with the rule within three years of its noncompliance unless the Commissioner permits a longer period or requires a shorter period. Currently the company has no investments which are not in compliance with the investment rule.

ASSETS

Cash and Invested Cash **$233,302**

The above asset is comprised of the following types of cash items:

Cash in company's office	$ 25
Cash deposited in banks—checking accounts	128,853
Cash deposited in banks at interest	104,424
Total	$233,302

Cash in company's office at year-end represents the company's petty cash fund. A physical count was made by the examiners during the course of the examination and the balance reconciled to year-end.

Cash deposited in banks subject to the company's check and withdrawal consists of two accounts maintained in one bank. Verification of checking account balances was made by obtaining confirmations directly from the depository and reconciling the amounts shown thereon to company records.

Cash deposited in banks represents one deposit in one depository. Deposits were verified by direct correspondence with the depository and by inspection of the certificate of deposit. Interest received during the year 2014 totaled $3,139 and was verified to company cash records. The rate of interest earned on the cash deposit was 3.052%. Accrued interest on cash deposits totaled $0 at year-end.

Book Value of Bonds **$479,682**

The above asset consists of the aggregate book value of bonds held by the company as of December 31, 2014. Bonds owned by the company are in the custody of Comerica Bank. Bond purchases and sales for the period under examination were checked to brokers' invoices and advices. The company's investment in bonds was in conformance with Wisconsin Statutes and the rules of the Commissioner of Insurance as regards investments made by town mutual insurers.

Interest received during 2014 on bonds amounted to $24,913 and was traced to cash receipts records. Accrued interest of $19,526 at December 31, 2014, was checked and allowed as a nonledger asset.

Stocks and Mutual Fund Investments **$754,458**

The above asset consists of the aggregate market value of stocks and mutual funds held by the company as of December 31, 2014. Stocks owned by the company are located in the company's fireproof vault.

Stock certificates were physically examined by the examiners. Stock and mutual fund purchases and sales for the period under examination were checked to brokers' invoices and advices. The company's investment in stocks and mutual funds was in conformance with Wisconsin Statutes and the rules of the Commissioner of Insurance as regards investments made by town mutual insurers.

Dividends received during 2014 on stocks and mutual funds amounted to $3,805 and were traced to cash receipts records. Accrued dividends at December 31, 2014, were $0.

Book Value of Real Estate **$29,265**

The above amount represents the company's investment in real estate, net of depreciation, as of December 31, 2014. The company's real estate holdings consisted of the company's office building and land in Marion, Wisconsin.

The required documents supporting the validity of this asset were reviewed and were in order. Adequate hazard insurance was carried on the real estate and contents as noted under the caption "Fidelity Bond and Other Insurance." The company's investment in real estate and related items was in conformance with the Wisconsin Statutes and the rules of the Commissioner of Insurance as regards investments made by town mutual insurers. Real estate depreciation is calculated using the straight-line method.

Premiums, Agents' Balances in Course of Collection **$9,219**

This asset represents the amounts due from agents or policyholders which are not in excess of 90 days past due at year-end. A review of detailed premium verified the accuracy of this asset.

Premiums Deferred and Not Yet Due **$194,431**

This asset represents modal premium installments (such as monthly, quarterly, etc.) that are not yet due. A review of a sample from the company's detailed list of deferred premiums verified the accuracy of this asset.

Investment Income Accrued **$19,526**

This asset represents interest due and accrued on the various assets of the company at December 31, 2014, which related completely to Dupont's investments in bonds.

Reinsurance Recoverable on Paid Losses and LAE **$1,235**

The above asset represents recoveries due to the company from reinsurance on losses and loss adjusting expenses which were paid on or prior to December 31, 2014. A review of year-end accountings with the reinsurer verified the above asset.

Electronic Data Processing Equipment **$320**

The above balance consists of computer hardware and operating system software, net of depreciation, as of December 31, 2014. A review of receipts and other documentation verified the balance. Non-operating system software was properly nonadmitted.

Fire Dues Recoverable **$1,770**

This asset represents the amount overpaid to the state of Wisconsin for 2014 fire dues. The examiners reviewed the company's fire department dues calculation and found this asset to be correctly calculated. The actual amount recovered was verified to the cash receipts records.

Furniture and Fixtures **$0**

This asset consists of $4,366 of furniture and fixtures owned by the company at December 31, 2014. In accordance with annual statement requirements, this amount has been reported as a nonadmitted asset, thus the balance shown above is $0.

Software **$0**

This asset represents the amount of $2,417 of computer operating system software, net of depreciation, as of December 31, 2014. A review of receipts and other documentation verified the balance. In accordance with annual statement requirements, this amount has been reported as a nonadmitted asset, thus the balance shown above is $0.

Prepaid Expenses **$0**

This asset represents $8,579 of prepaid expenses at December 31, 2004. In accordance with annual statement requirements, this amount has been reported as a nonadmitted asset, thus the balance shown above is $0.

LIABILITIES AND SURPLUS

Net Unpaid Losses **$68,267**

This liability represents losses incurred on or prior to December 31, 2014, that remained unpaid as of that date. The examiners reviewed the reasonableness of this liability by totaling actual loss payments made subsequent to December 31, 2014, with incurred dates in 2014 and prior years. To the actual paid loss figure was added an estimated amount for 2014 and prior losses remaining unpaid at the time of the examination. The examiners' development of unpaid losses is compared with the amount estimated by the company in the following schedule.

	Company Estimate	Examiners' Development	Difference
Incurred but unpaid losses	$588,850	$538,641	$50,209
Less: Reinsurance recoverable on unpaid losses	520,583	499,388	21,195
Net Unpaid Losses	$ 68,267	$ 39,253	$29,014

While the loss development indicates a redundancy of $29,014, no adjustment is being made to the balance sheet in fair consideration of further loss development.

The examiners' review of claim files included open claims, paid claims, claims closed without payment, and claims that were denied during the examination period. The review indicated that claims are investigated and evaluated properly and that payments are made promptly and in accordance with policy provisions upon the submission of a proper proof of loss. In addition, the review of claims handling procedures and files revealed the following:

1. A proper loss register is maintained.
2. Claim files contained sufficient investigatory data and documentation to verify settlement payments or reserve estimates.
3. Proofs of loss were properly signed.

Unpaid Loss Adjustment Expenses **$4,500**

This liability represents the company's estimate of amounts necessary to settle losses which were incurred prior to December 31, 2014, but which remained unpaid as of year-end. The methodology used by the company in establishing this liability is $300 per open property claim.

The examiners' analysis of expenses incurred in the current year related to the settlement of prior year losses, as well as estimates of amounts necessary to settle any prior losses remaining unpaid at the examination date, determined this liability to be adequately stated.

Commissions Payable **$35,553**

This liability represents the commissions payable to agents as of December 31, 2014. The examiners reviewed the company's commission calculation and found the liability to be reasonably stated.

Federal Income Taxes Payable **$1,978**

This liability represents the balance payable at year-end for federal income taxes incurred prior to December 31, 2014.

The examiners reviewed the company's 2014 tax return and verified amounts paid to cash disbursement records to verify the accuracy of this liability.

Unearned Premiums **$720,986**

This liability represents the reserve established for unearned premiums in compliance with s. Ins 13.08 (3), Wis. Adm. Code. This reserve was established using a daily pro rata methodology.

Reinsurance Payable **$54,714**

This liability consists of amounts due to the company's reinsurer at December 31, 2014, relating to transactions which occurred on or prior to that date. A review of year-end accountings with the reinsurer verified the above liability.

Accounts Payable **$4,982**

This liability represents the balance payable at year-end for accounts payable and other accrued expenses incurred prior to December 31, 2009. Supporting records and subsequent cash disbursements verified this item.

Premiums Received in Advance **$31,296**

This liability represents the total premiums received prior to year-end for policies with effective dates after December 31, 2014. The examiners reviewed 2014 premium and cash receipt records to verify the accuracy of this liability.

V. CONCLUSION

Dupont Mutual Insurance Company is a town mutual insurer with an authorized territory of 16 counties. The company has served the insurance needs of its policyholders since July 24, 1883.

As of December 31, 2014, the company reported assets of $1,723,208, liabilities of $922,276 and policyholders' surplus of $800,932. Surplus decreased by 58.7% since the last examination, largely due to Dupont posting net losses in every year since 2010. Dupont's smallest net loss was posted in 2014, and Dupont's annual net loss has been trending lower every year since 2011. In addition, since the prior examination, Dupont's net premiums written have decreased by 15.3% and the number of policies in force has decreased by 30.8%. The decline in policy count was due to a comprehensive re-underwriting effort on the part of the company in order to improve its financial position for the long term.

There were two recommendations as a result of this examination. There were no adjustments to policyholders' surplus or reclassifications in the balance sheet.

VI. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 15 - Corporate Records—It is recommended that the company file amended articles and bylaws with this office as a separate and distinct filing as soon as possible after any changes have been voted on and approved in accordance with s. 612.04 (2), Wis. Stat.

2. Page 15 - Corporate Records—It is recommended that the company execute formal written agreements with all agencies or agents that represent the company to require that a specified level of errors and omissions insurance be kept in force.

VII. ACKNOWLEDGMENT

The courteous cooperation extended to the examiners by the company's personnel is hereby acknowledged.

In addition to the undersigned, Michael Miller and John Pollock of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination.

Respectfully submitted,

Steven J. Junior
Examiner-in-Charge