Report

of the

Examination of

SECURA Supreme Insurance Company

Appleton, Wisconsin

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, *Governor*
Theodore K. Nickel, *Commissioner*

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September 10, 2014

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

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

SECURA SUPREME INSURANCE COMPANY
Appleton, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of SECURA Supreme Insurance Company (the company or SECURA Supreme) 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 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 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.

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.

Investment Review

The Capital Markets Bureau of the NAIC was engaged by the Office of the Commissioner of Insurance to perform a review of the company’s invested assets portfolio as of

December 31, 2013. The results of that review were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the findings of the review.

II. HISTORY AND PLAN OF OPERATION

SECURA Supreme Insurance Company was organized on November 30, 1995, as a wholly owned subsidiary of SECURA Insurance Holdings, Inc. (SECURA Holdings), a Wisconsin-domiciled corporation organized under ch. 180, Wis. Stat. SECURA Holdings, in turn, is a wholly owned subsidiary of SECURA Insurance, A Mutual Company (SECURA Insurance).

SECURA Holdings was incorporated on January 3, 1994, and capitalized with an initial cash investment from SECURA Insurance of $10,000 in return for 1,000 shares of SECURA Holdings common stock. On October 3, 1995, SECURA Insurance contributed $4,000,000 cash to SECURA Holdings and received 4,000 shares of SECURA Holdings common stock. SECURA Holdings, in turn, used this $4,000,000 as the initial capitalization for SECURA Supreme. SECURA Holdings received 40,000 shares of SECURA Supreme common stock for this $4,000,000 investment. SECURA Supreme had initial capital of $40,000 and paid-in capital of $3,960,000. On December 18, 1996, SECURA Insurance made an $8,000,000 capital contribution to SECURA Holdings and SECURA Holdings, in turn, made an $8,000,000 contribution to SECURA Supreme, all to paid-in capital. During 1999, management initiated application for licensure of SECURA Supreme in certain states other than Wisconsin, including states in which a licensee is required to have minimum capital stock of equal to or greater than $1,000,000. From 1999 through 2007 SECURA Insurance contributed a total of $5,960,000 to SECURA Holdings, and SECURA Holdings, in turn, used these funds to purchase 5,960,000 additional shares of SECURA Supreme common stock.

There was no change to the holding company system during the period under examination. The holding company structure is further explained in the “Affiliated Companies” section of this report.

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

Wisconsin	$ 48,878,218	34.9%
Michigan	21,691,522	15.5
Minnesota	20,938,005	14.9
Kentucky	8,833,525	6.3
Colorado	7,367,191	5.3
Illinois	6,772,299	4.8
Arizona	6,362,224	4.6
All others	19,169,721	13.7
Total	$140,012,705	100.0%

The company is currently licensed to write premiums in the following states:

Arizona	Arkansas	Colorado
Idaho	Illinois	Indiana
Iowa	Kansas	Kentucky
Michigan	Minnesota	Missouri
Montana	Nebraska	Nevada
New Mexico	North Dakota	Ohio
Oklahoma	Oregon	Pennsylvania
South Dakota	Tennessee	Utah
Washington	Wisconsin	Wyoming

The major products marketed by the company include commercial lines, personal lines including auto and homeowner's, farm products and specialty lines. The company markets insurance to individuals and business enterprises classified by the company as preferred risks and standard risks and does not issue policies to substandard risks. In 1999, the SECURA group developed and began marketing a personal lines package policy providing homeowner's, automobile and umbrella liability insurance coverages under one policy. The package product is marketed solely by SECURA Supreme, which commenced writing the package policy in early 2000. SECURA Supreme's personal lines package insurance is marketed to individuals who are classified by the company as preferred risks. In 2010, the company introduced Specialty Lines, a new business unit that specializes in risks that fall outside of SECURA group's standard commercial underwriting guidelines. Specialty Lines risks fall into seven major categories including: Human Services, Sports and Recreation, Protection and Security Systems, Detective and Security Guards, Special Events, Select Markets and Nonprofit. The major products are marketed through approximately 430 independent agencies.

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	$ 3,079	$ 191,440	$ 3,079	$ 191,440
Allied lines	8,044	149,314	8,044	149,314
Farmowners multiple peril	0	2,709,128	0	2,709,128
Homeowner's multiple peril	52,398,691	4,997,587	52,398,691	4,997587
Commercial multiple peril	1,330,882	8,435,144	1,330,882	8,435,144
Inland marine	2,644	170,679	2,644	170,679
Earthquake	430,095	92,288	430,095	92,288
Worker's compensation	2,002,072	9,149,645	2,002,072	9,149,645
Other liability – occurrence	4,077,974	1,750,438	4,077,974	1,750,438
Other liability – claims made	27,278	140,869	27,278	140,869
Products liability – occurrence	155,982	893,032	155,982	893,032
Private passenger auto liability	44,675,326	4,345,093	44,675,326	4,345,093
Commercial auto liability	659,625	4,520,846	659,625	4,520,846
Auto physical damage	34,193,566	5,329,901	34,193,566	5,329,901
Fidelity		3,772		3,772
Burglary and theft		535		535
Boiler and machinery	47,447	131,345	47,447	131,345
Total All Lines	$140,012,705	$43,011,056	$140,012,705	$43,011,056

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of ten members. In 2009, the company amended its bylaws, Article III, Section 2, and Section 6, to reflect the change to the number of the directors on the board from nine to ten. Three or four directors are elected annually to serve a three-year term. Officers are elected at the annual meeting. Members of the company's board of directors may also serve as members of other boards of directors in the holding company group. The non-employee board members currently receive $7,500 quarterly for serving on the board and $500 for each meeting attended. Chairpersons also receive $625 quarterly. Travel expenses are reimbursed at cost for all members serving on the board. Employees of the company that are serving on the board do not receive additional compensation for serving on the board.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
John A. Bykowski Appleton, Wisconsin	Chairman of the Board of Directors SECURA Insurance, A Mutual Company	2015
David J. Thomas Sister Bay, Wisconsin	Retired	2015
Jerome J. Smith Merrimac, Wisconsin	Chairman of the Board of Directors First Business Financial Services	2015
Wayne R. Micksch Green Bay, Wisconsin	Retired	2016
Anne E. Ross Madison, Wisconsin	Attorney and Managing Partner Foley and Lardner Law Firm	2016
Mary L. Casey Hendersonville, North Carolina	Retired	2016
Daniel E. Neufelder Neenah, Wisconsin	Senior Vice President Ministry Health Care	2017
James R. Hayes Appleton, Wisconsin	Retired	2017
Catherine M. Tierney Appleton, Wisconsin	President and CEO Community First Credit Union	2017
David D. Gross Appleton, Wisconsin	President and CEO SECURA Insurance, A Mutual Company	2017

Officers of the Company

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

Name	Office	2013 Compensation
John A. Bykowski	Former Chief Executive Officer	$1,573,989
David D. Gross*	President and Chief Executive Officer (former Chief Operations Officer)	491,859
Kathryn J. Sieman	EVP, Chief Financial Officer and Treasurer	511,421

The above compensation is the total paid by the Secura Group.

* Effective July 1, 2014, David Gross was appointed as President and Chief Executive Officer of the company due to the retirement of John Bykowski. John Bykowski remained the Chairman of the Board of Directors.

Committees of the Board

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

Executive Committee
David J. Thomas, Chair
John A. Bykowski
David D. Gross
Jerome J. Smith
Catherine M. Tierney

Audit Committee
James R. Hayes, Chair
Daniel E. Neufelder
Wayne R. Micksch

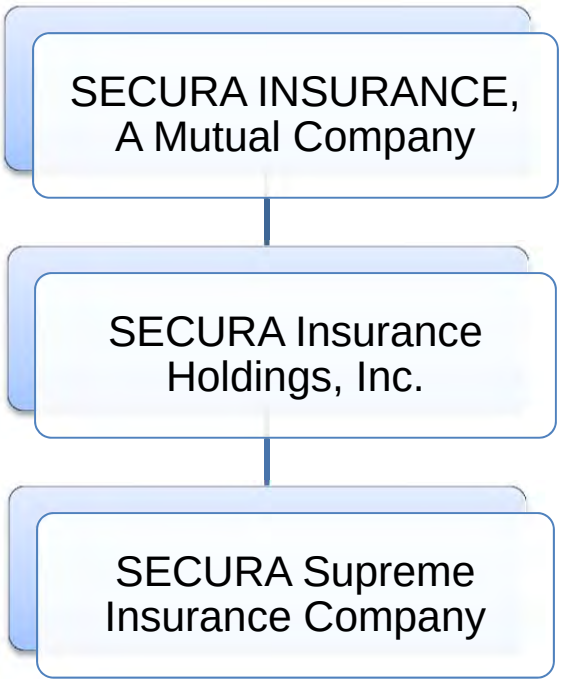
Investment Committee
Jerome J. Smith, Chair
Anne E. Ross
John A. Bykowski
David D. Gross
Mary L. Casey

IV. AFFILIATED COMPANIES

SECURA Supreme is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the affiliates follows the organizational chart.

Organizational Chart

As of December 31, 2013



SECURA Insurance, A Mutual Company

SECURA Insurance was organized in 1900 as The Farmers Home Mutual Hail, Tornado and Cyclone Insurance Company, a town mutual insurance company. In 1932 the company converted its licensure authorization to that of a Wisconsin-domiciled mutual insurer and changed its name to Home Mutual Insurance Company. In 1986 the company changed its name to SECURA Insurance, A Mutual Company.

Secura Insurance is the ultimate parent company in a holding company system. As of December 31, 2013, SECURA Insurance's audited statutory financial statements reported

admitted assets of $872,115,755, liabilities of $550,431,109 and surplus of $321,684,646. Net income from operations for 2013 was $45,318,264

SECURA Insurance Holdings, Inc.

SECURA Holdings is a Wisconsin-domiciled corporation organized under ch. 180, Wis. Stat., and incorporated on January 3, 1994. The company is a wholly owned subsidiary of SECURA Insurance and direct parent of SECURA Supreme. As of December 31, 2013, the unaudited financial statements of SECURA Holdings reported assets of $47,731,806, liabilities of $0, and net stockholder equity of $47,731,806. Since its formation, SECURA Holdings has not conducted any business operations of its own.

A**greements with Affiliates**

Pooling Agreement

The company's affiliated reinsurance pooling activity is described in the "Reinsurance" section of this report.

Professional Service Agreement

SECURA Insurance entered into a Professional Service Agreement with SECURA Supreme effective July 1, 1996. The agreement covers expenses not covered under the pooling agreement. These services include actuarial, accounting, financial reporting, legal services, investment management, financial audit and such other professional services as may be requested from time to time by SECURA Supreme. In 2009, the agreement was amended to reflect a specific settlement date for payments due to SECURA Insurance by SECURA Supreme. Effective January 1, 2010, all payments due to SECURA Insurance are paid on a quarterly basis within 30 days of the end of each month that precedes a calendar quarter-end. The compensation is based on an actual cost. The agreement has a renewal term of five years unless terminated by either party upon 90 days' prior written notice.

Tax-Sharing Agreement

The Tax-Sharing Agreement includes SECURA Insurance, SECURA Supreme and SECURA Holdings. The agreement obligates each company to pay its tax as if filing a separate return except the exemption contained in IRC Section 55 regarding alternative minimum tax shall

be allocated to SECURA Insurance for administrative ease. Payments are due on or before the 15th day of the 3rd month following the close of the company's tax year.

V. REINSURANCE

The company's reinsurance portfolio and strategy is 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.

SECURA Supreme's reinsurance program includes various nonaffiliated insurers for excess of loss umbrella and catastrophe reinsurance coverages and the assumption of pooled risks under a reinsurance pooling relationship with SECURA Insurance. The only assumed business is from the affiliated pooling agreement with SECURA Insurance.

Affiliated Pooled Reinsurance

SECURA Supreme's affiliated reinsurance is transacted under an inter-company pooling agreement with its parent, SECURA Insurance. The pooling agreement was established July 1, 1996, and was amended on October 1, 1999, on January 1, 2002, on July 1, 2005 and again on January 1, 2010. Each amendment was filed and not disapproved by the Office of the Commissioner of Insurance. Under the pooling agreement SECURA Insurance assumes 100% of the insurance issued by SECURA Supreme and cedes back to SECURA Supreme 10% of the combined premium, commissions and liability for net loss and loss adjustment expenses, as further described below.

SECURA Supreme assigns its rights to receive all gross written premiums to SECURA Insurance, and SECURA Insurance pays to SECURA Supreme 10% of the net premium for the pool. Net premium for the pool equals the collected gross net written premium, unearned premium reserves, plus premiums receivable, for the pooled business less all costs and expenses of operations for the pooled business, including the administrative fee payable to SECURA Insurance, commissions, contingent commissions, cost of reinsurance, policyholder dividends and related liabilities.

Pursuant to the reinsurance pooling agreement, SECURA Insurance performs all administration of the pooled business, including product design and marketing, billing and collection, underwriting and claims adjudication, regulatory filings and compliance.

For its services under the pool agreement, SECURA Insurance is entitled to retain as an administration fee 1.4% of the combined direct written premium, or 14.0% of the retroceded premium, approximating SECURA Supreme's portion of SECURA Insurance's actual cost of services.

The following reinsurance contracts cover the aggregate business of SECURA Insurance and SECURA Supreme.

Nonaffiliated Ceding Contracts

1. Type: Property Per Risk Excess of Loss

Reinsurer:	Arch Reinsurance Company	5.0%
	Aspen Insurance UK Limited	10.0
	Hannover Ruck SE	27.5
	Maiden Reinsurance Company	30.0
	Platinum Underwriters Reinsurance , Inc.	12.5
	The TOA Reinsurance Co of America	15.0
	Total Placement	100.0%

Scope: Property business

Retention: $1,000,000 for each risk and each loss

Coverage: 100% in excess of $1,000,000 for each risk and each loss limited to $4,000,000 and $8,000,000 for all losses from one occurrence

Reinsurer shall be liable for 50% of the $1,000,000 retention under this contract when the risk resulting from one occurrence under this contract will be recovered under the Excess Casualty Reinsurance Contract

Premium: 3.81% of the net earned premium income subject to an annual minimum premium of $4,215,520. Deposit premium of $5,269,400 payable on equal quarterly installments

Effective date: January 1, 2014, to January 1, 2015

Termination: January 1, 2015, applying to losses occurring during term of contract. At expiration there is an option for runoff until the expiration or renewal of policies in force.

2. Type: Property Excess of Loss

Reinsurer: General Reinsurance Corporation

Scope: Property-fire, allied lines, inland marine, commercial multiple peril, homeowner's multiple peril, farmowners multiple peril

Retention: $5,000,000 for each risk

Coverage: First Layer - $5,000,000 in excess of $5,000,000 for all risks in one occurrence
Second Layer - $5,000,000 in excess of $10,000,000 for all risks in all occurrences

Premium: First Layer - 0.416% of earned premiums with minimum deposit of $ 460,000 and annual deposit of $570,000
Second Layer - 0.194% of earned premiums with minimum deposit of $250,000 and annual deposit of $250,000
$50,000 flat premium for terrorism

Effective date: January 1, 2014, to January 1, 2015

Termination: At any time by either party by providing 90 days' notice in writing

3. Type: Property Catastrophe Excess of Loss

Reinsurer:

Reinsurer	**Participation**			
	1st X/S	2nd X/S	3rd X/S	4th X/S
Allied World Insurance Co.	5.50%	5.50%	4.50%	5.00%
American Agricultural Insurance	0.00	2.25	2.00	1.00
Amlin Bermuda	2.75	2.00	1.35	1.75
Arch Reinsurance Company	3.50	3.50	3.00	3.50
Employers Mutual Casualty Co.	1.50	1.50	1.50	1.50
Endurance Specialty Ltd.	10.00	3.50	10.00	0.00
Everest Reinsurance Company	5.00	4.00	3.00	4.00
Hanover Re (Bermuda) Ltd.	0.00	3.50	4.00	4.00
Hiscox Insurance Co. (Bermuda)	10.00	0.00	0.00	0.00
Lloyd's Syndicate No. 2001	10.00	10.25	9.75	10.25
Lloyd's Syndicate No. 2007	0.00	3.00	3.75	1.75
Lloyd's Syndicate No. 0033	12.50	0.00	0.00	0.00
Lloyd's Syndicate No. 2014	2.50	2.50	1.75	2.00
Lloyd's Syndicate No. 623/2623	0.00	2.25	1.40	0.00
Lloyd's Syndicate No. 1084	0.00	4.25	3.00	2.25
Lloyd's Syndicate No. 2987	0.00	2.50	2.00	0.00
Lloyd's Syndicate No. 1225	0.00	5.00	3.50	0.00
Lloyd's Syndicate No. 2791	0.00	2.00	0.00	0.00
Lloyd's Syndicate No. 4141	0.00	3.00	3.25	6.00
Mapfre Reinsurance	4.75	4.75	4.25	4.50
Montpelier Reinsurance Ltd.	5.00	5.00	4.00	4.00
MS Frontier Re Ltd.	0.00	0.00	3.00	6.00
Munich Re of America	2.50	11.75	9.25	11.00
Partner Reinsurance Co. Ltd.	0.00	3.00	7.00	8.00
Platinum Underwriters Re Inc.	10.00	0.00	0.00	0.00
QBE Reinsurance	3.00	3.50	3.50	0.00
R+V Versicherung AG	10.00	10.00	10.00	10.00
Taiping Reinsurance Co. Ltd.	1.50	1.50	1.25	2.00
Tokio Millennium Reinsurance	0.00	0.00	0.00	11.50
	100.00%	100.00%	100.00%	100.00%

Scope: Property business, including earthquake, fire, allied lines, inland marine, automobile physical damage (excluding collision) and property sections of homeowner's, farmowners, business owners and commercial packages policies in force at inception of contract, or written or renewed during term of the contract

Retention: The company shall retain the following amount of the ultimate net loss each loss occurrence in each of the four layers of the contract:

First Excess	$ 5,000,000
Second Excess	$13,000,000
Third Excess	$25,000,000
Fourth Excess	$40,000,000

In addition to the initial retention above, the company shall retain an amount equal to 2.5% participation of the ultimate net loss each and all occurrences in each of the four layers of the contract as described under coverage

Coverage: 97.5% of the ultimate net loss each loss occurrence in each of the four layers of the contract. Reinsurers have the following limits of liability for all loss occurrences for the respective layers of the contract:

	Per Occurrence	**For All Occurrences**
First Layer	97.5% of $ 8,000,000	97.5% of $16,000,000
Second Layer	97.5% of $12,000,000	97.5% of $24,000,000
Third Layer	97.5% of $15,000,000	97.5% of $30,000,000
Fourth Layer	97.5% of $45,000,000	97.5% of $90,000,000

Reinsurer shall not be liable unless two or more risks are involved in the same loss occurrence

Reinstatement: Each loss under each excess layer reduces the amount of indemnity provided under the contract by the amount paid. Any amount exhausted shall be automatically reinstated from the time of the occurrence of the loss and for each amount reinstated the company agrees to pay an additional premium calculated at pro rata of 100% of the annual premium for the excess layer.

Premium: Premium rates as a percentage of net subject premiums earned by the company:

1st Layer	**2nd Layer**	**3rd Layer**	**4th Layer**
1.725%	0.514%	0.261%	0.575%

Annual minimum and deposit premiums:

	Minimum Premium	**Deposit Premium**
1st Layer	$2,106,000	$2,632,500
2nd Layer	627,120	783,900
3rd Layer	318,240	397,800
4th Layer	702,000	877,500

Effective date: January 1, 2014, to January 1,2015

Termination: January 1, 2015, applying to loss occurrences commencing during the term of the contract

4. Type: Property Catastrophe Top Layer Excess of Loss

Reinsurer:

Employers Mutual Casualty Company	1.00%
R+V Versicherung AG	7.50
Tokio Millennium Reinsurance AG	20.00
Lloyd's Syndicate No. 2007	5.00
Lloyd's Syndicate No. 2001	33.33
Lloyd's Syndicate No. 2791	16.00
Lloyd's Syndicate No. 2791	4.00
Lloyd's Syndicate No. 1084	13.17
Total Placement	100.00%

Scope: Property business, including earthquake, fire, allied lines, inland marine, automobile physical damage (excluding collision) and property sections of homeowner's, farmowners, business owners and commercial packages policies in force at inception of the contract, or written or renewed during term of the contract

Retention: $85,000,000 each loss occurrence

Coverage: 100% in excess of $85,000,000 each loss occurrence, limited to $15,000,000 for each loss occurrence and $30,000,000 for all loss occurrences

Reinsurer shall not be liable unless two or more risks are involved in the same loss occurrence

Reinstatement: Each loss under each excess layer reduces the amount of indemnity provided under the contract by the amount paid. Any amount exhausted shall be automatically reinstated from the time of the occurrence of the loss and for each amount reinstated the company agrees to pay an additional premium calculated at pro rata of 100% of the annual premium.

Premium: Annual deposit premium of $187,500 payable in two equal installments of $93,750

Effective date: January 1, 2014, to January 1, 2016

Termination: January 1, 2016, applying to loss occurrences commencing during the term of the contract

5. Type: Property Facultative Excess of Loss

Reinsurer: General Reinsurance Corporation

Scope: Fire, allied lines, inland marine and commercial multiple peril except those specifically excluded, on risks located in Arizona, Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, North Dakota, Pennsylvania and Wisconsin

Retention: $15,000,000 each risk

	Coverage:	$20,000,000 in excess of $15,000,000 on aggregate basis with respect to acts of terrorism
	Premium:	Company shall pay the reinsurer with respect to each risk a premium equal to the company's gross written premium for the risk multiplied by the applicable risk factor
	Effective date:	January 1, 2009
	Termination:	Until cancelled by either party at any time with at least 90 days' written notice
6.	Type:	Umbrella Quota Share
	Reinsurer:	Munich Reinsurance America, Inc.
	Scope:	Commercial, personal, and farm umbrella liability
	Retention:	100% of the first $1,000,000 each occurrence, 5% of company's net loss for amounts in excess of $1,000,000 up to $10,000,000
	Coverage:	95% quota share in excess of $1,000,000 up to $10,000,000
	Premium:	95% of premium for umbrella liability policies from $1,000,000 to $10,000,000
	Commissions:	36% Ceding commission
	Effective date:	January 1, 2013, to January 1, 2015
	Termination:	At any time by either party by providing 90 days' notice in writing
7.	Type:	Excess Casualty (Clash) Reinsurance Contract

Reinsurer:

Reinsurer	**Participation**			
	1st X/S	2nd X/S	3rd X/S	4th X/S
Alterra Reinsurance USA Inc.	0.0%	20.0%	0.0%	7.5%
Arch Reinsurance	0.0	0.0	20.0	40.0
Axis Reinsurance Company	0.0	17.5	0.0	0.0
Hannover Ruck SE	35.0	35.0	27.5	0.0
Maiden Reinsurance Company	10.0	0.0	0.0	0.0
Munich Reinsurance America	15.0	17.5	10.0	10.0
Platinum Underwriters Reins.	0.0	0.0	15.0	15.0
QBE Reinsurance Corporation	10.0	5.0	7.5	7.5
Scor Reinsurance Company	0.0	5.0	0.0	0.0
TOA Reinsurance Co. of Amer.	12.0	0.0	0.0	0.0
Tokio Millennium Reinsurance	18.0	0.0	20.0	20.0
	100.0%	100.0%	100.0%	100.0%

Scope: Casualty business, including, but not limited to, automobile liability, general liability, worker's compensation (including employers liability) and liability sections of homeowner's, mobile homeowner's, farmowners, business owners and commercial package policy business, and the first $1,000,000 of policy limit for commercial, personal and farm umbrella liability policies

Retention: The company shall retain the following amount of the ultimate net loss each loss occurrence in each of the four layers of the contract:

First Excess	$ 1,000,000
Second Excess	$ 2,000,000
Third Excess	$10,000,000
Fourth Excess	$15,000,000

Coverage: 100% of the ultimate net loss over and above the initial ultimate net loss retention. Reinsurers have the following limits of liability for all loss occurrences for the respective layers of the contract:

	Per Occurrence	For All Occurrences
First Layer	$ 1,000,000	Unlimited
Second Layer	8,000,000	$32,000,000
Third Layer	5,000,000	10,000,000
Fourth Layer	10,000,000	20,000,000

Worker's compensation maximum limit per person: $10,000,000

Reinsurer shall be liable for 50% of the $1,000,000 retention under this contract when the risk resulting from one loss occurrence under this contract will be recovered from the Excess Property Reinsurance Contract

First and Second Layers cover losses resulting from Acts of Terrorism. Third and Fourth Layers cover losses resulting from Acts of Terrorism, except for losses resulting from use of any biological, chemical or nuclear weapon.

Reinstatement: First Layer - without limitation and no additional premium due
Second Layer - reinstatement limit: $32,000,000, with no additional premium due
Third and Fourth Layer - one reinstatement with additional calculated at pro rata of 100% of reinsurer's annual premium for the respective layer

Premium: Premium rates as a percentage of net subject premiums earned by the company:

1st Layer	2nd Layer	3rd Layer	4th Layer
1.750%	1.330%	0.097%	0.089%

Annual minimum and deposit premiums:

	Minimum Premium	Deposit Premium
1st Layer	$3,394,768	$4,243,460
2nd Layer	2,580,000	3,225,000
3rd Layer	188,000	235,000
4th Layer	172,000	215,000

Effective date: January 1, 2014, to January 1, 2015

	Termination:	January 1, 2015, applying to losses occurring during term of contract. At expiration there is an option for runoff until the expiration or renewal of policies in force.
8.	Type:	Property Catastrophe Aggregate Excess of Loss

Reinsurer:		
	American Agricultural Ins. Company	4.0%
	Employers Mutual Casualty Company	1.0
	Secquaero Re Rivaner IC Ltd.	42.0
	Secquaero Re Vinyard IC Ltd.	18.0
	Taiping Reinsurance Company Ltd.	2.5
	Lloyd's Syndicate No. 2007	5.0
	R+V Versicherung AG	27.5
	Total Placement	100.0%

Scope:	Property business, including earthquake, fire, allied lines, inland marine, automobile physical damage (excluding collision) and property sections of homeowner's, farmowners, business owners and commercial packages policies in force at inception of the contract, or written or renewed during term of the contract
Retention:	$13,500,000 of the company's aggregate subject ultimate net loss. Subject ultimate net loss means the company's ultimate net loss in excess of $1,000,000 each loss occurrence but not to exceed $4,000,000 each loss occurrence.
Coverage:	$12,000,000 of the aggregate ultimate net loss in excess of $13,500,000 Reinsurer shall not be liable unless two or more risks are involved in the same loss occurrence
Premium:	Annual deposit premium of $1,530,000 payable in quarterly installments of $382,500
Effective date:	February 10, 2014, to February 10, 2015
Termination:	February 10, 2015, applying to loss occurrences commencing during the term of the contract
9. Type:	Property Equipment Breakdown Quota Share
Reinsurer:	The Hartford Steam Boiler Inspection and Insurance Company
Scope:	Commercial and farm equipment breakdown
Retention:	0% of company's net loss for amounts for equipment breakdown up to $50,000,000 for any one accident
Coverage:	100% quota share for amounts for equipment breakdown up to $50,000,000 for any one accident $25,000 for data restoration as respects to the company's causes of loss - breakdown plus endorsement for any one accident $25,000 for loss or damage to for any one accident

	Premium:	100% of premium for equipment breakdown policies
	Commissions:	As respects the reinsurance premium for business owners, commercial package policies and farm policies, other than policies covering referral risks, no ceding commission shall be allowed. As respects policies covering referral risks meeting the reinsurer's specified underwriting guidelines, the reinsurer shall allow a ceding commission of 30% of the reinsurance premium ceded unless otherwise agreed upon by both parties for specific policy forms or particular accounts.
	Effective date:	September 1, 1995
	Termination:	At any time by either party by providing six months' prior notice in writing; provided that the reinsurer shall continue to be bound hereunder for the balance of the term of all policies of insurance written by the company which remain in force on the termination date of this agreement
10.	Type:	Employment Practices Liability Quota Share
	Reinsurer:	General Reinsurance Corporation
	Scope:	Commercial employment practices liability business as a part of a business owners or commercial package policy in which defense expenses and indemnity losses are included within a single policy limit on a claims-made basis Commercial employment practices liability business as a part of the company's employment practices liability insurance mono-line policy. Such insurance is written on a claims-made basis. Not For Profit Organization Directors, Officers and Trustees Liability
	Retention:	Package: 50% of $100,000 policy limit of the company's net loss on each claim Monoline: 50% of the first $100,000 of the company's net loss each claim and 10% of the next $900,000 of the company's net loss each claim in excess of the first $100,000 and 0% of the next $1,000,000 of the company's net loss each claim in excess of $1,000,000 Not For Profit Organization Directors, Officers and Trustees: 50% of $1,000,000 policy limit of the company's net loss on each claim
	Coverage:	Package: 50% of $100,000 policy limits of net loss each claim Monoline: 50% of the first $100,000 of net loss each claim, 90% of the next $900,000 of net loss each claim in excess of the first $100,000 and 100% of the next $1,000,000 of net loss each claim in excess of $1,000,000

		Not For Profit Organization Directors, Officers and Trustees: 50% of $1,000,000 policy limits of net loss each claim
	Premium:	Package: 50% of the company's subject written premium Monoline: 50% of the company's subject written premium for policy limits up to and including $100,000 each claim/$100,000 policy aggregate limit 90% of the company's subject written premium for policy limits in excess of those set forth above up to $1,000,000 each claim/$1,000,000 policy aggregate limit Not For Profit Organization Directors, Officers and Trustees: 50% of the company's subject written premium
	Commissions:	Package: The reinsurance premium for employers practices liability as written on the company's business owners or commercial package policy shall be subject to a fixed commission allowance of 12.5% Monoline: The reinsurance premium for commercial employment practices liability as written on the company's employment practices liability monoline insurance policy shall be subject to a fixed commission allowance of 25% Not For Profit Organization Directors, Officers and Trustees liability shall be subject to a fixed commission allowance of 22.5%
	Effective date:	January 1, 1999 (Monoline Policies), June 1, 2007 (Package Policies), March 1, 2010 (Directors, Officers and Trustees Liability Business)
	Termination:	May be terminated by either party sending to the other 90 days' notice. Upon termination the reinsurer shall continue to be liable with respect to policies in force at the time and date of termination for employment practices occurring until the expiration or cancellation date, not to exceed a reinsurance run-off period no more than 18 months in total, provided that the claim is made to the company during the policy period or within 30 days thereafter. However, if the company provides an extended reporting period within the reinsurance runoff period on any policy which is in force at the time and date of termination, or if an extended reporting period is in force at the time and date of termination, the reinsurer shall continue to be liable for claims made to the company during the extended reporting period.
11.	Type:	Worker's Compensation and Employers' Liability Business Excess of Loss
	Reinsurer:	General Reinsurance Corporation
	Scope:	Worker's compensation and employers' liability business written by the company Casualty business - automobile liability, general liability, the liability sections of homeowner's, mobile homeowner's,

	farmowners, business owners and commercial package policy business and the first $1,000,000 of limit of commercial, personal and farm umbrella liability
Retention:	Worker's compensation and employers' liability business: $10,000,000 each person Casualty business: $25,000,000
Coverage:	Worker's compensation and employers' liability business: $5,000,000 each person in excess of $10,000,000 limited to $10,000,000 Casualty business: $10,000,000 in excess of $25,000,000
Premium:	0.47% of the company's subject earned premium. Minimum and deposit premium of $450,000.
Effective date:	January 1, 2014, to January 1, 2015
Termination:	At any time by either party by providing 90 days' notice in writing

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."

SECURA Supreme Insurance Company
Assets
As of December 31, 2013

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 89,413,178	$	$ 89,413,178
Cash, cash equivalents, and short-term investments	859,360		859,360
Investment income due and accrued	859,655		859,655
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	677,280	114,749	562,531
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	12,953,670	6,230	12,947,440
Accrued retrospective premiums			
Reinsurance:			
Amounts recoverable from reinsurers	332,662		332,662
Net deferred tax asset	2,358,903	141,827	2,217,076
Receivable from parent, subsidiaries, and affiliates	603,172		603,172
Total Assets	$108,057,880	$262,806	$107,795,074

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

Losses		$ 25,959,017
Loss adjustment expenses		8,979,707
Commissions payable, contingent commissions, and other similar charges		800,431
Current federal and foreign income taxes		1,840,801
Unearned premiums		21,335,390
Advance premium		532,542
Dividends declared and unpaid:		
Policyholders		243,277
Ceded reinsurance premiums payable (net of ceding commissions)		66,229
Amounts withheld or retained by company for account of others		126,481
Remittances and items not allocated		179,393
Total liabilities		60,063,268
Common capital stock	$ 6,000,000	
Gross paid in and contributed surplus	11,960,000	
Unassigned funds (surplus)	29,771,806	
Surplus as regards policyholders		47,731,806
Total Liabilities and Surplus		$107,795,074

SECURA Supreme Insurance Company
Summary of Operations
For the Year 2013

Underwriting Income		
Premiums earned		$40,675,576
Deductions:		
Losses incurred	$19,722,951	
Loss adjustment expenses incurred	4,451,294	
Other underwriting expenses incurred	13,019,497	
Total underwriting deductions		37,193,742
Net underwriting gain (loss)		3,481,834
Investment Income		
Net investment income earned	2,725,292	
Net realized capital gains (losses)	155,651	
Net investment gain (loss)		2,880,943
Other Income		
Net gain (loss) from agents' or premium balances charged off	(68,220)	
Finance and service charges not included in premiums	342,392	
Write-ins for miscellaneous income:		
Other Income	68,509	
Total other income		342,681
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		6,705,458
Dividends to policyholders		842,138
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		5,863,320
Federal and foreign income taxes incurred		1,658,127
Net Income		$ 4,205,193

SECURA Supreme Insurance Company
Cash Flow
For the Year 2013

Premiums collected net of reinsurance			$41,472,121
Net investment income			3,397,416
Miscellaneous income			342,681
Total			45,212,218
Benefit- and loss-related payments		$18,912,844	
Commissions, expenses paid, and aggregate write-ins for deductions		16,492,696	
Dividends paid to policyholders		868,733	
Federal and foreign income taxes paid (recovered)		1,265,051	
Total deductions			37,539,324
Net cash from operations			7,672,894
Proceeds from investments sold, matured, or repaid:			
Bonds	$26,453,700		
Total investment proceeds		26,453,700	
Cost of investments acquired (long-term only):			
Bonds	33,585,531		
Total investments acquired		33,585,531	
Net cash from investments			(7,131,831)
Cash from financing and miscellaneous sources:			
Other cash provided (applied)		(660,191)	
Net cash from financing and miscellaneous sources			(660,191)
Reconciliation:			
Net change in cash, cash equivalents, and short-term investments			(119,128)
Cash, cash equivalents, and short-term investments:			
Beginning of year			978,488
End of Year			$ 859,360

SECURA Supreme Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2013

Assets		$107,795,074
Less liabilities		60,063,268
Adjusted surplus		47,731,806
Annual premium:		
Lines other than accident and health	$43,687,918	
Factor	20%	
Compulsory surplus (subject to a minimum of $2 million)		8,737,583
Compulsory Surplus Excess (or Deficit)		$ 38,994,223
Adjusted surplus (from above)		$ 47,731,806
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%)		12,145,240
Security Surplus Excess (or Deficit)		$ 35,586,566

SECURA Supreme 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	$43,468,451	$40,449,432	$39,327,931	$36,685,350	$32,722,396
Net income	4,205,193	2,947,518	1,062,526	2,493,113	3,490,830
Change in net unrealized capital gains/losses					8,938
Change in net deferred income tax	50,085	108,413	8,258	219,551	357
Change in non-admitted assets	8,077	(36,912)	41,107	(60,473)	462,829
Change in provision for reinsurance			9,610	(9,610)	
Surplus, End of Year	$47,731,806	$43,468,451	$40,449,432	$39,327,931	$36,685,350

SECURA Supreme 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	383.0%	386.0%	394.0%	366.0%	351.0%
#2	Net Premium to Surplus	90.0	88.0	88.0	85.0	87.0
#3	Change in Net Premiums Written	12.0	8.0	6.0	5.0	7.0
#4	Surplus Aid to Surplus	0.0	0.0	0.0	0.0	0.0
#5	Two-Year Overall Operating Ratio	86.0	93.0	93.0	89.0	93.0
#6	Investment Yield	3.2	3.7	3.8	4.0	4.4
#7	Gross Change in Surplus	10.0	7.0	3.0	7.0	12.0
#8	Change in Adjusted Surplus	10.0	7.0	3.0	7.0	12.0
#9	Liabilities to Liquid Assets	52.0	53.0	53.0	53.0	54.0
#10	Agents' Balances to Surplus	1.0	1.0	1.0	1.0	2.0
#11	One-Year Reserve Development to Surplus	-8.0	-5.0	-4.0	-6.0	-2.0
#12	Two-Year Reserve Development to Surplus	-9.0	-6.0	-8.0	-3.0	-4.0
#13	Estimated Current Reserve Deficiency to Surplus	-3.0	-5.0	-10.0	-8.0	-9.0

Growth of SECURA Supreme Insurance Company

Year	Admitted Assets	Liabilities	Surplus As Regards Policyholders	Net Income
2013	$107,795,074	$60,063,268	$47,731,806	$4,205,193
2012	99,377,427	55,908,976	43,468,451	2,947,518
2011	93,408,799	52,959,367	40,449,432	1,062,526
2010	91,305,951	51,978,020	39,327,931	2,493,113
2009	85,963,891	49,278,541	36,685,350	3,490,830
2008	80,483,610	47,761,217	32,722,393	400,621

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss And LAE Ratio	Expense Ratio	Combined Ratio
2013	$183,023,761	$43,011,056	$40,675,576	59.4%	30.3%	91.8%
2012	167,654,937	38,317,379	37,203,482	64.0	30.2	96.9
2011	159,212,129	35,636,337	35,067,675	74.4	29.6	106.4
2010	143,776,409	33,502,200	32,171,278	67.8	29.7	99.9
2009	128,588,879	31,917,999	31,281,675	66.5	29.0	97.9
2008	124,299,191	29,881,262	29,866,932	74.4	30.5	107.4

During the period under examination, SECURA Supreme reported a 33.9% increase in assets, 25.8% increase in liabilities and 45.9% increase in surplus. Despite the soft market conditions, inclement weather related losses and the current low interest rate environment, the company remained financially stable and profitable due to the strong underwriting guidelines, improvements in technology and new product developments. During 2013 the company reported a 91.8% combined ratio, the lowest since 2005. Net premium written increased 43.9% from $29.9 million in 2008 to $43.0 million in 2013, primarily due to the increase in policies in force, overall rate increase and new business growth. The expense ratio was slightly above the industry five-year average of 28%. The company's five-year average loss and LAE ratio was 66.4% versus a five-year average of 73.4% for the property and casualty industry.

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, 2013, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were three 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. Corporate Disaster Recovery Plan—It is recommended that the company review the critical business functions of the business continuity/disaster recovery plans and update them annually, to ensure the viability of business operations.

   Action—Compliance.

2. Affiliated Balances—It is recommended that the company report all revenues and expenditures from inter-company agreements on Schedule Y, Part 2, Column 8, in accordance with the instructions of the NAIC Annual Statement Instructions – Property/Casualty.

   Action—Compliance.

3. Affiliated Agreements—It is recommended that the company amend its Professional Services Agreement to include a specific payment date in accordance with SSAP 96 of the NAIC Accounting Practices and Procedures Manual.

   Action—Compliance.

Summary of Current Examination Results

The current examination resulted in no adverse or material findings.

VIII. CONCLUSION

SECURA Supreme Insurance Company is a stock, non-publically traded insurer writing personal, commercial, farm and specialty lines of insurance with the goal to drive profitable growth by providing outstanding customer service to its policyholders and building strong relationships with its agents.

SECURA Supreme was profitable for all years under examination. The company's admitted assets increased 34%, premiums earned increased 36% and surplus increased 46%. The increase in admitted assets and surplus was a result of underwriting profitability particularly in the past two years.

Growth in premiums was primarily attributable to the increase in policies in force, overall rate increase and new business growth. Gross and net premium written increased during the five-year period by 47% and 44%, respectively. The company is well capitalized and financially stable with a surplus of $47,731,806, assets of $107,795,074 and liabilities of $60,063,268.

The company complied with the three recommendations from the previous examination report.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

The current examination resulted in no recommendations. There were no adjustments or reclassifications to the balance sheet amounts as a result of this examination.

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
Shelly Bueno	Insurance Financial Examiner
Marisa Rodgers	Insurance Financial Examiner
Raymond Kangogo	Insurance Financial Examiner
Fred Thornton	Workpaper Specialist
Tom Houston	IT Specialist
Jerry DeArmond	Reserve Specialist

Respectfully submitted,

Ana Careaga
Examiner-in-Charge