Report

of the

Examination of

Artisan and Truckers Casualty Company

Cleveland, Ohio

As of December 31, 2012

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, *Governor*
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February 27, 2014

Honorable Theodore K. Nickel
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:

ARTISAN AND TRUCKERS CASUALTY COMPANY
Cleveland, Ohio

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Artisan and Truckers Casualty Company (the Company or Artisan) was conducted in 2008 as of December 31, 2007. The current examination covered the intervening period ending December 31, 2012, and included a review of such 2013 transactions as deemed necessary to complete the examination.

The examination was conducted using a risk-focused approach in accordance with the NAIC Financial Condition Examiners Handbook, which sets forth guidance for planning and performing an examination to evaluate the financial condition and identify prospective risks of an insurer. This approach includes the obtaining of information about the Company including corporate governance, the identification and assessment of inherent risks within the Company, and the evaluation of system controls and procedures used by the Company to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation and management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations.

The examination of the Company was conducted concurrently with the examination of Progressive Casualty Insurance Company and affiliates. Representatives of the Ohio Department of Insurance acted in the capacity as the lead state for the coordinated exams. Work performed by the Ohio Department of Insurance was reviewed and relied on where deemed appropriate.

The examination consisted of a review of all major phases of the Company's operations and included the following areas:

History
Management and Control
Corporate Records
Conflict of Interest
Fidelity Bonds and Other Insurance
Employees' Welfare and Pension Plans
Territory and Plan of Operations
Affiliated Companies
Growth of Company
Reinsurance
Financial Statements
Accounts and Records
Data Processing

Emphasis was placed on the audit of those areas of the Company's operations accorded a high priority by the examiner-in-charge when planning the examination.

The Company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

Actuarial Review by the Ohio Insurance Department

The Company is a participant in a quota share reinsurance agreement with United Financial Casualty Company (UFCC), whereby the Company cedes 90% of its premiums, loss, loss adjustment and underwriting expenses to UFCC.

An actuary on the staff of the Ohio Department of Insurance reviewed the adequacy of the Company’s loss reserves and loss adjustment expense reserves. The results of his work 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

The Company was incorporated on August 12, 1994, under the laws of the state of Florida as Preferred Consumers Insurance Company. The Company was a wholly owned subsidiary of PC Investment Company, which was owned by Progressive Casualty Insurance Company (Casualty). Casualty was a wholly owned subsidiary of The Progressive Corporation (TPC). On December 24, 1996, the Company's name was changed to Progressive Consumers Insurance Company. On March 21, 1997, all of the Company's issued and outstanding common stock was sold by PC Investment Company to TPC. On January 1, 2004, ownership of the Company was transferred from TPC to Drive Insurance Holdings, Inc. On January 1, 2005, ownership of the Company was transferred from Drive Insurance Holdings, Inc., to Progressive Commercial Holdings, Inc. The Company redomesticated on May 19, 2006, from Florida to Wisconsin and changed its name to the one presently used on June 15, 2006.

In 2012, the Company wrote direct premium in the following states:

Wisconsin	$228,039,315	61.8%
Ohio	39,763,325	10.8
Illinois	38,178,451	10.3
Colorado	24,618,988	6.7
Oregon	16,867,585	4.6
Florida	14,545,870	3.9
All others	6,888,925	1.9
Total	$368,902,459	100.0%

The Company is licensed in Colorado, Florida, Illinois, Iowa, Maryland, Missouri, Nebraska, Ohio, Oregon, Wisconsin, and Wyoming.

The Company does not have any employees or facilities. Management operations and claim services are provided under a joint management services agreement with United Financial Casualty Company (UFCC). Under the terms of the agreement, the Company provides UFCC with underwriting and loss adjustment services for specific business produced, and UFCC provides Artisan with similar services for other specific business produced. In exchange for these services, the companies charge management fees based on each company's use of the other's services. Tax allocations are established in accordance with a written federal income tax allocation agreement. Intercompany balances with affiliates are created in the ordinary course of business, with settlements made on a quarterly basis. Written agreements with affiliates are further described in the section of this report titled “Affiliated Companies.”

The Company writes personal lines insurance in Wisconsin and renewal only in Florida. In addition, the Company writes commercial lines insurance in several states. The Company’s personal lines business consists primarily of personal automobile business. Other personal lines business includes motorcycle, boat, personal umbrella, snowmobile, travel trailer, and motor home insurance all written exclusively in Wisconsin. The Company’s commercial lines business consists primarily of liability, physical damage, and other auto-related insurance for automobiles and trucks owned and/or operated predominantly by small businesses, with the majority of customers insuring two or fewer vehicles. The Company’s business is generated by independent insurance agencies that represent the Company (Agency channel). In addition, the Company writes business directly on the Internet, through mobile devices, and over the phone. The following table is a summary of the net insurance premiums written by the Company in 2012. 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
Inland marine	$ 8,030,812	$ 0	$ 7,227,730	$ 803,082
Other liability – occurrence	2,117,556	0	1,941,230	176,326
Private passenger auto liability	142,746,299	0	128,471,669	14,274,630
Commercial auto liability	97,986,145	0	88,199,160	9,786,985
Auto physical damage	118,021,647	0	106,219,481	11,802,166
Total All Lines	$368,902,459	$ 0	$332,059,270	$36,843,189

The Company is a participant in a quota share reinsurance agreement with UFCC, whereby the Company cedes 90% of its premiums, loss, loss adjustment and underwriting expenses to UFCC. See further discussion of the agreement in the section of this report titled “Reinsurance.”

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of five members. All directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the Company's board of directors may also be members of other boards of directors in the holding company group. All directors are employees of other Progressive companies.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Jeanette Louise Hisek Twinsburg, Ohio	Director Regional Marketing The Progressive Corporation	2014
Michael William Bissler Munson Twp., Ohio	Senior Controller – Commercial Auto The Progressive Corporation	2014
Patricia Onody Bemer Highland Heights, Ohio	HR Business Leader The Progressive Corporation	2014
Michael John Miller Rocky River, Ohio	Director Regional Marketing The Progressive Corporation	2014
William Raymond Kampf Moreland Hills, Ohio	Commercial Auto Marketing GM The Progressive Corporation	2014

Officers of the Company

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

Name	Office	2012 Compensation
Jeanette Louise Hisek	President	$ 847
Michael William Bissler	Treasurer	1,208
Patricia Mitchell Corwin	Secretary	308
Patricia Onody Bemer	Vice President	852
Sandra Lee Rihvalsky	Vice President	261
Margaret Ann Rose	Assistant Secretary	88

* Total 2012 compensation of all officers is allocated among affiliates based on the Company's net written premium.

Committees of the Board

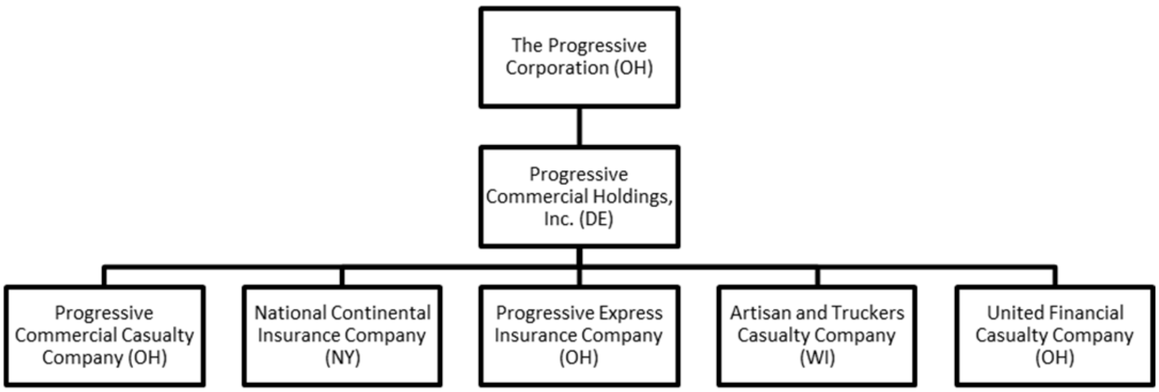
The Company's bylaws allow for the formation of certain committees by the board of directors. The committees at the time of the examination are listed below:

Executive Committee	**Investment Committee**
William R. Kampf, Chair	Michael J. Miller, Chair
Michael J. Miller	Jeanette L. Hisek
Jeanette L. Hisek	Patricia O. Bemer
Patricia O. Bemer, Alternate Member	William R. Kampf, Alternate Member

IV. AFFILIATED COMPANIES

Artisan is a member of a holding company system. The ultimate parent is The Progressive Corporation. The abbreviated organizational chart below depicts the relationships among the affiliates in the direct succession of control of the Company. A brief description of the significant affiliates follows the organizational chart.

Organizational Chart
As of December 31, 2012



The Progressive Corporation

The Progressive Corporation is an Ohio-domiciled insurance holding company formed in 1965. The predecessor organization commenced business in 1937. The Progressive Corporation became publicly traded after an initial public offering in 1971, and its common stock is currently listed on the New York Stock Exchange. As of December 31, 2012, the audited financial statements of The Progressive Corporation reported assets of $22.7 billion, liabilities of $16.7 billion, and stockholder equity of $6.0 billion. Operations for 2012 produced net income of $902.3 million on total revenues of $17.1 billion.

Progressive Commercial Holdings, Inc.

Progressive Commercial Holdings, Inc., is a Delaware-domiciled insurance holding company formed in 2004 and owned by The Progressive Corporation. The Company has virtually no expenses and revenue is solely from dividends from its subsidiaries and any gain/loss on the investments in subsidiaries.

United Financial Casualty Company

United Financial Casualty Company (UFCC), a property casualty insurer domiciled in Ohio, provides administrative services through affiliated agreements discussed below. As of December 31, 2012, the audited financial statements of UFCC reported assets of $1.8 billion, liabilities of $1.4 billion, and policyholders' surplus of $391 million. Operations for 2012 produced net income of $74 million on premium earned of $1.1 billion.

Agreements with Affiliates

1. Type: Consolidated Tax Allocation Agreement

   Parties: Artisan along with other members of the Progressive holding company system

   Effective: August 1, 2005

   Terms: The agreement establishes that an estimated consolidated tax liability will be computed quarterly for The Progressive Corporation, with each member company's recoverable or payable equal to the amount that the member company would have reported on a nonconsolidated basis. Settlements are to be made within 90 days of each quarter in which The Progressive Corporation is required to make a federal income tax estimated payment.

2. Type: Cash Management Agreement

   Parties: Artisan, Progressive Casualty Insurance Company (Casualty) and other Progressive affiliates

   Effective: January 1, 1998

   Terms: All cash receipts or disbursements attributable to Artisan and the other affiliates named in the agreement are deposited in or withdrawn from a centralized account (Cashier Account) that is managed by Casualty. Pursuant to the terms of the agreement, Artisan has a balance in this account that reflects its claim against or obligation to the Cashier Account. Casualty provides Artisan with monthly statements that show the month-end balances. Account balances are considered loans and interest is payable to or receivable from the Company's account depending on the balance. The provisions of an Interest Agreement to which Artisan is a party govern the rate of interest. Each participant to the agreement receives a quarter-end balance that represents a net amount against any other intercompany transaction. Settlements are to be in cash or readily marketable securities valued at market value.

3. Type: Interest Agreement

   Parties: Artisan, Progressive Casualty Insurance Company and other Progressive affiliates

   Effective: The Company became a party to this agreement on October 15, 1980, retroactive to January 1, 1980. The original effective date of the agreement was January 1, 1977.

Terms: This agreement establishes the variable interest rate that governs each entity's participation in Casualty's Cashier Account as noted in the Cash Management Agreement in #2 above. Interest is to be computed at the prevailing 90-day U.S. Treasury bill rate on the last day of each month rounded to the nearest quarter of a percent.

4. Type: Investment Services Agreement

Parties: Artisan along with other participating affiliates and Progressive Capital Management Corp. (Progressive Capital). Progressive Capital was formerly known as PPLP Corporation, then Progressive Partners, Inc., until it changed its name to that currently used on June 8, 1998.

Effective: July 16, 1992, as subsequently amended

Terms: Progressive Capital provides investment management services to members of the Progressive holding company system named in the agreement. The agreement requires each of the participating companies to reimburse Progressive Capital for an equitable portion of the costs and expenses it incurs in providing its services. Progressive Capital does not charge any additional management fees to the participating companies.

5. Type: Joint Servicing (Cost Allocation) Agreement

Parties: Artisan and United Financial Casualty Company

Effective: January 1, 2005

Terms: Artisan provides UFCC with underwriting and loss adjustment services for specific business produced, and UFCC provides Artisan with similar services for other specific business provided. In exchange for these services, the companies charge management fees based on each company's use of the other's services.

6. Type: General Agency Agreement

Parties: Artisan and Progressive Specialty Insurance Agency, Inc. (Agency) and other Progressive affiliates

Effective: October 1, 2007

Terms: Agency will act as participating companies' respective general agent in the states of California, Kentucky, Louisiana, Washington and other such states as the parties may agree upon.

7. Type: Producers Agreement

Parties: Artisan and Progressive Auto Pro Insurance Agency (TIS) and other Progressive affiliates

Effective: December 1, 1998

Terms: TIS will act as an insurance agency for the participating companies in respect to Florida business.

V. REINSURANCE

The Company's only significant reinsurance contract is a quota share reinsurance agreement with UFCC, whereby the Company cedes 90% of its premiums, loss, loss adjustment and underwriting expenses to UFCC. The contract contained proper insolvency provisions.

Affiliated Ceding Contracts

1.	Type:	Quota Share
	Reinsurer:	United Financial Casualty Company
	Scope:	Personal and commercial automobile lines insurance (including motorcycle, motor home, travel trailer, boat and camper) issued by the Company
	Retention:	10% of all paid losses, less salvage and subrogation, and loss adjustment expenses
	Coverage:	90% of all paid losses, less salvage and subrogation, and loss adjustment expenses
	Premium:	90% of net written premium
	Commissions:	90% of net operating expenses
	Effective date:	January 1, 2005
	Termination:	Agreement shall be in continuous force and effect until terminated. Either party can terminate agreement by giving 90 days' prior written notice.

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, 2012 annual statement. 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.

Artisan and Truckers Casualty Company
Assets
As of December 31, 2012

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 91,044,537	$	$ 91,044,537
Cash, cash equivalents, and short-term investments	9,999,417		9,999,417
Investment income due and accrued	363,142		363,142
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	11,032,839	1,341,115	9,691,724
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	80,296,185		80,296,185
Reinsurance:			
Amounts recoverable from reinsurers	57,408,163		57,408,163
Net deferred tax asset	2,108,599		2,108,599
Write-ins for other than invested assets:			
Florida hurricane catastrophe fund assets	45,506		45,506
Prepaid expenses	139,534	139,534	
Miscellaneous other assets	2,833	2,833	
Total Assets	$252,440,755	$1,483,482	$250,957,273

Artisan and Truckers Casualty Company
Liabilities, Surplus, and Other Funds
As of December 31, 2012

Losses		$ 16,657,144
Loss adjustment expenses		2,985,277
Commissions payable, contingent commissions, and other similar charges		1,016,935
Other expenses (excluding taxes, licenses, and fees)		44,963
Taxes, licenses, and fees (excluding federal and foreign income taxes)		1,066,216
Current federal and foreign income taxes		200,684
Unearned premiums		14,277,529
Advance premium		2,363,666
Ceded reinsurance premiums payable (net of ceding commissions)		147,965,794
Drafts outstanding		12,577,017
Payable to parent, subsidiaries, and affiliates		3,903,804
Write-ins for liabilities:		
State plan liability		421,166
Florida hurricane catastrophe fund liabilities		89,988
Escheatable property		5,930
Premium refund liability		42,555
Total liabilities		203,618,668
Common capital stock	$ 2,000,000	
Gross paid in and contributed surplus	40,566,197	
Unassigned funds (surplus)	4,772,408	
Surplus as regards policyholders		47,338,605
Total Liabilities and Surplus		$250,957,273

Artisan and Truckers Casualty Company
Summary of Operations
For the Year 2012

Underwriting Income		
Premiums earned		$34,457,125
Deductions:		
Losses incurred	$23,997,915	
Loss adjustment expenses incurred	3,510,821	
Other underwriting expenses incurred	7,160,514	
Total underwriting deductions		34,669,250
Net underwriting gain (loss)		(212,125)
Investment Income		
Net investment income earned	524,124	
Net realized capital gains (losses)	(3,203)	
Net investment gain (loss)		520,921
Other Income		
Net gain (loss) from agents' or premium balances charged off	(213,146)	
Finance and service charges not included in premiums	5,394,899	
Write-ins for miscellaneous income:		
Interest income on intercompany balances	20,833	
Miscellaneous other income (expenses)	9,909	
Interest expense on premium refunds	(3,725)	
Finance and service charge revenue ceded	(4,855,409)	
Total other income		353,361
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		662,157
Federal and foreign income taxes incurred		405,843
Net Income		$ 256,314

Artisan and Truckers Casualty Company
Cash Flow
For the Year 2012

Premiums collected net of reinsurance		$113,380,524
Net investment income		609,676
Miscellaneous income		364,284
Total		114,354,484
Benefit- and loss-related payments	$ 30,061,721	
Commissions, expenses paid, and aggregate write-ins for deductions	9,953,296	
Federal and foreign income taxes paid (recovered)	431,336	
Total deductions		40,446,353
Net cash from operations		73,908,131
Proceeds from investments sold, matured, or repaid:		
Bonds	49,780,110	
Cost of investments acquired (long-term only):		
Bonds	122,540,622	
Net cash from investments		(72,760,512)
Cash from financing and miscellaneous sources:		
Capital and paid in surplus less treasury stock	7,500,000	
Other cash provided (applied)	972,361	
Net cash from financing and miscellaneous sources		8,472,361
Reconciliation:		
Net change in cash, cash equivalents, and short-term investments		9,619,980
Cash, cash equivalents, and short-term investments:		
Beginning of year		379,437
End of Year		$ 9,999,417

Artisan and Truckers Casualty Company
Compulsory and Security Surplus Calculation
December 31, 2012

Assets		$250,957,273
Less liabilities		203,618,668
Adjusted surplus		47,338,605
Direct annual premium:		
Lines other than accident and health	$368,902,459	
Factor*	12.5%	
Compulsory surplus (subject to a minimum of $2 million)		46,112,807
Compulsory Surplus Excess (or Deficit)		$ 1,225,798
Adjusted surplus (from above)		$ 47,338,605
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%)		59,946,649
Security Surplus Excess (or Deficit)		$ (12,608,044)

* Pursuant to an order placed on the Company, compulsory surplus is the greater of:

(a) $3,000,000; or
(b) 12.5% of direct premium written plus nonaffiliated assumed premium during the previous 12 months; or
(c) 33 1/3 % of net premium written during the previous 12 months.

Compulsory surplus is the amount of surplus that an insurer is required to have in order not to be financially hazardous under s. 645.41 (4), Wis. Stat. An insurer must comply with investment restrictions and permitted classes of investments in meeting required reserves and compulsory and security surplus. Security surplus is not required beyond its use as a standard in investment regulation. The rule is not intended to determine the optimum level of surplus an insurer should have. That level should be decided by the officials of each insurer to reflect the individual circumstances and goals of the insurer. The rule is intended instead to establish a basic minimum level with which most insurers can easily comply. The commissioner may see fit to require a higher level of surplus, or permit a lower level, based on special circumstances.

Artisan and Truckers Casualty Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2012

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

	2012	**2011**	**2010**	**2009**	**2008**
Surplus, beginning of year	$39,391,934	$34,237,635	$26,161,694	$22,069,652	$ 9,169,025
Net income	256,314	386,866	1,551,427	1,637,981	(595,535)
Change in net unrealized capital gains/losses		5,296	4,801	(10,097)	
Change in net deferred income tax	233,128	256,571	349,755	252,595	547,299
Change in nonadmitted assets	(164,406)	(94,434)	(230,042)	(288,437)	(551,152)
Cumulative effect of changes in accounting principles	121,635				
Surplus adjustments: Paid in	7,500,000	4,600,000	6,400,000	2,500,000	13,500,015
Surplus, End of Year	$47,338,605	$39,391,934	$34,237,635	$26,161,694	$22,069,652

Artisan and Truckers Casualty Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2012

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	**2012**	**2011**	**2010**	**2009**	**2008**
#1	Gross Premium to Surplus	779.0%	771.0%	762.0%	757.0%	692.0%
#2	Net Premium to Surplus	78.0	77.0	76.0	76.0	69.0
#3	Change in Net Premiums Written	21.0	16.0	32.0	30.0	145.0*
#4	Surplus Aid to Surplus	0.0	0.0	0.0	0.0	0.0
#5	Two-Year Overall Operating Ratio	96.0	92.0	86.0	89.0	93.0
#6	Investment Yield	0.9*	1.7*	3.1	3.6	2.6*
#7	Gross Change in Surplus	20.0	15.0	31.0	19.0	141.0*
#8	Change in Adjusted Surplus	1.0	2.0	6.0	7.0	-7.0
#9	Liabilities to Liquid Assets	122.0*	194.0*	169.0*	158.0*	101.0
#10	Agents' Balances to Surplus	20.0	21.0	23.0	24.0	24.0
#11	One-Year Reserve Development to Surplus	3.0	0.0	-3.0	-1.0	-2.0
#12	Two-Year Reserve Development to Surplus	-1.0	-4.0	-2.0	-2.0	-2.0
#13	Estimated Current Reserve Deficiency to Surplus	-3.0	-6.0	-7.0	-2.0	-2.0

Ratio No. 3 reflects the percentage change in net premiums written from the prior year. The exceptional result in 2008 was a result of the Company writing commercial automobile insurance in additional states. During 2007, the Company obtained licenses in four additional states.

Ratio No. 6 evaluates the yield on investments that an insurer recognizes during an operating year as investment income and realized gains compared to annual average cash and total invested assets. The exceptional results in 2008, 2011 and 2012 were due to current market conditions and additional paid in surplus during the year which increases the amount of invested assets held during the year.

Ratio No. 7 measures the improvement or deterioration in the insurer's financial condition during the year by comparing changes in the policyholders' surplus from year to year. The exceptional result in 2008 was due to a capital contribution of $13.5 million from its parent.

Ratio No. 9 is a measure of the insurer's ability to meet the financial demands that may be placed upon it and also provides a rough indication of the possible implications for policyholders if liquidation becomes necessary. The Company had exceptional results from 2009 to 2012. This ratio does not take into account the fact that the Company participates in a 90/10 quota share reinsurance agreement with UFCC; the large amounts recoverable from reinsurers balance, which is receivable from UFCC, is not counted as a liquid asset in this calculation.

Growth of Artisan and Truckers Casualty Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2012	$250,957,273	$203,618,668	$47,338,605	$ 256,314
2011	143,345,978	103,954,044	39,391,934	386,866
2010	114,578,005	80,340,370	34,237,635	1,551,427
2009	87,685,599	61,523,905	26,161,694	1,637,981
2008	75,409,072	53,339,420	22,069,652	(595,535)
2007	36,518,123	27,349,098	9,169,025	78,272

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2012	$368,902,459	$36,843,189	$34,457,126	79.8%	20.8%	100.6%
2011	303,599,306	30,324,285	28,354,368	76.1	21.5	97.7
2010	261,060,003	26,083,314	23,906,880	68.3	22.7	91.0
2009	197,984,948	19,782,618	18,532,120	67.3	21.2	88.5
2008	152,626,021	15,246,273	11,643,600	74.0	25.6	99.6
2007	62,497,069	6,220,529	4,175,420	74.1	29.2	103.3

The Company has grown significantly since the prior examination. Of the direct premium written during 2012, 61.8% was in the state of Wisconsin. The direct premium written in the state of Wisconsin progressed as follows:

Year	Direct Premium Written in WI
2007	$ 0
2008	45.6 million
2009	91.1 million
2010	153.2 million
2011	191.5 million
2012	228.0 million

The increase in the Company's policyholders' surplus is primarily due to capital contributions from its parent necessary to support its premium growth.

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, 2012, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were no specific comments and recommendations in the previous examination report.

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.

Compulsory Surplus Stipulation and Order

Compulsory surplus is the amount of surplus that an insurer is required to have in order not to be financially hazardous under s. 645.41 (4), Wis. Stat. An insurer must comply with investment restrictions and permitted classes of investments in meeting required reserves and compulsory and security surplus. Security surplus is not required beyond its use as a standard in investment regulation. The rule is not intended to determine the optimum level of surplus an insurer should have. That level should be decided by the officials of each insurer to reflect the individual circumstances and goals of the insurer. The rule is intended instead to establish a basic minimum level with which most insurers can easily comply. The commissioner may see fit to require a higher level of surplus, or permit a lower level, based on special circumstances.

Upon re-domiciling from Florida to Wisconsin, Artisan and Truckers Casualty Company became subject to Stipulation and Order 06-C30130, under which the Company’s compulsory surplus requirement is the greater of: $3 million, 12.5% of direct premium written plus non-affiliated assumed premiums during the previous 12 months, or 33% of the net premium written during the previous 12 months.

The Stipulation and Order essentially limits the Company’s direct premium writings to 8 to 1. Due to an increasing amount of direct premium written, the compulsory surplus requirement has gradually increased over the past five years. The following table summarizes the Company’s compulsory surplus from December 31, 2009, to current.

Year	Quarter	Capital and Surplus	Compulsory Surplus Requirement	Compulsory Surplus Excess (Deficiency)
2009	4	$26.2 million	$24.7 million	$ 1.4 million
2010	1	26.7 million	26.5 million	0.1 million
2010	**2**	**27.2 million**	**29.3 million**	**(2.1 million)**
2010	**3**	**29.7 million**	**31.4 million**	**(1.7 million)**
2010	4	34.2 million	32.6 million	1.6 million
2011	1	34.2 million	33.9 million	0.3 million
2011	**2**	**34.3 million**	**34.7 million**	**(0.4 million)**
2011	**3**	**34.6 million**	**36.0 million**	**(1.4 million)**
2011	4	39.4 million	37.9 million	1.4 million
2012	**1**	**39.3 million**	**40.1 million**	**(0.8 million)**
2012	**2**	**39.5 million**	**42.3 million**	**(2.8 million)**
2012	**3**	**42.2 million**	**44.6 million**	**(2.4 million)**
2012	4	47.3 million	46.1 million	1.2 million
2013	**1**	**47.4 million**	**47.5 million**	**(0.2 million)**
2013	**2**	**48.2 million**	**48.7 million**	**(0.5 million)**
2013	**3**	**48.8 million**	**49.4 million**	**(0.7 million)**

The parent of Artisan and Truckers Casualty Company had made capital contributions in each of the years from 2009 to 2012 so that Artisan would meet the terms of the order on year-end financial statements. However, in 2010 the parent company started to not fund quarterly deficiencies until after the fact, which has resulted in the Company not meeting the compulsory surplus requirement on multiple quarterly financial statements. This means that the direct premium written by Artisan for multiple quarters during 2010, 2011, 2012 and 2013 have been beyond the amount permitted for the Company under Stipulation and Order 06-C30130. It is recommended that the Company assess its capital needs proactively, and obtain capital contributions quarterly as needed, in order to maintain compliance with the compulsory surplus order on the Company.

VIII. CONCLUSION

The Company was incorporated on August 12, 1994, under the laws of the state of Florida as Preferred Consumers Insurance Company. On March 21, 1997, all of the Company's issued and outstanding common stock was sold by PC Investment Company to TPC. On January 1, 2004, ownership of the Company was transferred from TPC to Drive Insurance Holdings, Inc. On January 1, 2005, ownership of the Company was transferred from Drive Insurance Holdings, Inc., to Progressive Commercial Holdings, Inc. The Company redomesticated on May 19, 2006, from Florida to Wisconsin and changed its name to the one presently used on June 15, 2006.

The Company does not have any employees or facilities. Management, operations and claims services are provided under a joint management services agreement with UFCC. Under the terms of the agreement, the Company provides UFCC with underwriting and loss adjustment services for specific business produced, and UFCC provides Artisan with similar services for other specific business produced. The Company cedes a 90% quota share of its business to UFCC. In exchange for these services, the companies charge management fees based on each company's use of the other's services. Tax allocations are established in accordance with a written federal income tax allocation agreement.

The previous examination of Artisan and Truckers Casualty Company resulted in no recommendations and no adjustments to surplus. The current examination resulted in one recommendation regarding the compulsory surplus requirement on the Company. No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the Company as of December 31, 2012, is accepted.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 23 - Compulsory Surplus Stipulation and Order—It is recommended that the Company assess its capital needs proactively, and obtain capital contributions quarterly as needed, in order to maintain compliance with the compulsory surplus order on the Company.

X. 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
Scott Bleifuss	Insurance Financial Examiner
Raymond Kangogo	Insurance Financial Examiner
Jerry DeArmond	Reserve Specialist
Thomas Houston	IT Specialist
Fred Thornton	Workpaper Specialist
John Litweiler	Workpaper Specialist

Respectfully submitted,

Stephanie Falck, CFE
Examiner-in-Charge