Report

of the

Examination of

Dairyland Insurance Company

Stevens Point, Wisconsin

As of December 31, 2013

TABLE OF CONTENTS

Page

State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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April 10, 2015

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:

DAIRYLAND INSURANCE COMPANY
Stevens Point, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Dairyland Insurance Company (Dairyland or the company) was conducted in 2009 as of December 31, 2008. The current examination covered the intervening period ending December 31, 2013, and included a review of such 2014 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 affiliates domiciled in Texas and New York. Wisconsin acted in the capacity as the lead state for the coordinated examinations. Work performed by the Texas 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. Special attention was given to the action taken by the company to satisfy the one recommendation in the previous examination report.

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

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

Dairyland, a stock property and casualty company operating under ch. 611, Wis. Stat., is the successor to the Dairyland Mutual Insurance Company (Dairyland Mutual). Dairyland Mutual was incorporated on January 8, 1953, and commenced business on February 27, 1953. Dairyland Mutual was dissolved upon approval of the reorganization and issuance of a certificate of authority by this office to Dairyland. Accordingly, all assets and liabilities of the mutual company were transferred to Dairyland. Dairyland was incorporated on June 11, 1965, and commenced business on August 1, 1965.

Shares of the new corporation which were not purchased by the policyholders were purchased by Dairyland's founder and chief executive officer, Stuart H. Struck. In 1966, The Sentry Corporation, a wholly owned holding company subsidiary of Sentry Insurance a Mutual Company (SIAMCO), acquired majority control of Dairyland through purchase of stock from Mr. Struck. The Sentry Corporation steadily increased its ownership interest until it became the sole shareholder in 1978. In 1986, ownership of Dairyland was transferred from The Sentry Corporation to SIAMCO, Dairyland' s current parent, as part of an effort to separate insurance operations from noninsurance operations.

In 2013, the company wrote direct premium in the following states:

South Carolina	$ 23,238,658	14.7%
Maine	12,632,870	8.0
Connecticut	10,923,886	6.9
Florida	9,212,358	5.8
Kentucky	8,287,730	5.2
Kansas	7,245,721	4.6
Wisconsin	7,040,000	4.4
Ohio	6,887,234	4.3
Minnesota	5,980,756	3.8
All others	67,097,763	42.3
Total	$158,546,975	100.0%

The company is licensed in all states except for California, Hawaii, Louisiana, New Jersey, Oklahoma, and the District of Columbia.

On a direct basis, Dairyland Insurance Company writes Nonstandard Auto (NSA) and preferred/standard Motorcycle coverages for the Consumer Products Division. NSA business is distributed through nearly 22,000 agents with a small amount sold directly to consumers.

Motorcycle business is obtained primarily through independent agents and the Internet/Call Center.

The following table is a summary of the net insurance premiums written by the company in 2013. 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
Fire	$ 0	$ 6,600,340	$ 0	$ 6,600,340
Allied lines	0	5,045,630	0	5,045,630
Homeowner's multiple peril	0	4,906,313	0	4,906,313
Commercial multiple peril	0	1,514,172	0	1,514,172
Inland marine	0	13,883,495	51	13,883,444
Medical professional liability – occurrence	0	3,723	0	3,723
Earthquake	0	189,754	0	189,754
Group accident and health	0	2,083,419	0	2,083,419
Other accident and health	0	4,115	0	4,115
Worker's compensation	0	64,843,692	0	64,843,692
Other liability – occurrence	0	13,839,132	0	13,839,132
Other liability – claims made	0	412,444	0	412,444
Excess worker's compensation	0	512,656	0	512,656
Products liability – occurrence	0	6,061,056	0	6,061,056
Private passenger auto liability	115,290,201	184,083,641	178,620,371	120,753,471
Commercial auto liability	0	34,332,013	0	34,332,013
Auto physical damage	43,256,774	64,935,922	65,926,379	42,266,317
Fidelity	0	642,283	0	642,283
Surety	0	114,292	0	114,292
Burglary and theft	0	63,835	0	63,835
International	0	195	0	195
Reinsurance – non-proportional assumed liability	0	435	0	435
Total All Lines	$158,546,975	$404,072,555	$244,546,800	$318,072,730

The company assumes 100% of the premiums written by an affiliate, Dairyland County Mutual Insurance Company of Texas (DCM), after DCM's cessions to unaffiliated reinsurers, which was $85,999,826 in 2013. All direct and assumed business, net of cessions to nonaffiliated reinsurers, is pooled with affiliates, SIAMCO, Middlesex Insurance Company, Sentry Casualty Company, Sentry Select Insurance Company, and Viking Insurance Company of Wisconsin. The reinsurance pooling agreement is described in section V of this report titled “Reinsurance.”

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of five members who are elected annually, each of whom is an officer of SIAMCO. Officers are elected at annual board meetings and are to hold those positions until the earlier of their resignation or removal by the board of directors. As inside directors, they receive no additional compensation for serving on the board.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Peter G. McPartland Stevens Point, Wisconsin	Chairman of the Board, Chief Executive Officer and President of SIAMCO	2015
Kenneth J. Erler Plover, Wisconsin	Senior Vice President, Chief Administrative Officer, General Counsel and Secretary of SIAMCO	2015
Carol P. Sanders Kronenwetter, Wisconsin	Executive Vice President, Chief Financial Officer and Treasurer of SIAMCO	2015
James J. Weishan Stevens Point, Wisconsin	Executive Vice President and Chief Investment Officer of SIAMCO	2015
Michael J. Williams Stevens Point, Wisconsin	Vice President, Chief Actuary and Risk Officer of SIAMCO	2015

Officers of the Company

The officers are employed and compensated by SIAMCO. The officers of Dairyland may also be officers of other companies in the Sentry Insurance Group. The officers serving at the time of this examination are as follows:

Name	Office	2013 Compensation
Peter G. Anhalt	President	$34,067*
Michael J. Williams	Vice President	62,188*
Kenneth J. Erler	Secretary	44,738*
Carol P. Sanders	Treasurer	21,637*

Compensation included salary, bonus, and all other compensation.

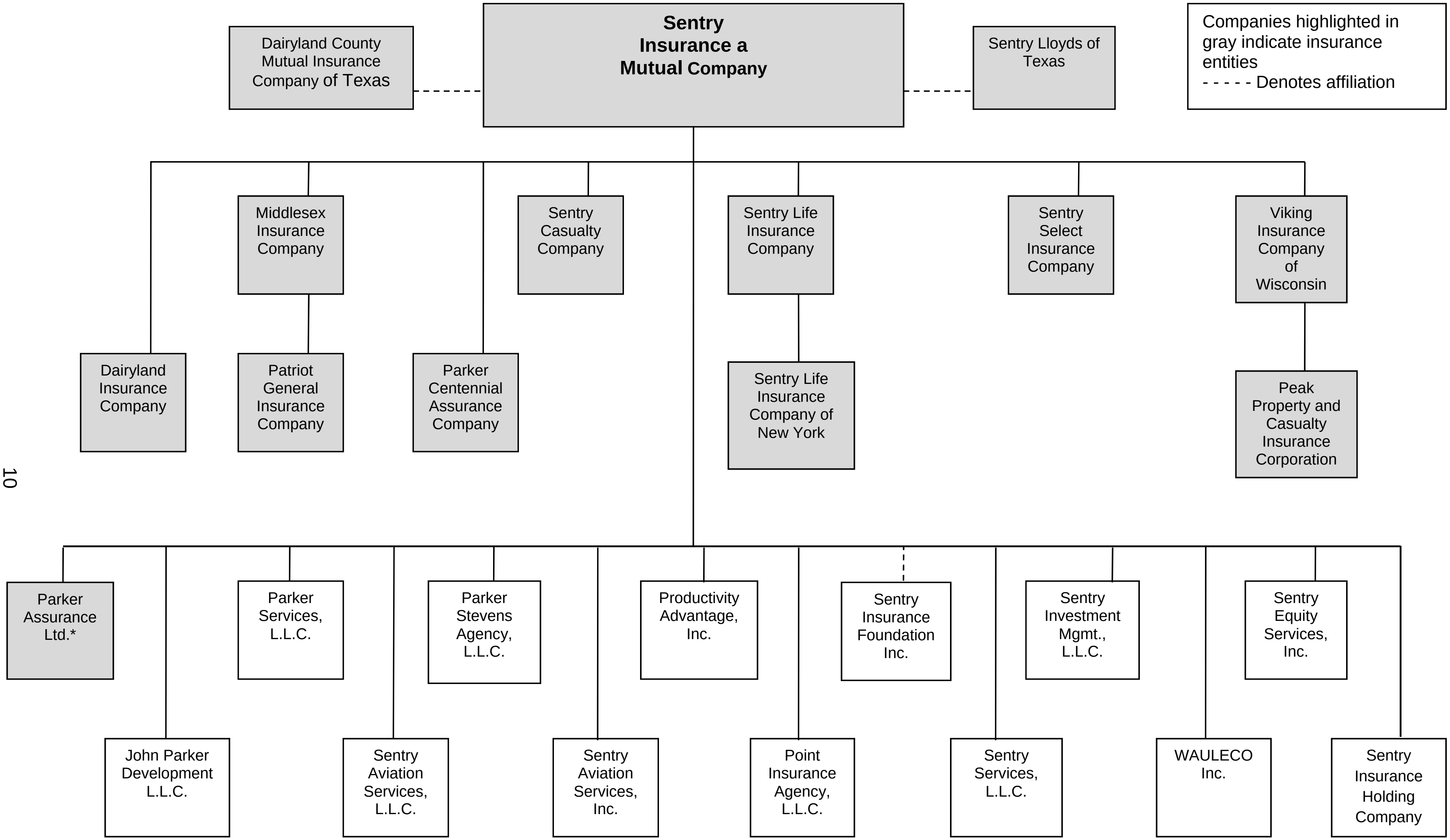
* Compensation reported here is the portion of the individual's total compensation allocated to Dairyland; most officers' compensation is allocated among several insurance companies in the group.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. There were no committees appointed by the board at the time of the examination. The committees of the ultimate controlling party, SIAMCO, govern the company.

IV. AFFILIATED COMPANIES

Dairyland Insurance Company is a member of a holding company system (the Sentry Insurance Group) controlled by Sentry Insurance a Mutual Company, a Wisconsin-domiciled mutual insurer. As of December 31, 2013, the Sentry Insurance Group consisted of 13 insurers and 13 noninsurance entities; Dairyland County Mutual Insurance Company of Texas and Sentry Lloyds of Texas are affiliated through common management. A discussion of all the Sentry Insurance Group affiliated companies is included in the examination report for SIAMCO. This report includes only those affiliates with which Dairyland has reinsurance (including other pool participants) or other important affiliated relationships. An organizational chart as of December 31, 2013, is shown on the next page.



* Parker Assurance Ltd. is a Bermuda-domiciled insurer that was inactive for many years and was dissolved in 2014.

Sentry Insurance a Mutual Company

SIAMCO owns all of the issued and outstanding common stock of Dairyland. SIAMCO is licensed in all 50 states, the District of Columbia, Puerto Rico, and Canada. On a direct basis, the parent company writes a wide range of property and casualty insurance products, predominantly worker's compensation and automobile coverages. SIAMCO is the lead company in a pooling arrangement with certain of its property and casualty affiliates, with a 55% participation share of the pool. As of December 31, 2013, SIAMCO reported assets of $6,631,964,314, liabilities of $2,556,630,322, and policyholders' surplus of $4,075,333,992. Operations for 2013 produced a net income of $308,405,578. SIAMCO was examined concurrently with Dairyland as of December 31, 2013, and the results of that examination are expressed in a separate report.

Dairyland County Mutual Insurance Company of Texas

Dairyland County Mutual Insurance Company of Texas is a Texas county mutual insurer organized on May 27, 1946. It is licensed only in the state of Texas and specializes exclusively in Nonstandard Auto and Motorcycle insurance. As a mutual company, DCM is owned by its policyholders. DCM is affiliated with SIAMCO through common management and control, as well as certain management service agreements. DCM cedes 100% of its direct written premium to Dairyland Insurance Company. Effective June 30, 2011, Viking County Mutual Insurance Company merged into DCM. As of December 31, 2013, DCM reported assets of $14,087,990, liabilities of $1,543,798, policyholders' surplus of $12,544,192, and net income of $3,793. DCM was examined concurrently with Dairyland as of December 31, 2013, and the results of that examination are expressed in a separate report issued by the Texas Department of Insurance.

Middlesex Insurance Company

Middlesex Insurance Company (Middlesex) is a Wisconsin-domiciled stock property and casualty insurer licensed in 50 states and the District of Columbia. Middlesex was chartered by the Massachusetts Legislature as the Middlesex Mutual Fire Insurance Company on March 31, 1826. Conversion from a mutual to a capital stock company was effected by charter amendment on June 11, 1974, in connection with SIAMCO's acquisition of control, at which time it adopted its present name. SIAMCO has since held 100% ownership, and while presently its interest is direct, control has at times been indirect. On April 28, 1994, the company redomesticated from Massachusetts to Wisconsin.

Of its direct business, Middlesex writes 39.2% in auto lines, 51.1% in worker’s compensation and 9.7% in a variety of products relating to the Sentry Insurance Group’s Standard Business products and Nonstandard Auto consumer products. Middlesex also assumes 100% of the business of Patriot General Insurance Company, a wholly owned subsidiary. Middlesex has a 10% participation in the affiliated pooling agreement. As of December 31, 2013, Middlesex reported assets of $653,237,357, liabilities of $410,485,895, surplus of $242,751,461, and net income of $11,786,531. Middlesex was examined concurrently with Dairyland as of December 31, 2013, and the results of that examination are expressed in a separate report.

Sentry Casualty Company

Sentry Casualty Company (Sentry Casualty) is a property and casualty insurer incorporated on July 23, 1973, in the state of Nevada as Tahoe Insurance Company. It was organized by Deere & Company and ownership was shared with Sierra General Life Insurance Company (Sierra). Upon the liquidation of Sierra in 1995, the John Deere Insurance Group, Inc., assumed the shares. After the company redomesticated to Illinois in 1996, the name was changed to John Deere Casualty Company. SIAMCO acquired 100% indirect ownership in connection with the acquisition of John Deere Insurance Group, Inc., on September 30, 1999, and changed the company’s name to Sentry Casualty Company. On January 1, 2001, the company redomesticated to Wisconsin.

Sentry Casualty is licensed in 50 states and the District of Columbia. Sentry Casualty did not write any direct business after its acquisition by SIAMCO in 1999, until 2008 when SIAMCO commenced transferring some of its National Accounts business to Sentry Casualty. Sentry Casualty has a 2.5% participation in the affiliated pooling agreement. As of December 31, 2013, Sentry Casualty reported assets of $240,263,968, liabilities of $167,253,837, surplus of $73,010,131, and net income of $5,016,878. Sentry Casualty was examined concurrently with Dairyland as of December 31, 2013, and the results of that examination are expressed in a separate report.

Sentry Investment Management, L.L.C.

Sentry Investment Management, L.L.C. (SIML) a Delaware corporation organized on June 13, 1969, manages the investment portfolios of SIAMCO and its affiliates, subject to the direction of their respective boards of directors. In 2007 the corporation changed its status to a limited liability corporation. As of December 31, 2013, SIML's unaudited financial statements reported assets of $340,491, liabilities of $198,928, and stockholder's equity of $141,563. Operations for 2013 produced net income of $5,274. SIML is a wholly owned subsidiary of SIAMCO.

Sentry Select Insurance Company

Sentry Select Insurance Company (Sentry Select) is a property and casualty insurer incorporated on August 1, 1929, as the Fulton Fire Insurance Company under the laws of New York. On May 8, 1969, Deere & Company acquired the company from Hanover Insurance Company of New York and changed its name to John Deere Insurance Company. The company redomesticated to Illinois on December 31, 1982. SIAMCO acquired 100% indirect ownership in connection with the acquisition of John Deere Insurance Group, Inc., on September 30, 1999, and the name was changed to Sentry Select Insurance Company. On January 1, 2001, the company redomesticated to Wisconsin.

Sentry Select is licensed in all 50 states and the District of Columbia. Of its direct business, it writes 51.9% in auto, 18.8% in inland marine, 10.6% in other liability, 7.1% in worker's compensation and 11.6% in a variety of business relating to the Sentry Insurance Group's Dealer Operations and Transportation products. Sentry Select has a 10% participation in the affiliated pooling agreement. As of December 31, 2013, Sentry Select reported assets of $641,304,426, liabilities of $413,826,220, surplus of $227,478,206, and net income of $12,369,072. Sentry Select was examined concurrently with Dairyland as of December 31, 2013, and the results of that examination are expressed in a separate report.

Viking Insurance Company of Wisconsin

Viking Insurance Company of Wisconsin (Viking) is a property and casualty insurer incorporated on August 10, 1971, as Viking Insurance Company in the state of Wisconsin and in 1973 its name was changed to what is used currently. The company was originally controlled by the directors, their families and employees through an employee stock ownership trust. In 1982, all of the outstanding stock was purchased by Crum and Forster, Inc., a New York holding company and a subsidiary of the Xerox Corporation. As a result of an organization restructuring in 1993, the company's stock was contributed to a newly formed holding company, Viking Insurance Holdings, Inc.(Viking Holdings) a Delaware corporation, which was a wholly owned subsidiary of Talegen Holdings, Inc., a Delaware corporation. In 1995, Guaranty National Corporation (GNC, now Orion Auto, Inc.) acquired Viking Holdings. In 1997, Viking became a subsidiary of Orion Auto, Inc., after Viking Insurance Holdings, Inc., was dissolved. In 1999, Viking redomesticated from the state of Wisconsin to the state of Colorado and on November 16, 1999, Royal & Sun Alliance Insurance Group plc purchased Orion Auto, Inc., and all of its subsidiaries. On November 1, 2005, SIAMCO acquired control of Viking and its subsidiary, Peak Property and Casualty Insurance Corporation (Peak), from Royal & Sun Alliance USA, Inc. On December 15, 2006, Viking redomesticated to Wisconsin.

Viking is licensed in 34 states. It was acquired primarily to expand the Sentry Insurance Group's presence as a nonstandard auto insurance writer and to obtain a sophisticated auto policy underwriting system. On its direct business, Viking specializes in Nonstandard Auto and Motorcycle business. The company also assumes 100% of the business of its subsidiary, Peak. Viking has a 5% participation in the affiliated pooling agreement. As of December 31, 2013, it reported assets of $381,328,273, liabilities of $203,151,816, surplus of $178,176,457, and net income of $7,431,595. Viking was examined concurrently with Dairyland as of December 31, 2013, and the results of that examination are expressed in a separate report.

Affiliated Agreements

Dairyland has no employees of its own and all of its operations are conducted by employees of its parent organization, SIAMCO, in accordance with the business practices and internal controls of that organization. In addition to ongoing common management and control by this upstream affiliate, the company's operations are affected by various written agreements with Sentry Insurance Group affiliates. Reinsurance agreements are described in section V of the report titled "Reinsurance." A brief summary of the other agreements and undertakings follows.

Investment Advisory Agreement

Effective October 31, 1991, SIAMCO and certain named affiliates entered into an investment advisory agreement with Sentry Investment Management, L.L.C. This contract was amended and restated as of January 1, 2008, and as of September 12, 2011. Under this agreement, SIML is employed to manage and direct the investment and reinvestment of the assets of SIAMCO and certain named affiliates, subject to the control of those companies' board of directors. SIML agrees to comply with the companies' articles, bylaws, investment policies, and all applicable federal or state laws. SIML charges the companies a monthly fee computed as follows, annually not to exceed on average 25 basis points of the cash and invested assets reported on the companies' statutory annual statements:

> One twelfth (1/12) of an amount equal to the sum of (a), (b), and (c)
>
> (a) Common stocks, excluding those of affiliates:
> 0.50% ($5.00 per $1,000) of market value;
>
> (b) Bonds and preferred stocks, excluding those of affiliates:
> 0.15% ($1.50 per $1,000) of market value; and
>
> (c) All other assets, excluding those of affiliates:
> 0.75% ($7.50 per $1,000) of market value
>
> In addition, for any investment advisory services provided by SIML at the request of the companies, SIML is to be reimbursed for actual costs of rendering such services. Settlements are to be made within 60 days of the end of the month.

The contract may be terminated by any of the parties with 60 days' written notice.

Joint Investment Agreement

Effective October 1, 1996, the company entered into an amended and restated joint investment agreement with various affiliates to establish the Sentry Liquid Asset Partnership (SLAP), a joint venture organized pursuant to the Wisconsin Uniform Partnership Act. This agreement has been amended and restated to add or delete companies as needed. SIAMCO is designated as the managing partner, though the agreement permits a change by a majority decision of the participants. A participant may withdraw from the joint venture upon the delivery of written notice to the managing partner. The joint venture shall dissolve at such time as only one participant remains in the joint venture. The terms of this agreement are continuous; however, all parties to the agreement are required to review and negotiate the agreement no less than once every three years.

The business of the joint venture consists of investing and reinvesting funds contributed by the members in short-term obligations of banks, corporations, and the U.S. federal government with a maximum duration of 12 months. It functions in a manner analogous to a short-term bond mutual fund. Investment advisory services are provided by Sentry Investment Management, L.L.C. This office has directed all Wisconsin-domiciled Sentry companies to report their respective balances in SLAP as a one-line entry on Schedule DA – Part 1 (Short-Term Investments).

Tax Allocation Agreement

On February 22, 1983, the SIAMCO board of directors adopted a written federal income tax allocation policy for the purpose of filing federal income tax returns on a consolidated basis. This agreement has been amended and restated to add or delete companies as needed. The latest amended and restated agreement is effective March 1, 2009, and was amended to comply with requirements of the New York Circular Letter 1979-33 (relates to tax allocation agreements of New York-domestic insurers) because Sentry Life Insurance Company of New York is a party to this agreement. Under this agreement, SIAMCO prepares and files a consolidated U.S. federal income tax return that includes all affiliates of the holding company group. The agreement sets forth the rights and obligations of the parties to the agreement with respect to the determination and settlement of federal income tax liabilities as well as the allocation of Sentry Insurance Group’s consolidated U.S. federal income tax liability and tax benefits in accordance with a rational, systematic formula. The agreement provides for computation of tax, settlement of balances between affiliates, tax sharing, filing the return, audits and other adjustments, and other administrative requirements. The agreement calls for the settling of estimated U.S. federal tax payments within 45 days of filing of those payments. Final settlement is due within 45 days of the filing of the consolidated U.S. federal tax return. The agreement has a provision for members entering or departing the group and provides for successors.

General Expense Allocation Agreement

In 1993, the insurance companies of the Sentry Insurance Group entered into a written general expense allocation agreement. The agreement formalized the parties' consent to an accounting allocation process that had been in place since 1982. This agreement has been amended and restated to add or delete companies as needed. Under the agreed procedure, expenses are first grouped and assigned to cost pools, each of which is distinguished by one or more of four characteristics, including activity, location, profit center, and division. Expenses, once assigned to cost pools, are then allocated to specific insurance products. An expense is not assigned to a specific legal entity until after it is coded to a cost pool and then to a specific product, unless the destination (profit center, line of business or legal entity) is known when the expense is originally recorded. Allocation at each phase of this process, outlined here in simplified form, is based on specific identification, utilization estimates developed from such criteria as premium or claim volume, time studies, or other rational means of distribution.

Intercompany Settlement Policy

The intercompany settlement policy between SIAMCO and its affiliates was last amended and restated effective December 3, 2012. This agreement has been amended and restated several times to add or delete companies as necessary. According to the terms of this agreement, SIAMCO's cash management department settles intercompany balances, in SLAP where possible, based on policies and procedures listed in the agreement for monthly and annual settlements. Other settlements under the agreement include reinsurance balances, which are to be settled according to the terms contained in the reinsurance agreements, and income tax related balances, which are to be settled in accordance to the terms outlined in the intercompany tax allocation agreement mentioned previously. There is also a clause that establishes procedures for those parties that do not have adequate funds available to settle intercompany debt.

Premium Collection Agreement

Effective August 23, 2002, the company entered into an amended and restated premium collection agreement with various affiliates. This agreement has been amended and restated to add companies as needed. According to this contract SIAMCO is to provide the companies with premium collection services for their nonstandard automobile insurance business, which includes depositing the collected premium in bank accounts of each of the parties to the agreement within two business days of receipt of those premiums. SIAMCO does not charge a direct fee for providing such services. SIAMCO may terminate the agreement and the affiliates may withdraw from the agreement upon 30 days' written notice.

Intercompany Servicing Agreement

SIAMCO has established an intercompany servicing agreement with Dairyland effective March 1, 1980, which has been amended and restated several times with the latest amendment effective December 31, 2004. Under this agreement SIAMCO is to provide essentially all services required for Dairyland's business operations. Expenses relating to the services provided under this agreement are to be allocated to the company by SIAMCO through the general expense allocation agreement (described earlier in this section of the report). Services may be terminated by either party by 30 days' written notice or at any time by mutual consent.

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 contained proper insolvency provisions. Certain property and casualty companies in the Sentry Insurance Group participate in a number of voluntary and involuntary reinsurance arrangements, serving predominantly the auto and worker's compensation markets, administered by individual states or by national organizations. The largest assuming reinsurance agreements are from the National Workers Compensation Reinsurance Association and Commonwealth Auto Reinsurers (Massachusetts). The ceding reinsurance agreements are to a variety of state mine subsidence, catastrophic auto and worker's compensation funds. A review of these arrangements indicated that all contracts have provisions deemed appropriate by the governmental authorities that establish and administer them.

Affiliated Property and Casualty Pooling Agreement

Dairyland participates in a pooling arrangement with certain of its property and casualty affiliates. The pool participants cede 100% of their direct and assumed premiums, losses, loss adjustment expenses, and underwriting expenses, net of all cessions to nonaffiliated parties, to SIAMCO. The net pooled business is then distributed according to the participations listed below. Income and expenses related to investment operations are not included in pooling.

Dairyland, Middlesex, Sentry Select, Viking and Sentry Casualty are direct co-parties to the automatic nonaffiliated ceding reinsurance agreements of SIAMCO along with all of SIAMCO's other U.S.-domiciled property and casualty affiliates. SIAMCO administers all aspects of the pooled business, including placement of reinsurance with nonaffiliated insurers. Reinsurance with nonaffiliated parties is transacted in the names of SIAMCO and other property and casualty affiliates, each for its own direct and assumed business, prior to pooling. After nonaffiliated cessions are made, the net business of each participant is pooled, and all of the net retained business of SIAMCO, Dairyland, Middlesex, Sentry Select, Viking and Sentry Casualty is derived from the pool. Additional terms of the pool are outlined below:

Participation:	As of January 1, 2014, participation was as follows:

Sentry Insurance a Mutual Company	55.0%
Dairyland Insurance Company	17.5
Middlesex Insurance Company	10.0
Sentry Select Insurance Company	10.0
Viking Insurance Company of Wisconsin	5.0
Sentry Casualty Company	2.5
Total Sentry Group Pool	100.0%

Lines covered:	All lines of property and casualty business written by the participants
Items included:	Premiums written and earned, losses, loss adjustment expenses, underwriting expenses, salvage and subrogation recoveries, assessments, taxes, and policyholder dividends
Effective:	December 31, 2003 (amended and restated) as amended effective January 1, 2006, January 1, 2007, and January 1, 2012
Termination:	Termination of any party's participation, or of the entire agreement, may be accomplished by any party for any reason upon 12 months' prior written notice to the other parties

Affiliated Assuming Contracts

1. Type:	100% Quota Share
Reinsured:	Dairyland County Mutual Insurance Company of Texas
Scope:	All direct business written by the reinsured. The contract specifically excludes coverage for reinsurance assumed by the reinsured.
Ceding company retention:	None
Coverage:	100% of losses, loss adjustment expenses, and any or all other expenses incurred by or assessed against the reinsured arising from business covered by this treaty
Premium:	100% of all premiums on business ceded pursuant to this treaty
Commissions:	None
Effective date:	January 16, 1970. Effective January 9, 1996, is continuous for a five-year term, which thereafter automatically renews for a successive 5-year term.

Termination: Either party may terminate this agreement at the end of a 5-year renewal term by giving 12 months' written notice. Termination may be effected by the reinsurer with 15-day written notice in the event the reinsured defaults on payment of premium due.

Nonaffiliated Ceding Contracts

1. Type: Multiple Line Excess of Loss

Participating reinsurers: As of January 1, 2014, participation was as follows:

	1st	**2nd**
Aspen Re America, Inc.	9.0%	4.0%
Hannover Ruck SE	15.0	25.0
Maiden Reinsurance North America, Inc.	22.5	12.5
Munich Reinsurance America, Inc.	13.0	13.0
Partner Reinsurance Company of the U.S.	7.5	7.5
QBE Reinsurance Corporation	10.0	10.0
SCOR Reinsurance Company	4.0	7.0
Swiss Re Underwriters Agency, Inc.	5.0	6.0
Transatlantic Reinsurance Company	14.0	15.0
Total	100.0%	100.0%

Scope: Property and casualty business

Retention: First Layer: $3,000,000 each risk, each occurrence

Second Layer: $10,000,000 each risk, each occurrence

Coverage: First Layer: Property business – The amount of ultimate net loss, including loss adjustment expenses, in excess of the company's retention of $3,000,000 per risk. Reinsurer's risk is not to exceed $7,000,000 as respects any one risk each loss, nor shall it exceed $14,000,000 all risks involved in any one occurrence.

Second Layer: Property business – The amount of ultimate net loss, including loss adjustment expenses, in excess of the company's retention of $10,000,000 per risk. Reinsurer's risk is not to exceed $10,000,000 as respects any one risk each loss, nor shall it exceed $10,000,000 all risks involved in any one occurrence.

First Layer: Casualty business – The amount of ultimate net loss, including loss adjustment expenses, in excess of the company's retention of $3,000,000 per occurrence. Reinsurer's risk is not to exceed $7,000,000 as respects any one occurrence.

Second Layer: Casualty business – The amount of ultimate net loss, including loss adjustment expenses, in excess of the company's retention of $10,000,000 per occurrence.

Reinsurer’s risk is not to exceed $10,000,000 as respects any one occurrence.

First Layer: Property and Casualty combined – One or more classes of property and casualty business, the amount of ultimate net loss, including loss adjustment expenses, in excess of the company retention of $3,000,000 per occurrence. Reinsurer’s risk is not to exceed $3,000,000 as respects any one occurrence.

Special provisions:	Umbrella policies issued to the company’s National Accounts clients shall not be subject to this contract. As respects business issued through the company’s Transportation division, the maximum net automobile liability subject to policy limit shall be $1,000,000 with respect to each coverage, each occurrence under the company’s policy or so deemed. As respects business classified as assisted living facility business, such business shall contain one per policy aggregate limit per line of business written.
Reinstatement:	Second Layer: Free for the first full reinstatement, second and third reinstatement to pay additional premium based on the ultimate net loss paid by the reinsurer multiplied by the earned reinsurance premium paid or payable for the period exclusive of reinstatement premium.
Premium:	First Layer: Annual deposit premium of $13,400,000 paid in quarterly installments; annual minimum premium of $10,720,000, subject to adjustment at the rate of 17.5% of subject net earned premium for umbrella business, 0.16% of subject net earned premium for personal auto business and 0.95% of subject net earned premium for all other business.
	Second Layer: Annual deposit premium of $3,040,000 paid in quarterly installments; annual minimum premium of $2,432,000, subject to adjustment at the rate of 1.75% of subject net earned premium for umbrella business, 0.02% of subject net earned premium for personal auto business and 0.24% of subject net earned premium for all other business.
Commissions:	None
Effective date:	January 1, 2014
Termination:	The contract is scheduled to expire on January 1, 2015. The company may terminate subscribing reinsurer’s percentage share at any time by giving 60 days’ written notice to the subscribing reinsurer in the event that certain named circumstances occur.
Intermediary:	Willis Re Inc.

2. Type: Multiple Line Clash and Contingency Excess of Loss

Participating reinsurers: As of January 1, 2014, participation was as follows:

	1st	**2nd**
Aspen Insurance UK Limited	8.88%	13.33%
Catlin Underwriting Inc.	9.35	0.00
Hannover Ruck SE	14.02	12.50
Safety National Casualty Corporation	0.00	10.00
Transatlantic Reinsurance Company	11.68	0.00
Certain Underwriting Members of Lloyds (14 syndicates)	56.07	64.17
Total	100.00%	100.00%

Scope: All property and casualty business including Nuclear, Biological, Chemical and Radiological (NBCR)

Retention: First Layer: The first $20,000,000 in ultimate net losses for each event

Second Layer: The first $50,000,000 in ultimate net losses for each event for both Non-NBCR and NBCR

Coverage: First Layer: Ultimate net loss in excess of the company's retention, up to a limit of $30,000,000 per loss event, and $60,000,000 in aggregate for the contract year

Second Layer NBCR: Ultimate net loss in excess of the company's retention, up to a limit of $75,000,000 per loss event, and $150,000,000 in aggregate for the contract year, subscribed 84.99%

Second Layer Non-NBCR: Ultimate net loss (90% of loss in excess of policy limits, 90% of extra contractual obligations and 100% of loss adjustment expense) in excess of the company's retention, up to a limit of $75,000,000 per loss event, and $150,000,000 in aggregate for the contract year, subscribed 15.01%

Reinstatement: First Layer: Additional premium equal to the product of the percentage of the event limit multiplied by the earned reinsurance premium paid or payable

Second Layer Non-NBCR and NBCR: Additional premium equal to the product of the percentage of the event limit multiplied by the earned reinsurance premium paid or payable

Premium: First Layer: Annual deposit premium of $1,397,000 paid in quarterly installments; annual minimum premium of $1,117,600, subject to adjustment at the rate of 0.0777% of subject net earned premium on ceded policies pursuant to this treaty

Second Layer Non-NBCR: Annual deposit premium of $1,747,500 paid in quarterly installments; annual minimum premium of $1,398,000, subject to adjustment at the rate of 0.0972% of subject net earned premium on ceded policies pursuant to this treaty

Second Layer NBCR: Annual deposit premium of $2,250,000 paid in quarterly installments; annual minimum premium of $1,800,000, subject to adjustment at the rate of 0.1252% of subject net earned premium on ceded policies pursuant to this treaty

Commission: None

Effective date: January 1, 2014

Termination: The NBCR contract is scheduled to expire on January 1, 2016. The Non-NBCR contract is scheduled to expire on January 1, 2015. The company may terminate subscribing reinsurer's percentage share at any time by giving written notice to the subscribing reinsurer in the event that certain named circumstances occur.

Intermediary: Willis Re Inc.

3. Type: Property Catastrophe Excess of Loss

Participating Reinsurers: As of January 1, 2014, participation was as follows:

	1st	**2nd**
Allianz Risk Transfer AG (Bermuda Branch)	9.00%	7.25%
Allied World Assurance Company, Ltd.	0.00	10.00
Argo Re, Ltd.	3.00	2.00
Aspen Bermuda, Ltd.	10.00	5.00
China Reinsurance Corporation	5.00	2.50
Everest Reinsurance Company	2.50	3.50
Hannover Re (Bermuda), Ltd.	5.75	7.50
Mapfre Re Compania De Reaseguros SA	10.00	10.00
MS Frontier Reinsurance, Ltd.	0.00	10.00
Odyssey Reinsurance Company	2.00	2.00
QBE Reinsurance Corporation	5.00	5.00
SCOR Global P&C SE	7.50	6.50
Transatlantic Reinsurance Company	2.00	2.00
Certain Underwriting Members of Lloyds (12 Syndicates for 1st and 11 for 2nd)	33.25	21.75
Total	95.00%	95.00%

Scope: Property business with certain named exclusions

Retention: First Layer: The first $20,000,000 in ultimate net losses for each loss occurrence

	Second Layer: The first $50,000,000 in ultimate net losses for each loss occurrence
Coverage:	First Layer: Ultimate net loss in excess of the company's retention, up to a limit of $30,000,000 each loss occurrence and $60,000,000 in aggregate for the contract year, 95% subscribed Second Layer: Ultimate net loss in excess of the company's retention, up to a limit of $70,000,000 each loss occurrence and $140,000,000 in aggregate for the contract year, 95% subscribed
Reinstatement:	Additional premium equal to the product of the percentage of the event limit multiplied by the earned reinsurance premium paid or payable
Premium:	First Layer: Annual deposit premium of $2,850,000 paid in quarterly installments; annual minimum premium of $2,280,000, subject to adjustment at the rate of 2.3233% of subject net earned premium on ceded policies pursuant to this treaty Second Layer: Annual deposit premium of $2,450,000 paid in quarterly installments; annual minimum premium of $1,960,000, subject to adjustment at the rate of 1.9972% of subject net earned premium on ceded policies pursuant to this treaty
Commission:	None
Effective date:	January 1, 2014
Termination:	The contract is scheduled to expire on January 1, 2015. The company may terminate subscribing reinsurer's percentage share at any time by giving 10 days' written notice to the subscribing reinsurer in the event that certain named circumstances occur.
Intermediary:	Willis Re Inc.

4. Type: Worker's Compensation Excess of Loss

Reinsurers: As of January 1, 2014, participation was as follows:

	1st	**2nd**
Maiden Reinsurance North America, Inc.	25.0%	25.0%
Hannover Ruck SE	20.0	30.0
QBE Reinsurance Corporation	15.0	0.0
Safety National Casualty Corporation	20.0	25.0
Certain Underwriting Members of Lloyds (4 Syndicates)	20.0	20.0
Total	100.0%	100.0%

Scope:	Worker's compensation and employer's liability business (this contract was negotiated separately for Safety National and non-Safety National companies)
Retention:	First Layer: $2,500,000 each occurrence for non-Safety National and Safety National reinsurance agreements Second Layer: $5,000,000 each occurrence for non-Safety National and Safety National reinsurance agreements
Coverage:	First Layer: The ultimate net loss in excess of company's retention, up to a limit of $2,500,000 per loss occurrence and $2,500,000 in aggregate for terrorism loss occurrences in the contract year Second Layer: The ultimate net loss in excess of company's retention, up to a limit of $5,000,000 per loss occurrence and $5,000,000 in aggregate for terrorism loss occurrences in the contract year
Reinstatement:	First Layer: Free and unlimited Second Layer: Non-Safety National Agreement – Free for first reinstatement and second reinstatement additional premium equal to the product of the percentage of the event limit multiplied by the earned reinsurance premium paid or payable Second Layer: Safety National agreement – Free and unlimited
Premium:	First Layer: Non-Safety National agreement – Annual deposit premium of $4,684,000 paid in quarterly installments; annual minimum premium of $2,810,400, subject to adjustment at the rate of 1.2% of subject net earned premiums on ceded business pursuant to this treaty, 80% subscribed First Layer: Safety National agreement – Annual deposit premium of $1,319,000 paid in quarterly installments; annual minimum premium of $1,055,200, subject to adjustment at the rate of 0.338% of subject net earned premiums on ceded business pursuant to this treaty, 20% subscribed Second Layer: Non-Safety National agreement – Annual deposit premium of $2,479,000 paid in quarterly installments; annual minimum premium of $1,487,400, subject to adjustment at the rate of 0.6352% of subject net earned premiums on ceded business pursuant to this treaty, 75% subscribed Second Layer: Safety National agreement – Annual deposit premium of $2,380,000 paid in quarterly installments; annual minimum premium of $1,904,000, subject to adjustment at

		the rate of 0.610% of subject net earned premiums on ceded business pursuant to this treaty, 25% subscribed
	Commission:	None
	Effective date:	January 1, 2014
	Termination:	The contract is scheduled to expire on January 1, 2015. The company may terminate subscribing reinsurer's percentage share at any time by giving written notice to the subscribing reinsurer in the event that certain named circumstances occur.
	Intermediary:	Willis Re Inc.
5.	Type:	Machine & Equipment Coverage Quota Share
	Reinsurer:	Factory Mutual Insurance Company
	Scope:	All boiler and machinery or mechanical equipment breakdown business written or assumed
	Retention:	None
	Coverage:	Cessions shall not exceed a limit of liability of $100,000,000 on any one risk without prior written agreement of the reinsurer
	Premium:	100% of boiler and machinery or mechanical equipment breakdown written premium
	Commission:	30% of boiler and machinery or mechanical equipment breakdown premium ceded under this agreement (44% of Dealer Operations premium)
	Profit commission	50% of the net profit of business ceded under this contract [premiums earned net of ceding commissions minus expenses (20% of Dealer Operations earned premium; 30% of all other earned premium) minus losses incurred over each annual period]
	Effective date:	January 1, 2014, and is continuous
	Termination:	Either party may effect a termination of this treaty with 90 days' prior written notice to the following days in any year by certified letter: April 1st, July 1st, October 1st, and January 1st
6.	Type:	Identity Theft & Data Compromise Quota Share Liability
	Reinsurer:	Hartford Steam Boiler Inspection and Insurance Company
	Scope:	All Data Compromise and Identity Recovery on business written and assumed
	Retention:	None

	Coverage:	100% of the ultimate net loss up to a limit of $15,000 annual aggregate per Policy for Identity Recovery. 100% of the ultimate net loss up to a limit of $250,000 annual aggregate per Policy for Data Compromise and $250,000 annual aggregate for Defense and Liability. As of June 1, 2014, data compromise and defense and liability limits of $500,000 and $1,000,000 are available.
	Premium:	100% of identity theft and data compromise written premium
	Commission:	30% of identity theft and data compromise premium ceded under this agreement
	Effective date:	January 1, 2011, and is continuous
	Termination:	Either party may effect a termination of this treaty with 90 days' prior written notice
7.	Type:	Commercial Property Excess of Loss Automatic Facultative
	Reinsurer:	General Reinsurance Corporation
	Scope:	All property business written and assumed
	Retention:	Varies by eligible risk: (1) The first $100,000 in ultimate net losses for each loss occurrence for automobiles and mobile homes; (2) The first $250,000 in ultimate net losses for each loss occurrence for contractor's equipment; (3) The first $20,000,000 in ultimate net losses for each loss occurrence for other commercial property; (4) The first $20,000,000 in ultimate net losses for each loss occurrence for Auto Dealers PD inside and outside; and (5) The first $250,000 in ultimate net losses for each loss occurrence for logging equipment.
	Coverage:	For the same risk as the retention: (1) The ultimate net loss in excess of company's retention up to $400,000; (2) The ultimate net loss in excess of company's retention up to $750,000; (3) The ultimate net loss in excess of company's retention up to $30,000,000; (4) The ultimate net loss in excess of company's retention up to $10,000,000; and (5) The ultimate net loss in excess of company's retention up to $500,000.
	Premium:	Premium is based on reinsurance coverage with a $50 minimum
	Commission:	None
	Effective date:	January 1, 2008, and is continuous

	Termination:	Either party may effect a termination of this treaty with 90 days' prior written notice
8.	Type:	Commercial Automobile Excess of Loss Liability Facultative Automatic
	Reinsurer:	Swiss Reinsurance America Corporation
	Scope:	National Accounts Division commercial automobile liability with certain named exclusions
	Retention:	100% of first $1,000,000 in ultimate net losses for each loss occurrence
	Coverage:	Ultimate net loss in excess of the company's retention, up to a limit of $2,000,000 per loss event
	Premium:	Pricing is on a unit rate per vehicle basis in two rating groups based on the state the vehicles are garaged and licensed in. Unit premium rates range from $65.00 to $700.00 dependent on the type of vehicle covered.
	Commission:	None
	Effective date:	July 15, 2012, and is continuous
	Termination:	Either party may effect a termination of this treaty with 60 days' written notice
	Intermediary:	Aon Benfield Inc.
9.	Type:	Commercial Automobile Excess of Loss Liability Facultative Automatic
	Reinsurer:	Maiden Reinsurance North America, Inc.
	Scope:	National Accounts Division commercial automobile liability with certain named exclusions
	Retention:	100% of first $500,000 or $1,000,000 in ultimate net losses for each loss occurrence
	Coverage:	Ultimate net loss in excess of the company's retention, up to a limit of $2,000,000 per loss event
	Premium:	Pricing is on a unit rate per vehicle basis of Model/Weighted Average Annual Modifier
	Commission:	None
	Effective date:	July 15, 2012, and is continuous
	Termination:	Either party may effect a termination of this treaty with 60 days' written notice
	Intermediary:	Aon Benfield Inc.

10.	Type:	Commercial Automobile Excess of Loss Liability Facultative Automatic
	Reinsurer:	Maiden Reinsurance North America, Inc.
	Scope:	Transportation Division commercial automobile liability with certain named exclusions
	Retention:	100% of the first $500,000 or $1,000,000 in ultimate net losses for each loss occurrence
	Coverage:	100% of the ultimate net loss in excess of the company retention up to $1,000,000
	Premium:	Pricing is on a unit rate per vehicle basis of Model/Weighted Average Annual Modifier
	Commission:	None
	Effective date:	November 1, 2011, and is continuous
	Termination:	Either party may effect a termination of this treaty with 60 days' written notice
	Intermediary:	Aon Benfield Inc.
11.	Type:	Farm Equipment Manufacturers Product Liability Excess of Loss (casualty automatic facultative)
	Reinsurer:	Munich Reinsurance America, Inc.
	Scope:	General liability and commercial umbrella liability policies relating to farm equipment manufacturers
	Retention:	The first $1,000,000 in ultimate net losses for each loss occurrence or annual aggregate relating to products and completed operations general liability No retention relating to commercial umbrella liability policies
	Coverage:	Products and completed operations coverage under general liability policies – Ultimate net loss in excess of the company's retention, up to a limit of $4,000,000 each loss occurrence or annual aggregate relating to products and completed operations general liability Commercial umbrella liability policies – Ultimate net loss in excess of the company's retention, up to a limit of $5,000,000 each loss occurrence or annual aggregate relating to commercial umbrella liability policies
	Premium:	Products and completed operations coverage under general liability policies – Premium is a combination of the following: a) For the first $1,000,000 of coverage a rate of 26.25% of subject premium; and

b) For each additional $1,000,000 of coverage (up to $5,000,000) the rate is 50% of the preceding layer's premium charge subject to a minimum premium of $750.00 per million of underlying premium

Commercial umbrella liability policies – Premium is a combination of the following for the first $1,000,000 of coverage:

a) 31.5% of general liability and products/completed operations premium relating to the company's farm equipment manufacturers product program; and
b) Pricing based on a unit rate per vehicle basis. Unit premium rates range from $85.00 to $550.00 dependent on the type of vehicle covered

For each additional $1,000,000 of coverage (up to $5,000,000) the rate is 50% of the preceding layer's premium charge subject to a minimum premium of $750.00 per million of underlying premium

	Commission:	None
	Effective date:	July 1, 1998, and is continuous
	Termination:	Either party may effect a termination of this treaty with 90 days' written notice
12.	Type:	SentryGuard Excess of Loss Automatic Facultative
	Reinsurer:	General Reinsurance Corporation
	Scope:	All agriculture equipment written under the SentryGuard program
	Retention:	The first $100,000 in ultimate net losses for each loss occurrence
	Coverage:	The ultimate net loss in excess of company's retention, up to a limit total insured value First Excess Coverage – 50% of the next $100,000 net loss in excess of company's retention Second Excess Coverage – 100% of the next $200,000 net loss in excess of company's retention
	Premium:	100% of property business ceded under this agreement
	Commission:	None
	Effective date:	January 1, 2012, and is continuous
	Termination:	Either party may effect a termination of this treaty with 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, 2013, 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. 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."

Dairyland Insurance Company
Assets
As of December 31, 2013

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 869,466,111	$	$ 869,466,111
Cash, cash equivalents, and short-term investments	18,880,569		18,880,569
Other invested assets	108,443,832		108,443,832
Investment income due and accrued	10,004,736		10,004,736
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	22,567,358	930,300	21,637,058
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	75,278,906	134,269	75,144,637
Accrued retrospective premiums	32,530,059	1,824,496	30,705,563
Reinsurance:			
Amounts recoverable from reinsurers	1,388,178		1,388,178
Current federal and foreign income tax recoverable and interest thereon	7,886,347		7,886,347
Net deferred tax asset	18,757,673		18,757,673
Guaranty funds receivable or on deposit	9,461		9,461
Receivable from parent, subsidiaries, and affiliates	865,328		865,328
Total Assets	$1,166,078,557	$2,889,064	$1,163,189,493

Dairyland Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2013

Losses		$ 387,951,559
Reinsurance payable on paid loss and loss adjustment expenses		1,652,224
Loss adjustment expenses		95,461,389
Commissions payable, contingent commissions, and other similar charges		5,691,032
Other expenses (excluding taxes, licenses, and fees)		45,846,222
Taxes, licenses, and fees (excluding federal and foreign income taxes)		2,251,061
Unearned premiums		145,671,746
Advance premium		2,564,850
Dividends declared and unpaid:		
Policyholders		1,526,371
Ceded reinsurance premiums payable (net of ceding commissions)		(53,923)
Amounts withheld or retained by company for account of others		51,776
Remittances and items not allocated		21,750
Provision for reinsurance		64
Payable for securities		1,000,000
Write-ins for liabilities:		
Escheat funds		1,489,893
Premium deficiency liability assumed		393,653
Accounts payable – other		5,499
Total liabilities		691,525,167
Common capital stock	$ 4,012,000	
Gross paid in and contributed surplus	12,466,221	
Unassigned funds (surplus)	455,186,105	
Surplus as regards policyholders		471,664,326
Total Liabilities and Surplus		$1,163,189,493

Dairyland Insurance Company
Summary of Operations
For the Year 2013

Underwriting Income		
Premiums earned		$310,050,882
Deductions:		
Losses incurred	$197,686,048	
Loss adjustment expenses incurred	38,868,570	
Other underwriting expenses incurred	85,194,532	
Write-ins for underwriting deductions:		
Change in premium deficiency	16	
Total underwriting deductions		321,749,166
Net underwriting gain (loss)		(11,698,283)
Investment Income		
Net investment income earned	38,799,066	
Net realized capital gains (losses)	606,008	
Net investment gain (loss)		39,405,074
Other Income		
Net gain (loss) from agents' or premium balances charged off	(3,604,302)	
Finance and service charges not included in premiums	9,427,285	
Write-ins for miscellaneous income:		
Miscellaneous income (expense)	484,713	
Total other income		6,307,696
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		34,014,487
Dividends to policyholders		1,243,436
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		32,771,051
Federal and foreign income taxes incurred		7,194,774
Net Income		$ 25,576,277

Dairyland Insurance Company
Cash Flow
For the Year 2013

Premiums collected net of reinsurance			$314,676,363
Net investment income			41,590,523
Miscellaneous income			6,307,696
Total			362,574,581
Benefit- and loss-related payments		$181,910,524	
Commissions, expenses paid, and aggregate write-ins for deductions		124,465,618	
Dividends paid to policyholders		845,787	
Federal and foreign income taxes paid (recovered)		7,551,295	
Total deductions			314,773,223
Net cash from operations			47,801,358
Proceeds from investments sold, matured, or repaid:			
Bonds	$150,424,637		
Stocks	610,010		
Other invested assets	31,542,664		
Total investment proceeds		182,577,310	
Cost of investments acquired (long-term only):			
Bonds	190,473,851		
Stocks	623,514		
Other invested assets	19,340,515		
Miscellaneous applications	(1,000,000)		
Total investments acquired		209,437,880	
Net cash from investments			(26,860,569)
Cash from financing and miscellaneous sources:			
Dividends to stockholders		21,000,000	
Other cash provided (applied)		(858,105)	
Net cash from financing and miscellaneous sources			(21,858,105)
Reconciliation:			
Net change in cash, cash equivalents, and short-term investments			(917,317)
Cash, cash equivalents, and short-term investments:			
Beginning of year			19,797,885
End of Year			$ 18,880,569

Dairyland Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2013

Assets			$1,157,057,618
Less liabilities			691,525,167
Adjusted surplus			465,532,451
Annual premium:			
Individual accident and health	$ 4,115		
Factor	15%		
Total		$ 617	
Group accident and health	2,083,419		
Factor	10%		
Total		208,341	
Lines other than accident and health	314,769,263		
Factor	20%		
Total		62,953,852	
Compulsory surplus (subject to a minimum of $2 million)			63,162,810
Compulsory Surplus Excess (or Deficit)			$ 402,369,641
Adjusted surplus (from above)			$ 465,532,451
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%)			82,743,281
Security Surplus Excess (or Deficit)			$ 382,789,170

Dairyland Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2013

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

	2013	**2012**	**2011**	**2010**	**2009**
Surplus, beginning of year	$460,790,856	$455,687,733	$466,413,608	$467,724,510	$471,889,081
Net income	25,576,277	21,666,365	25,641,425	33,593,706	34,731,953
Change in net unrealized capital gains/losses	6,417,854	4,268,452	(2,330,510)	937,874	1,664,823
Change in net unrealized foreign exchange capital gains/losses	(110,980)	58,801	(39,299)	12,000	(1,990,700)
Change in net deferred income tax	(252,773)	929,284	(1,254,991)	10,101	2,386,293
Change in nonadmitted assets	243,155	1,180,221	(361,326)	(736,337)	26,651
Change in provision for reinsurance	(64)				
Dividends to stockholders	(21,000,000)	(23,000,000)	(32,500,000)	(34,500,000)	(44,000,000)
Change in treasury stock					
Write-ins for gains and (losses) in surplus:					
Additional admitted tax assets			118,826	(628,247)	3,016,408
Surplus, End of Year	$471,664,326	$460,790,856	$455,687,733	$466,413,608	$467,724,510

Dairyland Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2013

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. There were no unusual results.

	Ratio	2013	2012	2011	2010	2009
#1	Gross Premium to Surplus	119%	118%	117%	116%	127%
#2	Net Premium to Surplus	67	66	63	61	60
#3	Change in Net Premiums Written	5	6	1	1	(10)
#4	Surplus Aid to Surplus	0	0	0	0	0
#5	Two-Year Overall Operating Ratio	90	91	90	88	87
#6	Investment Yield	4.0	4.3	4.6	4.9	4.9
#7	Gross Change in Surplus	2	1	(2)	0	(1)
#8	Change in Adjusted Surplus	2	1	(2)	0	(1)
#9	Liabilities to Liquid Assets	69	70	67	61	61
#10	Agents' Balances to Surplus	5	5	4	3	4
#11	One-Year Reserve Development to Surplus	(3)	(4)	(4)	(6)	(7)
#12	Two-Year Reserve Development to Surplus	(5)	(5)	(8)	(9)	(11)
#13	Estimated Current Reserve Deficiency to Surplus	1	(3)	(3)	(9)	(17)

Growth of Dairyland Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2013	$1,163,189,493	$691,525,167	$471,664,326	$25,576,277
2012	1,128,979,953	668,189,096	460,790,856	21,666,365
2011	1,130,014,930	674,327,197	455,687,733	25,641,425
2010	1,125,562,567	659,148,959	466,413,608	33,593,706
2009	1,143,390,796	675,666,287	467,724,510	34,731,953
2008	1,213,138,075	741,248,994	471,889,080	44,015,886

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2013	$562,619,530	$318,072,730	$310,050,882	76.3%	24.8%	101.1%
2012	544,529,898	302,281,672	290,271,998	77.3	27.4	104.6
2011	533,032,783	285,831,769	287,109,231	79.1	27.7	106.8
2010	543,148,169	283,376,650	286,993,726	75.5	28.8	104.2
2009	594,894,049	281,605,502	289,559,024	75.3	28.7	104.0
2008	682,067,729	312,580,353	321,881,297	74.5	26.8	101.3

Surplus remained nearly unchanged over the examination period due to Dairyland's payment of stockholder dividends to SIAMCO totaling $155.0 million in the last five years. Gross premiums written decreased 17.5% over this period starting in 2009, largely due to a soft market in the insurance industry that persisted for at least four of the five years under examination, along with a decision to reduce exposure in some states. In 2010, a portion of the Nonstandard Auto business was shifted away from Dairyland to Peak. Net premium growth was steady for the period beginning in 2009 through 2013 due to the affiliated property and casualty pool results. The company's combined ratio fluctuated slightly over the five-year period under examination and averaged 104.1%. The company recorded net income in each of the last five years as investment gains offset negative underwriting results in each of the five years under examination.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus of $471,664,326 reported by the company as of December 31, 2013, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There was one specific comment and recommendation in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Affiliated Agreements—It is recommended that the company file all affiliated service agreements and amendments to existing ones with the Commissioner for approval in accordance with s. Ins 40.04 (2) (d), Wis. Adm. Code.

   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.

Actuarial Examination

As mentioned previously, the Office of the Commissioner of Insurance contracted with an actuary to review the company's aggregate loss and loss adjustment expense (LAE) reserve. The actuary concluded that the company generally followed accurate and appropriate procedures in determining the loss and LAE reserve and the reserves were found to be reasonable.

The actuary noted certain deficiencies in the company's actuarial report. Specifically, the actuary found that the company's 2013 review focused almost exclusively on the net loss and LAE reserves; thus, there was a lack of detailed support for the gross reserves. A detailed review of the gross reserves is performed periodically by the company, but not every year. Similarly, supporting documentation for the net reserves for general liability and product liability (GL/PL) segments (excluding asbestos and environmental) was not in the 2013 actuarial report, as a detailed review is not performed every year. It is recommended that future actuarial reports contain updated and completed work papers and documentation with respect to the gross loss and LAE reserves in general and the GL/PL liability segments in particular.

VIII. CONCLUSION

Dairyland's reported surplus remained nearly unchanged over the examination period. Gross premium writings decreased over the examination period due in part to a soft market and to redistributing premium writing among its affiliates. Net premium growth was steady for the period beginning in 2009 through 2013 due to the affiliated property and casualty pool results. Net investment gains over the period have offset the effects of combined ratios that exceeded 100%, as the company recorded net income in each of the last five years.

The examination verified the financial condition of the company as reported in its annual statement as of December 31, 2013. The examination of Dairyland resulted in one recommendation and there were no reclassifications of account balances or adjustments to surplus. The recommendation pertains to the actuarial report documentation.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 42 - Actuarial Examination—It is recommended that future actuarial reports contain updated and completed work papers and documentation with respect to the gross loss and LAE reserves in general and the GL/PL liability segments in particular.

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
Levi Olson	Insurance Financial Examiner
John Pollock	Insurance Financial Examiner
Derek Sliter	Insurance Financial Examiner
James Vanden Branden	Insurance Financial Examiner
David Jensen	IT Specialist
Jerry DeArmond	Reserve Specialist
John Litweiler	Workpaper Specialist

Respectfully submitted,

Judith Michael
Examiner-in-Charge