

Report of the Examination of
United Mutual Insurance Company
Medford, Wisconsin
As of December 31, 2020

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August 31, 2021

Honorable Mark V. Afable
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

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

UNITED MUTUAL INSURANCE COMPANY
Medford, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of United Mutual Insurance Company (United Mutual or the company) was conducted in 2016 as of December 31, 2015. The current examination covered the intervening period ending December 31, 2020, and included a review of such subsequent transactions as deemed necessary to complete the examination.

All accounts and activities of the company were considered, including assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. 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 concerning the alternative or additional examination steps performed during the examination.

In addition to auditing, the public accounting firm performs non-auditing services for the company, including payroll, preparation of journal entries, financial statement preparation and filing, and tax return preparation. On December 14, 2010, an exemption was granted by the Commissioner, pursuant to s. Ins 50.08 (5), Wis. Adm. Code, permitting the independent auditor to perform this non-audit work for the company.

II. HISTORY AND PLAN OF OPERATION

The company was organized in 1878 as Farmington Mutual Fire Insurance company, a town mutual insurer. In 1966, the company changed its name to Farmington Mutual Insurance Company and on September 16, 1996, it converted from a town mutual insurance company to a nonassessable mutual insurance company under ch. 611, Wis Stat. Warren Mutual Insurance Company was merged into the company effective January 1, 1997, and Little Black Mutual Insurance Company (Little Black) was merged into the company effective December 31, 2018. In 2019, the company's name was changed to United Mutual Insurance Company.

The company is licensed to write the business of insurance in Wisconsin but primarily limits its focus to the northwestern and central portion of the state. The major products marketed by the company are homeowners and farmowners policies. The company also writes allied lines, fire, commercial multiple peril, and boiler and machinery business. The company's products are marketed through approximately 275 independent agents operating out of 43 agencies. Three agents serve on the board of directors of the company.

The following table is a summary of the net insurance premiums written by the company in 2020. The growth of the company is discussed in the "Financial Data" section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Farmowners multiple peril	\$ 2,147,633	\$0	\$ 606,781	\$1,540,852
Homeowners multiple peril	2,104,191		594,507	1,509,684
Allied Lines	591,504		167,120	424,384
Fire	397,990		112,446	285,544
Commercial multiple peril	272,364		76,952	195,412
Boiler and machinery	<u>205,553</u>	—	<u>205,553</u>	<u> </u>
Total All Lines	<u>\$5,719,235</u>	<u>\$0</u>	<u>\$1,763,359</u>	<u>\$3,955,876</u>

III. MANAGEMENT AND CONTROL

Board of Directors

Following the merger with Little Black Mutual Insurance Company, members of the board of directors for both companies became directors of the combined company, with the board currently consisting of 15 members. Directors are elected annually at policyholders' meeting to serve a three-year term. The board of directors is divided into three classes. One class is elected at each annual meeting. Officers are elected at the board's annual meeting.

Currently, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Rebecca Brost Medford, Wisconsin	Personal Banker	2021
Craig Gustafson Osceola, Wisconsin	Management of Coop	2021
James Klemesrud New Richmond, Wisconsin	Retired Engineer	2021
Richard McCurdy Miltown, Wisconsin	Retired Accountant	2021
Thomas Rasmussen Medford, Wisconsin	Information Technology	2021
Gary Berget New Richmond, Wisconsin	Construction Contractor	2022
David Neidermire* New Richmond, Wisconsin	Dairy Farmer and Insurance Agent	2022
Mark Peissig Dorchester, Wisconsin	Dairy Supply Owner/Operator	2022
Carol Schiltgen Amery, Wisconsin	Office Manager	2022
Donald Boss Abbotsford, Wisconsin	Realtor	2023
Michael Kassie Colby, Wisconsin	Retired From USDA, Now Farming	2023
Thomas Odeen Loyal, Wisconsin	Crop Insurance Agent with BMO Harris Bank	2023

Name and Residence	Principal Occupation	Term Expires
Edward Sontag* Somerset, Wisconsin	Crop Farmer and Insurance Agent	2023
Thomas Stack* Glenwood City, Wisconsin	Insurance Agency	2023
David Thiel New Richmond, Wisconsin	Retired Machinist	2023

* Indicates the director is an agent for the company.

Officers of the Company

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

Name	Office
Anthony Wilke	President & Chief Executive Officer
Edward Sontag	Chairman of the Board
Thomas Odeen	Vice Chairman of the Board
Richard McCurdy	Secretary
Thomas Stack	Treasurer

Sharon Kreft was appointed Vice President in 2021.

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:

<p>Nominating Committee Edward Sontag, Chair Thomas Odeen, Vice Chair Comprised of the entire board</p>	<p>Claims Committee Edward Sontag, Chair Thomas Odeen, Vice Chair Comprised of the entire board</p>
<p>Audit Committee Edward Sontag, Chair Thomas Odeen, Vice Chair Comprised of the entire board</p>	<p>Investment Committee Edward Sontag, Chair Thomas Odeen, Vice Chair Comprised of the entire board</p>
<p>Wage and Benefits Committee Thomas Stack, Chair James Klemesrud Carol Schiltgen Michael Kassie</p>	<p>Property Committee Mark Peissig, Chair Rebecca Brost Gary Berget Craig Gustafson</p>

IV. REINSURANCE

The company's reinsurance portfolio is currently made up of two ceding treaties. The contracts did contain proper insolvency provisions.

Ceding Contract

Reinsurer: Wisconsin Reinsurance Corporation (WRC)
Effective Date: January 1, 2021, continuous
Termination Provisions: Either party may terminate the contract as of any subsequent January 1 by giving 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: Casualty Excess of Loss
Lines reinsured: All casualty or liability business written by the company
Company's retention: \$10,000 in respect to each and every loss occurrence up to policy limits
Coverage: 100% in excess of retention including loss adjusting expense, subject to policy limits of \$1,000,000 for bodily injury and property damage, and \$25,000 per person and \$25,000 per accident for medical payments
2. Type of contract: Combination Umbrella Quota Share and Excess of Loss
Lines reinsured: All umbrella liability business written by the company
Coverage: Part 1 – 99% Quota Share of the first \$1,000,000 limit of liability
The company shall cede on a pro rata basis and the reinsurer shall assume a 99% quota share of the business covered, subject to the limits of liability set forth in the following paragraph

The reinsurer shall be liable for 99% of each loss occurrence, including loss adjustment expense, on the business covered, subject to a maximum limit of liability of \$990,000 (99% of \$1,000,000) on each loss occurrence

Part 2 – 100% of \$1,000,000 in excess of \$1,000,000 each loss occurrence
The reinsurer shall be liable for 100% of each loss occurrence, on the business covered, in excess of the company's retention of \$1,000,000, subject to the reinsurer's limit of liability of \$1,000,000 each loss occurrence

Loss adjustment expense is included in addition to losses covered hereunder and in addition to the reinsurer's limit of liability for Part 1 and Part 2
3. Type of contract: First Per Risk Excess of Loss
Lines reinsured: All property business written by the company

- Company's retention: \$125,000 for each and every risk from one loss occurrence
- Coverage: 100% of each and every loss, including loss adjustment expense in excess of the company's net retention, \$125,000, subject to a limit of \$125,000
4. Type of contract: Second Per Risk Excess of Loss
- Lines reinsured: All property business written by the company
- Company's retention: \$250,000 for each and every risk from one loss occurrence
- Coverage: 100% of each and every loss, including loss adjustment expense, in excess of the company's net retention, \$250,000, subject to a limit of \$750,000
5. Type of contract: Third Per Risk Excess of Loss
- Lines reinsured: All property business written by the company
- Company's retention: \$1,000,000 for each and every risk from one loss occurrence
- Coverage: 100% of each and every loss, including loss adjustment expense, in excess of the company's net retention, \$1,000,000, subject to a limit of \$3,000,000
6. Type of contract: First Catastrophe Excess of Loss
- Lines reinsured: All property business written by the Company
- Retention: \$500,000 each loss occurrence
- Coverage: \$3,500,000 each loss occurrence that occurs during each annual period. Reinsurer's maximum limit of liability will not exceed twice the limit of liability in any one annual period.
- Reinstatement: One free reinstatement
7. Type of contract: First Aggregate Excess of Loss
- Lines reinsured: All business written by the company
- Company's retention: Losses in aggregate equal to 65% of the net premiums written for the annual period
- Coverage: 100% of the amount by which the aggregate of the company's losses, including loss adjustment expenses, exceeds the company's retention with a limit of 65% of net premium written
8. Type of contract: Second Aggregate Excess of Loss
- Lines reinsured: All business written by the company
- Company's retention: Losses in aggregate equal to 130% of the net premiums written for the annual period

Coverage: 100% of aggregate net losses, including loss adjustment expenses, in the annual period that exceed the retention

Equipment Breakdown Quota Share Coverage

Reinsurer: Factory Mutual Insurance Company

Effective date: January 1, 2017, and is continuous

Lines reinsured: All equipment breakdown liability farmowners, homeowners and service business, with stated exclusions

Company's retention: None

Coverage: 100% of losses ceded under this treaty

Termination provisions: By either party, on any January 1, with 90 days' advance written notice by certified mail

Additional comments: The treaty has a clause where the company will share in reinsurer profits to extent incurred loss ratio target is achieved.

V. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2020, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation.

United Mutual Insurance Company
Assets
As of December 31, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 1,389,780	\$	\$ 1,389,780
Stocks:			
Preferred stocks	1,870,197		1,870,197
Common stocks	7,768,523		7,768,523
Real estate:			
Occupied by the company	211,252		211,252
Cash, cash equivalents, and short-term investments	182,109		182,109
Investment income due and accrued	13,322		13,322
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	20,467	1,495	18,972
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	640,836		640,836
Reinsurance:			
Amounts recoverable from reinsurers	61,150		61,150
Other amounts receivable under reinsurance contracts	109,681		109,681
Current federal and foreign income tax recoverable and interest thereon	53,784		53,784
Net deferred tax asset	672,040	588,515	83,525
Electronic data processing equipment and software	20,000	20,000	
Write-ins for other than invested assets:			
Cash Surrender Value of Life Insurance	318,321		318,321
Vehicles	69,637	69,637	
State Taxes Receivable	<u>13,779</u>	<u> </u>	<u>13,779</u>
Total Assets	<u>\$13,414,878</u>	<u>\$679,647</u>	<u>\$12,735,231</u>

United Mutual Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2020

Losses		\$ 728,572
Loss adjustment expenses		9,000
Commissions payable, contingent commissions, and other similar charges		154,033
Other expenses (excluding taxes, licenses, and fees)		53,955
Taxes, licenses, and fees (excluding federal and foreign income taxes)		9,011
Unearned premiums		2,995,900
Advance premium		<u>110,012</u>
Total Liabilities		4,060,483
Unassigned funds (surplus)	<u>\$8,674,748</u>	
Surplus as Regards Policyholders		<u>8,674,748</u>
Total Liabilities and Surplus		<u>\$12,735,231</u>

**United Mutual Insurance Company
Summary of Operations
For the Year 2020**

Underwriting Income		
Premiums earned		\$4,112,644
Deductions:		
Losses incurred	\$2,400,592	
Loss adjustment expenses incurred	430,629	
Other underwriting expenses incurred	<u>1,998,896</u>	
Total underwriting deductions		<u>4,830,117</u>
Net underwriting gain (loss)		(717,473)
Investment Income		
Net investment income earned	133,392	
Net realized capital gains (losses)	<u>(55,003)</u>	
Net investment gain (loss)		78,389
Other Income		
Finance and service charges not included in premiums	162,536	
Write-ins for miscellaneous income:		
Gain on extinguishment of debt	173,000	
Other income	<u>(553)</u>	
Total other income		<u>334,983</u>
Net Income (Loss)		<u>\$ (304,101)</u>

United Mutual Insurance Company
Cash Flow
For the Year 2020

Premiums collected net of reinsurance		\$4,077,276
Net investment income		180,629
Miscellaneous income		<u>334,983</u>
Total		4,592,888
Benefit- and loss-related payments	\$1,593,474	
Commissions, expenses paid, and aggregate write-ins for deductions	<u>2,373,037</u>	
Total deductions		<u>3,966,511</u>
Net cash from operations		626,377
Proceeds from investments sold, matured, or repaid:		
Bonds	\$1,065,393	
Stocks	<u>1,174,445</u>	
Total investment proceeds		2,239,838
Cost of investments acquired (long- term only):		
Bonds	492,481	
Stocks	2,161,239	
Real estate	29,639	
Miscellaneous applications	<u>21,376</u>	
Total investments acquired		<u>2,704,735</u>
Net cash from investments		(464,897)
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	<u>(60,679)</u>	
Net cash from financing and miscellaneous sources		<u>(60,679)</u>
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		
		100,801
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>81,308</u>
End of Year		<u>\$ 182,109</u>

**United Mutual Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2020**

Assets		\$12,735,231
Less liabilities		<u>4,060,483</u>
Adjusted surplus		8,674,748
Annual premium:		
Lines other than accident and health	\$3,955,876	
Factor	<u>20%</u>	
	791,175	
Compulsory surplus (subject to a minimum of \$2 million)		<u>2,000,000</u>
Compulsory Surplus Excess (Deficit)		<u>\$6,674,748</u>
Adjusted surplus (from above)		\$8,674,748
Security surplus (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum factor of 110%)		<u>2,800,000</u>
Security Surplus Excess (Deficit)		<u>\$5,874,748</u>

**United Mutual Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2020**

The following schedule details items affecting surplus during the period under examination as reported by the company in its filed annual statements:

	2020	2019	2018	2017*	2016*
Surplus, beginning of year	\$9,411,663	\$9,706,508	\$9,652,767	\$10,633,510	\$8,803,789
Net income	(304,101)	(866,869)	167,880	(1,456,973)	1,010,771
Change in net unrealized capital gains/losses	(317,836)	279,415	(462,850)	425,797	934,248
Change in net deferred income tax	207,182	547,971	56,439	385,424	(108,914)
Change in nonadmitted assets	<u>(322,160)</u>	<u>(255,362)</u>	<u>292,272</u>	<u>(334,994)</u>	<u>(6,384)</u>
Surplus, End of Year	<u>\$8,674,748</u>	<u>\$9,411,663</u>	<u>\$9,706,508</u>	<u>\$9,652,767</u>	<u>\$10,633,510</u>

* The numbers for 2016 and 2017 have been restated for the merger with Little Black.

**United Mutual Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2020**

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. (1) Unusual IRIS results are denoted with asterisks and discussed below the table.

Ratio	2020	2019	2018	2017**	2016**
#1 Gross Premium to Surplus	66%	61%	58%	23%	22%
#2 Net Premium to Surplus	46	45	39	16	15
#3 Change in Net Premiums Written	-6	10	3	2	-3
#4 Surplus Aid to Surplus	0	0	0	0	0
#5 Two-Year Overall Operating Ratio	115*	114*	128*	103*	74
#6 Investment Yield	1.2*	1.9*	1.6*	1.4*	1.1*
#7 Gross Change in Surplus	-8	-3	1	-2	9
#8 Change in Adjusted Surplus	-8	-3	1	-2	9
#9 Liabilities to Liquid Assets	30	24	26	12	14
#10 Agents' Balances to Surplus	0	0	0	0	0
#11 One-Year Reserve Development to Surplus	-0	-1	0	-1	0
#12 Two-Year Reserve Development to Surplus	-1	-0	-1	-0	0
#13 Estimated Current Reserve Deficiency to Surplus	-5	5	-1	1	-2

**The ratios for 2016 and 2017 have not been restated for the merger with Little Black

Ratio No. 5 measures the company's profitability over the previous two-year period. The exceptional results in 2017 to 2020 were due to a combination of factors including some unusually severe storms resulting in numerous claims in 2017 to 2019 and elevated expenses resulting from the merger with Little Black Mutual Insurance Company.

Ratio No. 6 measures the amount of the company's net investment income earned as a percentage of the two-year average amount of cash and invested assets and was considered exceptional in each of the five years under examination. The exceptional ratios were primarily the result of low returns on its common stock portfolio although low interest rates were also a factor.

Growth of United Mutual Insurance Company*

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2020	\$12,735,231	\$4,060,483	\$8,674,748	\$(304,101)
2019	12,900,921	3,489,258	9,411,663	(866,869)
2018	13,779,367	4,072,859	9,706,508	167,880
2017	13,788,740	4,135,973	9,652,767	(1,456,973)
2016	14,835,934	4,202,424	10,633,510	1,010,771
2015	12,915,290	4,111,501	8,803,789	617,997

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2020	\$5,719,235	\$3,955,876	\$4,112,644	68.8%	42.1%	110.9%
2019	5,769,647	4,190,718	4,038,179	84.8	41.4	126.2
2018	5,652,526	3,798,734	3,758,399	69.4	41.7	111.1
2017	5,655,168	3,680,023	3,687,681	112.2	41.4	153.6
2016	5,684,582	3,644,693	3,694,107	44.6	42.2	86.8
2015	5,715,500	3,556,554	3,549,935	37.6	38.4	76.0

* The numbers for 2015, 2016, and 2017 have been restated for the merger with Little Black.

Over the examination period the company reported a 1% decrease in both assets and liabilities, and a 1.5% decrease in surplus. Direct premium written remained flat, but net premium written and net premium earned increased 11% and 16%, respectively, over the examination period. This increase is attributed largely to a decrease in reinsurance premium ceded which was especially pronounced after the merger with Little Black when compared with the combined reinsurance premium

ceded from two separate companies. The combined ratio was above 100% in four of the five years of the examination period. Claims from localized catastrophic events, especially in 2017 and 2019, and a relatively high expense ratio were the main reasons for the high combined ratios.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2020, is accepted.

VI. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were 22 specific comments and recommendations in the previous examination report.

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

1. Conflict of Interest—It is again recommended that the company's officers, directors, or key employees annually disclose all potential conflicts with their respective duties with the company.

Action—Compliance.

2. Business Continuity Plan—It is again recommended that the company develop a comprehensive disaster recovery plan that would clearly identify what would be done in cases where it is not able to access its computers, the office building is destroyed or if a key employee is lost.

Action—Compliance.

3. Unclaimed Funds—It is recommended that the company develop, and the board adopt, a written escheat policy and the policy should address: (1) the company's procedures relating to stale-dated checks (sufficient to ensure compliance with the requirements of ch. 177, Wis. Stat.); and (2) the establishment and maintenance of an escheat liability account (to hold stale-dated checks outstanding for over one year).

Action—Compliance.

4. Underwriting—For new business, it is again recommended that the company develop and the board approve consistent procedures to obtain an inspection if an agent's application submission is incomplete or does not contain adequate information on which to base underwriting decisions, to be applied on a consistent basis for all agents. Professional underwriting inspections for all new risks is an industry best practice.

Action—Compliance.

5. Underwriting—For renewal business, it is again recommended that the company promptly adopt criteria that determines the priority of which risks are to be inspected, a checklist or guide for the inspection of each class of business the company writes (homeowners, farmowners, mobile home, etc.), and a procedure to ensure that information from the inspection report is evaluated and underwritten before the statutory deadlines for notices of nonrenewal or changes in coverage to the policyholder, pursuant to s. 631.36 (4) and (5), Wis. Stat. It is again recommended that the company track inspection results, report the results to the board of directors, and use the results to plan for future inspections, and that the company consistently follow its inspection criteria when deciding which policies to inspect.

Action—Compliance.

6. Claims Adjusting—It is recommended that the company consistently abide by company policy for using outside adjustors for all claims or revise the policy to address adjustments of scheduled property and/or less complex claims by specified in-house individuals, with due consideration of conflict of interest issues.

Action—Compliance.

7. Corporate Records—It is again recommended that the company report all remuneration paid to or accrued on behalf of employees or directors for those individuals whose remuneration meets the requirements to be reported to the Commissioner in accordance with s. 611.63, Wis. Stat.

Action—Compliance.

8. Investments—It is recommended that the board develop an investment policy and submit it to this office for approval within six months of the adoption of this report; the investment policy should take into consideration the company's investment objectives, metrics that will be used to evaluate the performance of the portfolio, allowable asset classes, investment limitations, prohibited investments, investment processes/controls, cash management, and investment roles and responsibilities.

Action—Compliance.

9. Investments—In addition, it is recommended that the board establish and document internal controls to ensure that the provisions of the investment policy are properly enforced and submit the documented internal controls to this office within six months after the adoption of this report; the internal controls should consider the resources necessary to properly oversee and enforce the provisions of the investment policy.

Action—Compliance.

10. Investments—It is recommended that the company update the investment management agreement to conform to the company's revised investment policy in accordance with s. 611.51 (6), Wis. Stat., present the draft agreement to this office for approval within six months of the adoption of this report, and require the investment advisor to sign, and agree to abide by, such agreement. The updated agreement should incorporate the best practice considerations and include a provision requiring that securities trades will occur at the firm with the best available execution price and not require that they are executed by any specific firm or firms.

Action—Compliance.

11. Investments—It is recommended that the board, or a subordinate committee thereof, review all investment transactions at least quarterly, for adherence with the current investment policy, approve or disapprove the investment transactions, and maintain documentation in board minutes of the records reviewed and the board's approval or disapproval of each investment transaction, in accordance with s. 611.51 (6), Wis. Stat.

Action—Compliance.

12. Investments—It is recommended that the board monitor the investment advisor's compliance with the investment policy and the investment management agreement, as well as the investment advisor's performance, on at least a quarterly basis.

Action—Compliance.

13. Investments—Comment—Domestic insurers may not invest in derivatives unless the company has adopted a derivatives use plan, as defined in s. Ins 6.20 (8) (o), Wis. Adm. Code, which has been approved by this office. The company's board has not approved a derivative use plan, nor have they submitted such a plan to the Commissioner; therefore, these are not permitted investments for this company.

Action—Compliance.

14. Investment Reporting—It is again recommended that the company record bond and non-affiliated common stock investment transactions, including mutual funds and exchange traded funds, other

than acquiring privately placed securities, on their trade dates in accordance with SSAP 26, Paragraph 4, and SSAP 30, paragraph 5, respectfully.

Action—Compliance.

15. Investment Reporting—In addition, it is recommended that: (1) the company report all long-term bonds and stocks acquired during the year and fully disposed of during the current year on Schedule D - Part 5 and reflect the correct number of shares of the securities that are sold, in accordance with NAIC Annual Statement Instructions - Property and Casualty; (2) the company track information separately for securities purchased in different lots and report the sales of such securities as separate transactions in accordance with the annual statement instructions for Schedule D - Parts 4 and 5; and (3) the company properly report variable coupon bonds by including the proper bond characteristic code in column 5 of Schedule D - Part 1.

Action—Compliance.

16. Investment Reporting—It is again recommended that the company report the correct NAIC designation that corresponds with equivalent ratings from NAIC acceptable rating organizations, in accordance with the NAIC's SVO Purposes and Procedures Manual.

Action—Compliance.

17. Investment Reporting—It is recommended that the company properly report all long-term bonds in the appropriate category of Schedule D - Part 1, including correctly reporting U.S. Treasury securities as U.S. government bonds.

Action—Compliance.

18. Investment Reporting—In addition, it is recommended that the company properly report certificates of deposit with maturity dates of one year or less from the acquisition date on Schedule E - Part 1, in accordance with the NAIC Annual Statement Instructions - Property and Casualty.

Action—Compliance.

19. Investment Reporting—It is recommended that the company properly report foreign and Canadian bonds and stocks in the annual statement Summary Investment Schedule, Schedule D - Summary by Country, and Schedule D - Parts 1 and 2, in accordance with the NAIC Annual Statement Instructions - Property and Casualty.

Action—Compliance.

20. Custodial Accounts—It is recommended that the company comply with s. 610.23, Wis. Stat., and immediately transfer the securities held at Interactive Brokers LLC into a proper custodial or trust arrangement with a bank or banking and trust company.

Action—Compliance.

21. Custodial Accounts—It is again recommended that the company's officers, directors, or key employees annually disclose all potential conflicts with their respective duties with the company.

Action—Compliance.

22. Custodial Accounts—It is recommended that the company work with Comerica Bank to revise the custodial agreement to include the recommended provisions contained in the NAIC's Financial Condition Examiners Handbook. The revised agreement should be executed by Comerica Bank and the company.

Action—Compliance.

Summary of Current Examination Results

There were no adverse or material examination findings as a result of the current examination of the company.

VII. CONCLUSION

The company reported admitted assets of \$12.7 million, liabilities of \$4.1 million, and policyholders' surplus of \$8.7 million for 2020. Operations for 2020 produced a net loss of \$304,000. Over the five-year period under examination, the company's reported policyholders' surplus decreased by 1.5% and earned premium increased by approximately 16%. The examination resulted in no recommendation or adjustment to surplus. The company complied with all recommendations made by the prior examination.

VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no adverse or material examination findings as a result of the current examination of the company.

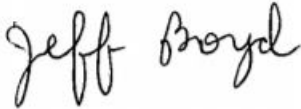
IX. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
James R. Lindell	Insurance Financial Examiner
Junji Nartatez	IT Specialist
Nick Hartwig	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Jeff Boyd
Examiner-in-Charge