Report

of the

Examination of

Eagle Point Mutual Insurance Company

Chippewa Falls, Wisconsin

As of December 31, 2010

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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June 16, 2011

Honorable Theodore K. Nickel
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, an examination has been performed as of December 31, 2010, of the affairs and financial condition of:

EAGLE POINT MUTUAL INSURANCE COMPANY
Chippewa Falls, Wisconsin

and the following report thereon is respectfully submitted:

I. INTRODUCTION

The previous examination of Eagle Point Mutual Insurance Company (the company) was made in 2006 as of December 31, 2005. The current examination covered the intervening time period ending December 31, 2010, and included a review of such subsequent transactions deemed essential to complete this examination.

The “Summary of Examination Results” contains elaboration on all areas of the company's operations. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company 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.

In addition to auditing, the public accounting firm performs non-auditing services for the company, including bookkeeping assistance in connection with the year-end close, assistance with the preparation of the Annual Statement, and tax return preparation. On December 3, 2010, an exemption was granted by the Commissioner, pursuant to s. Ins 50.08 (5), Wis. Adm. Code, permitting the independent auditor to perform this non-audit work for the company.

The company was organized as a town mutual insurance company on June 7, 1879, under the provisions of the then existing Wisconsin Statutes. The original name of the company was the Eagle Point Mutual Fire Insurance Company. Subsequent amendments to the company's articles and bylaws changed the company's name to that presently used.

During the period under examination, there was one amendment to the articles of incorporation and no amendments to the bylaws. The articles of incorporation were amended to expand its territory into St. Croix and Washburn counties.

The company is currently licensed to write property, including windstorm and hail, and nonproperty insurance. The company is currently licensed to write business in the following counties:

Barron	Marathon
Chippewa	Rusk
Clark	St. Croix
Dunn	Taylor
Eau Claire	Washburn

A review was made of the policy and application forms currently used by the company. The company issues approved policies with or without endorsements for terms of one year with premiums payable on the advance premium basis. The company charges varied policy fees according to the policyholder’s premium. There is a sliding schedule for policy fees that ranges from $30 to $75 based on premium, with additional increments of $30 charged for each additional location insured. Other policy fees include an electronic transfer of funds charge of $3 per month and an additional policy fee of $10 for clients who wish to pay premiums on a quarterly basis.

Business of the company is acquired through 26 agents, none of whom are directors of the company. Agents are presently compensated for their services as follows:

Type of Policy	Compensation
All New and Renewal Business	12.5%

Agents do not have authority to adjust losses. Losses are adjusted by the company's manager. The manager does not receive additional compensation for adjusting losses other than mileage at the federal rate. In addition, the company hires an external company to perform adjusting services if claim volume demands it. The company pays loss adjusting fees on a per case basis for external adjusting services. Summit Adjusting Services was the external adjusting company during the period under examination.

Policyholders may participate in the management and control of the company by attending and voting at all annual or special meetings of the members. No member may vote by proxy. The annual meeting of the company for the election of directors and special meetings of the company are held in accordance with its articles of incorporation.

Board of Directors

The board of directors consists of seven members divided into three classes. One class is elected at each annual meeting for a term of three years. Vacancies on the board may be filled by the directors for the interim to the next annual meeting when a director shall be chosen for the unexpired term.

The current board of directors consists of the following policyholders of the company:

Name	Principal Occupation	Residence	Expiry
Stephen Meinen	Retired	Chippewa Falls, Wisconsin	2012
Bonnie Lueck	Retired	Bloomer, Wisconsin	2012
Gary Krumenauer	Eagle Point Secretary/ Treasurer/Manager	Chippewa Falls, Wisconsin	2013
Michael Ruff	Farmer	Bloomer, Wisconsin	2013
Donald Crank	Logger	Holcombe, Wisconsin	2012
Duron Bergeson	Farmer	Colfax, Wisconsin	2014
Leslie Danielson	Farmer	Cadott, Wisconsin	2014

Members of the board currently receive $60.00 for each meeting attended and $.51 per mile for travel expenses.

Section 612.13 (1m), Wis. Stat., requires:

(1) If a town mutual has fewer than nine directors, no more than one director may be an employee or representative of the town mutual; and

(2) Employees and representatives of a town mutual may not constitute a majority of its board.

The company is in compliance with these requirements.

Officers

Officers are elected by the board of directors from among its members and hold office for one year or until their successors are duly elected and qualified. Officers serving at the present time are as follows:

Name	Office	2010 Compensation
Stephen Meinen	President	$ 2,155
Bonnie Lueck	Vice-President	1,823
Gary Krumenauer	Secretary/Treasurer	72,376

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

Committees of the Board

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

Adjusting Committee
Stephen Meinen, Chair
Bonnie Lueck
Gary Krumenauer
Michael Ruff
Donald Crank
Duron Bergeson
Leslie Danielson

Investment Committee
Stephen Meinen, Chair
Bonnie Lueck
Gary Krumenauer
Michael Ruff
Donald Crank
Duron Bergeson
Leslie Danielson

Growth of Company

The growth of the company since the previous examination as compiled from its filed annual statements was as follows:

Year	Net Premiums Earned	Policies In Force	Net Income	Admitted Assets	Policyholders' Surplus
2010	$602,811	902	$(114,910)	$3,533,822	$2,903,141
2009	549,437	880	40,601	3,508,067	2,903,468
2008	561,724	883	36,511	3,532,074	2,960,382
2007	596,272	911	192,153	3,563,587	2,995,151
2006	586,009	946	179,153	3,376,383	2,701,545
2005	576,100	999	72,900	2,980,283	2,400,445

The ratios of gross and net premiums written to surplus as regards policyholders since the previous examination were as follows:

Year	Gross Premiums Written	Net Premiums Written	Policyholders' Surplus	Writings Ratios	
				Net	Gross
2010	$1,117,136	$621,706	$2,903,141	21%	38%
2009	1,063,494	553,807	2,903,468	19	37
2008	1,048,620	548,187	2,960,382	19	35
2007	1,052,837	579,826	2,995,151	19	35
2006	1,142,420	599,766	2,701,545	22	42
2005	1,141,560	564,978	2,400,445	24	48

For the same period, the company's operating ratios were as follows:

Year	Net Losses and LAE Incurred	Other Underwriting Expenses Incurred	Net Premiums Earned	Loss Ratio	Expense Ratio	Com-posite Ratio
2010	$540,453	$227,521	$602,811	90%	37%	126%
2009	364,374	204,041	549,437	66	37	103
2008	400,239	196,214	561,724	71	36	107
2007	231,418	200,882	596,272	39	35	73
2006	231,710	204,637	586,009	40	34	74
2005	371,271	193,533	576,100	64	34	99

The company reported a net income in four of the five years under examination. During the period under examination, the company's admitted assets increased by 19%, net premiums written increased by 10%, policies in force decreased by 10% and surplus increased by 21%. The increase in admitted assets and surplus was due to the combination of positive investment results and the overall underwriting profitability of the company since the previous exam. The decrease of policies in force was a result of the nonrenewal of poor quality risks and a competitive insurance market.

II. REINSURANCE

The examiners' review of the company's reinsurance portfolio revealed there is currently one ceding treaty. The treaty contained a proper insolvency clause and complied with s. Ins 13.09 (3), Wis. Adm. Code, concerning maximum wind loss. Company retentions of risk complied with s. Ins 13.06, Wis. Adm. Code.

Reinsurer:	Wisconsin Reinsurance Corporation
Effective date:	January 1, 2011
Termination provisions:	Either party may terminate as of January 1st by giving at least 90 days' written notice to the other party

The coverages provided under this treaty are summarized as follows:

1.	Type of contract:	Class AX1 Casualty Excess of Loss
	Lines reinsured:	All casualty or liability business
	Company's retention:	$5,000 each and every loss occurrence
	Coverage:	100% of each and every loss occurrence, including loss adjustment expense, in excess of the company's retention subject to the maximum policy limits of: a. $1,000,000 per occurrence, single limit or combined for bodily injury and property damage liability b. $1,000,000 split limits, in any combination of bodily injury and property damage liability c. $25,000 for medical payments, per person; $25,000 per accident
	Reinsurance premium:	48% of premium written Annual deposit premium = $100,800
2.	Type of contract:	Class B First Surplus
	Lines reinsured:	All property business
	Company's retention:	$350,000 for each occurrence
	Coverage:	If net retention is $350,000 or more on a risk, the company may cede on a pro rata basis, and the reinsurer is obligated to accept up to $800,000. If net retention is $350,000 or less on a risk, the company may cede on a pro rata basis, and the reinsurer is obligated to accept up to 50% of such risk

	Reinsurance premium:	The pro rata portion of all premiums, fees and assessments charged by the company corresponding to the amount of each risk ceded
	Ceding commission:	Commission rate: 15% of the premium paid Profit commission: 15% of the net profit
3.	Type of contract:	Class C-1 First Layer of Excess of Loss
	Lines reinsured:	All property business
	Company's retention:	$40,000 per loss per occurrence
	Coverage:	$85,000 excess of retention
	Reinsurance premium:	The rate in effect shall be determined by taking the sum of the four years' losses incurred by the reinsurer divided by the total of the net premiums written for the same period, multiplied by the factor 100/80ths. Current rate is 10.85%. Minimum rate = 6.00% Maximum rate = 20.00% Annual deposit premium = $62,482
4.	Type of contract:	Class C-2 Second Layer of Excess of Loss
	Lines reinsured:	All property business
	Company's retention:	$125,000 per loss per occurrence
	Coverage:	$225,000 excess of retention for each and every loss occurrence
	Reinsurance premium:	The rate for each annual period shall be determined by multiplying the rate by the company's net written premium. The current rate is 4.25%. Annual deposit premium = $24,474
5.	Type of contract:	Class DE-1 First Aggregate Excess of Loss Reinsurance
	Lines reinsured:	All business written by the company
	Company's retention:	75% of net premium written
	Coverage:	65% of annual aggregate losses, including loss adjustment expenses, exceeding 100% of net premium written and in excess of the company's retention
	Reinsurance premium:	The rate for each annual period shall be determined by multiplying the rate by the company's net written premium. The current rate is 5.00%.

		Minimum rate = 5.00% Maximum rate = 15.0% Annual deposit premium = $34,253 Estimated attachment point = $513,800
6.	Type of contract:	Class DE-2 Second Aggregate Excess of Loss Reinsurance
	Lines reinsured:	All business written by the company
	Company's retention:	75% of net premium written
	Coverage:	100% of annual aggregate losses, including loss adjustment expenses, exceeding 140% of net premium written and in excess of the company's retention
	Reinsurance premium:	The rate for each annual period shall be determined by multiplying the rate by the company's net written premium. The current rate is 2.00%. Rate = 2.00% Annual deposit premium = $13,701 Attachment point = 140.00%

III. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2010, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Policyholders' Surplus."

Eagle Point Mutual Insurance Company
Statement of Assets and Liabilities
As of December 31, 2010

Assets	Ledger	Nonledger	Not Admitted	Net Admitted
Cash on hand	$ 200	$ 0	$ 0	$ 200
Cash in checking	31,311			31,311
Cash deposited at interest	1,102,273			1,102,273
Bonds	625,128			625,128
Stocks and mutual fund investments	1,484,438			1,484,438
Real estate	64,229			64,229
Premiums, agents' balances and installments:				
In course of collection	2,488		410	2,078
Deferred and not yet due	210,710			210,710
Investment income accrued		1,859		1,859
Reinsurance recoverable on paid losses and LAE	80			80
Electronic data processing equipment	1,516			1,516
Federal income tax recoverable	10,000			10,000
Furniture and fixtures	8,298		8,298	
Totals	$3,540,671	$1,859	$8,708	$3,533,822

Liabilities and Surplus

Net unpaid losses	$ 117,400
Unpaid loss adjustment expenses	2,583
Commissions payable	31,482
Fire department dues payable	337
Unearned premiums	390,961
Reinsurance payable	61,841
Other liabilities:	
Expense-related:	
Accounts payable	3,215
Nonexpense-related:	
Premiums received in advance	22,862
Total liabilities	630,681
Policyholders' surplus	2,903,141
Total Liabilities and Surplus	$3,533,822

Eagle Point Mutual Insurance Company
Statement of Operations
For the Year 2010

Net premiums and assessments earned		$ 602,811
Deduct:		
Net losses incurred	$448,408	
Net loss adjustment expenses incurred	92,045	
Net other underwriting expenses incurred	227,521	
Total losses and expenses incurred		767,974
Net underwriting gain (loss)		(165,163)
Net investment income:		
Net investment income earned	16,464	
Net realized capital gains (losses)	(8,093)	
Total investment gain (loss)		8,371
Other income (expense):		
Policy fees	38,684	
Miscellaneous income	76	
Total other income		38,760
Net income (loss) before federal income taxes		(118,032)
Federal income taxes incurred		(3,122)
Net Income (Loss)		$(114,910)

Eagle Point Mutual Insurance Company
Reconciliation and Analysis of Surplus as Regards Policyholders
For the Five-Year Period Ending December 31, 2010

The following schedule is a reconciliation of surplus as regards policyholders during the period under examination as reported by the company in its filed annual statements:

	2010	2009	2008	2007	2006
Surplus, beginning of year	$2,903,468	$2,960,382	$2,995,151	$2,701,545	$2,400,445
Net income	(114,910)	40,601	36,511	192,153	179,230
Net unrealized capital gain or (loss)	113,223	(98,664)	(60,697)	101,266	121,919
Change in nonadmitted assets	1,360	1,149	(10,583)	187	(49)
Surplus, End of Year	$2,903,141	$2,903468	$2,960,382	$2,995,151	$2,701,545

Reconciliation of Policyholders' Surplus

The examination resulted in no adjustments to policyholders’ surplus. The amount reported by the company as of December 31, 2010, is accepted.

IV. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

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

1. Corporate Records—It is recommended that the company execute formal written agreements with its independent insurance agencies that include language indicating that the agency will represent the company's interests "in good faith."

   Action—Compliance.

2. Claims Adjusting—It is therefore again recommended that the board appoint an adjusting committee annually pursuant to s. 612.13 (4), Wis. Stat.

   Action—Compliance.

3. Invested Assets—It is recommended that the company divest its investment in the Phoenix Balanced Fund in accordance with s. Ins 6.20 (6) (g), Wis. Adm. Code, within 90 days of the adoption of this examination report.

   Action—Compliance.

4. Electronic Data Processing Equipment—It is recommended that the company properly calculate depreciation on EDP equipment in accordance with s. 601.42 (3), Wis. Stat.

   Action—Compliance.

5. Net Unpaid Losses—It is recommended that the company appropriately reserve for known contingencies. It is further recommended that the company ensure that all proof of loss statements be signed by the claimant for claims above a settlement threshold determined by the board of directors.

   Action—Compliance.

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

   Action—Compliance.

7. Premiums Received in Advance—It is recommended that the company only include premiums received before year-end in advance of the policies' effective dates in the line item for "Premiums Received in Advance" on future statutory annual financial statements.

   Action—Compliance.

Current Examination Results

Corporate Records

The minutes of the annual meetings of policyholders and meetings of the board of directors and committees thereof were reviewed for the period under examination and also for the subsequent period.

Biographical data relating to company officers and directors have been reported in accordance with the provisions of s. Ins 6.52, Wis. Adm. Code.

The company has executed formal written agreements with its agents. The contracts include language indicating the agent will represent the company's interests "in good faith."

Conflict of Interest

In accordance with a directive of the Commissioner of Insurance, each company is required to establish a procedure for the disclosure to its board of directors of any material interest or affiliation on the part of its officers, directors, or key employees which conflicts or is likely to conflict with the official duties of such person. A part of this procedure is the annual completion of a conflict of interest questionnaire by the appropriate persons. The company has adopted such a procedure for disclosing potential conflicts of interest. Conflict of interest questionnaires were reviewed for the period under examination with no apparent conflicts being noted.

Fidelity Bond and Other Insurance

The company is afforded coverage under the terms of the following bonds or contracts and has complied with s. Ins 13.05 (6), Wis. Adm. Code, which sets forth the minimum requirements for fidelity bond coverage:

Type of Coverage	Coverage Limits
Fidelity bond	$ 250,000
Workers compensation:	
Employee injury	Statutory
Employee liability:	
Each accident	500,000
Each employee	500,000
Policy limit	500,000
Building	387,376
Business personal property	66,000
Liability and medical:	
Per occurrence	2,000,000
Per person	10,000
Auto:	
Per occurrence	2,000,000
Aggregate limit	4,000,000
Directors and officers liability:	
Each claim per agent	1,000,000
In aggregate per agent	1,000,000
Deductible each claim	5,000
Professional liability insurance:	
Each claim per agent	1,000,000
In aggregate per agent	1,000,000
Deductible each claim	5,000

Underwriting

The company has a written underwriting guide. The guide covers all the lines of business that the company is presently writing.

The company has a formal inspection procedure for both new and renewal business. A sampling of new applications and renewal business is inspected by committee members who are independent of the risk under consideration and review.

Claims Adjusting

The company has an adjusting committee consisting of at least three directors as required by s. 612.13 (4), Wis. Stat. The function of this committee is to adjust or supervise the adjustment of losses.

Accounts and Records

The examiners' review of the company's records indicated that the company is in compliance with s. Ins 13.05, Wis. Adm. Code, which sets forth the minimum standards for the handling of cash and recording of cash transactions by town mutual insurance companies. The examiners noted the following:

1. A proper policy register is maintained.
2. A proper cash receipts journal is maintained.
3. A proper cash disbursements journal is maintained.
4. A proper general journal is maintained.
5. A proper general ledger is maintained.

An extensive review was made of income and disbursement items. Cash receipts were traced from source records and the proper recording and eventual deposit thereof ascertained. Negotiated checks issued during the period under examination were reviewed, test checked for proper endorsement, and traced to cash records. The verification of assets and determination of liabilities were made as of December 31, 2010.

The company is audited annually by an outside public accounting firm.

EDP Environment

Company personnel were interviewed with respect to the company's electronic data processing environment. Access to the computers is limited to people authorized to use the computers. Company personnel back up the computers daily and the backed-up data is kept off-site.

The company has manuals documenting the use of its software and outlining the steps to complete specific tasks. The manuals assist in the continuity of operations by providing instructions for seldom-used applications or when staff turnover occurs. The examination determined that the level of documentation contained in the manuals was reasonable.

Business Continuity Plan

A business continuity plan identifies steps to be performed by a company in the event of business interruptions including, but not limited to, the inability to access its computer, the loss of information on its computer, the loss of a key employee, or the destruction of its office building. The company has developed a business continuity plan. The company's business continuity plan appears to be adequate.

Invested Assets

Section 610.23, Wis. Stat., requires insurers to hold all investments and deposits of its funds in its own name except that:

(1) Securities kept under a custodial agreement or trust arrangement with a bank or banking and trust company may be issued in the name of a nominee of the bank or banking and trust company; and

(2) Any insurer may acquire and hold securities in bearer form.

For securities not held under a custodial agreement or trust arrangement with a bank or banking and trust company, s. Ins 13.05 (4), Wis. Adm. Code, requires that:

> Non-negotiable evidences of company investments such as registered bonds, certificates of deposits, notes, etc., shall be maintained in a safe or vault with adequate safety controls or in a safety deposit box in a bank. Negotiable evidences of company investments shall be maintained in a safety deposit box in a bank. Access to a company safety deposit box containing negotiable securities shall require the presence and signature of at least 2 officers, directors or employees of the company.

The company is in compliance with these requirements.

Investment Rule Compliance

The investment rule for town mutual insurers allows a company to invest in common stocks, common stock mutual funds, and other higher risk investments (referred to as "Type 2") provided that the town mutual has a sufficient amount of lower risk investments (referred to as "Type 1"). A town mutual may invest in Type 2 securities only if it already has sufficient Type 1 investments. Type 1 investments must equal or exceed the greater of items 1, 2, or 3.

1.	Liabilities plus $300,000	$930,681
2.	Liabilities plus 33% of gross premiums written	999,336
3.	Liabilities plus 50% of net premiums written	941,534
4.	Amount required (greater of 1, 2, or 3)	999,336
5.	Amount of Type 1 investments as of 12/31/2010	1,812,872
6.	Excess or (deficiency)	$813,536

The company has sufficient Type 1 investments.

ASSETS

Cash and Invested Cash **$1,113,784**

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

Cash in company's office	$ 200
Cash deposited in banks—checking accounts	31,311
Cash deposited in banks at interest	1,102,273
Total	$1,133,784

Cash in company's office at year-end represents the company's petty cash fund. A physical count was made by the examiners during the course of the examination and the balance reconciled to year-end.

Cash deposited in banks subject to the company's check and withdrawal consists of one checking account maintained at a local bank. Verification of checking account balances was made by obtaining confirmations directly from the depository and reconciling the amounts shown thereon to company records.

Cash deposited in banks represents the aggregate of 16 deposits in 13 depositories. Deposits were verified by direct correspondence with the respective depositories and by an actual count and inspection of certificates and/or passbooks. Interest received during the year 2010 totaled $24,558 and was verified to company cash records. Rates of interest earned on cash deposits ranged from 1.10% to 4.18%. Accrued interest on cash deposits totaled $717 at year-end.

Book Value of Bonds **$625,128**

The above asset consists of the aggregate book value of bonds held by the company as of December 31, 2010. Bonds owned by the company are located in a bank safe deposit box in Chippewa Falls, Wisconsin.

Bonds were physically inspected by the examiners. Bond purchases and sales for the period under examination were checked to brokers' invoices and advices. The company's investment in bonds was in conformance with Wisconsin Statutes and the rules of the Commissioner of Insurance as regards investments made by town mutual insurers.

Interest received during 2010 on bonds amounted to $19,908. The company only holds U.S. savings bonds and the amount of interest actually represents the accretion of the discount on the savings bonds. Interest was not traced to cash receipts records, since there was no actual receipt of cash. The examination traced accretion amounts to supporting documentation and balances appear reasonable.

Stocks and Mutual Fund Investments **$1,484,438**

The above asset consists of the aggregate market value of stocks and mutual funds held by the company as of December 31, 2010. Stocks owned by the company are located in a bank safe deposit box in Chippewa Falls, Wisconsin.

Stock certificates were physically examined by the examiners. Stock and mutual fund purchases and sales for the period under examination were checked to brokers' invoices and advices. The company's investment in stocks and mutual funds was in conformance with Wisconsin Statutes and the rules of the Commissioner of Insurance as regards investments made by town mutual insurers.

Dividends received during 2010 on stocks and mutual funds amounted to $13,732 and were traced to cash receipts records. Accrued dividends of $1,142 at December 31, 2010, were checked and allowed as a nonledger asset.

Book Value of Real Estate **$64,229**

The above amount represents the company's investment in real estate, net of depreciation, as of December 31, 2010. The company's real estate holdings consisted of home office and land.

The required documents supporting the validity of this asset were reviewed and were in order. Adequate hazard insurance was carried on the real estate and contents as noted under the caption "Fidelity Bond and Other Insurance." The company's investment in real estate and related items was in conformance with the Wisconsin Statutes and the rules of the Commissioner of Insurance as regards investments made by town mutual insurers. Real estate depreciation is calculated using the straight-line method.

Premiums, Agents' Balances in Course of Collection **$2,078**

This asset represents the amounts due from agents or policyholders which are not in excess of 90 days past due at year-end. A review of detailed premium records verified the accuracy of this asset.

Premiums Deferred and Not Yet Due **$210,710**

This asset represents modal premium installments (such as monthly, quarterly, etc.) that are not yet due. A review of a sample from the company's detailed list of deferred premiums verified the accuracy of this asset.

Investment Income Accrued **$1,859**

Interest due and accrued on the various assets of the company at December 31, 2010, consists of the following:

Cash at interest	$ 717
Stock and mutual funds	1,142
Total	$1,859

Reinsurance Recoverable on Paid Losses and LAE **$80**

The above asset represents recoveries due to the company from reinsurance on losses and loss adjusting expenses which were paid on or prior to December 31, 2010. A review of year-end accountings with the reinsurers verified the above asset.

Electronic Data Processing Equipment **$1,516**

The above balance consists of computer hardware and operating system software, net of depreciation as of December 31, 2010. A review of receipts and other documentation verified the balance. Non-operating system software was properly nonadmitted.

Federal Income Tax Recoverable **$10,000**

This asset represents the balance recoverable at year-end for federal income taxes incurred prior to December 31, 2010. The examiners reviewed the company's 2010 tax return and verified amounts recovered to cash receipt records to verify the accuracy of this asset.

Furniture and Fixtures **$0**

This asset consists of $8,298 of office equipment owned by the company at December 31, 2010. In accordance with annual statement requirements, this amount has been reported as a nonadmitted asset, thus the balance shown above is $0.

LIABILITIES AND SURPLUS

Net Unpaid Losses **$117,400**

This liability represents losses incurred on or prior to December 31, 2010, that remained unpaid as of that date. The examiners reviewed the reasonableness of this liability by totaling actual loss payments made subsequent to December 31, 2010, with incurred dates in 2010 and prior years. To the actual paid loss figure was added an estimated amount for 2010 and prior losses remaining unpaid at the time of the examination. The examiners' development of unpaid losses is compared with the amount estimated by the company in the following schedule.

	Company Estimate	Examiners' Development	Difference
Incurred but unpaid losses	$525,134	$510,703	$14,431
Less: Reinsurance recoverable on unpaid losses	407,734	406,109	1,625
Net Unpaid Losses	$117,400	$104,594	$12,806

The above difference of $12,806 was not considered material for purposes of this examination.

The examiners' review of claim files included open claims, paid claims, claims closed without payment, and claims that were denied during the examination period. The review indicated that claims are investigated and evaluated properly and that payments are made promptly and in accordance with policy provisions upon the submission of a proper proof of loss. In addition, the review of claims handling procedures and files revealed the following:

1. A proper loss register is maintained.
2. Claim files contained sufficient investigatory data and documentation to verify settlement payments or reserve estimates.
3. Proofs of loss were properly signed.

Unpaid Loss Adjustment Expenses **$2,583**

This liability represents the company's estimate of amounts necessary to settle losses which were incurred prior to December 31, 2010, but which remained unpaid as of year-end. The methodology used by the company in establishing this liability is based on the history of the amounts of claims incurred at year-end but unpaid and the related adjusting expenses.

The examiners' analysis of expenses incurred in the current year related to the settlement of prior year losses, as well as estimates of amounts necessary to settle any prior losses remaining unpaid at the examination date, determined this liability to be adequately stated.

Commissions Payable **$31,482**

This liability represents the commissions payable to agents as of December 31, 2010. The examiners reviewed the company’s commission calculation and found the liability to be reasonably stated.

Fire Department Dues Payable **$337**

This liability represents the fire department dues payable to the State of Wisconsin as of December 31, 2010.

The examiners reviewed the company's fire department dues calculation and found this liability to be correctly calculated. The actual amount paid was verified to the cash disbursement records.

Unearned Premiums **$390,961**

This liability represents the reserve established for unearned premiums in compliance with s. Ins 13.08 (3), Wis. Adm. Code. This reserve was established using a daily pro rata methodology.

Reinsurance Payable **$61,841**

This liability consists of amounts due to the company's reinsurer at December 31, 2010, relating to transactions which occurred on or prior to that date. These amounts consist of the estimated payable amount at year-end based upon the reinsurer’s adjusted calculations. Subsequent cash disbursements and reinsurance accountings verified the amount of this liability.

Accounts Payable **$3,215**

This liability consists of amounts due to creditors for miscellaneous expenses at December 31, 2010. Supporting records and subsequent cash disbursements verified this item.

Premiums Received in Advance **$22,862**

This liability represents the total premiums received prior to year-end for policies with effective dates after December 31, 2010. The examiners reviewed 2010 premium and cash receipt records to verify the accuracy of this liability.

V. CONCLUSION

Eagle Point Mutual Insurance Company is a town mutual insurer with an authorized territory of ten counties. The company has been in business over 132 years providing property and liability insurance to its policyholders.

The company reported a net income in four of the five years under examination. During the period under examination, the company's admitted assets increased by 19%, net premiums written increased by 10%, policies in force decreased by 10% and surplus increased by 21%. The increase in admitted assets and surplus was due to the combination of positive investment results and the overall underwriting profitability of the company since the previous exam. The decrease of policies in force was a result of the nonrenewal of poor quality risks and a competitive insurance market.

The examination did not result in any changes to surplus. The company complied with the seven recommendations from the previous examination report. The current examination did not result in any recommendations.

VI. SUMMARY OF COMMENTS AND RECOMMENDATIONS

No recommendations were made as a result of the examination.

VII. ACKNOWLEDGMENT

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

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

Respectfully submitted,

Terry Lorenz
Examiner-in-Charge