

Report  
of the  
Examination of  
Ellington Mutual Insurance Company  
Hortonville, Wisconsin  
As of December 31, 2010

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# State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor  
Theodore K. Nickel, Commissioner

[Wisconsin.gov](http://Wisconsin.gov)

July, 15, 2011

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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:

ELLINGTON MUTUAL INSURANCE COMPANY  
Hortonville, Wisconsin

and this report is respectfully submitted.

## I. INTRODUCTION

The previous examination of Ellington Mutual Insurance Company (the company) was conducted in 2006 as of December 31, 2005. The current examination covered the intervening period ending December 31, 2010, and included a review of such 2011 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 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
- 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 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 preparation of tax returns and annual statement and consulting related to regulatory law changes. On December 10, 2010, an exemption was granted by the Commissioner, pursuant to s. Ins 50.08 (5), Wis. Adm. Code, permitting the independent auditor to perform this non-audit work for the company.

## II. HISTORY AND PLAN OF OPERATION

The company was originally organized as a town mutual insurance company on July 16, 1878, under the provisions of the then existing Wisconsin Statutes. The original name of the company was the Farmers Home Mutual Insurance Company. Subsequent amendments to the company's articles and bylaws changed the company's name to that presently used. On February 21, 1999, a stipulation and order allowed the company to convert from a town mutual insurer to a non-assessable mutual insurer authorized under ch. 611, Wis. Stat. The order states the company shall maintain a permanent surplus of \$2,000,000, and the company must notify the Commissioner 30 days prior to a change in its reinsurance program and such changes are subject to the disapproval by the Commissioner. On July 15, 1999, Waupaca Mutual Insurance Company merged into Ellington Mutual Insurance Company, with Ellington Mutual Insurance Company being the surviving company.

The company is licensed exclusively in the state of Wisconsin and all of its business is conducted in Wisconsin. The major products marketed by the company include homeowner's, farmowner's, inland marine, commercial multiple peril, allied lines, fire, liability and incidental medical expense coverage. In addition, the company is authorized to write automobile insurance only on an excess basis in conjunction with its umbrella excess liability program as required by a stipulation and order with Wisconsin's Office of the Commissioner of Insurance dated November 19, 2007. The major products are marketed through 28 independent agents.

The following table is a summary of the net insurance premiums written by the company in 2010. The growth of the company is discussed in the "Financial Data" section of this report.

<b>Line of Business</b>	<b>Direct Premium</b>	<b>Reinsurance Ceded</b>	<b>Net Premium</b>
Fire	\$ 88,677	\$ 27,656	\$ 61,021
Allied lines	104,082	32,460	71,622
Farmowner's multiple peril	814,624	254,056	560,568
Homeowner's multiple peril	1,049,977	327,455	722,522
Commercial multiple peril	142,704	44,505	98,199
Other liability – occurrence	<u>6,930</u>	<u>2,161</u>	<u>4,769</u>
<b>Total All Lines</b>	<b><u>\$2,206,994</u></b>	<b><u>\$688,293</u></b>	<b><u>\$1,518,701</u></b>

### III. MANAGEMENT AND CONTROL

#### Board of Directors

The board of directors consists of nine members. Three directors are elected annually to serve a three-year term. Officers are elected at the board's annual meeting. The board members currently receive \$85.00 per meeting plus a \$0.51 per mile travel allowance for serving on the board.

Currently the board of directors consists of the following persons:

<b>Name and Residence</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
James Loughrin Lebanon, Wisconsin	Retired	2013
LaWellyn Tesch Appleton, Wisconsin	Retired	2013
Janice Poole Hortonville, Wisconsin	Retired	2012
Melvin Krenke Caledonia, Wisconsin	Farmer	2012
Ralph Thern Liberty, Wisconsin	Farmer	2013
Alan Kaddatz Ellington, Wisconsin	Equipment Sales	2014
Judy Bauer St. Lawrence, Wisconsin	Farmer	2012
Keith Surprise Shiocton, Wisconsin	Farmer	2014
Randy Erickson Deer Creek, Wisconsin	Farmer	2014

#### Officers of the Company

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

<b>Name</b>	<b>Office</b>	<b>2010 Compensation</b>
James Loughrin	President	\$2,900
LaWellyn Tesch	Vice President	*
Janice Poole	Secretary/Treasurer	1,145

\* Mr. Tesch was elected as Vice President in 2011. The former incumbent, Mr. Willard Griesbach, received \$1,275 in compensation in 2010.

## **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:

### **Investment Committee**

LaWellyn Tesch, Chair  
Janice Poole  
Melvin Krenke

### **Adjusting Committee**

Randy Erickson, Chair  
Keith Surprise  
Alan Kaddatz

### **Scholarship Committee\***

Judy Bauer, Chair  
Randy Erickson

\* A third member of the committee will be appointed in March 2012 before the review of the scholarship applications.

#### IV. REINSURANCE

The company's reinsurance portfolio and strategy is described below. By Stipulation and Order dated February 21, 1999, the company's retention limits, stop-loss and catastrophic coverages under its reinsurance program must comply with the requirements applicable to a town mutual insurer operating under ch. 612, Wis. Stat. In addition, net losses resulting from the company's umbrella excess liability program may not exceed \$50,000 per occurrence. Any changes to its reinsurance contracts must be submitted 30 days prior to the effective date and are subject to disapproval by the Commissioner. The contracts contained proper insolvency provisions.

Reinsurer:	Wisconsin Reinsurance Corporation
Effective date:	January 1, 2011
Termination provisions:	January 1, 2011, or any subsequent January 1 <sup>st</sup> , by either party providing at least 90 days' advance notice in writing

#### Nonaffiliated Ceding Contracts

- |            |  |
|------------|--|
| Type:      | Class A – Liability  |
| Scope:     | All liability business written by the company  |
| Retention: | \$10,000   |
| Coverage:  | 100% of loss in excess of retention<br>\$1,000,000 per occurrence single limit<br>\$1,000,000 split limits in any combination bodily injury and property damage liability<br>\$25,000 for medical payments per person, \$25,000 per accident |
| Premium:   | 42.5% of premium written<br>Deposit premium \$187,850<br>Minimum premium \$140,888   |
- |              |   |
|--------------|---|
| Type:        | Umbrella Quota Share and Excess of Loss   |
| Scope:       | All business written classified as Umbrella Liability   |
| Retention:   | 1 <sup>st</sup> Layer: \$10,000   |
| Coverage:    | 1 <sup>st</sup> Layer: 99% of \$1,000,000 each occurrence<br>2 <sup>nd</sup> Layer: 100% of \$1,000,000 each occurrence |
| Premium:     | 99% of premium written  |
| Commissions: | 27.5% of premium written  |

3. Type: Class B – First Surplus
- Scope: All property business
- Retention: \$500,000
- Coverage: \$800,000 excess of \$500,000 retention  
Company may cede 50% of risks less than \$500,000
- Premium: The pro rata portion of all premiums, fees and assessments charged by the company corresponding to the amount of each risk ceded
- Commissions: 15% premium commission; 15% profit commission of reinsurer's net profit accruing to the reinsurer under the contract
4. Type: Class C-1 – Excess of Loss
- Scope: All property business
- Retention: \$60,000
- Coverage: \$110,000 excess of \$60,000 retention
- Premium: Current rate 8.24% of net premiums written, subject to 6% minimum and 15% maximum  
Deposit premium \$135,422  
Minimum premium \$101,567
5. Type: Class C-2 – Second Excess of Loss
- Scope: All property business
- Retention: \$170,000
- Coverage: \$330,000 excess of \$170,000 retention
- Premium: 3.75% of net premiums written  
Deposit premium \$61,630  
Minimum premium \$46,223
6. Type: Class D/E1 – Stop Loss
- Scope: All business written by the company
- Retention: 70% of net premiums written
- Coverage: 100% of 45% of retention
- Premium: Current rate 6.4% of net premiums written, subject to 6.4% minimum and 10% maximum  
Deposit premium \$121,451  
Minimum premium \$91,088

7. Type: Class D/E2 – Stop Loss  
Scope: All business written by the company  
Retention: 115% of net premiums written  
Coverage: 100% of all loss in excess of retention  
Premium: 3% of net premiums written  
Deposit premium \$56,930  
Minimum premium \$42,698

## **V. FINANCIAL DATA**

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2010, 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."

**Ellington Mutual Insurance Company**  
**Assets**  
**As of December 31, 2010**

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$2,319,999	\$ 0	\$2,319,999
Stocks:			
Preferred stocks	352,890		352,890
Common stocks	1,780,780		1,780,780
Real estate:			
Occupied by the company	191,468		191,468
Cash, cash equivalents, and short-term investments	159,029		159,029
Investment income due and accrued	35,642		35,642
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	39,955		39,955
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	254,509		254,509
Accrued retrospective premiums			
Reinsurance:			
Amounts recoverable from reinsurers	56,721		56,721
Current federal and foreign income tax recoverable and interest thereon	128,273		128,273
Electronic data processing equipment and software	21,173	13,349	7,824
Furniture and equipment, including health care delivery assets	34	34	
Write-ins for other than invested assets:			
Refundable Wisconsin income taxes	10,292		10,292
Prepaid expenses	<u>4,758</u>	<u>4,758</u>	<u>          </u>
<b>Total Assets</b>	<b><u>\$5,355,523</u></b>	<b><u>\$18,141</u></b>	<b><u>\$5,337,382</u></b>

**Ellington Mutual Insurance Company**  
**Liabilities, Surplus, and Other Funds**  
**As of December 31, 2010**

Losses		\$ 104,428
Loss adjustment expenses		24,600
Commissions payable, contingent commissions, and other similar charges		45,681
Other expenses (excluding taxes, licenses, and fees)		19,715
Taxes, licenses, and fees (excluding federal and foreign income taxes)		2,503
Net deferred tax liability		219,890
Unearned premiums		1,014,470
Advance premium		15,812
Ceded reinsurance premiums payable (net of ceding commissions)		30,191
Write-ins for liabilities:		
Fire department dues payable		<u>42</u>
Total liabilities		1,477,332
Unassigned funds (surplus)	<u>\$3,860,050</u>	
Surplus as regards policyholders		<u>3,860,050</u>
Total Liabilities and Surplus		<u>\$5,337,382</u>

**Ellington Mutual Insurance Company**  
**Summary of Operations**  
**For the Year 2010**

<b>Underwriting Income</b>		
Premiums earned		\$1,457,390
Deductions:		
Losses incurred	\$1,268,621	
Loss adjustment expenses incurred	233,597	
Other underwriting expenses incurred	<u>716,935</u>	
Total underwriting deductions		<u>2,219,153</u>
Net underwriting gain (loss)		(761,763)
<b>Investment Income</b>		
Net investment income earned	143,534	
Net realized capital gains (losses)	<u>39,116</u>	
Net investment gain (loss)		182,650
<b>Other Income</b>		
Finance and service charges not included in premiums	103,505	
Write-ins for miscellaneous income:		
Miscellaneous income	<u>559</u>	
Total other income		<u>104,064</u>
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		(475,049)
Federal and foreign income taxes incurred		<u>(118,729)</u>
Net Income [Loss]		<u>\$ (356,320)</u>

**Ellington Mutual Insurance Company**  
**Cash Flow**  
**For the Year 2010**

Premiums collected net of reinsurance		\$1,502,738
Net investment income		176,253
Miscellaneous income		<u>104,064</u>
Total		1,783,055
Benefit- and loss-related payments	\$1,757,817	
Commissions, expenses paid, and aggregate write-ins for deductions	686,233	
Federal and foreign income taxes paid (recovered)	<u>86,000</u>	
Total deductions		<u>2,530,050</u>
Net cash from operations		(746,995)
Proceeds from investments sold, matured, or repaid:		
Bonds	\$950,831	
Stocks	177,335	
Miscellaneous proceeds	<u>6,352</u>	
Total investment proceeds		1,134,518
Cost of investments acquired (long-term only):		
Bonds	454,660	
Stocks	167,140	
Miscellaneous applications	<u>19,865</u>	
Total investments acquired	<u>641,665</u>	
Net cash from investments		<u>492,853</u>
<b>Reconciliation:</b>		
Net change in cash, cash equivalents, and short-term investments		(254,142)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>413,171</u>
End of Year		<u>\$ 159,029</u>

**Ellington Mutual Insurance Company  
Compulsory and Security Surplus Calculation  
December 31, 2010**

Assets		\$5,337,382
Less liabilities		<u>1,477,332</u>
Adjusted surplus		3,860,050
Annual premium:		
Lines other than accident and health	\$2,206,994	
Factor	<u>20%</u>	
	441,399	
Compulsory surplus (subject to a minimum of \$2 million)		<u>2,000,000</u>
Compulsory Surplus Excess (or Deficit)		<u>\$1,860,050</u>
Adjusted surplus (from above)		\$3,860,050
Security surplus: (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum factor of 110%)		<u>2,800,000</u>
Security Surplus Excess (or Deficit)		<u>\$1,060,050</u>

**Ellington Mutual Insurance Company  
Reconciliation and Analysis of Surplus  
For the Five-Year Period Ending December 31, 2010**

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

	2010	2009	2008	2007	2006
Surplus, beginning of year	\$4,039,776	\$3,785,428	\$3,854,537	\$3,548,223	\$3,241,879
Net income	(356,320)	243,792	97,008	165,720	229,455
Change in net unrealized capital gains/losses	124,200	2,037	(157,572)	97,996	113,370
Change in net deferred income tax	54,322	(6,761)	(17,812)	20,208	4,290
Change in non-admitted assets	<u>(1,928)</u>	<u>15,280</u>	<u>9,267</u>	<u>22,390</u>	<u>(40,771)</u>
Surplus, End of Year	<u>\$3,860,050</u>	<u>\$4,039,776</u>	<u>\$3,785,428</u>	<u>\$3,854,537</u>	<u>\$3,548,223</u>

**Ellington Mutual Insurance Company  
Insurance Regulatory Information System  
For the Five-Year Period Ending December 31, 2010**

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

	Ratio	2010	2009	2008	2007	2006
#1	Gross Premium to Surplus	57%	52%	56%	55%	59%
#2	Net Premium to Surplus	39	36	38	37	38
#3	Change in Net Premiums Written	5	-1	2	6	2
#4	Surplus Aid to Surplus	0	0	0	0	0
#5	Two-Year Overall Operating Ratio	104*	83	88	82	82
#6	Investment Yield	2.8*	2.8*	2.7*	3*	2.8*
#7	Gross Change in Surplus	-4	7	-2	9	9
#8	Change in Adjusted Surplus	-4	7	-2	9	9
#9	Liabilities to Liquid Assets	26	27	29	28	30
#10	Agents' Balances to Surplus	1	1	1	1	1
#11	One-Year Reserve Development to Surplus	-1	-1	-0	0	-1
#12	Two-Year Reserve Development to Surplus	-2	-1	-0	-1	-0
#13	Estimated Current Reserve Deficiency to Surplus	5	-1	-4	-1	0

Ratio No. 5, "Two-Year Overall Operating Ratio," measures the company's profitability over the previous two-year period. The exceptional results in 2010 were due to a number of unusually severe storms resulting in numerous claims in 2010.

Ratio No. 6, "Investment Yield," measures the average return on the company's investments. The exceptional results for this ratio during the period under examination are attributable to the company's level of investment in common stocks. For example, the company had 37% of its investments in common stocks at year-end 2010 and the dividends received in 2010 were only 0.8% of the market value.

#### **Growth of Ellington Mutual Insurance Company**

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2010	\$5,337,382	\$1,477,332	\$3,860,050	\$(356,320)
2009	5,674,119	1,634,343	4,039,776	243,792
2008	5,450,521	1,665,093	3,785,428	97,008
2007	5,488,452	1,633,915	3,854,537	165,720
2006	5,136,262	1,588,039	3,548,223	229,455
2005	4,755,944	1,514,065	3,241,879	151,231

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2010	\$2,206,994	\$1,518,701	\$1,457,390	103.1%	40.4%	143.5%
2009	2,101,737	1,439,757	1,451,529	45.8	40.6	86.4
2008	2,115,368	1,448,873	1,455,892	60.9	39.5	100.4
2007	2,134,241	1,424,295	1,427,406	54.2	40.4	94.6
2006	2,107,709	1,349,585	1,367,827	47.7	40.6	88.3
2005	2,109,460	1,323,967	1,246,681	56.2	38.2	94.4

During the period under examination, Ellington Mutual Insurance Company's assets increased 12%, liabilities decreased 2%, and surplus increased 19%. In 2010 the company reported significant losses due to severe hail and wind storms. The loss ratio of 103.1% in 2010 was the highest in the past five years and contributed to a combined ratio of 143.5% in that year. The expense ratio over the last five years averaged 40% compared to an average of 28% for the

property and casualty industry. The significant amount of losses resulted in net loss from operations of \$356,320 in 2010, which was the first net loss for a calendar year since 2003. Gross and net premiums written increased during the five-year period by 5% and 13%, respectively.

#### **Reconciliation of Surplus per Examination**

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2010, is accepted.

## VI. SUMMARY OF EXAMINATION RESULTS

### Compliance with Prior Examination Report Recommendations

There were four specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Unclaimed Funds—It is again recommended that the company comply with ch.177, Wis. Stat., as regards unclaimed funds, and that a liability for unclaimed funds be established in future statutory annual statements to account for all checks outstanding for over one year.

Action—Compliance.

2. Custodian Agreement—It is recommended that the company amend its safekeeping agreement with its custodian to include a provision that indemnifies the company in event of the depository's negligence or dishonesty, consistent with the NAIC's Financial Condition Examiners Handbook.

Action—Compliance.

3. Bond Ratings—It is recommended that the company report bond ratings in accordance with the Purposes and Procedures Manual of the NAIC Securities Valuation Office.

Action—Compliance.

4. Real Estate—It is recommended that the company include acquisitions and sales of real estate in accordance with NAIC Annual Statement Instructions – Property and Casualty.

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.

### **Net Unpaid Losses**

The liability for net unpaid losses 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. Historically, the company's reserve developments have shown the reserve estimates to be extremely accurate, with a slight redundancy being reported in most years. However, the examiners' development of unpaid losses revealed that the company does not establish a distinct incurred but not reported (IBNR) reserve for liability claims. It is recommended that the company establish an IBNR reserve for liability claims based on its retention of risk under applicable reinsurance contracts.

### **Valuation of Wisconsin Reinsurance Corporation Series B Preferred Stock**

The examination team noted that the designation given to the company's holding of Wisconsin Reinsurance Corporation (WRC) Series B Preferred Stock of P1U, as reported in the company's Schedule D - Part 2, Section 1, was not a designation recognized by the NAIC for that security. After reviewing WRC's articles of incorporation and consulting both the Purposes and Procedures Manual of the NAIC Securities Valuation Office and the NAIC Annual Statement Instructions – Property and Casualty it was determined that WRC preferred stock should be designated with the prefix "P" for perpetual, and that the numeric rank should be "2" based upon WRC's long-term debt rating of "bbb" by A.M. Best & Company, Inc. According to the Purposes and Procedures Manual of the NAIC Securities Valuation Office the administrative symbol for WRC Series B Preferred Stock should be "V," which is applicable when the unit price reported for an investment is not provided by the Securities Valuation Office or based upon any market or

exchange but is rather derived by the insurance company itself or from some other source, pending a valuation analysis by the Securities Valuation Office. Since the company's reported value for its WRC preferred stock is provided by WRC to its shareholders annually in a written report, "V" is the most appropriate designation available for the method of valuation. The company may continue to value this security in accordance with past practices. It is recommended that the company report preferred stock designations in accordance with the Purposes and Procedures Manual of the NAIC Securities Valuation Office.

## VII. CONCLUSION

Ellington Mutual Insurance Company reported assets of \$5,337,382, liabilities of \$1,477,332 and policyholders' surplus of \$3,860,050 as of December 31, 2010.

During the period under examination, Ellington Mutual Insurance Company's assets increased 12%, liabilities decreased 2%, and surplus increased 19%. In 2010 the company reported significant losses due to severe hail and wind storms. The loss ratio of 103.1% in 2010 was the highest in the past five years and contributed to a combined ratio of 143.5% in that year. The expense ratio over the last five years averaged 40% compared to an average of 28% for the property and casualty industry. The significant amount of losses resulted in net loss from operations of \$356,320 in 2010, which was the first net loss for a calendar year since 2003. Gross and net premiums written increased during the five-year period by 5% and 13%, respectively.

The examination resulted in two recommendations. No adjustments to surplus or reclassifications of account balances were made. The company was in compliance with all of the recommendations made on the previous examination.

### VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 19 - Net Unpaid Losses—It is recommended that the company establish an IBNR reserve for liability claims based on its retention of risk under applicable reinsurance contracts.
2. Page 20 - Valuation of Wisconsin Reinsurance Corporation Series B Preferred Stock—It is recommended that the company report preferred stock designations in accordance with the Purposes and Procedures Manual of the NAIC Securities Valuation Office.

## IX. ACKNOWLEDGMENT

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

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

<b>Name</b>	<b>Title</b>
John E. Litweiler	Insurance Financial Examiner – Senior
Victoria Chi	Insurance Financial Examiner – Advanced, Information Systems Audit Specialist
Jerry C. DeArmond	Insurance Financial Examiner – Advanced, Policy and Claim Reserve Specialist
Frederick H. Thornton	Insurance Financial Examiner – Advanced, Exam Planning & Quality Control Specialist

Respectfully submitted,

Ana Careaga  
Examiner-in-Charge