Report

of the

Examination of

Wisconsin Mutual Insurance Company

Madison, Wisconsin

As of December 31, 2012

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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

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January 9, 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:

WISCONSIN MUTUAL INSURANCE COMPANY
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Wisconsin Mutual Insurance Company (WMIC or the company) was conducted in 2009 as of December 31, 2008. The current examination covered the intervening period ending December 31, 2012, and included a review of such 2013 transactions as deemed necessary to complete the examination.

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

The examination 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.

II. HISTORY AND PLAN OF OPERATION

The company was organized in 1903 as Wisconsin Tornado, Cyclone or Hurricane Mutual Association. An amendment to the articles of incorporation as of September 16, 1976, changed the name to Wisconsin Mutual Insurance Company.

The company has been the acquiring party in several mergers during its history. The company absorbed all the assets and assumed all of the liabilities of the following companies:

- Capital Mutual Insurance Company, an affiliated, effective January 1, 1982
- Wisconsin State Mutual Insurance Company, effective December 1, 1982
- Baraboo Mutual Insurance Company, effective December 31, 1998
- Hamburg-Stark Mutual Insurance Company, effective September 30, 2009
- Waukesha County Mutual Insurance Company, effective January 1, 2011

Wisconsin Mutual Insurance Company is licensed in Wisconsin and Minnesota. Currently, WMIC only writes business in Wisconsin. The major products marketed by the company include private passenger auto, homeowner's multiple peril, and auto physical damage. The major products are marketed through 1,241 independent agents who represent over 152 agencies. In addition, since January 1992, the company owns an agency which services and sells a small portion of business directly on behalf of the company through the department entitled "Wisconsin Insurance Services."

The following table is a summary of the net insurance premiums written by the company in 2012. The growth of the company is discussed in the "Financial Data" section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Fire	$ 1,051,979	$0	$ 113,600	$ 938,379
Allied lines	331,262	0	32,501	298,761
Farmowners multiple peril	4,016,552	0	290,201	3,726,351
Homeowner's multiple peril	18,658,481	0	1,419,219	17,239,262
Commercial multiple peril	2,907,982	0	190,987	2,716,995
Inland marine	790,103	0	81,838	708,265
Other liability – occurrence	460,582	0	372,296	88,286
Private passenger auto liability	20,429,787	0	724,249	19,705,538
Commercial auto liability	397,095	0	14,067	383,028
Auto physical damage	17,307,596	0	409,933	16,897,663
Total All Lines	$66,351,419	$0	$3,648,891	$62,702,528

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 $1,000 per meeting and outside directors receive a quarterly retention of $600.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Richard Bernard Johnson Madison, WI	Retired Realtor, First Realty Group	2013
Francis Phillip Schaecher Madison, WI	Retired – Senior VP, Lands' End	2013
Doreen Mickelson Viroqua, WI	Agent – Benson Ins Agency	2013
Daniel Andrew Keyes Madison, WI	President, WMIC	2014
Arthur August Stauffacher Madison, WI	CPA/Consultant	2014
Bruce Roberts Madison, WI	Retired – CPA, Assistant Professor at Edgewater College	2014
Donald Edward Payne MacLeish Madison, WI	Retired – Executive VP, Northern Capital Management	2015
Clarence Arthur Ready Madison, WI	Retired – VP/Secretary, WMIC	2015
Anthony James Skubal Madison, WI	Vice President/Treasurer, WMIC	2015

Officers of the Company

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

Name	Office	2012 Compensation
Daniel Andrew Keyes	President	$464,304
Anthony James Skubal	Vice President/Treasurer	342,187
Holly Merry Cassavant	Secretary	153,927

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	**Audit Committee**
Daniel Keyes, Chair	Arthur Stauffacher, Chair
Richard Johnson	Richard Johnson
Donald MacLeish	Donald MacLeish
Phil Schaecher	Bruce Roberts
Arthur Stauffacher	Phil Schaecher

IV. 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.

Nonaffiliated Ceding Contracts

1. Type: Property Catastrophe Excess of loss

Reinsurer: Through Intermediary – Aon Benfield, Inc.

Participating Reinsurers	Participating Percentage Layer 1	Layer 2	Layer 3
Employers Mutual Casualty Company	2.0%	4.0%	3.0%
Shelter Mutual Insurance Company	15.0	15.0	15.0
Allied World Reinsurance Company	20.0	15.0	20.0
SCOR Reinsurance Company	20.5	15.0	19.5
Montpelier Reinsurance Ltd	15.0	15.0	15.0
R + V Versicherung	27.5	27.5	27.5
Lloyd's Syndicate ADV #0780	0.0	8.5	0.0
	100.0%	100.0%	100.0%

Scope: All business written and classified by the company as property, including the property portions of multi-peril and automobile policies

Coverage/ retention/ limits:

Layer	Coverage Percent	Company's Retention	Reinsurer's Per Occurrence Limit	Reinsurer's Term Accumulated Limit
1	100%	$ 3,000,000	$2,000,000 excess of $3,000,000	$ 4,000,000
2	100	5,000,000	$5,000,000 excess of $5,000,000	10,000,000
3	100	10,000,000	$15,000,000 excess of $10,000,000	30,000,000

Premium: First Layer: Rate – 3.227% of net subject earned premium
Annual deposit premium of $780,000 with $624,000 minimum premium

Second Layer: Rate – 1.965% of net subject earned premium
Annual deposit premium of $475,000 with $380,000 minimum premium

Third Layer: Rate – 1.396% of net subject earned premium
Annual deposit premium of $337,500 with $270,000 minimum premium

		Premium for each respective layer of coverage is payable in equal quarterly installments
	Reinstatement:	In the event that all or any portion of the reinsurance under any excess layer of reinsurance coverage provided by this contract is exhausted by loss, the amount so exhausted will be reinstated from the time of occurrence of such loss. For each amount reinstated, the company will pay an additional premium based upon the pro rata amount of the reinstatement only. Notwithstanding the expiration of this contract, the provisions of this contract will continue to apply to all obligations and liabilities of the parties incurred hereunder to the end that all such obligations and liabilities will be fully performed and discharged.
	Effective date:	January 1, 2013, through January 1, 2014. Agreement shall continue until cancelled by either party.
	Termination:	Agreement may be terminated by the company with any of the participating reinsurer's at any time on a cut-off basis by giving 30 days' prior written notice
2.	Type:	Multiple Line (Liability and Property) Excess of Loss
	Reinsurer:	Endurance Reinsurance Corporation of America
	Scope:	All business written and classified by the company as homeowner's, farmowners, fire, allied lines, inland marine, CPP, businessowners, personal auto liability, commercial auto liability, and artisan contractors
	Retention:	<u>Property and Casualty</u>: First $275,000 of the combined loss for both classes of business; provided only one risk from the property class may be combined in the same occurrence
	Coverage:	<u>Property</u>: $725,000 in excess of $275,000 each and every loss occurrence for one hundred percent (100%) of the excess Loss not to exceed $2,175,000 per loss occurrence <u>Casualty</u>: $725,000 in excess of $275,000 each and every loss occurrence for one hundred percent (100%) of the excess loss
	Premium	<u>Property</u>: 3.59% of the net written premium <u>Casualty</u>: 3.07% of the net written premium
	Effective date:	January 1, 2013, through January 1, 2014. Agreement shall continue until cancelled by either party.
	Termination:	Agreement may be terminated at any time by mutual consent or by either party giving the other party not less than 90 days' notice by registered mail or express delivery service prior to such termination date

3. Type: Property and Casualty Excess of Loss

Reinsurer: General Reinsurance Corporation

Scope: All business written as automobile and other liability which is classified by the company for:

Property:
Fire, allied lines, inland marine, commercial multiple peril (property coverages), homeowner's multiple peril (property coverages), or farmowners multiple peril (property coverages)

Casualty:
Private passenger auto no-fault (personal injury protection), other private passenger auto liability (including uninsured and underinsured motorists), commercial auto no-fault (personal injury protection), other commercial auto liability (including uninsured and underinsured motorists), other liability, products liability, commercial multiple peril (liability coverages), homeowner's multiple peril (liability coverages), or farmowners multiple peril (liability coverages)

Retention: Property and Casualty:
$1,000,000 per first loss occurrence

Coverage: Property:
$1,000,000 in excess of $1,000,000 per loss occurrence but not to exceed $2,000,000 the limits of liability per loss occurrence

Casualty:
$1,000,000 in excess of $1,000,000 per loss occurrence but not to exceed $2,000,000 the limits of liability per loss occurrence

Premium Property:
0.37% of the net written premium and shall be subject to a minimum reinsurance premium of $82,000 for each agreement year

Casualty:
0.35% of the net written premium and shall be subject to a minimum reinsurance premium of $75,000 for each agreement year

Effective date: January 1, 2013, through January 1, 2014. Agreement shall continue until cancelled by either party.

Termination: Agreement may be terminated at any time by mutual consent or by either party giving the other party not less than 90 days' notice by registered mail or express delivery service prior to such termination date

The reinsurer shall not be liable for claims and losses resulting from occurrences taking place at and after the effective time and date of termination

4. Type Property Facultative Reinsurance

Reinsurer: General Reinsurance Corporation

Scope:	All property business written and classified by the company as fire, allied lines, commercial multiple peril (property coverages), and homeowner's multiple peril (property coverages)
Retention:	$2,000,000 per each risk of the ceded but not to exceed $3,000,000 the limits of liability of the reinsurer
Coverage:	All risk excluding risks which have a total insured value of less than $2,200,000 or more than $5,000,000
Premium:	

Reinsurance Rates per $100 of Value

Total Insurable Value	**Wood Frame**	**Joisted Masonry**	**Masonry Non-Combustible**
$2,000,001 - $3,000,000	3.5%	3.5%	3.5%
$3,000,001 - $4,000,000	5.0	4.0	3.8
$4,000,001 - $5,000,000	6.5	4.5	4.0

Additional Credits and Debits
100% automatic sprinkler = 25% credit, subject to 3.5% minimum rate
Unprotected town = 50% debit
Minimum reinsurance premium = $500 per risk
Net rates per $100 of excess exposed limits above $1,000,000

Effective date:	January 1, 2013, through January 1, 2014. Agreement shall continue until cancelled by either party.
Termination:	Agreement shall continue in force until terminated by either party giving the other 90 days' notice prior to January 1st, by certified mail to its principal office, notice stating the time and date when, of such notice, termination shall be effective
	When all reinsurance is expired or terminated, the reinsurer shall return to the company the reinsurance premium unearned, if any, calculated on the monthly pro rata basis

5. Type: Quota Share and Excess of Loss

Reinsurer:	General Reinsurance Corporation
Scope:	Business which is classified by the company as personal umbrella and farm personal umbrella
Retention:	5% of the company's first $1,000,000 each occurrence
Coverage:	95% of the reinsurer's first $1,000,000 each occurrence and 100% of the difference, if any, between the policy limit of $2,000,000 up to $5,000,000 of the first $1,000,000 each occurrence
Premium:	95% of the company subject written premium for policy limits up to and including $1,000,000 each occurrence
	100% of the company's subject written premium for policy limits reinsured in excess of $1,000,000 each occurrence

The reinsurer shall receive their proportionate share of all premiums for policies ceded hereunder, less a 30% ceding commission

	Effective date:	January 1, 2013, through January 1, 2014. Agreement shall continue until cancelled by either party.
	Termination:	Agreement shall continue in force until terminated by either party giving the other 90 days' notice prior to January 1st, by certified mail to its principal office, notice stating the time and date when, of such notice, termination shall be effective When all reinsurance is expired or terminated, the reinsurer shall return to the company the reinsurance premium unearned, if any, calculated on the monthly pro rata basis
6.	Type:	Quota Share and Excess of Loss
	Reinsurer:	General Reinsurance Corporation
	Scope:	Business which is classified by the company as commercial umbrella and farm commercial umbrella
	Retention:	5% of the company's first $1,000,000 each occurrence and $1,000,000 aggregate
	Coverage:	95% of the reinsurer's first $1,000,000 each occurrence and $1,000,000 aggregate and 100% of the difference, if any, between the policy limit of $2,000,000 ($2,000,000 in aggregate) up to $5,000,000 ($5,000,000 in aggregate) of the first $1,000,000 each occurrence and $1,000,000 aggregate
	Premium:	95% of the company's subject written premium for policy limits up to and including $1,000,000 each occurrence/$1,000,000 aggregate 100% of the company's subject written premium for policy limits in excess of $1,000,000 each occurrence/$1,000,000 aggregate up to and including $5,000,000 each occurrence/$5,000,000 aggregate provided limits in excess of $2,000,000 each occurrence/$2,000.000 aggregate have been accepted by the reinsurer The reinsurer shall receive their proportionate share of all premiums for policies ceded hereunder, less a 30% ceding commission
	Effective date:	October 1, 2013, through October 1, 2014. Agreement shall continue until cancelled by either party.
	Termination:	Agreement shall continue in force until terminated by either party giving the other 90 days' notice prior to the date termination effective, by certified mail to its principal office, notice stating the time and date when, of such notice, termination shall be effective When all reinsurance is expired or terminated, the reinsurer shall return to the company the reinsurance premium unearned, if any, calculated on the monthly pro rata basis

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, 2012, annual statement. Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation. 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."

Wisconsin Mutual Insurance Company
Assets
As of December 31, 2012

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 96,831,398	$ 0	$ 96,831,398
Stocks:			
Preferred stocks	1,168,314	0	1,168,314
Common stocks	283,266	0	283,266
Mortgage loans on real estate:			
First liens	63,538	0	63,538
Real estate:			
Occupied by the company	1,489,715	0	1,489,715
Cash, cash equivalents, and short-term investments	5,066,230	0	5,066,230
Investment income due and accrued	566,465	0	566,465
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	330,331	0	330,331
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	5,738,800	0	5,738,800
Reinsurance:			
Amounts recoverable from reinsurers	68,020	0	68,020
Net deferred tax asset	2,828,374	195,741	2,632,633
Electronic data processing equipment and software	8,897	0	8,897
Furniture and equipment, including health care delivery assets	352,438	352,438	0
Write-ins for other than invested assets:			
Intangible asset – pension	964,378	964,378	0
Prepaid expenses	92,578	92,578	0
Total Assets	$115,852,742	$1,605,135	$114,247,607

Wisconsin Mutual Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2012

Losses	$ 27,672,414
Loss adjustment expenses	5,270,902
Commissions payable, contingent commissions, and other similar charges	2,505,951
Other expenses (excluding taxes, licenses, and fees)	421,564
Taxes, licenses, and fees (excluding federal and foreign income taxes)	428,393
Current federal and foreign income taxes	334,234
Unearned premiums	21,871,036
Advance premium	754,353
Ceded reinsurance premiums payable (net of ceding commissions)	436,820
Amounts withheld or retained by company for account of others	10,540
Remittances and items not allocated	136,503
Total liabilities	59,842,710
Surplus as regards policyholders	54,404,897
Total Liabilities and Surplus	$114,247,607

Wisconsin Mutual Insurance Company
Summary of Operations
For the Year 2012

Underwriting Income		
Premiums earned		$62,124,098
Deductions:		
Losses incurred	$37,991,897	
Loss adjustment expenses incurred	4,656,994	
Other underwriting expenses incurred	14,597,414	
Total underwriting deductions		57,246,305
Net underwriting gain (loss)		4,877,793
Investment Income		
Net investment income earned	1,811,337	
Net realized capital gains (losses)	768,197	
Net investment gain (loss)		2,579,534
Other Income		
Finance and service charges not included in premiums	391,145	
Write-ins for miscellaneous income:		
Loss on disposal of assets	(10,079)	
Miscellaneous income	4,205	
Total other income		385,271
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		7,842,598
Dividends to policyholders		0
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		7,842,598
Federal and foreign income taxes incurred		2,750,000
Net Income		$ 5,092,598

Wisconsin Mutual Insurance Company
Cash Flow
For the Year 2012

Premiums collected net of reinsurance			$62,478,182
Net investment income			2,804,539
Miscellaneous income			385,271
Total			65,667,992
Benefit- and loss-related payments		$39,606,958	
Commissions, expenses paid, and aggregate write-ins for deductions		18,202,185	
Federal and foreign income taxes paid (recovered)		1,179,453	
Total deductions			58,988,596
Net cash from operations			6,679,396
Proceeds from investments sold, matured, or repaid:			
Bonds	$23,225,271		
Stocks	116,989		
Mortgage loans	16,919		
Net gains (losses) on cash, cash equivalents, and short-term investments	(2,229)		
Miscellaneous proceeds	80,457		
Total investment proceeds		23,437,407	
Cost of investments acquired (long-term only):			
Bonds	32,738,243		
Stocks	265,362		
Mortgage loans	80,457		
Total investments acquired		33,084,062	
Net cash from investments			(9,646,656)
Net cash from financing and miscellaneous sources			256,529
Reconciliation:			
Net change in cash, cash equivalents, and short-term investments			(2,710,731)
Cash, cash equivalents, and short-term investments:			
Beginning of year			7,776,961
End of Year			$ 5,066,230

Wisconsin Mutual Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2012

Assets		$114,247,607
Less liabilities		59,842,710
Adjusted surplus		54,404,897
Annual premium:		
Lines other than accident and health	$62,702,528	
Factor	20%	
Compulsory surplus (subject to a minimum of $2 million)		12,540,506
Compulsory Surplus Excess (or Deficit)		$ 41,864,392
Adjusted surplus (from above)		$ 54,404,897
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%)		17,731,301
Security Surplus Excess (or Deficit)		$ 36,973,596

Wisconsin Mutual Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2012

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

	2012	2011	2010	2009	2008
Surplus, beginning of year	$48,885,029	$50,279,420	$50,249,956	$43,960,492	$43,067,771
Net income	5,092,598	(1,664,104)	(1,411,971)	5,439,787	823,497
Net transfers (to) from protected cell accounts	0	0	0	0	0
Change in net unrealized capital gains/losses	248,773	(157,905)	172,427	796,626	(1,263,067)
Change in net unrealized foreign exchange capital gains/losses	0	0	0	0	0
Change in net deferred income tax	49,262	170,951	562,832	(223,552)	534,282
Change in nonadmitted assets	129,235	256,667	15,691	273,603	(564,136)
Change in provision for reinsurance	0	0	0	3,000	(3,000)
Merger effect on surplus	0	0	690,485	0	1,515,551
Surplus, End of Year	$54,404,897	$48,885,029	$50,279,420	$50,249,956	$43,960,492

In 2009, Hamburg-Stark Mutual Insurance Company merged with WMIC. In 2011, Waukesha County Mutual Insurance Company merged with WMIC. Both transactions had an effect on surplus as noted above.

Wisconsin Mutual Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2012

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below.

	Ratio	2012	2011	2010	2009	2008
#1	Gross Premium to Surplus	122%	134%	130%	118%	130%
#2	Net Premium to Surplus	115	125	120	108	121
#3	Change in Net Premiums Written	3	2	10	1	0
#4	Surplus Aid to Surplus	0	0	0	0	0
#5	Two-Year Overall Operating Ratio	98	107*	95	92	93
#6	Investment Yield	1.8*	3.2	3.4	3.5	4.0
#7	Gross Change in Surplus	11	(3)	(1)	14	(1)
#8	Change in Adjusted Surplus	11	(3)	(1)	14	(1)
#9	Liabilities to Liquid Assets	52	57	61	52	55
#10	Agents' Balances to Surplus	1	2	12	6	3
#11	One-Year Reserve Development to Surplus	(5)	8	4	(2)	0
#12	Two-Year Reserve Development to Surplus	8	14	4	0	(2)
#13	Estimated Current Reserve Deficiency to Surplus	8	8	(5)	(2)	(5)

WMIC had one exceptional IRIS ratio—Ratio #6: Investment Yield. WMIC's investment yield was 1.8% where the usual range is between 3.0% and 6.5%. WMIC investment yield is below the normal range. WMIC's rate of return decreased in 2012 due to lower interest rates on reinvested dollars. At the end of 2011, WMIC sold approximately $10 million securities. In addition, WMIC had modest realized and unrealized investment gains during 2012, which contributed to WMIC's decrease in investment yield.

Growth of Wisconsin Mutual Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2012	$114,247,607	$59,842,710	$54,404,897	$ 5,092,598
2011	108,939,266	60,054,237	48,885,029	(1,664,104)
2010	107,456,884	57,867,949	49,588,935	(1,411,971)
2009	97,941,069	47,691,113	50,249,956	5,439,787
2008	87,699,060	45,103,713	42,595,347	823,497

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2012	$66,351,419	$62,702,528	$62,124,098	68.7%	22.7%	91.4%
2011	65,305,129	61,059,074	59,853,900	92.0	20.8	112.8
2010	64,433,607	59,396,787	56,093,031	87.6	22.6	110.2
2009	59,350,051	54,111,299	82,904,854	67.9	24.2	92.1
2008	55,479,701	51,572,572	51,074,394	81.1	21.6	102.7

During the period under examination, the company's admitted assets and liabilities increased by 31.5% and 36.6%, respectively. Total gross premium written increased by $10.8 million from year-end 2007. Both net premium written and premium earned increased by a similar amount. In 2012, WMIC had its lowest combined ratio in the past six years. WMIC's combined ratio has fluctuated greatly over the past six years from a high of 112.8% in 2011 to a low of 91.4% in 2012, with losses being impacted by weather events. In 2012 Wisconsin did not have the level of significant weather events afflicting many of the surrounding states and the nation in general. WMIC's expense ratio has been relatively steady. Since 2006, the company's expense ratio has been between 20.4% and 24.2%.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2012, is accepted.

VI. 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. Business Continuity Plan—It is recommended that the company implement disaster recovery testing at the selected alternate site.

   Action—Compliance

2. Reconciliations—It is recommended that the company develop and implement procedures to ensure monthly reconciliations are performed on a timely basis and it is further recommended that reconciliations be signed and dated by both the preparer and the reviewer.

   Action—Compliance

3. Accounts Payable—It is recommended that the company properly report accrued payroll taxes on Line 14, Page 3, of the annual statement as required by 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.

Disaster Recovery

The company houses all their key systems and data at the data center located within their corporate headquarters. Data is backed up to tape on a daily basis and stored offsite. Limited testing has been performed surrounding file and system restorations, but documentation of these tests is not maintained. It is recommended that the company expand their disaster recovery plan testing to include all of the critical pieces of their plan. Further, the company should ensure that the documentation for all tests is retained.

VII. CONCLUSION

Wisconsin Mutual Insurance Company reported assets of $114,247,607, liabilities of $59,842,710 and policyholders' surplus of $54,404,897, as of December 31, 2012.

During the period under examination, the company's admitted assets, liabilities, and surplus increased by 30.3%, 32.7%, and 27.7%, respectively. WMIC's surplus increased $5.5 million in 2012. During 2012, WMIC reported a net income of $7.8 million. In 2011, WMIC reported a net loss of $3.1 million. This change shows a $10.9 million improvement over prior year-end. In 2012, WMIC reported a net underwriting gain of $4.9 million and net investment income of $1.8 million. The company's 2012 investment yield declined to 1.8% from 3.2% at prior year-end. A contributing factor to this decline is lower interest rates WMIC received on reinvested securities. There was a large increase in reinvested securities due to a sell off of securities that occurred at the end of 2011. WMIC's balance sheet improvements are due, in part, to Wisconsin not having the level of significant weather events afflicting many of the surrounding states and the nation in general.

The examination resulted in one recommendation. No adjustments to surplus or reclassification of account balances were made. The company was in compliance with all of the recommendations made in the previous examination.

VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 21 - Disaster Recovery—It is recommended that the company expand their disaster recovery plan testing to include all of the critical pieces of their plan. Further, the company should ensure that the documentation for all tests is retained.

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:

Name	Title
Raymond Kangogo	Insurance Financial Examiner
Rauf Mirza	Insurance Financial Examiner
David Jensen	IT Specialist
Jerry DeArmond	Reserve Specialist

Respectfully submitted,

Mike Miller
Examiner-in-Charge