Report

of the

Examination of

Henrietta, Greenwood & Union Mutual Fire Insurance Company

Wonewoc, Wisconsin

As of December 31, 2009

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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May 7, 2010

Honorable Sean Dilweg
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, 2009, of the affairs and financial condition of:

HENRIETTA, GREENWOOD & UNION MUTUAL FIRE INSURANCE COMPANY
Wonewoc, Wisconsin

and the following report thereon is respectfully submitted:

I. INTRODUCTION

The previous examination of Henrietta, Greenwood & Union Mutual Fire Insurance Company (the company) was made in 2005 as of December 31, 2004. The current examination covered the intervening time period ending December 31, 2009, 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 was organized as a town mutual insurance company on November 1, 1883, under the provisions of the then existing Wisconsin Statutes. The original name of the company was the Henrietta, Greenwood & Union Mutual Insurance Company Against Fire and Lightning. Subsequent amendments to the company's articles and bylaws changed the company's name to that presently used.

During the period under examination, there were no amendments to the articles of incorporation and one amendment to the bylaws concerning membership in the company and the addition of a three-year reinspection requirement for possible revaluation of insured properties.

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:

Juneau	Monroe
Richland	Sauk
Vernon	

A review was made of the policy and application forms currently used by the company. The company currently issues an approved policy with or without endorsements for terms of one year with premiums payable on the advance-premium basis. The company is currently writing only one year term policies and converting the remaining three year term policies to one year terms when such policies come up for renewal. Policy fees of $10 are charged annually to the policyholders and retained by the company. Homeowners and Farmowners additional coverage fees of $45 or $60 are charged to the policyholders based on the amount of the coverage provided by the company. Business of the company is acquired through eight of its nine directors, one of which is licensed to write liability insurance. No commissions are paid.

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 nine 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
Richard McCoic, Vice President	Farmer	Hillsboro, Wisconsin	2012
Scott Sebranek	Farmer - Factory Worker	Kendall, Wisconsin	2012
Judith Shore*, Secretary	Farmer - Insurance	Wonewoc, Wisconsin	2011
Wendell Shore	Farmer	Wonewoc, Wisconsin	2011
Fred Stanek, Treasurer	Retired Farmer	Hillsboro, Wisconsin	2012
Donald Stowell	Farmer	Yuba, Wisconsin	2013
Warren Stowell, President	Farmer	Yuba, Wisconsin	2013
Leon Subera	Retired Farmer	Hillsboro, Wisconsin	2011
Lyle Tydrich	Farmer	Yuba, Wisconsin	2013

Directors who are also licensed agents are identified with an asterisk.

Members of the board currently receive $40.00 for each meeting attended and $0.50 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	2009 Compensation
Warren Stowell	President	$ 700
Richard McCoic	Vice President	200
Fred Stanek	Treasurer	6,280
Judith Shore	Secretary/Manager	11,320

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

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The committees at the time of the examination are listed below:

Adjusting Committee
Donald Stowell, Chair
Leon Subera
Wendell Shore
Lyle Tydrich (alternate)

Inspection Committee
Leon Subera, Chair
Donald Stowell
Wendell Shore

Investment Committee
Fred Stanek, Chair
Judith Shore
Warren Stowell

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
2009	$19,578	206	$ 3,481	$581,357	$505,134
2008	17,675	197	(974)	576,784	508,133
2007	23,537	195	3,668	578,806	505,805
2006	26,631	205	12,381	568,438	498,411
2005	27,294	207	(9,188)	576,559	482,132
2004	23,673	194	9,543	544,273	485,328

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
2009	$165,770	$20,536	$505,134	4%	33%
2008	158,225	17,988	508,133	4	31
2007	151,003	22,968	505,805	5	30
2006	155,566	29,601	498,411	6	31
2005	149,105	26,079	482,132	5	31
2004	133,800	25,400	485,328	5	28

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
2009	$12,456	$17,204	$19,578	64%	84%	148%
2008	15,239	17,691	17,675	86	98	184
2007	22,591	15,895	23,537	96	69	165
2006	8,463	23,217	26,631	32	78	110
2005	33,999	17,747	27,294	125	68	193
2004	16,128	12,952	23,673	68	51	119

Over the past five years, surplus has increased 4% to $505,134 from the $485,328 reported at the time of the last examination. Admitted assets showed a 7% increase over the same period. Net premiums written have decreased over the past five years by 19% from $25,400 in 2004 to $20,536 in 2009. The company has not reported underwriting gains in the last five years but has reported net income all but twice in the last ten years. The composite ratio has been relatively high, ranging from 110% to 193% which have been largely attributable to the small portion of earned premiums retained each year. The number of policies has increased 6% since the last examination.

II. REINSURANCE

The examiners' review of the company's reinsurance portfolio revealed there is currently one ceding treaty. The treaty contained a proper insolvency clause and 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, 2010
Termination provisions:	Either party may terminate this contract as of any subsequent January 1 by giving to the other party at least 90 days' advance notice in writing.

The coverages provided under this treaty are summarized as follows:

1.	Type of contract:	Class A – Casualty Quota Share Reinsurance
	Lines reinsured:	All business written by the company classified as casualty business.
	Company's retention:	The company cedes on a pro rata basis and the reinsurer assumes 100% of the company's business above the ceding level up to certain limits.
	Coverage:	Reinsurer shall be liable for 100% of each and every loss, including loss adjustment expense, occurring on covered business, subject to maximum policy limits as follows: 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:	The reinsurer shall pay a commission equal to 100% of the premium written for each and every policy with respect to the business covered.
	Ceding commission:	The reinsurer shall pay 15% ceding commission on all covered premiums. Company shall allow return commission at the same rate. Current annual deposit premium is $17,700
2.	Type of contract:	Class B – First Surplus
	Lines reinsured:	All property business written by the company
	Company's retention:	When the company's net retention is $50,000 or more in respect to a risk, the company may cede on a pro rata basis up to $800,000.

When the company's net retention is $50,000 or less in respect to a risk, the company may cede on a pro rata basis up to 50% of such risk.

Coverage: Pro rata share of each and every loss, including loss adjustment expense, corresponding to the amount of the risk ceded.

Reinsurance premium: Pro rata portion of premiums corresponding to the amount of each risk ceded.

Ceding commission: 15% of premium paid plus 15% of the reinsurer’s net profit relating to this portion of business.

3. Type of contract: Class C-1 – Excess of Loss

Lines reinsured: All property business written by the company

Company's retention: $15,000 per loss.

Coverage: 100% in excess of the company's retention, excluding loss adjustment expenses, subject to a limit of $35,000 per loss.

Reinsurance premium: The company shall pay the reinsurer a premium rounded to the nearest $100 calculated by taking the sum of the four years’ losses incurred by the reinsurer divided by the total of the net premiums written for the same period multiplied by the factor of 125%, subject to the following limits:

Minimum rate: 10% of the current net written premium
Maximum rate: 20% of the current net written premium
The current rate for the annual period is 20%, current annual deposit premium is $9,040

4. Type of contract: Class D/E-1 – Aggregate Stop Loss

Lines reinsured: All business written by the company

Company's retention: Annual aggregate losses equal to 90% of annual net premiums written.

Coverage: 100% of annual aggregate net losses including loss adjustment expenses in excess of 90% of the net written premium. Estimated attachment point of $40,680.

Reinsurance premium: Net premium written times [sum of the prior eight years' losses incurred by the reinsurer divided by the total net premiums written for same period times 100/80ths]. Minimum annual premium of 75% of the annual deposit premium.

Minimum rate: 10% of current net premiums written
Maximum rate: 25% of current net premiums written
Current period rate: 10%
Deposit premium: $4,520

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, 2009, 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."

Henrietta, Greenwood & Union Mutual Fire Insurance Company
Statement of Assets and Liabilities
As of December 31, 2009

Assets	Ledger	Nonledger	Not Admitted	Net Admitted
Cash on hand	$ 25	$ 0	$0	$ 25
Cash deposited at interest	504,439			504,439
Stocks and mutual fund investments	44,401			44,401
Deferred and not yet due		29,092		29,092
Investment income accrued		2,190		2,190
Reinsurance recoverable on paid losses and LAE	1,210	0	0	1,210
Totals	$550,075	$31,282	$0	$581,357

Liabilities and Surplus

Net unpaid losses	$ 3,033
Fire department dues payable	96
Unearned premiums	52,640
Reinsurance payable	20,454
Total liabilities	76,223
Policyholders' surplus	505,134
Total Liabilities and Surplus	$581,357

Henrietta, Greenwood & Union Mutual Fire Insurance Company
Statement of Operations
For the Year 2009

Net premiums and assessments earned		$ 19,578
Deduct:		
Net losses incurred	$ 8,391	
Net loss adjustment expenses incurred	4,065	
Net other underwriting expenses incurred	17,204	
Total losses and expenses incurred		29,660
Net underwriting gain (loss)		(10,082)
Net investment income:		
Net investment income earned	13,423	
Net realized capital gains (losses)	0	
Total investment gain (loss)		13,423
Other miscellaneous income (expense):		140
Net Income (Loss)		$ 3,481

Henrietta, Greenwood & Union Mutual Fire Insurance Company
Reconciliation and Analysis of Surplus as Regards Policyholders
For the Five-Year Period Ending December 31, 2009

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:

	2009	2008	2007	2006	2005
Surplus, beginning of year	$508,133	$505,805	$498,411	$482,132	$485,328
Net income	3,481	(974)	3,668	12,381	(9,188)
Net unrealized capital gain or (loss)	(6,480)	3,302	3,726	3,898	5,992
Surplus, End of Year	$505,134	$508,133	$505,805	$498,411	$482,132

Reconciliation of Policyholders' Surplus

The examination resulted in no adjustments to policyholders’ surplus. The amount reported by the company as of December 31, 2009, 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. Underwriting—It is recommended that the company file rate changes with the commissioner within 30 days after they become effective in accordance with s. 625.13 (1), Wis. Stat.

   Action—Noncompliance; see comments in the "Summary of Current Examination Results."

2. Claims Adjusting—It is recommended that the company maintain supporting documentation with regard to claims in accordance with s. Ins 13.05 (4) (e), Wis. Adm. Code.

   Action—Noncompliance; see comments in the "Summary of Current Examination Results."

3. Policy Cancellations—It is suggested that the company review and alter its premium due notice and subsequent notices in order to limit the company's risk of claims after the expiration date of a policy cancelled due to non-payment.

   Action—Noncompliance; see comments in the "Summary of Current Examination Results."

4. Accounts and Records—It is recommended that the company report its directors' and officers' compensation correctly in accordance with the IRS guidelines.

   Action—Noncompliance; see comments in the "Summary of Current Examination Results."

5. Accounts and Records—It is recommended that the company comply with s. Ins 13.05 (4) (d), Wis. Adm. Code, by transferring its bank reconciliation function to a person other than the Treasurer.

   Action—Compliance.

6. Business Continuity Plan—It is recommended that the company develop an adequate business continuity plan to include its EDP environment, which should be filed with this office when completed.

   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 had not been reported in accordance with the provisions of s. Ins 6.52, Wis. Adm. Code. It was discovered during the examination that the company elected a new director in 2008 and neglected to file the required biographical data with this office. It is recommended that the company report biographical data relating to officers and directors in accordance with the provisions of s. Ins 6.52, Wis. Adm. Code.

The company does not pay commissions and does not execute formal written agreements with its directors who serve as agents of the company.

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	$ 100,000
Directors & officer:	
D&O	1,000,000
Employee liability	1,000,000
Maximum aggregate	1,000,000
Deductible per claim	2,500

Underwriting

The company has a formal inspection procedure for both new and renewal business. All new applications and renewal business are inspected by directors on the inspection committee who are independent of the risk under consideration and review. The company is currently utilizing photographs for all new business and increasing its use on its renewal inspections.

Inspectors receive $35.00 for each new policy inspection, $50.00 per day for renewal inspections and $0.50 per mile for travel expense.

The company's rates and forms appear to have not been properly filed with the commissioner for the period under examination. On April 5, 2008, the company raised a policy fee without notifying the commissioner. The company subsequently filed this fee increase with this office before the conclusion of the examination. It is again recommended that the company file rate changes with the commissioner within 30 days after they become effective in accordance with s. 625.13 (1), Wis. Stat.

Claims Adjusting

The company has an adjusting committee consisting of at least three directors as required by s. 612.13 (4), Wis. Stat. All losses are inspected by at least two members of the adjusting committee. Adjusters receive $35.00 for each loss adjusted and $0.50 per mile for travel expense. During the examination it was discovered that several claims closed without payment had no substantiating documentation in its file. It is again recommended that the company maintain supporting documentation with regard to claims in accordance with s. Ins 13.05 (4) (e), Wis. Adm. Code.

Policy Cancellations

After reviewing and testing policy cancellations, it was noted that the company is terminating policies for nonpayment of premium after the actual expiry date of the policy allowing the insured additional coverage for free. The company sends out the first premium notice 20-30 days before the expiration date, stating when the premium is due. The second premium notice goes out 30 days after the expiration date. The final notice of cancellation for nonpayment goes out 60 days after cancellation. It is again suggested that the company review and alter its premium renewal notice and subsequent nonpayment notices in order to limit the company's risk of claims after the expiration date of a policy cancelled due to nonpayment.

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, 2009.

The company is not audited but its records are compiled annually by an outside public accounting firm.

During the examination it was determined that the company did not include the amounts the officers were paid for board of directors meetings or any adjusting or inspection fees in the annual W-2's. Board of directors meeting and adjusting or inspection fees for the officers who receive W-2's should have these various fees included on the W-2. It is again recommended that the company report its directors' and officers' compensation correctly in accordance with the IRS guidelines.

EDP Environment

Company personnel were interviewed with respect to the company's electronic data processing environment. The company does have a computer which is used for word processing and storage of forms; however, it does not use it to process company financial data or policy information. The company has decided that they will utilize the computer more in the future and is aware that they will need to train and cross train employees in their use, limit the access of its computer to authorized personal, establish a procedure in which its computer system is backed up at least quarterly and kept in a secure off-site location, and maintain manuals which describes how to use the company's software and outlines the steps to complete specific tasks to assist in the continuity of operations for seldom-used applications, training, 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 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 was 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 two 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	$376,223
2.	Liabilities plus 33% of gross premiums written	354,704
3.	Liabilities plus 50% of net premiums written	310,268
4.	Amount required (greater of 1, 2, or 3)	376,223
5.	Amount of Type 1 investments as of 12/31/2009	504,456
6.	Excess or (deficiency)	$128,233

The company has sufficient Type 1 investments.

ASSETS

Cash and Invested Cash **$504,464**

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

Cash in company's office	$ 25
Cash deposited in banks—checking accounts	17,931
Cash deposited in banks at interest	486,508
Total	$504,464

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 one account maintained in a local bank. Verification of checking account balances was made by obtaining and reviewing confirmations directly from the depository and reconciling the amounts shown thereon to company records.

Cash deposited in banks represents the aggregate of 14deposits in 6 depositories. Deposits were verified by direct correspondence or by an actual count and inspection of certificates and/or passbooks. Interest received during the year 2009 totaled $17,139 and was verified to company cash records. Rates of interest earned on cash deposits ranged from 2.11% to 4.69%. Accrued interest on cash deposits totaled $2,190 at year-end.

Stocks and Mutual Fund Investments **$44,401**

The above asset consists of the aggregate market value of stocks held by the company as of December 31, 2009. Stocks owned by the company are located in the company's safety deposit box.

Stock certificates were physically examined by the examiners. The company's investment in stocks 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 2009 on stocks and mutual funds amounting to $417 were traced to cash receipts records. There were no accrued dividends recorded at December 31, 2009.

Premiums Deferred and Not Yet Due **$29,092**

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 **$2,190**

This asset represents interest due and accrued on the cash deposited in banks at interest of the company at December 31, 2009. A review of the company's detailed list of investment income verified the accuracy of this asset.

Reinsurance Recoverable on Paid Losses and LAE **$1,210**

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, 2009. A review of year-end accountings with the reinsurer verified the above asset.

LIABILITIES AND SURPLUS

Net Unpaid Losses **$3,033**

This liability represents losses incurred on or prior to December 31, 2009, 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, 2009, with incurred dates in 2009 and prior years. To the actual paid loss figure was added an estimated amount for 2009 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	$16,500	$23,219	$6,719
Less: Reinsurance recoverable on unpaid losses	13,467	20,186	6,719
Net Unpaid Losses	$ 3,033	$ 3,033	$ 0

The above difference of $6,719 is due to unreported liability losses which were 100% recoverable under reinsurance and do not effect the reported net unpaid losses total for purposes of this examination.

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.

The examination also noted that the company allows claims to remain open for a couple of years without settlement, while the company waits for information from the claimant or for the insured to repair covered damages. This practice may be interpreted to be an unfair settlement policy by failure to initiate and conclude claim investigations in a reasonable period of time. It also increases the company’s exposure to additional loss sustained on damaged and unrepaired property. It is recommended that the company adopt procedures for timely settlement of claims in compliance with s. Ins 6.11 (3) (a) 2, Wis. Adm. Code.

Fire Department Dues Payable **$96**

This liability represents the fire department dues payable to the State of Wisconsin as of December 31, 2009. The examiners reviewed the company's fire department dues calculation and found this liability to be correctly calculated. The actual amount paid was verified to the cash disbursement records.

Unearned Premiums **$52,640**

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. The examiners verified the balance by comparing it to a year-end unearned premium report and recalculated a sample of unearned premium from that same report

Reinsurance Payable **$20,454**

This liability consists of amounts due to the company's reinsurer at December 31, 2009, relating to transactions which occurred on or prior to that date. These amounts consist of the estimated payable at year-end based upon the reinsurer’s adjusted calculations and the amount payable for deferred premium. The review of the subsequent payment verified the amount reported.

V. CONCLUSION

During the examination of Henrietta, Greenwood & Union Mutual Fire Insurance Company, it was determined that the company had complied with two of its six prior examination suggestions and recommendations. Three recommendations and one suggestion were repeated and two new recommendations were added as a result of this current examination. The recommendations and suggestion are listed in summary form on the following page. There were no reclassifications or adjustments to surplus.

Over the past five years, surplus has increased 4% to $505,134 from the $485,328 reported at the time of the last examination. Admitted assets showed a 7% increase over the same period. Net premiums written have decreased over the past five years by 19% from $25,400 in 2004 to $20,536 in 2009. The company has not reported underwriting gains in the last five years but has reported net income all but twice in the last ten years. The composite ratio has been relatively high, ranging from 110% to 193% which have been largely attributable to the small portion of earned premiums retained each year. The number of policies has increased 6% since the last examination. The company's very small volume of business is insufficient to support even modest overhead expenses and claims activity without reliance upon investment income which may be a long-term concern. However, the company appears to be serving policyholders well by generating a modest income, maintaining a sufficient amount of surplus, maintaining a risk adverse investment portfolio, and making timely claim payments.

VI. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 13 - Corporate Records—It is recommended that the company report biographical data relating to officers and directors in accordance with the provisions of s. Ins 6.52, Wis. Adm. Code.

2. Page 14 - Underwriting—It is again recommended that the company file rate changes with the commissioner within 30 days after they become effective in accordance with s. 625.13 (1), Wis. Stat.

3. Page 14 - Claims Adjusting—It is again recommended that the company maintain supporting documentation with regard to claims in accordance with s. Ins 13.05 (4) (e), Wis. Adm. Code.

4. Page 15 - Policy Cancellations—It is again suggested that the company review and alter its premium renewal notice and subsequent nonpayment notices in order to limit the company's risk of claims after the expiration date of a policy cancelled due to nonpayment.

5. Page 15 - Accounts and Records—It is again recommended that the company report its directors' and officers' compensation correctly in accordance with the IRS guidelines.

6. Page 21 - Net Unpaid Losses—It is recommended that the company adopt procedures for timely settlement of claims in compliance with s. Ins 6.11 (3) (a) 2, Wis. Adm. Code.

VII. ACKNOWLEDGMENT

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

In addition to the undersigned, Andrew Fell of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination.

Respectfully submitted,

Russell Lamb
Examiner-in-Charge