

Report of the Examination of  
Wisconsin County Mutual Insurance Corporation  
Madison, Wisconsin  
As of December 31, 2018

## TABLE OF CONTENTS

	<b>Page</b>
I. INTRODUCTION.....	1
II. HISTORY AND PLAN OF OPERATION.....	3
III. MANAGEMENT AND CONTROL.....	7
IV. AFFILIATED COMPANIES AND KEY SERVICE PROVIDERS.....	15
V. REINSURANCE.....	19
VI. FINANCIAL DATA.....	22
VII. SUMMARY OF EXAMINATION RESULTS.....	32
VIII. CONCLUSION.....	36
IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS.....	37
X. ACKNOWLEDGMENT.....	38
XI. SUBSEQUENT EVENTS.....	39



# State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

**Tony Evers, Governor**  
**Mark V. Afable, Commissioner**

**Wisconsin.gov**

March 23, 2020

125 South Webster Street • P.O. Box 7873  
Madison, Wisconsin 53707-7873  
Phone: (608) 266-3585 • Fax: (608) 266-9935  
ociinformation@wisconsin.gov  
oci.wi.gov

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:

WISCONSIN COUNTY MUTUAL INSURANCE CORPORATION  
Brookfield, Wisconsin

and this report is respectfully submitted.

## I. INTRODUCTION

The previous examination of Wisconsin County Mutual Insurance Corporation (WCMIC or the company) was conducted in 2014 and 2015 as of December 31, 2013. The current examination covered the intervening period ending December 31, 2018, and included a review of such 2019 and 2020 transactions as deemed necessary to complete the examination.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include 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.

### **Independent Actuary's Review**

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of the company's loss and loss adjustment expense reserves. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

## II. HISTORY AND PLAN OF OPERATION

Wisconsin County Mutual Insurance Corporation was organized by member counties and the Wisconsin Counties Association (WCA) in 1987 under ch. 611, Wis. Stat., as an assessable municipal mutual. The company is licensed only in Wisconsin. In 1996, the commissioner approved WCMIC's conversion to nonassessable status. Initially, the company wrote only general liability policies. Effective January 1, 1997, following a change to the statutes, the company began offering excess workers' compensation coverage to member counties above a self-insured amount. The company also began marketing liability coverages to municipalities in 1998. In 2000, WCMIC introduced its Owner-Direct Insurance Program (ODIP), designed for county construction projects as a means to expand its liability and workers' compensation insurance opportunities to its members. In 2002, the company created a wholly owned subsidiary, Community Insurance Corporation (CIC), to expand its coverages to school districts and municipalities while maintaining its service to its core county business. As WCMIC policies for municipalities expired, most of this business was transferred to CIC. On November 26, 2003, the commissioner granted WCMIC the authority to also offer fire, inland marine, and other property insurance pursuant to a change in authority allowed under s. 611.11 (4) (b), Wis. Stat. On September 1, 2015, the company began writing property insurance policies after ceasing writing property coverage in 2009.

Effective January 1, 2012, WCMIC entered into a loss portfolio and 100% quota share reinsurance agreement with CIC. Pursuant to the terms of the agreement, CIC transferred approximately \$10.6 million in assets to WCMIC for loss, loss adjusting expense, and unearned premium reserves on policies issued prior to January 1, 2012. CIC has ceded to WCMIC 100% of CIC's losses, liabilities, and obligations arising under or relating to insurance policies issued by CIC prior to January 1, 2012, and cedes all premiums on policies issued or renewed on or after January 1, 2012.

Section 611.23, Wis. Stat., exempts the company and other municipal mutual insurers from chs. 604 to 607, 612 to 619, 625, and 646, Wis. Stat., in order to facilitate such companies' formation, financing, and governance.

In Wisconsin, municipalities have limited exposure to large general liability and automobile liability claims due to “tort caps” of \$50,000 on general liability and \$250,000 on automobile liability pursuant to ss. 893.80 (3) and 345.05 (3), Wis. Stat. There is no “tort cap” for certain liability actions, such as civil rights actions based on federal law.

The company provides counties with the following coverages:

- Liability insurance coverage with policy limits of up to \$10,000,000 per loss occurrence. These coverages are written above deductibles, which range from \$1,000 to \$1,000,000 per county.
- Workers’ compensation coverage with policy limits of the employer’s liability reaching \$1,000,000 per accident for bodily injury by accident and \$1,000,000 per policy limit and per each employee for bodily injury by disease. The workers’ compensation portion of coverage is as prescribed by Wisconsin law.
- Standard property insurance and auto physical damage, auto comprehensive and collision coverage, for covered perils. The limits of coverage provided are written on a blanket basis, based on the schedule of property locations, buildings, equipment, and vehicles at the values of each. Coverage is subject to a per occurrence deductible. Buildings, personal property/contents, property in the open, equipment, vehicles are covered by these policies. The limits range from \$8,000 on a municipality auto policy to \$272,000,000 on a county property policy.

WCMIC also offers retroactive coverages to its members. These retroactive coverages include general liability, errors and omissions, and automobile liability for years as far back as 1985. The retroactive coverages are made available to members who had coverage on a “claims made” basis from previous insurance carriers rather than on an occurrence basis. The retroactive coverage is to cover claims that are first reported during the effective period of the WCMIC policy even though the occurrence date was prior to WCMIC offering the coverage. The retroactive coverage includes coverage for employment discrimination and sexual harassment.

WCMIC requires members to establish a prefunded deductible escrow account for paying the deductible portion of their losses. The gross premiums are calculated using the insured’s ratable operating expenses (ROE) multiplied by the base rate and experience/exposure credit. A factor is then applied to the gross premium, based upon the deductible option selected, to determine the deductible credit. The gross premium is then reduced by the deductible credit to determine the actual premium charged. The insured’s deductible deposit earns interest at a rate

that matches the average interest rate earned by the company on its investments. During the policy year, the company monitors and pays claims on behalf of its insureds. At the end of the third quarter, the deductible fund is adjusted to determine the amount of replenishment needed to fund up to the deductible aggregate at policy renewal.

Current members in the liability program include 52 counties in the state of Wisconsin, which represent 72% of all Wisconsin counties. Sixteen counties participate in the excess workers' compensation program. Lastly, 23 counties and one in-home care program participate in the fully insured workers' compensation program.

The following table is a summary of the net insurance premiums written by the company in 2018. The growth of the company is discussed in the "Financial Data" section of this report.

<b>Line of Business</b>	<b>Direct Premium</b>	<b>Reinsurance Assumed</b>	<b>Reinsurance Ceded</b>	<b>Net Premium</b>
Commercial multiple peril	\$ 2,158,118	\$ 328,500	\$1,253,877	\$ 1,232,741
Workers' compensation	7,445,928	2,950,426	1,012,902	9,383,452
Other liability – occurrence	5,683,099	3,101,699	1,311,105	7,473,693
Commercial auto liability	4,979,885	1,194,816	793,130	5,381,570
Auto physical damage	<u>1,542,803</u>	<u>763,216</u>	<u>154,230</u>	<u>2,151,789</u>
<b>Total All Lines</b>	<b><u>\$21,809,832</u></b>	<b><u>\$8,338,657</u></b>	<b><u>\$4,525,244</u></b>	<b><u>\$25,623,245</u></b>

Each Wisconsin county which desires to purchase insurance from the company must meet the following eligibility requirements:

- The county is a member of WCA.
- The county board adopts a resolution that ratifies joining WCMIC.
- The member contributes the required premium.
- The membership is approved by the board of directors.

No member may withdraw from the company during the first three years of its membership. A member may only withdraw from the company upon six months' advance written notice. WCMIC may cancel a member's participation upon a two-thirds vote of the board of directors with 60 days' advance notice

WCMIC policies are marketed on a direct basis by Aegis Corporation (Aegis), its managing general agent (MGA), with the support of WCA. Aegis is discussed in Section III of this

report captioned "Management and Control." The company offers a one-year policy term. The major products marketed by the company include the following:

Liability coverage

Automobile liability

Bodily injury and property damage  
Hired and non-owned  
Uninsured motorists

General liability

Bodily injury and property damage products/completed operations  
Contractual liability  
Cyber liability coverage enhancement endorsement

Personal injury liability

A broad definition of and coverage for discrimination  
Civil rights violations; and employment-related acts  
Libel, slander or defamation of character

Law enforcement liability

Jail operations; and assault and battery and intentional acts

Public official's errors and omissions including director and officer liability

Health care institutions; and county-owned airports  
County officials appointed to serve on other boards and commissions on behalf  
of the county

Nursing home liability

Workers' compensation

Standard workers' compensation  
Excess workers' compensation, for self-insured clients  
ODIP products

Property Coverage

Standard property insurance and auto physical damage  
Auto comprehensive  
Collision coverage for covered perils



### III. MANAGEMENT AND CONTROL

#### Board of Directors

The board of directors consists of 18 Class A directors and two Class B directors. Class A directors are elected county officials and Class B directors are elected municipal officials. As of the date of this examination report, there were three open positions in Class A directors which are expected to be filled later in 2020 at a biannual district meeting.

To determine an appropriate allocation of Class A directors among its Class A members, the company divided the state of Wisconsin into seven districts: southeast, east central, north central, northwest, west central, western, and southern district. Each district is allowed several directors approximately proportionate to the amount of premiums paid by members in the current policy year. Class A directors are elected at biennial district meetings held after organizational meetings of the county boards. The president of WCMIC will call a meeting of Class B members to elect the Class B directors. (Currently, WCMIC does not have any Class B voting members; two representatives of municipalities are appointed as non-voting advisory members of WCMIC's board). Each director serves for a period of four years. The election of directors is staggered so that every two years approximately half of the directors are up for election. The board members currently receive \$100 per diem plus allowed expenses for travel. Members of the Operations Oversight Committee receive a per diem of \$250 plus allowed expenses for travel.

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

<b>Name and Residence</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Dick Koeppen* Clintonville, Wisconsin North Central District	Transport Company Owner	2020
Lance Pliml* Wisconsin Rapids, Wisconsin North Central District	Real Estate Broker	2020
Michael Furgal Monroe, Wisconsin Southern District	Retired	2020

<b>Name and Residence</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Wayne Hendrickson Unity, Wisconsin West Central District	Retired	2020
Jess Miller Rice Lake, Wisconsin West Central District	Retired	2020
David Albrecht Oshkosh, Wisconsin East Central District	Retired	2022
Bill Barribeau Sherwood, Wisconsin East Central District	Retired	2022
Thomas Wegner* Plymouth, Wisconsin East Central District	Retired	2022
Ted Cushing Hazelhurst, Wisconsin North Central District	Retired	2022
Jerry Erdman Tigerton, Wisconsin North Central District	Retired	2022
Greg Sekela Gillett, Wisconsin North Central District	Retired	2022
Willie Johnson, Jr* Milwaukee, Wisconsin Southeast District	Retired	2022
Gus Wirth, Jr* Cedarburg, Wisconsin Southeast District	Retired	2022
Ray Ransom Merrillan, Wisconsin Western District	Retired	2022
Edmund Wafle Mauston, Wisconsin Western District	Retired	2022
Gerald Derr – Advisory Columbus, Wisconsin	Retired	N/A
Larry Oehmichen – Advisory Colby, Wisconsin	Farming	N/A

\* Messrs. Koeppen, Pliml, Wegner, Johnson, and Wirth are on the board of directors of Wisconsin Counties Association (WCA); Mr. Derr is on the board of WCA Services, Inc. (WCASI), and Messrs. Wegner and Barribeau are on the board of WCA Group Health Trust. All of these members properly abstained from voting on matters regarding WCA and/or WCASI.

### Officers of the Company

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

Name	Office	2018 Compensation*
Willie Johnson, Jr.	President	\$2,000
Lance Pliml	Vice President	2,700
Bill Barribeau	Secretary/Treasurer	2,950
Michael Lamont	Assistant Secretary - Permanent	0

According to Article V, Section 5 of WCMIC's bylaws:

The assistant secretary shall be a non-voting member of the board of directors and shall be appointed by the executive director of WCA from its staff, in consultation with the officers of WCMIC. The assistant secretary shall provide services as specified by contract between WCMIC and WCA

\* Compensation for the officers above is comprised solely of per diems for attending board and committee meetings as well as reimbursements for mileage and meals. The assistant secretary does not receive compensation for his/her advisory role in the company's operations.

### 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.

#### Audit Committee

Bill Barribeau, Chair\*  
Wayne Hendrickson\*  
Lance Pliml\*  
Ray Ransom\*

#### Investment Advisory Committee

Lance Pliml, Chair\*  
Willie Johnson, Jr., Vice Chair\*  
Larry Bierke  
Patricia Craig  
Jerry Erdmann\*  
DuWayne Federwitz  
Michael Furgal\*  
Mary Kay Poehlman  
Ted Suave  
Vilas Schroeder  
Tom Wegner\*  
Fred Zaug

#### Operations Oversight Committee

Patrick Brennand (External Member)  
Bill Barribeau\*  
Richard Gilles (External Member)  
Wayne Hendrickson\*  
Lance Pliml\*  
Ray Ransom\*

#### Underwriting Advisory Committee

Thomas Wegner, Chair\*  
Lance Pliml, Vice Chair\*  
Jeffrey French  
Brad Hamilton  
Wayne Hendrickson\*  
David Hintz  
Louie Okey  
Ray Ransom\*  
Paul Schwegel  
Bill Voight  
Fred Zaug

**Claims Advisory Committee**

Bill Barribeau Chair\*#  
Wayne Hendrickson, Vice Chair\*#  
Ted Cushing\*  
William Goehring  
David Hintz#  
Willie Johnson, Jr\*#  
Dick Koeppen\*#  
Marie Koerner  
Chris Luttrell  
Doug McMahon  
Louie Okey  
Ray Ransom\*#  
Thomas Romdenne  
Peter Sorce  
Robert Warnke

**Loss Prevention and Workers' Compensation Advisory Committee**

Ted Cushing, Chair\*  
Gerald Derr, Vice Chair\*  
Brian Hoffmann  
Patty Isaacson  
Larry Oehmichen\*  
Paul Schwegel  
Robert Sivick  
Dave Sletten

**Executive Committee**

Willie Johnson, Jr\*#  
Lance Pliml\*  
Bill Barribeau\*#

\* Denotes directors serving as committee members.

# Denotes directors also serving on the Claims Committee, a subset of the Claims Advisory Committee.

In accordance with the company's bylaws, the advisory committees listed above do not have the authority to take action on matters reserved for the board of directors but rather the committees make recommendations to the board of directors or a formal committee of the board for final approval.

**Management**

WCMIC has no employees. The company contracts with outside vendors to provide agreed-upon services. The services include corporate management, general administration, claims administration, auditing, actuarial, and investment.

Since the company's inception, WCA has been contracted to provide general corporate management services. The services to be provided under the agreement are summarized as follows:

- A. Manage and oversee all WCMIC's service contracts including, but not limited to, contracts for claims administration, general administration, risk management services and training, public relations, and investment and reinsurance brokerage. WCA shall review and approve the expenditure of funds associated with any service contract approved by the corporation's board prior to the disbursement of such funds.
- B. Oversee investment of WCMIC's assets.
- C. Provide customer services on behalf of WCMIC to counties and municipalities
- D. Coordinate board meetings.

- E. Arrange for legal services for the board.
- F. Arrange for insurance consultant services.
- G. Provide for and oversee marketing of WCMIC.
- H. Communicate with rating agencies.
- I. Recommend and draft board policies to ensure compliance with state and federal laws and regulations.
- J. Reimburse directors for personal travel expenses, subject to WCMIC reimbursement to WCA.
- K. Pay expenses for WCMIC subject to reimbursement.
- L. Issue communication to policyholders.
- M. Prepare periodic financial reports on corporate management services.
- N. Receive and deposit all premiums for the corporation.
- O. Monitor unclaimed property and submit annual filing to State Treasurer.
- P. Serve as staff for the board.
- Q. Maintain an office as the corporate office.
- R. Provide legislative services at both the state and federal level.
- S. Provide services to the ODIP program including:
  - Develop a s. 66.30, Wis. Stat. (replaced by s. 66.0301, Wis. Stat.), organization to act as the “financially responsible party”
  - Manage the s. 66.30, Wis. Stat., organization
  - Promote services to counties
  - Provide legislative support
  - Manage the services
- T. Arrange for training programs for the board of directors.

WCA owns WCA Services, Inc., which has a similar corporate management services agreement with WCMIC’s subsidiary, Community Insurance Corporation. The current contract with WCA is dated January 1, 2020, and expires December 31, 2024, and includes the following schedule regarding compensation from WCMIC:

<b>Coverage</b>	<b>Compensation</b>
County liability	\$0.32 per \$1,000 of ratable operating expenses
Property coverage	\$0.002 per \$100 of total insured values
Auto physical damage	\$0.002 per \$100 of total insured values

Owner-direct insurance program	3.75% of the owner direct insurance premium
Fully insured workers' compensation	Annual flat fee per insured of \$3,500 plus 0.04% of the payroll remuneration of each policyholder
Long-term care consortium liability	\$0.12 per \$1,000 of ratable operating expenditures
Excess workers' compensation	2% of the standard W/C rate as established by the general administrator, based upon premium and self-insured retention

### **Administration**

Since 1992, significant administration services have been provided by Aegis, which is also the company's managing general agent. A review of the agreement showed the contract included provisions required under s. Ins 42.03, Wis. Adm. Code, and that the company was performing all required duties (e.g., performance of on-site claim audits at least semiannually) as required under s. Ins 42.05, Wis. Adm. Code. The administrative services to be provided per the agreement are summarized as follows:

- A. Maintain the appropriate records and procedures to comply with the Office of the Commissioner of Insurance regulations.
- B. Coordinate with other service producers and administer a loss prevention program.
- C. Provide services to the ODIP program, including:
  - Develop any required forms and filing special forms
  - Develop rates
  - Provide administration services
  - Provide safety services
  - Promote the program
- D. Manage and provide claims adjustment and reports for the company's liability, workers' compensation, and property programs.
- E. Pay expenses as allowed or directed by WCMIC and provide a monthly accounting of all monies so expended.
- F. Issue insurance policies and/or certificates and issue all invoices; collect amounts due and/or return amounts payable.
- G. Assisting in procuring on the behalf of WCMIC and WCMIC's expense, insurance and reinsurance coverages for protection of WCMIC's coverage, limits, and financial well-being, provided that such procurement will be at the direction and approval of WCMIC.
- H. Provide monthly accounting for all income and expenses of WCMIC.
- I. Maintain books and records in a manner consistent with the Statements of Statutory Accounting Principles.
- J. Compute the annual premiums established by WCMIC.

- K. Procure actuarial support services in determining premiums necessary on a continuing basis.
- L. Report monthly on the actual income and expenses compared to the budget.
- M. Prepare all reports required to be filed with the Office of the Commissioner of Insurance.
- N. Subject to board approval, do and perform such other, further and additional acts and duties as are generally done and performed.

Aegis has a similar administration agreement with WCMIC's subsidiary CIC. The current agreement with Aegis took effect on January 1, 2017, and expires December 31, 2021. The agreement also includes a schedule regarding the compensation to be paid to Aegis by WCMIC:

<b>Coverage</b>	<b>Compensation</b>
County liability	\$10,000 annual flat fee plus \$0.75 per \$1,000 of ratable operating expenses and \$0.90 per \$1,000 of ratable operating expenses of nursing homes, airport, and personal injury of those accepting the optional coverage
Long-term care consortium liability coverage	\$0.20 per \$1,000 of ratable operating expenses
Property insurance coverage including auto physical damage	\$2,500 annual flat fee plus \$0.0025 per \$100 of total insured value <sup>75</sup>
Auto physical damage insurance only	\$250 annual flat fee plus \$0.0025 per \$100 of total insured values
Excess workers' compensation with services	2% of the standard workers' compensation rate
Excess workers' compensation without services	Up to 2% of the standard workers' compensation rate based upon the premium and self-insured retention
Fully insured workers' compensation	An annual flat fee of \$10,000 per each policy issued plus 0.13% payroll remuneration (payroll will be determined of the estimated payroll used to process the policy Annum
Owner-direct insurance program	15% of the OPID premium (net of return premium)

## Coverage

## Compensation

Workers' compensation claim services  
(including owner-direct insurance program)

\$625 for lost-time claims (including suffixes),  
\$255 for medical-only claims paid less than  
\$5,000 (including suffixes), and \$625 for  
medical-only claims paid greater than  
\$5,000 (including suffixes) and \$30 files  
designated as "Incident Only." \$100 flat fee  
for Subrogation, and \$85/hour fee for Pre-  
hearings

Liability claim services

\$565 for all liability claims (including suffixes  
up to 10) and \$30 for files designated  
"Incident Only." For claims with more than  
10 suffixes, fee is \$5,650 plus an additional  
board approved T&E fee.

Medicare secondary mandatory reporting  
claims services

\$32.50 per claim file

Property claims services

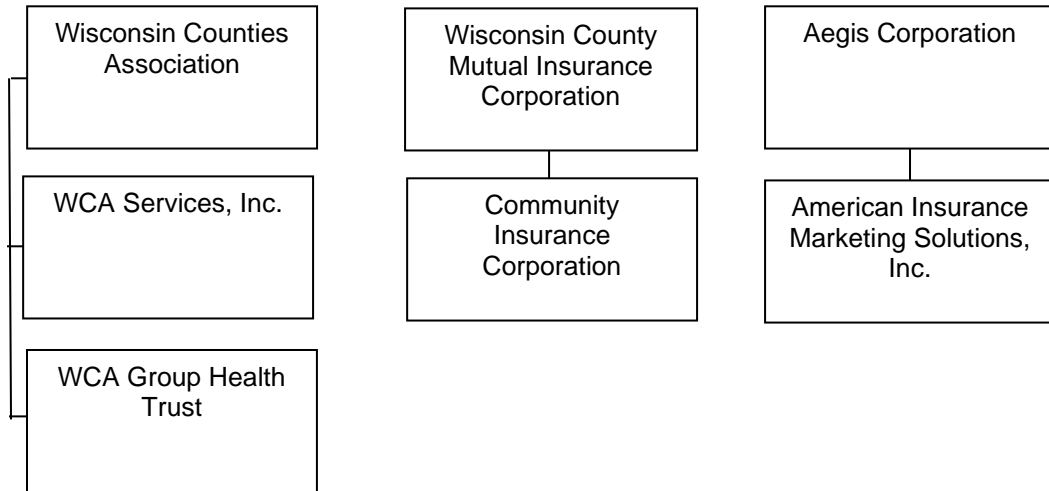
\$565 for all property claims (including  
suffixes) or 4.7% of actual loss, whichever  
is greater. If a percentage of actual loss is  
used, it will be capped at a maximum of  
\$5,650 per claim.



#### IV. AFFILIATED COMPANIES AND KEY SERVICE PROVIDERS

Wisconsin County Mutual Insurance Corporation is a member of a holding company system with its wholly owned subsidiary, Community Insurance Company. WCA and its subsidiaries and Aegis and its subsidiaries are key service providers. A brief description of CIC, as well as WCMIC's key service providers and their affiliates, follows the organizational chart.

**Organizational Chart  
As of December 31, 2018**



#### **Community Insurance Corporation**

Community Insurance Corporation was incorporated on April 24, 2002, and commenced business on May 14, 2002. CIC was formed by WCMIC to provide liability and workers' compensation coverages to municipalities and school districts in Wisconsin. CIC is licensed as a stock property and casualty insurance company under ch. 611, Wis. Stat., with WCMIC as the sole shareholder. On November 26, 2003, the commissioner granted CIC the

authority to also offer fire, inland marine, and other property insurance. On September 1, 2012, CIC began writing property insurance policies after ceasing writing property lines in 2009.

As of December 31, 2018, CIC's statutory basis audited annual financial statement reported assets of \$6,472,758, liabilities of \$265,496, and surplus of \$6,207,262. Operations for 2018 produced a net income of \$122,050.

## **Key Service Providers and its Affiliates**

### **Wisconsin Counties Association**

Wisconsin Counties Association was created in 1935 by an act of the Wisconsin Legislature as a nonprofit association organized for the purpose of protecting and furthering the interests and concerns of county governments. WCA is a quasi-government entity created under s. 59.52 (22), Wis. Stat., and is tax exempt on both the federal and state level. All 72 Wisconsin counties are WCA members. WCA lobbies the legislature on matters of interest to Wisconsin counties. In recent years, WCA expanded its operations by providing services to its members such as educational programs, employee benefits, and liability insurance. WCA charges additional fees to counties that participate in service programs. In 2019, WCMIC paid WCA \$1,231,181 in management fees.

### **WCA Services, Inc.**

In order to provide additional services to counties, the WCA board of directors created WCA Services, Inc., a wholly owned subsidiary of WCA. The service corporation is involved in projects that benefit counties and offer potential cost savings, such as a county purchasing directory, discounted office supplies, a grant locator, and on-line auction services. WCASI has no employees. Services offered are performed by employees of WCA.

WCASI provides management services to WCMIC's subsidiary CIC which are similar to the services WCA provides to WCMIC. As of December 31, 2018, the financial statements of WCASI were independently reviewed by a certified public accountant. In 2019, CIC paid WCA Services \$367,456 in management fees.

## **WCA Group Health Trust**

The WCA Group Health Trust was established in 1991 by county officials to create an employee benefit program that would meet the needs of local governments. The WCA Group Health Trust serves Wisconsin county and municipal units of government. WCA provides the corporate management support services for the WCA Group Health Trust. Marketing and consulting functions are provided by Aegis. WCA Group Health Trust is governed by a 12-member board of directors, each serving three-year staggered terms. Members of the board are appointed by the president of WCA. Three members of the WCA Group Health Trust board of directors also sit on the WCMIC board of directors. Additionally, Michael Lamont, who serves as the assistant secretary on the WCMIC's board of directors, is an officer of WCA Group Health Trust.

## **Aegis Corporation**

Aegis Corporation was formed in 1992 to provide insurance brokerage, risk management, administration, and educational services to municipalities and other businesses. Robert Wurtz and John Dirkse each own 50% of Aegis. WCMIC selected Aegis as its administrator on December 1, 1992. Prior to Aegis' creation, the company contracted with Frank B. Hall of Wisconsin, Inc. (Hall) as the administrator. Mr. Wurtz and Mr. Dirkse were employees of Hall and acquired the rights from Hall to service WCMIC and other municipal clients. Conditions of the release from the agreement called for payments from Aegis to Hall totaling \$142,300 in 1993 and \$42,500 in 1994. The formation of Aegis was facilitated by WCMIC paying fees totaling \$185,000, which fee structure was approved in advance by the board. Prior to 2007, a wholly owned subsidiary of Aegis, American Insurance Marketing Services, LLC, had acted as WCMIC's and CIC's reinsurance intermediary-broker. Between 2007 and 2016 the companies utilized services on an independent reinsurance intermediary-broker. In 2016, OCI approved Aegis to act as reinsurance intermediary for the company. In 2019, WCMIC paid Aegis \$4,837,601 in management fees.

**American Insurance Marketing Solutions, Inc.**

American Insurance Marketing Solutions, Inc. (AIMS, Inc.) is owned 20.48% by Aegis, 21.69% by Mr. John Dirkse, 21.69% by Mr. Robert Wurtz, and the balance by other employees or former employees of Aegis. AIMS, Inc., is an insurance agency created to represent the risk management and alternative risk financing needs of public entities, including Wisconsin schools. AIMS, Inc., acts as an agent for CIC.

## V. REINSURANCE

The company's reinsurance portfolio and strategy are described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts contain proper insolvency provisions.

### Affiliated Assuming Contracts

1. Type: Quota Share Reinsurance Agreement  
Cedant: Community Insurance Corporation  
Reinsurer: Wisconsin County Mutual Insurance Corporation  
Scope: All business of the cedant  
Coverage: 100%  
Premium: All gross premiums written  
Commissions: All unallocated claim expenses, underwriting expenses, management and administration fees, and other acquisition costs related to the premiums, but only to the extent not paid or otherwise directly settled by the reinsurer  
Effective date: January 1, 2012  
Termination: Perpetual; 12 months' prior notice for termination

### Nonaffiliated Ceding Contracts

1. Type: First Workers' Compensation Excess of Loss Reinsurance Contract  
Reinsurer: Safety National Casualty Corporation  
Scope: Workers' compensation, Owner-Direct Insurance Program (ODIP) and employer's liability  
Retention: \$1,000,000 ultimate net loss per each occurrence  
Coverage: \$9,000,000 ultimate net loss per each occurrence  
Reinstatement: \$9,000,000 per any one occurrence and \$18,000,000 all occurrences, for additional premiums  
Effective date: January 1, 2020  
Termination: December 31, 2020
2. Type: Second Workers' Compensation Excess of Loss Reinsurance Contract  
Reinsurer: Arch Reinsurance Company

- Scope: Workers' compensation, Owner-Direct Insurance Program (ODIP) and employer's liability
- Retention: \$10,000,000 ultimate net loss per each occurrence
- Coverage: \$10,000,000 ultimate net loss per each occurrence and \$20,000,000 per all occurrences during the term of this contract
- Reinstatement: \$10,000,000 per any one occurrence and \$20,000,000 per all occurrences during the term of this contract, for additional premiums
- Effective date: January 1, 2020
- Termination: December 31, 2020
3. Type: First and Second Casualty Excess of Loss Reinsurance Contract
- Reinsurer: Coverage A: Great American Ins. Co 100%  
Coverage B: Great American Ins. Co 50%, Markel Ins. Co. 50%
- Scope: Comprehensive general liability, law enforcement legal liability E&O, automobile liability, public official E&O, miscellaneous professional liability & architects E&O liability (Milwaukee County members only)
- Retention: Coverage A: \$750,000 ultimate net loss per each occurrence in excess of underlying member deductibles or member self-insured retention  
Coverage B: \$5,000,000 ultimate net loss per each occurrence in excess of underlying member deductibles or member self-insured retention
- Coverage: Coverage A: \$4,250,000 ultimate net loss per each occurrence and \$25,500,000 for all occurrences during the term of this contract  
Coverage B: \$5,000,000 ultimate net loss per each occurrence \$30,000,000 for all occurrences during the term of this contract
- Effective date: January 1, 2020
- Termination: December 31, 2020
4. Type: Cyber Excess of Loss
- Reinsurer: Markel Global Reinsurance Co.
- Scope: Website publishing liability, security breach liability, public relations and security breach expense, regulatory defense, fine and penalty expense, replacement/restoration of electronic data, computer and funds transfer fraud
- Retention: \$200,000 of ultimate net loss, each occurrence

Coverage:	\$800,000 per occurrence, \$5,000,000 during the term of this contract
Effective date:	January 1, 2020
Termination:	December 31, 2020
5. Type:	Public Entity Property Excess of Loss Reinsurance Contract
Reinsurer:	Great American Insurance Company
Scope:	Property, including Automobile Physical Damage (Comprehensive and Collision), Flood and Earth Movement  Section A: Counties, towns, and municipalities Section B: Schools, excluding Kenosha School District
Retention:	Section A: \$350,000 ultimate net loss any one occurrence Section B: \$350,000 ultimate net loss per each occurrence Section A&B Combined: An aggregate not to exceed the greater of \$2,750,000 or the final total insured value written during the contract year multiplied by 0.138 per \$100 of the total insured value for reinsured business
Coverage:	Section A: \$99,650,000 of ultimate net loss any one occurrence Section B: \$99,650,000 of ultimate net loss any one occurrence
Effective date:	January 1, 2020
Termination:	January 1, 2021

## **VI. FINANCIAL DATA**

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2018, 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.



**Wisconsin County Mutual Insurance Corporation**  
**Assets**  
**As of December 31, 2018**

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$61,911,968	\$	\$61,911,968
Stocks:			
Common stocks	16,701,823		16,701,823
Cash, cash equivalents, and short-term investments	4,629,799		4,629,799
Investment income due and accrued	424,307		424,307
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	125		125
Reinsurance:			
Amounts recoverable from reinsurers	355,980		355,980
Funds held by or deposited with reinsured companies	114,549		114,549
Write-ins for other than invested assets:			
Deductible Deposit Receivable	552,735		552,735
Prepaid Expenses	<u>60,656</u>	<u>60,657</u>	<u>                    </u>
<b>Total Assets</b>	<b><u>\$84,751,942</u></b>	<b><u>\$60,657</u></b>	<b><u>\$84,691,285</u></b>

**Wisconsin County Mutual Insurance Corporation**  
**Liabilities, Surplus, and Other Funds**  
**As of December 31, 2018**

Losses		\$26,635,408
Reinsurance payable on paid loss and loss adjustment expenses		202,273
Loss adjustment expenses		16,048,588
Other expenses (excluding taxes, licenses, and fees)		599,818
Unearned premiums		2,909,188
Advance premium		8,148,659
Dividends declared and unpaid:		
Policyholders		304,436
Ceded reinsurance premiums payable (net of ceding commissions)		66,074
Amounts withheld or retained by company for account of others		3,081,605
Provision for reinsurance		61,223
Payable to parent, subsidiaries, and affiliates		<u>247,541</u>
Total Liabilities		58,304,811
Unassigned funds (surplus)	<u>\$26,386,474</u>	
Surplus as Regards Policyholders		<u>26,386,474</u>
Total Liabilities and Surplus		<u>\$84,691,285</u>

**Wisconsin County Mutual Insurance Corporation**  
**Summary of Operations**  
**For the Year 2018**

**Underwriting Income**

Premiums earned \$26,117,403

Deductions:

Losses incurred \$10,320,321  
Loss adjustment expenses incurred 8,708,604  
Other underwriting expenses incurred 7,008,287

Total underwriting deductions 26,037,213

Net underwriting gain (loss) 80,190

**Investment Income**

Net investment income earned 1,316,365

Net realized capital gains (losses) 1,254,529

Net investment gain (loss) 2,570,894

**Other Income**

Net income (loss) before dividends to policyholders and  
before federal and foreign income taxes 2,651,084

Dividends to policyholders 1,289,991

Net income (loss) after dividends to policyholders but  
before federal and foreign income taxes 1,361,093

Net Income \$ 1,361,093

**Wisconsin County Mutual Insurance Corporation**  
**Cash Flow**  
**For the Year 2018**

Premiums collected net of reinsurance		\$26,756,901
Net investment income		1,341,039
Miscellaneous income		<u>761,052</u>
Total		28,858,992
Benefit- and loss-related payments	\$11,244,437	
Commissions, expenses paid, and aggregate write-ins for deductions	15,235,191	
Dividends paid to policyholders	1,065,756	
Total deductions		<u>27,545,383</u>
Net cash from operations		1,313,609
Proceeds from investments sold, matured, or repaid:		
Bonds	\$11,144,466	
Stocks	<u>15,919,049</u>	
Total investment proceeds		27,063,515
Cost of investments acquired (long-term only):		
Bonds	11,473,893	
Stocks	<u>15,334,006</u>	
Total investments acquired		<u>26,807,899</u>
Net cash from investments		255,616
Cash from financing and miscellaneous sources:		
Other cash provided (applied)		<u>(442,414)</u>
<b>Reconciliation:</b>		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		1,126,811
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>3,502,987</u>
End of Year		<u>\$ 4,629,798</u>

**Wisconsin County Mutual Insurance Corporation  
Compulsory and Security Surplus Calculation  
December 31, 2018**

Assets			\$84,691,285
Less security surplus of insurance subsidiaries			2,800,000
Less liabilities			<u>58,304,811</u>
Adjusted surplus			23,586,474
Lines other than accident and health	24,333,254		
Factor	<u>20%</u>		
Total		<u>4,866,650</u>	
Compulsory surplus (subject to a minimum of \$2 million)			<u>4,866,650</u>
Compulsory Surplus Excess (Deficit)			<u>\$18,719,824</u>
Adjusted surplus (from above)			\$23,586,474
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>6,813,310</u>
Security Surplus Excess (Deficit)			<u>\$16,773,164</u>

**Wisconsin County Mutual Insurance Corporation  
Analysis of Surplus  
For the Five-Year Period Ending December 31, 2018**

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

	2018	2017	2016	2015	2014
Surplus, beginning of year	\$27,438,723	\$31,063,820	\$32,988,324	\$34,729,504	\$33,238,734
Net income	1,361,093	(3,834,748)	(2,559,916)	(975,703)	1,853,949
Change in net unrealized capital gains/losses	(2,353,204)	153,787	705,555	(766,872)	(363,558)
Change in nonadmitted assets	1,085	55,864	(70,143)	1,395	379
Change in provision for reinsurance	(61,223)	_____	_____	_____	_____
Surplus, End of Year	<u>\$26,386,474</u>	<u>\$27,438,723</u>	<u>\$31,063,820</u>	<u>\$32,988,324</u>	<u>\$34,729,504</u>

**Wisconsin County Mutual Insurance Corporation  
Insurance Regulatory Information System  
For the Five-Year Period Ending December 31, 2018**

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

Ratio	2018	2017	2016	2015	2014
#1 Gross Premium to Surplus	114%	108%	92%	81%	71%
#2 Net Premium to Surplus	97	92	78	70	61
#3 Change in Net Premiums Written	2	4	5	9	14
#4 Surplus Aid to Surplus	0	0	0	0	0
#5 Two-Year Overall Operating Ratio	110*	115*	107*	97	96
#6 Investment Yield	1.6*	2.1*	1.6*	1.7*	1.8*
#7 Gross Change in Surplus	-4	-12*	-6	-5	4
#8 Change in Adjusted Surplus	-4	-12*	-6	-5	4
#9 Liabilities to Liquid Assets	75	75	67	68	61
#10 Agents' Balances to Surplus	0	1	1	11	2
#11 One-Year Reserve Development to Surplus	0	12	4	-2	-7
#12 Two-Year Reserve Development to Surplus	10	9	1	-7	-7
#13 Estimated Current Reserve Deficiency to Surplus	2	-4	3	1	5

Ratio No. 5 measures the company's profitability over the previous two-year period.

The unusual results in 2016 were due to adverse development in prior year losses and to an increase in losses assumed from its wholly owned subsidiary, CIC. The unusual results in 2017

were due to the continuing adverse development in loss reserves, which was mainly the result of two large liability claims reported in 2017 for the prior accident years. In 2018, the underwriting results improved and the company reported an underwriting gain; however, as the ratio is calculated over the period of two years, the results were unusual due to significant losses reported in 2017.

Ratio No. 6 measures the amount of the company's net investment income as a percentage of the average amount of cash and invested assets and was considered exceptional in each of the years under examination. This is mainly due to the company's bond portfolio being significantly comprised of government securities, the absence of any investment income coming from its investment in its subsidiary CIC, and the prolonged low interest rate environment in the United States during the period under examination.

Ratios No. 7 and 8 measure changes in the company's policyholder surplus. In 2017, the company experienced multiple significant large claims at the end of the year that were held in litigation throughout 2018 and have only just started being settled as of 2019, resulting in a significant decrease in surplus in 2017.

#### **Growth of Wisconsin County Mutual Insurance Corporation**

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2018	\$84,691,285	\$58,304,811	\$26,386,474	\$1,361,093
2017	85,595,630	58,156,906	27,438,723	(3,834,748)
2016	79,988,696	48,924,876	31,063,820	(2,559,916)
2015	82,227,833	49,239,509	32,988,324	(975,703)
2014	78,354,357	43,624,853	34,729,504	1,853,949
2013	75,537,821	42,299,086	33,238,735	(806,650)

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2018	\$30,148,489	\$25,623,245	\$26,117,403	72.9%	27.4%	100.3%
2017	29,536,905	25,200,845	22,223,880	93.4	28.9	122.3
2016	28,644,995	24,314,859	24,811,904	80.6	28.6	109.2
2015	26,571,977	23,047,745	22,497,508	73.9	28.8	102.7
2014	24,599,045	21,115,101	19,977,017	60.3	29.2	89.5
2013	21,874,081	18,474,713	17,580,382	69.7	31.6	101.3

Both gross and net written premium have increased by 38% and 39%, respectively. This growth is attributed to an increase in premiums for property coverage that both WCMIC and CIC started offering in September 2015, and to an increase in premiums written by CIC. Since the last examination, total admitted assets have increased 12% and surplus has decreased 21%, respectively. Surplus has steadily decreased in all years since 2014, mostly due to net losses the company reported in three of the five years under examination. The reason for net losses was a combination of poor underwriting results reported by CIC and many large claims reported to the company in 2017 for prior accident years. This resulted in a sharp increase in the losses for the years of 2016 and 2017, but the ratio stabilized again in 2018 upon the settlement of several of these claims. The new line of property business also ultimately increased admitted assets and liabilities in the most recent years of the period under examination.



**Reconciliation of Surplus per Examination**

No adjustments were made to surplus as a result of the examination. For purposes of this examination report, the amount of surplus reported by the company as of December 31, 2018, is accepted.

## VII. SUMMARY OF EXAMINATION RESULTS

### Compliance with Prior Examination Report Recommendations

There were two 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. Audit Engagement—It is recommended that the company enter into an audit engagement with an independent certified public accountant without an indemnification clause under the requirements of s. Ins 50.08 (1) (am), Wis. Adm. Code.

Action—Compliance.

2. Administration Agreement—It is again recommended that the company take measures to ensure that the insurance policies secured by the general administrator contain the agreed upon 60-day cancellation notice.

Action—Compliance.

## Summary of Current Examination Results

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

### Custodial Agreement

Custodial agreements of Wisconsin-domiciled companies must comply with guidelines contained in the NAIC's *Financial Condition Examiners' Handbook*. The review of the custodial agreement with U.S. Bank revealed that the agreement does not include all of the contractual provisions contained in the NAIC's *Financial Condition Examiners' Handbook* that are intended to ensure proper controls and safeguards. The following items were missing from the agreement:

1. Certifies securities of the insurance company shall be held separate from all other securities.
2. In the event the custodian gains entry in a clearing corporation through an agent, there should be a written agreement between the custodian and the agent that the agent shall be subjected to the same liability of loss to the securities as the custodian. If the agent is governed by laws that differ from the regulation of the custodian, the commissioner of insurance of the state of domicile may accept a liability applicable to the agent that is different from standard liability.
3. If the custodian agreement has been terminated or if 100% of the account assets in any one custody account have been withdrawn, the custodian shall provide written notification, within three business days of termination or withdrawal, to the insurer's domiciliary commissioner.
4. During regular business hours, and upon reasonable notice, an officer or employee of the insurance company, an independent accountant selected by the insurance company and a representative of an appropriate regulatory body shall be entitled to examine, on the premises of the custodian, its records relating to securities if the custodian is given written instructions to that effect from an authorized officer of the insurance company.
5. The custodian and its agents, upon reasonable request, shall be required to send all reports which they receive from a clearing corporation, which the clearing corporation permits to be redistributed including reports prepared by the custodian's outside auditors, to the insurance company on their respective systems of internal control.
6. To the extent that certain information maintained by the custodian is relied upon by the insurance company in preparation of its annual statement and supporting schedules, the custodian agrees to maintain records sufficient to determine and verify such information.

7. The custodian shall provide upon written request from a regulator or an authorized officer of the insurance company, the appropriate affidavits, with respect to the insurance company's securities held by the custodian.

It is recommended that the company have the custodian revise the custodial agreement to include the guideline provisions contained in the NAIC's *Financial Condition Examiners' Handbook*.

### **Reserve Adjustments**

The examination team reviewed compliance with the claim handling policy established by the company's managing general agent. According to the policy, all reserve changes of \$100,000 or more made by adjusters on one claim must be accompanied by written communication to management as to why the reserves changed. During a review of a sample of claims, the examiner noted that in one instance a claim reserve was increased by approximately 101,000 when a new subclaim was added, but no communication was sent to management. It was further learned that any claim resulting from one loss occurrence can be divided into multiple subclaims if there are multiple claimants or different types of losses. Each subclaim was not subject to the \$100,000 change in reserves reporting threshold. Thus, reserve changes on multiple subclaims can greatly exceed the \$100,000 reserve change threshold per each claim and not be subject to reporting. Paid losses on each claim are tracked and reported as a cumulative amount, and are presented to the Claims Committee of the Board of Directors. Changes in reserves, however, are tracked and reported per each subclaim, with no reserves cumulative total tracked. It is recommended that the claim handling policy include a threshold standard for reporting cumulative changes for all reserves applicable to any one claim.

### **Succession Plan**

The company does not have any employees and relies on its managing general agent and corporate manager for all day-to-day operations, including corporate management, general administration, and claims administration. However, there is no succession plan in place in the event one or more of its critical service providers becomes unable or unwilling to perform its services. Many factors outside of the company's control could significantly disrupt operations in the event a service provider ceased to provide service for any reason. It is recommended that

the company's board of directors establish and approve a written, detailed succession plan, including how the company would continue normal business activities in the event any of its critical third-party service providers discontinue their services to the company and provide a copy of this succession plan to OCI within six months following the adoption of this examination report.

## VIII. CONCLUSION

The company reported net losses in three of the five years under examination, while admitted assets increased 12%, gross premiums written increased 38%, and surplus decreased by 21%. Growth in premium is attributed to an increase in premiums for property coverage which both WCMIC and CIC began offering in September 2015 and also to an increase in premiums written by CIC. The new line of property business also ultimately increased admitted assets and liabilities in the most recent years.

In 2017 and 2016, the company experienced significant losses due to a combination of large claims reported for the prior accident year and poor underwriting results reported by CIC. This resulted in a sharp increase in losses for the years of 2016 and 2017, but the ratio stabilized again in 2018 upon the settlement of several of these claims.

The company complied with all of the prior examination's recommendations. The current examination of Wisconsin County Mutual Insurance Company resulted in three recommendations. No adjustments to surplus or reclassifications were made as a result of the examination.

## IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 34 Custodial Agreement—It is recommended that the company have the custodian revise the custodial agreement to include the guideline provisions contained in the NAIC's *Financial Condition Examiners' Handbook*.
2. Page 34 Reserve Adjustments— It is recommended that the claim handling policy include a threshold standard for reporting cumulative changes for all reserves applicable to any one claim.
3. Page 34 Succession Plan—It is recommended that the company's board of directors establish and approve a written, detailed succession plan, including how the company would continue normal business activities in the event any of its critical third-party service providers discontinue their services to the company and provide a copy of this succession plan to OCI within six months following the adoption of this examination report.

## X. ACKNOWLEDGMENT

The courtesy and cooperation extended during 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:

<b>Name</b>	<b>Title</b>
Dana Tice	Insurance Financial Examiner
Judith Michael	Insurance Financial Examiner
Michael Miller	Insurance Financial Examiner
Terry Lorenz, CFE	Workpaper Specialist
Eleanor Lu, CISA	IT Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Nicholas Barsuli  
Examiner-in-Charge



## **XI. SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization (WHO) declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. This office is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. OCI and all insurance regulators with the assistance of the National Association of Insurance Commissioners are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. OCI has been in communication with WCMIC regarding the impact of COVID-19 on business operations and the financial position of WCMIC and no immediate action was deemed necessary at that time of this report.