

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**

**STATUTORY FINANCIAL STATEMENTS**

December 31, 2015 and 2014



CPAs • ADVISORS • CONSULTANTS

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## **INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

To the Board of Directors  
Wisconsin Lawyers Mutual Insurance Company  
Madison, Wisconsin

We have audited the accompanying financial statements of Wisconsin Lawyers Mutual Insurance Company (the Company), which are comprised of the statutory balance sheets as of December 31, 2015 and 2014, and the related statutory statements of income, changes in surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

### **Management's Responsibilities for the Statutory Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 to the financial statements, the financial statements are prepared by the Company in accordance with accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the state of Wisconsin.

The effects on the statutory financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America have not been determined but are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin described in Note 1.

*Strohm Ballweg, LLP*

Madison, Wisconsin

March 14, 2016

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**

**STATUTORY BALANCE SHEETS**

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>ADMITTED ASSETS</b>		
Cash and invested assets:		
Bonds	\$ 24,323,240	\$ 22,592,697
Preferred stocks	867,965	1,141,353
Common stocks and mutual funds	4,111,942	4,004,469
Cash and short-term investments	<u>1,248,172</u>	<u>2,503,541</u>
Cash and invested assets	30,551,319	30,242,060
Uncollected premiums	718,884	661,968
Investment income due and accrued	169,765	153,086
Deductibles receivable	22,424	29,617
Reinsurance recoverable on paid losses	201,768	290
Data processing equipment (net of accumulated depreciation of \$81,993 in 2015 and \$77,793 in 2014)	3,310	4,674
Federal income taxes recoverable	-	49,000
Net deferred tax asset	52,000	38,000
State income taxes recoverable	<u>-</u>	<u>39,800</u>
Total admitted assets	<u>\$ 31,719,470</u>	<u>\$ 31,218,495</u>
<b>LIABILITIES AND SURPLUS</b>		
Liabilities:		
Unpaid losses (net of reinsurance of \$1,576,354 in 2015 and \$1,582,711 in 2014)	\$ 3,416,364	\$ 3,731,509
Unpaid loss adjustment expenses (net of reinsurance of \$507,291 in 2015 and \$488,677 in 2014)	3,069,129	3,164,222
Unearned premiums (net of reinsurance of \$642,742 in 2015 and \$605,862 in 2014)	1,754,525	1,671,498
Ceded reinsurance premiums payable	647,890	328,866
Premiums received in advance	200,613	248,585
Other liabilities	<u>615,844</u>	<u>430,909</u>
Total liabilities	9,704,365	9,575,589
Surplus:		
Unassigned surplus	<u>22,015,105</u>	<u>21,642,906</u>
Total liabilities and surplus	<u>\$ 31,719,470</u>	<u>\$ 31,218,495</u>

See Notes to Statutory Financial Statements.

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**

**STATUTORY STATEMENTS OF INCOME**

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>UNDERWRITING OPERATIONS</b>		
Net premium earned:		
Direct premium earned	\$ 5,196,459	\$ 5,007,018
Reinsurance ceded	<u>(1,500,181)</u>	<u>(1,382,808)</u>
	<u>3,696,278</u>	<u>3,624,210</u>
Net losses incurred:		
Direct losses incurred	<u>1,247,951</u>	1,599,591
Reinsurance recoveries	<u>(546,833)</u>	<u>(448,296)</u>
	<u>701,118</u>	<u>1,151,295</u>
Operating expenses incurred:		
Direct loss adjustment expenses (LAE)	<u>1,716,383</u>	1,768,607
Reinsurance recoveries on LAE	<u>(5,505)</u>	<u>(39,471)</u>
Direct underwriting expenses	<u>1,531,730</u>	1,315,822
Reinsurance commission income	<u>(102,798)</u>	<u>(95,880)</u>
	<u>3,139,810</u>	<u>2,949,078</u>
 Underwriting loss	 <u>(144,650)</u>	 <u>(476,163)</u>
<b>INVESTMENT AND OTHER INCOME</b>		
Investment income earned	<u>622,419</u>	569,234
Investment expenses	<u>(218,202)</u>	<u>(208,269)</u>
Net realized capital gains (net of federal income tax of \$185,766 in 2015 and \$201,563 in 2014)	<u>457,208</u>	345,664
Other income	<u>67,747</u>	<u>89,820</u>
 Investment and other income	 <u>929,172</u>	 <u>796,449</u>
 Net income before dividends to policyholders and federal income tax expense	 <u>784,522</u>	 320,286
Dividends to policyholders	<u>247,676</u>	<u>242,398</u>
 Net income before federal income tax benefit	 <u>536,846</u>	 77,888
Federal income tax benefit	<u>(17,866)</u>	<u>(149,563)</u>
 Net income	 <u>\$ 554,712</u>	 <u>\$ 227,451</u>

See Notes to Statutory Financial Statements.

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**  
**STATUTORY STATEMENTS OF CHANGES IN SURPLUS**

Years Ended December 31, 2015 and 2014

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	<u>2015</u>	<u>2014</u>
Surplus, beginning of year	<u>\$ 21,642,906</u>	<u>\$ 21,297,357</u>
Net income	<b>554,712</b>	227,451
Change in net unrealized capital gains (losses), net of tax	<b>(193,310)</b>	197,022
Change in nonadmitted assets	<b>96,381</b>	(121,121)
Change in net deferred income tax	<u><b>(85,584)</b></u>	<u>42,197</u>
Surplus, end of year	<u><b>\$ 22,015,105</b></u>	<u><b>\$ 21,642,906</b></u>

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See Notes to Statutory Financial Statements.

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**  
**STATUTORY STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2015 and 2014

	<b>2015</b>	<b>2014</b>
Cash from operations:		
Net premiums collected	<b>\$ 3,993,441</b>	\$ 2,978,126
Net investment income received	<b>639,647</b>	645,779
Other income received	<b>67,747</b>	89,820
Net losses paid	<b>(1,217,741)</b>	(1,229,523)
Operating expenses paid	<b>(3,188,627)</b>	(2,849,098)
Dividends paid to policyholders	<b>(247,676)</b>	(242,398)
Net cash from operations	<b>46,791</b>	(607,294)
Cash from investments:		
Proceeds from investments sold, matured, or repaid:		
Bonds	<b>5,944,331</b>	9,163,848
Stocks and mutual funds	<b>1,345,928</b>	975,619
Other	<b>24,954</b>	298,359
	<b>7,315,213</b>	10,437,826
Cost of investments acquired:		
Bonds	<b>(7,677,042)</b>	(7,875,501)
Stocks and mutual funds	<b>(1,108,625)</b>	(542,293)
Other	<b>(17,658)</b>	(75,664)
	<b>(8,803,325)</b>	(8,493,458)
Net cash from investments	<b>(1,488,112)</b>	1,944,368
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	<b>185,952</b>	(116,520)
Net cash from financing and miscellaneous sources	<b>185,952</b>	(116,520)
Net change in cash and short-term investments	<b>(1,255,369)</b>	1,220,554
Cash and short-term investments:		
Beginning of year	<b>2,503,541</b>	1,282,987
End of year	<b>\$ 1,248,172</b>	\$ 2,503,541

See Notes to Statutory Financial Statements.



**Note 1 ~ Nature of Business and Summary of Significant Accounting Policies**

**Nature of Business.** Wisconsin Lawyers Mutual Insurance Company (the Company) was organized in 1986 under Chapter 611 of the Wisconsin Insurance Laws as a mutual insurance company. The Company writes professional liability insurance for attorneys who are licensed by, and practice primarily in, the state of Wisconsin. The Company offers insurance on a “claims-made and reported” basis, with both “prior acts” and extended reporting period (“tail”) coverage available. Under a “claims-made and reported” policy, insurance is generally provided to cover claims presented and reported during the term of the policy.

A summary of the Company’s significant accounting policies follows:

**Basis of Presentation.** The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin (OCI). Prescribed statutory accounting practices include the National Association of Insurance Commissioners’ (NAIC) *Accounting Practices and Procedures Manual*, which was adopted by the state of Wisconsin, as well as state insurance laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed, when such practices are approved by the OCI. The Company had no such specifically permitted practices.

Statutory accounting practices vary in some respects from U.S. generally accepted accounting principles (GAAP). Such significant differences include the following:

- Investments in debt securities are generally carried at amortized cost and investments in equity securities are generally carried at fair value. Under GAAP, debt and equity securities would be classified as held-to-maturity, trading, or available-for-sale. For GAAP, securities classified as held-to-maturity would be carried at cost or amortized cost and securities classified as trading or available-for-sale would be carried at fair value with the unrealized holding gains and losses reported in income for those securities classified as trading and as a separate component of surplus for those securities classified as available-for-sale.
- Policy acquisition costs, such as salaries and other items, are charged to current operations as incurred; under GAAP, these acquisition costs would be deferred and recognized as an expense over the periods covered by the policies.
- Commissions on reinsurance ceded are credited to income at the time premium is ceded; under GAAP, commissions on ceded premium would be deferred and recognized as income over the periods covered by the policies.
- Deferred income taxes are provided for differences between the financial statement and the tax bases of assets and liabilities and are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets would not be realized. Additionally, under statutory accounting practices, limitations are placed on the admissibility of deferred tax assets. All changes in ordinary deferred tax assets and liabilities are reported as changes in surplus, and state income taxes are not included in deferred tax calculations; under GAAP, there is no admissibility concept, changes in deferred tax assets and liabilities would be reported through operations and/or surplus depending on their characteristics, and state income taxes would be included in the deferred tax calculation.

**Note 1 ~ Nature of Business and Summary of Significant Accounting Policies** (Continued)

- Certain assets designated as “nonadmitted assets” (primarily prepaid expenses, furniture and equipment, investments in unaudited subsidiaries, and certain deferred tax assets) are charged against surplus. Under GAAP, prepaid expenses would be recorded as assets and amortized as the expenses are incurred, furniture and equipment would be recognized as assets net of accumulated depreciation, and the investments in unaudited subsidiaries would be recorded as assets. Deferred taxes would be accounted for as previously noted.
- Assets related to reinsurance ceded transactions are netted with the respective liability accounts; under GAAP, reinsurance balances would be shown on a separate gross basis.
- Statutory financial statements are prepared in a form using language and groupings substantially the same as the annual statement of the Company filed with the NAIC and the OCI which differ from the presentation and disclosure of financial statements presented under GAAP.

The effects of these variances from GAAP on the accompanying statutory financial statements have not been determined.

**Accounting Estimates.** The preparation of statutory financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near-term relate to:

- The liabilities for unpaid losses and unpaid loss adjustment expenses. In estimating these liabilities, management uses the methodology discussed in the unpaid losses and unpaid loss adjustment expenses paragraph of this note.
- The Company also has reinsurance contracts in which the ceded premiums are determined based on the loss experience of the contracts. Since the liabilities for unpaid losses and unpaid loss adjustment expenses are estimates, any significant change in these amounts will impact the amounts reported as ceded premiums.
- The assumptions regarding the other-than-temporary impairment analysis of the investment portfolio.
- The amount of deferred tax assets expected to be realized.

**Risk and Uncertainties.** The Company’s operating results and financial condition are affected by numerous factors and circumstances unique to the property/casualty insurance industry, some of which it can neither predict nor control. Among them are (1) statutorily imposed regulatory capital requirements can limit an insurer’s ability to underwrite new business or retain otherwise desirable risks; (2) an insurer’s ability to enter into suitable reinsurance agreements is subject to prevailing conditions in reinsurance markets; (3) competitive pressure on pricing, while generally cyclical, is often intense; (4) fluctuations in interest rates affect the value and income yield of an insurer’s investment portfolio in the short-term and often affect default and prepayment rates over time; (5) inflationary pressures affect the magnitude of losses and loss adjustment expenses; and (6) emerging legal precedents and trends may have a significant specific impact on settlement amounts and cost of defending claims.

**Note 1 ~ Nature of Business and Summary of Significant Accounting Policies** (Continued)

**Cash and Short-Term Investments.** For purposes of reporting cash flows, the Company follows statutory accounting practices and considers cash in checking accounts, highly liquid debt instruments purchased with a remaining maturity of one year or less, and certain money market funds to be cash and short-term investments. Cash and short-term investments are carried at cost which approximates fair value. The Company periodically has deposits in a financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). On December 31, 2015, the Company holds approximately \$358,000 in one financial institution. The Company does not believe it is exposed to any significant credit risk on the amounts not insured.

**Investments.** Investments are valued in accordance with the valuation methods prescribed by the NAIC. Investments in bonds are carried at amortized cost using the scientific interest method; however, bonds with an NAIC designation of three or lower are carried at the lower of amortized cost or fair value. The retrospective method is used to determine amortized value for all loan-backed securities. Prepayment assumptions for single and multi-class mortgage-backed/asset-backed securities were derived from Bloomberg Market Data and the Company's investment manager's internal estimates.

Perpetual preferred stocks are generally carried at fair value; however, perpetual preferred stocks with an NAIC designation of P3 or lower are carried at the lower of cost or fair value. Redeemable preferred stocks are generally carried at amortized cost; however, redeemable preferred stocks with an NAIC designation of RP3 or lower are carried at the lower of amortized cost or fair value. Investments in common stocks and mutual funds are carried at fair value.

Realized gains and losses on the sale of investments are recognized on the specific identification basis and are included in income. Unrealized gains and losses from changes in the fair value of common stocks and mutual funds and certain preferred stocks and bonds are credited or charged directly to surplus.

**Fair Value Measurements.** Financial instruments are categorized in a fair value hierarchy based on the reliability of inputs into the valuation techniques as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities: The estimated fair value within this category are based on quoted prices in active markets.
- Level 2 – Significant other observable inputs: The fair values are obtained from independent pricing services or from the Company's investment manager and are determined using quoted market prices from an orderly market at the reporting date for those or similar investments.
- Level 3 – If quoted market prices from an orderly market are not available, the fair values are determined by the Company's investment manager using an income approach valuation technique (present value using the discount rate adjustment technique).

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Note 1 ~ Nature of Business and Summary of Significant Accounting Policies** (Continued)

**Equipment.** Electronic data processing (EDP) equipment and operating software are recorded as admitted assets at cost less accumulated depreciation. Furniture and equipment and nonoperating software are considered nonadmitted assets for statutory financial statement reporting purposes. The net change in book value of nonadmitted assets (cost less depreciation) is charged or credited directly to surplus. Depreciation is calculated and charged to expense by applying the straight-line method over the useful lives of the respective assets. Depreciation expense was \$188,338 in 2015 and \$104,115 in 2014.

**Unpaid Losses and Unpaid Loss Adjustment Expenses.** The liabilities for unpaid losses and unpaid loss adjustment expenses are determined using case basis evaluations and statistical analyses and represent estimates of the ultimate cost of the losses and their related expenses.

All estimates of unpaid losses and unpaid loss adjustment expenses are continually reviewed and any adjustments determined to be necessary are reflected in current operations. Because of the nature of the risks insured, the estimates of unpaid losses and loss adjustment expenses are susceptible to significant changes based on ultimate outcomes. Although it is not possible to measure the degree of variability inherent in such estimates, management believes that the liabilities for unpaid losses and unpaid loss adjustment expenses are adequate. The liabilities for unpaid losses and unpaid loss adjustment expenses are reported net of reinsurance.

**Recognition of Premium.** Premiums from policies written are recognized on a pro rata basis over the respective terms of the policies. Premiums from unlimited tail endorsements written are recognized on the effective date of the policy. Unearned premium represents the portion of premiums written which relates to future periods. A liability for premiums received in advance is established for premiums received for policies effective in the next fiscal year.

**Reinsurance.** Reinsurance premiums, commissions, loss and loss adjustment expense recoveries, and receivables related to reinsured business are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

**Income Taxes.** The Company files both federal and state income tax returns. The Company records deferred income taxes on temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities based upon enacted federal tax rates.

**Subsequent Events.** Subsequent events were evaluated through March 14, 2016, which is the date the financial statements were available to be issued.

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**

**NOTES TO STATUTORY FINANCIAL STATEMENTS**

December 31, 2015 and 2014

**Note 2 ~ Investments**

**Bonds.** The amortized cost and fair value of bonds at December 31, 2015 and 2014, were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b><u>2015</u></b>				
Bonds:				
U.S. government	\$ 174,264	\$ -	\$ (303)	\$ 173,961
Obligations of states and political subdivisions	2,929,677	99,507	(189)	3,028,995
Corporate securities	12,109,324	754,411	(379,248)	12,484,487
Loan-backed securities	9,272,935	144,160	(61,678)	9,355,417
	<b>\$ 24,486,200</b>	<b>\$ 998,078</b>	<b>\$ (441,418)</b>	<b>\$ 25,042,860</b>
 <b><u>2014</u></b>				
Bonds:				
Obligations of states and political subdivisions	\$ 3,165,249	\$ 108,087	\$ (2,259)	\$ 3,271,077
Corporate securities	9,627,943	801,085	(85,518)	10,343,510
Loan-backed securities	9,840,226	206,822	(46,408)	10,000,640
	<b>\$ 22,633,418</b>	<b>\$ 1,115,994</b>	<b>\$ (134,185)</b>	<b>\$ 23,615,227</b>

The statement value is lower than amortized cost by \$162,960 and \$40,721 at December 31, 2015 and 2014, respectively, due to unrealized losses on bonds rated three or lower under the valuation methods prescribed by the NAIC.

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**

**NOTES TO STATUTORY FINANCIAL STATEMENTS**

December 31, 2015 and 2014

**Note 2 ~ Investments** (Continued)

The amortized cost and estimated fair value of bonds at December 31, 2015, by contractual maturity, are as shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due within one year	\$ 631,189	\$ 649,398
Due after one year through five years	7,617,954	7,847,285
Due after five years through ten years	5,376,300	5,433,019
Due after ten years	1,587,822	1,757,741
	15,213,265	15,687,443
Loan-backed securities	9,272,935	9,355,417
	\$ 24,486,200	\$ 25,042,860

The Company held structured notes at December 31, 2015 and 2014, as follows. None of the structured notes are mortgage referenced securities.

CUSIP ID	Actual Cost	Fair Value	Book Adjusted Carrying Value
<b><u>2015</u></b>			
00170F209	\$ 237,684	\$ 285,115	\$ 241,538
15189T206	89,247	118,690	89,247
421924BL4	44,200	43,100	42,741
458140AD2	65,325	70,366	65,219
458140AF7	147,578	207,891	145,444
50540RAG7	186,695	265,000	137,673
530610AB0	96,373	86,188	86,188
896522AF6	141,616	131,656	131,473
928298AJ7	111,713	99,369	99,369
	\$ 1,120,431	\$ 1,307,375	\$ 1,038,892
 <b><u>2014</u></b>			
458140AF7	\$ 190,614	\$ 286,894	\$ 188,584

**Investments in Preferred Stocks.** The cumulative net unrealized capital loss on preferred stocks was (\$77,402) and (\$4,753) at December 31, 2015 and 2014, respectively.

**Investments in Common Stocks and Mutual Funds.** The cumulative net unrealized capital gain on common stocks and mutual funds was \$1,453,331 and \$1,554,954 at December 31, 2015 and 2014, respectively.

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**

**NOTES TO STATUTORY FINANCIAL STATEMENTS**

December 31, 2015 and 2014

**Note 2 ~ Investments** (Continued)

**Investment in Subsidiary.** The Company is a single member owner of Wisconsin Lawyers Insurance Agency, LLC (the Agency). The Company previously provided \$3,000 to fund the start-up of the Agency. The Agency markets court bonds and cyber liability insurance. At December 31, 2015, this investment was valued at \$10,750 which represented the Agency's equity. This amount was nonadmitted because it was not audited.

**Securities in an Unrealized Loss Position.** The following tables show unrealized losses on the Company's portfolio sorted by security type and by length of time that the securities were in an unrealized loss position as of December 31, 2015 and 2014:

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>2015</b>						
Bonds (excluding loan-backed securities)	\$ 5,760,458	\$ (297,869)	\$ 588,821	\$ (81,871)	\$ 6,349,279	\$ (379,740)
Loan-backed securities	4,146,330	(26,728)	1,529,721	(34,950)	5,676,051	(61,678)
Preferred stocks	337,400	(26,131)	242,601	(52,224)	580,001	(78,355)
Common stock and mutual funds	275,390	(8,736)	8,953	(1,442)	284,343	(10,178)
	<u>\$ 10,519,578</u>	<u>\$ (359,464)</u>	<u>\$ 2,370,096</u>	<u>\$ (170,487)</u>	<u>\$ 12,889,674</u>	<u>\$ (529,951)</u>

**2014**

Bonds (excluding loan-backed securities)	\$ 2,636,060	\$ (75,085)	\$ 1,008,735	\$ (12,692)	\$ 3,644,795	\$ (87,777)
Loan-backed securities	2,682,017	(6,096)	2,366,092	(40,312)	5,048,109	(46,408)
Preferred stocks	-	-	285,078	(9,748)	285,078	(9,748)
Common stock and mutual funds	22,122	(1,200)	11,734	(971)	33,856	(2,171)
	<u>\$ 5,340,199</u>	<u>\$ (82,381)</u>	<u>\$ 3,671,639</u>	<u>\$ (63,723)</u>	<u>\$ 9,011,838</u>	<u>\$ (146,104)</u>

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**

**NOTES TO STATUTORY FINANCIAL STATEMENTS**

December 31, 2015 and 2014

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**Note 2 ~ Investments** (Continued)

**Gains and Losses on Investments.** The components of net realized investment gains (losses) were as follows:

	<u>2015</u>	<u>2014</u>
Gains on disposals	\$ 694,899	\$ 640,064
Losses on disposals	<u>(51,925)</u>	<u>(92,837)</u>
	642,974	547,227
Less: Tax expense	<u>(185,766)</u>	<u>(201,563)</u>
Net realized capital gains	<u>\$ 457,208</u>	<u>\$ 345,664</u>

Declines in fair value that are determined to be other than temporary impairments are included in the Statutory Statements of Income as realized capital losses. The Company determines a decline to be other than temporary by reviewing and evaluating relevant objective and subjective factors for each security, including the extent of the depressed value, the length of time the value has been depressed, the Company's intent and ability to hold the security, a security's current performance, the current and projected financial condition of the issuer, the issuer's projected ability to service and repay its debt obligations, the industry in which the issuer operates, the estimated future cash flows on loan-backed securities, and the status of the market as a whole. Estimating the future cash flows of loan-backed securities also involves assumptions regarding the underlying collateral such as prepayment rates, default and recovery rates, existence of subordinated classes capable of absorbing losses, and third-party servicing abilities. There were no declines deemed other than temporary for the years ended December 31, 2015 and 2014.

**Summary of Significant Valuation Techniques for Financial Instruments.** The following valuation techniques and inputs were used to estimate the fair value of each class of significant financial instruments:

**Level 1 Measurements**

Bonds: Comprised of actively traded U.S. Treasury notes.

Short-term investments: Comprised of money market mutual funds.

Common stocks: Comprised of actively traded exchange listed mutual funds and common stocks.

Valuation for all Level 1 measurements is based on unadjusted quoted prices for identical assets in active markets that are accessible to the Company at the measurement date.

**Level 2 Measurements**

Short-term investments: Comprised of corporate bonds.



**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY****NOTES TO STATUTORY FINANCIAL STATEMENTS**

December 31, 2015 and 2014

**Note 2 ~ Investments** (Continued)

Bonds: Comprised of municipal and corporate securities.

Preferred stocks: Comprised of all perpetual preferred stocks and redeemable preferred stocks.

Valuation for all Level 2 measurements is obtained from independent pricing services or from the Company's investment manager, and are determined using quoted market prices from an orderly market at the reporting date for those or similar investments.

**Level 3 Measurements**

Common stocks: Comprised of common stock that is not actively traded. Valuation is based on cost.

**Financial Instruments Reported at Fair Value in the Statutory Balance Sheet**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>December 31, 2015</u></b>				
Bonds	\$ -	\$ 1,368,275	\$ -	\$ 1,368,275
Preferred stocks	-	656,351	-	656,351
Common stocks	97,197	-	-	97,197
Mutual funds	<u>4,014,745</u>	<u>-</u>	<u>-</u>	<u>4,014,745</u>
	<u>\$ 4,111,942</u>	<u>\$ 2,024,626</u>	<u>\$ -</u>	<u>\$ 6,136,568</u>
<b><u>December 31, 2014</u></b>				
Bonds	\$ -	\$ 468,509	\$ -	\$ 468,509
Preferred stocks	-	365,801	-	365,801
Common stocks	-	-	100	100
Mutual funds	<u>4,004,369</u>	<u>-</u>	<u>-</u>	<u>4,004,369</u>
	<u>\$ 4,004,369</u>	<u>\$ 834,310</u>	<u>\$ 100</u>	<u>\$ 4,838,779</u>

The Company does not have any liabilities measured at fair value at December 31, 2015 or 2014.

At the beginning of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred between levels. There were no material changes in the valuation of Level 3 items during 2015 or 2014.

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**

**NOTES TO STATUTORY FINANCIAL STATEMENTS**

December 31, 2015 and 2014

**Note 2 ~ Investments** (Continued)

**All Financial Instruments**

<u>Type of Financial Instrument</u>	<u>Aggregate Fair Value</u>	<u>Admitted Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b><u>December 31, 2015</u></b>					
Short-term investments	\$ 872,495	\$ 872,495	\$ 872,495	\$ -	\$ -
Bonds	25,042,860	24,323,240	173,960	24,868,900	-
Preferred stocks	947,901	867,965	-	947,901	-
Common stocks and mutual funds	<u>4,111,942</u>	<u>4,111,942</u>	<u>4,111,942</u>	<u>-</u>	<u>-</u>
	<u>\$ 30,975,198</u>	<u>\$ 30,175,642</u>	<u>\$ 5,158,397</u>	<u>\$ 25,816,801</u>	<u>\$ -</u>
<b><u>December 31, 2014</u></b>					
Short-term investments	\$ 1,798,668	\$ 1,782,392	\$ 1,545,524	\$ 253,144	\$ -
Bonds	23,615,227	22,592,697	-	23,615,227	-
Preferred stocks	1,450,208	1,141,353	-	1,450,208	-
Common stocks and mutual funds	<u>4,004,469</u>	<u>4,004,469</u>	<u>4,004,369</u>	<u>-</u>	<u>100</u>
	<u>\$ 30,868,572</u>	<u>\$ 29,520,911</u>	<u>\$ 5,549,893</u>	<u>\$ 25,318,579</u>	<u>\$ 100</u>

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY****NOTES TO STATUTORY FINANCIAL STATEMENTS**

December 31, 2015 and 2014

**Note 3 ~ Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses**

Activity in the liabilities for unpaid losses and unpaid loss adjustment expenses for the years ended December 31, 2015 and 2014, is summarized as follows (000's omitted):

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 8,967	\$ 8,898
Less reinsurance recoveries	<u>2,071</u>	<u>2,036</u>
Net balance at January 1	<u>6,896</u>	<u>6,862</u>
Incurred related to:		
Current year	3,461	3,654
Prior years	<u>(1,049)</u>	<u>(774)</u>
Total incurred	<u>2,412</u>	<u>2,880</u>
Paid related to:		
Current year	701	566
Prior years	<u>2,122</u>	<u>2,280</u>
Total paid	<u>2,823</u>	<u>2,846</u>
Net balance at December 31	6,485	6,896
Plus reinsurance recoveries	<u>2,083</u>	<u>2,071</u>
Balance, end of year	<u>\$ 8,568</u>	<u>\$ 8,967</u>

As a result of changes in estimates of insured events in prior years, net loss and loss adjustment expenses incurred were decreased in 2015 and 2014 due to lower than anticipated losses and related expenses by approximately \$1,049,000 and \$774,000, respectively.

**Note 4 ~ Deferred Compensation Agreement**

The Chief Executive Officer has entered into a deferred compensation agreement with the Company, which began January 1, 2006, and provides for benefits payable upon her separation from service from the Company. Amounts due under this agreement at December 31, 2015 and 2014, were \$310,136 and \$292,166, respectively.

**Note 5 ~ Reinsurance**

The Company reinsures a portion of its business through excess of loss reinsurance agreements to minimize its exposure to losses and loss adjustment expenses. The Company retained \$150,000 each insured, each claim until April 1, 2014, when that amount was increased to \$200,000. The Company also retains 20 percent in excess of this retention up to \$1,000,000.

**Note 5 ~ Reinsurance** (Continued)

The Company has received surplus aid from reinsurance of \$44,383 as of December 31, 2015, computed as the maximum amount of return commission which would be due to the reinsurer if all reinsurance contracts were cancelled at year end.

In the event the reinsuring company is unable to meet its obligations under the existing reinsurance agreement, the Company's surplus level could be impacted negatively. At December 31, 2015, there were no unsecured aggregate recoverables for losses, loss adjustment expense, and unearned premiums from reinsurers which exceeds three percent of surplus.

**Note 6 ~ Lease Commitments**

The Company leases office space, software, office equipment, and an automobile under various operating leases. The original terms of the leases vary from three to five years.

Future minimum lease payments under these leases are as follows:

<u>Years Ending December 31,</u>	
2016	\$ 208,774
2017	206,329
2018	<u>50,572</u>
	<u>\$ 465,675</u>

Total rental expense was \$129,067 and \$105,879 for the years ended December 31, 2015 and 2014, respectively.

**Note 7 ~ Surplus and Dividends**

The Company is required to maintain minimum surplus established by the OCI. The Company is also subject to Risk-Based Capital (RBC) requirements promulgated by the NAIC and adopted by the OCI. The RBC standards establish minimum surplus requirements for insurance companies. The RBC formula applies various weighting factors to financial balances or various levels of activities based on the perceived degree of risk. At December 31, 2015, the Company's surplus significantly exceeded the minimum levels required by the OCI and RBC standards.

During 2015, the Company paid a dividend of 5 percent of policy premium for policyholders of record at March 10, 2015. The amount of the dividend paid was \$247,676. During 2014, the Company paid a dividend of 5 percent of policy premium for policyholders of record at March 10, 2014. The amount of the dividend paid was \$242,398.

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY****NOTES TO STATUTORY FINANCIAL STATEMENTS**

December 31, 2015 and 2014

**Note 7 ~ Surplus and Dividends** (Continued)

Subsequent to December 31, 2015, the Board of Directors declared a dividend of 6 percent of policy premium, excluding premium on tail endorsements, for policyholders of record at March 10, 2016. The amount of the dividend will be \$301,103.

The Company's unassigned surplus was increased (reduced) by the following cumulative amounts at December 31:

	<u>2015</u>	<u>2014</u>
Net unrealized gains	\$ 1,220,719	\$ 1,513,612
Nonadmitted assets	(342,002)	(438,383)

**Note 8 ~ Income Taxes**

The Company is taxed as an insurance company under Section 831 of the Internal Revenue Code. Federal income tax expense differs from the amount obtained by applying the federal income tax rate of 34 percent to pretax income for the years ended December 31, 2015 and 2014, due to the following:

	<u>2015</u>	<u>2014</u>
Computed expected federal income tax	\$ 245,824	\$ 103,581
Increase (decrease) in taxes resulting from:		
Unearned premiums	2,384	1,333
Unpaid losses and LAE	(7,720)	(30,182)
Tax-exempt interest, net	(13,658)	(21,381)
Dividends received deduction, net	(15,736)	(16,074)
Deferred compensation	6,110	3,835
Other-than-temporary impairments	(31,476)	-
Depreciation	(161)	9,672
Alternative minimum tax (AMT) credit	(23,331)	-
Other, net	5,664	1,216
	<u>5,664</u>	<u>1,216</u>
Federal income tax expense	<u>\$ 167,900</u>	<u>\$ 52,000</u>

For the years ended December 31, 2015 and 2014, net realized capital gains on the statutory statements of income are shown net of federal income tax expense of \$185,766 and \$201,563, respectively.

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**

**NOTES TO STATUTORY FINANCIAL STATEMENTS**

December 31, 2015 and 2014

**Note 8 ~ Income Taxes** (Continued)

The components of the net deferred tax asset/(liability) at December 31, 2015 and 2014, were as follows:

	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
<b><u>2015</u></b>			
Gross deferred tax assets	\$ 449,033	\$ 20,967	\$ 470,000
Statutory valuation allowance	-	-	-
	<u>449,033</u>	<u>20,967</u>	<u>470,000</u>
Deferred tax asset nonadmitted	-	-	-
	<u>449,033</u>	<u>20,967</u>	<u>470,000</u>
Deferred tax liability	<u>(5,591)</u>	<u>(412,409)</u>	<u>(418,000)</u>
	<u>\$ 443,442</u>	<u>\$ (391,442)</u>	<u>\$ 52,000</u>
<b><u>2014</u></b>			
Gross deferred tax assets	\$ 504,457	\$ 52,443	\$ 556,900
Statutory valuation allowance	-	-	-
	<u>504,457</u>	<u>52,443</u>	<u>556,900</u>
Deferred tax asset nonadmitted	-	-	-
	<u>504,457</u>	<u>52,443</u>	<u>556,900</u>
Deferred tax liability	<u>(5,616)</u>	<u>(513,284)</u>	<u>(518,900)</u>
	<u>\$ 498,841</u>	<u>\$ (460,841)</u>	<u>\$ 38,000</u>

The admitted deferred tax asset was determined using the guidance related to admissibility provided in the following paragraphs of NAIC *Statement of Statutory Accounting Principles No. 101 (SSAP 101)*:

	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
<b><u>2015</u></b>			
11a. Ability to recover taxes paid in prior years	\$ 220,267	\$ -	\$ 220,267
11b. Expected to be realized, after application of threshold limitations	101,022	16,774	117,796
11c. Offset of deferred tax liabilities	<u>127,744</u>	<u>4,193</u>	<u>131,937</u>
	<u>\$ 449,033</u>	<u>\$ 20,967</u>	<u>\$ 470,000</u>
<b><u>2014</u></b>			
11a. Ability to recover taxes paid in prior years	\$ 73,371	\$ -	\$ 73,371
11b. Expected to be realized, after application of threshold limitations	306,881	41,954	348,835
11c. Offset of deferred tax liabilities	<u>124,205</u>	<u>10,489</u>	<u>134,694</u>
	<u>\$ 504,457</u>	<u>\$ 52,443</u>	<u>\$ 556,900</u>

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**

**NOTES TO STATUTORY FINANCIAL STATEMENTS**

December 31, 2015 and 2014

**Note 8 ~ Income Taxes** (Continued)

	2015	2014
Ratio Used to Determine Recovery Period and Threshold		
Limitation amount under paragraph 11b	1,918%	1,955%
Amount of Adjusted Capital And Surplus Used To Determine		
Recovery Period And Threshold Limitation under paragraph 11b	\$ 21,963,105	\$ 21,604,906

The major components of current income taxes incurred and net deferred tax assets as of December 31, 2015 and 2014, were as follows:

	2015	2014	Change
Current income tax:			
Federal	\$ (17,866)	\$ (149,563)	\$ 131,697
Federal income tax on net capital gains	<u>185,766</u>	<u>201,563</u>	<u>(15,797)</u>
Federal income taxes incurred	<u>167,900</u>	<u>52,000</u>	<u>115,900</u>
Deferred tax assets:			
Unpaid loss and LAE	75,116	83,319	(8,203)
Unearned and advance premiums	132,950	130,566	2,384
Compensation and benefits accrual	118,857	110,375	8,482
Nonadmitted assets	116,281	149,050	(32,769)
AMT loss carryforward	-	24,388	(24,388)
Investments	20,967	52,443	(31,476)
Other	<u>5,829</u>	<u>6,759</u>	<u>(930)</u>
Total deferred tax assets	<u>470,000</u>	<u>556,900</u>	<u>(86,900)</u>
Non-admitted deferred tax assets	-	-	-
Total admitted deferred tax assets	<u>470,000</u>	<u>556,900</u>	<u>(86,900)</u>
Deferred tax liabilities:			
Investments	(412,409)	(513,284)	100,875
Other	<u>(5,591)</u>	<u>(5,616)</u>	<u>25</u>
Total deferred tax liabilities	<u>(418,000)</u>	<u>(518,900)</u>	<u>100,900</u>
Net deferred tax assets	<u>\$ 52,000</u>	<u>\$ 38,000</u>	<u>\$ 14,000</u>

Federal income taxes which would be available for recoupment in the event of future tax losses are approximately \$167,000 and \$53,000 for 2015 and 2014, respectively.

**Note 8 ~ Income Taxes** (Continued)

The Company pays Wisconsin income tax equal to the lesser of 7.9 percent of Wisconsin taxable income or two percent of direct premiums written. Included in underwriting expenses are state income taxes of \$57,100 in 2015 and \$25,200 in 2014.

The Company has no tax-planning strategies that have a material impact on adjusted gross and net admitted deferred tax assets. As of December 31, 2015, the Company had not identified any material loss contingencies arising from uncertain tax positions.

**Note 9 ~ Pension Plan**

The Company has a simplified employee pension plan and a salary reduction plan to provide retirement benefits for all its employees that meet eligibility requirements. The Company has contributed 7.5 percent of each eligible employee's compensation and contributed an additional 5.7 percent in excess of the social security wage base to an individual retirement account. Amounts expensed for retirement benefits were \$113,514 in 2015 and \$111,058 in 2014.



**INDEPENDENT AUDITOR'S REPORT  
ON THE SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Wisconsin Lawyers Mutual Insurance Company  
Madison, Wisconsin

Our audits were made for the purpose of forming an opinion on the statutory financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the statutory financial statements. The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. This information is presented in a format consistent with the Annual Statement filed by the Company with the OCI. Such information has been subjected to the auditing procedures applied in the audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.

*Strohm Ballweg, LLP*

Madison, Wisconsin  
March 14, 2016

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**  
**INVESTMENT RISKS INTERROGATORIES**

December 31, 2015

1. Reporting entity's total admitted assets as reported on page two of the annual statement.

\$ 31,719,470

2. Ten largest exposures to a single issuer/borrower/investment.

Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01 Intel Corp.	Bonds	\$ 340,262	1.073%
2.02 Bunge LTD	Preferred Stock	\$ 310,754	0.980%
2.03 Siemens Financiering SMAT	Bonds	\$ 281,307	0.887%
2.04 Wells Fargo & Co.	Bonds	\$ 256,646	0.809%
2.05 TEVA Pharmaceutical	Bonds	\$ 255,982	0.807%
2.06 Affiliated Managers GRP	Bonds	\$ 241,538	0.761%
2.07 Welltower Inc	Preferred Stock	\$ 225,183	0.710%
2.08 Priceline.com Inc	Bonds	\$ 222,379	0.701%
2.09 District of Columbia Income Tax Secured Revenue	Bonds	\$ 218,691	0.689%
2.10 NY Community Cap Trust	Bonds	\$ 216,463	0.682%

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

Bonds			Preferred Stocks		
3.01 NAIC - 1	\$ 18,589,785	58.607%	3.07 P/RP - 1	\$ _____	%
3.02 NAIC - 2	\$ 4,803,072	15.142%	3.08 P/RP - 2	\$ 165,597	0.522%
3.03 NAIC - 3	\$ 1,343,459	4.235%	3.09 P/RP - 3	\$ 558,568	1.761%
3.04 NAIC - 4	\$ 387,539	1.222%	3.10 P/RP - 4	\$ 143,800	0.453%
3.05 NAIC - 5	\$ 71,884	0.227%	3.11 P/RP - 5	\$ _____	%
3.06 NAIC - 6	\$ _____	%	3.12 P/RP - 6	\$ _____	%

4. Assets held in foreign investments:

- 4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?

Yes  No

4.02 Total admitted assets held in foreign investments	\$ 1,306,633	4.119%
4.03 Foreign-currency-denominated investments	\$ _____	%
4.04 Insurance liabilities denominated in that same foreign currency	\$ _____	%

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**

**INVESTMENT RISKS INTERROGATORIES**

December 31, 2015

(If response to 4.01 above is yes, responses are not required for Interrogatories 5-10.)

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

5.01	Countries rated NAIC – 1	\$ 1,306,633	4.119%
5.02	Countries rated NAIC – 2	\$ _____	%
5.03	Countries rated NAIC – 3 or below	\$ _____	%

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign rating:

Countries rated NAIC – 1

6.01	Country: United Kingdom	\$ 347,772	1.096%
6.02	Country: Bermuda	\$ 321,216	1.013%

Countries rated NAIC – 2

6.03		\$ _____	%
6.04		\$ _____	%

Countries rated NAIC – 3 or below

6.05		\$ _____	%
6.06		\$ _____	%

7. Aggregate unhedged foreign currency exposure

\$ \_\_\_\_\_ %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign rating:

8.01	Countries rated NAIC – 1	\$ _____	%
8.02	Countries rated NAIC – 2	\$ _____	%
8.03	Countries rated NAIC – 3 or below	\$ _____	%

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign rating:

Countries rated NAIC – 1

9.01		\$ _____	%
9.02		\$ _____	%

Countries rated NAIC – 2

9.03		\$ _____	%
9.04		\$ _____	%

Countries rated NAIC – 3 or below

9.05		\$ _____	%
9.06		\$ _____	%

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**  
**INVESTMENT RISKS INTERROGATORIES**

December 31, 2015

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	Issuer	NAIC Rating	Amount	Percent
10.01	Bunge LTD Finance Corp	P3UFE	\$ 310,754	0.980%
10.02	Siemens FinancieringSMAT	1FE	\$ 281,307	0.887%
10.03	BHP Finance USA	1FE	\$ 176,495	0.556%
10.04	Rio Tinto	1FE	\$ 174,624	0.551%
10.05	Diageo Capital PLC	1FE	\$ 173,148	0.546%
10.06	Allergan Inc	2FE	\$ 75,510	0.238%
10.07	Schlumberger Tech Corp	1FE	\$ 59,832	0.189%
10.08	Transocean Inc	3FE	\$ 44,500	0.140%
10.09	Jazz Investments 1 LTD	4FE	\$ 10,463	0.033%
10.10			\$	%

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes  No   
 (If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.)

11.02 Total admitted assets held in Canadian investments	\$ _____	_____ %
11.03 Canadian-currency-denominated investments	\$ _____	_____ %
11.04 Canadian-denominated insurance liabilities	\$ _____	_____ %
11.05 Unhedged Canadian currency exposure	\$ _____	_____ %

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restriction:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes  No   
 (If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.)

12.02 Aggregate statement value of investments with contractual sales restrictions	\$ _____	_____ %
Largest 3 investments with contractual sales restrictions:		
12.03 _____	\$ _____	_____ %
12.04 _____	\$ _____	_____ %
12.05 _____	\$ _____	_____ %

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**  
**INVESTMENT RISKS INTERROGATORIES**

December 31, 2015

13. Amounts and percentages of admitted assets held in the largest 10 equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? Yes  No   
 (If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.)

Name of Issuer:

13.02	iShares ETFs/USA	\$	2,313,804	7.295%
13.03	SPDR S&P ETF Trust	\$	934,744	2.947%
13.04	Vanguard MSCI EAFE ETF	\$	456,062	1.438%
13.05	Bunge LTD Finance Corp	\$	310,754	0.980%
13.06	Capital World Growth and Income Fund	\$	310,135	0.978%
13.07	Welltower Inc	\$	225,183	0.710%
13.08	Ashland Inc	\$	143,800	0.453%
13.09	Stanley Works	\$	97,196	0.306%
13.10	Centerpoint Energy	\$	89,247	0.281%
13.11	JP Morgan Chase	\$	76,350	0.241%

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes  No   
 (If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.)

14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities \$ \_\_\_\_\_ %

Largest 3 investments held in nonaffiliated, privately placed equities:

14.03	_____	\$	_____	%
14.04	_____	\$	_____	%
14.05	_____	\$	_____	%

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes  No   
 (If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.)

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**  
**INVESTMENT RISKS INTERROGATORIES**

December 31, 2015

15.02 Aggregate statement value of investments held in  
 general partnership interests \$ \_\_\_\_\_ %

Largest 3 investments held in general partnership interests:

15.03 \_\_\_\_\_ \$ \_\_\_\_\_ %

15.04 \_\_\_\_\_ \$ \_\_\_\_\_ %

15.05 \_\_\_\_\_ \$ \_\_\_\_\_ %

16. Amounts and percentages of the reporting entity's total admitted assets held in the largest 10 mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting  
 entity's total admitted assets? Yes  No   
 (If response to 16.01 above is yes, responses are not required for the remainder of  
 Interrogatories 16 and 17.)

Total admitted assets held in mortgage loans:

16.02 \_\_\_\_\_ \$ \_\_\_\_\_ %

16.03 \_\_\_\_\_ \$ \_\_\_\_\_ %

16.04 \_\_\_\_\_ \$ \_\_\_\_\_ %

16.05 \_\_\_\_\_ \$ \_\_\_\_\_ %

16.06 \_\_\_\_\_ \$ \_\_\_\_\_ %

16.07 \_\_\_\_\_ \$ \_\_\_\_\_ %

16.08 \_\_\_\_\_ \$ \_\_\_\_\_ %

16.09 \_\_\_\_\_ \$ \_\_\_\_\_ %

16.10 \_\_\_\_\_ \$ \_\_\_\_\_ %

16.11 \_\_\_\_\_ \$ \_\_\_\_\_ %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of  
 mortgage loans:

16.12 Construction loans \$ \_\_\_\_\_ %

16.13 Mortgage loans over 90 days past due \$ \_\_\_\_\_ %

16.14 Mortgage loans in the process of foreclosure \$ \_\_\_\_\_ %

16.15 Mortgage loans foreclosed \$ \_\_\_\_\_ %

16.16 Restructured mortgage loans \$ \_\_\_\_\_ %

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**  
**INVESTMENT RISKS INTERROGATORIES**

December 31, 2015

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

	Loan-to-Value	Residential		Commercial		Agricultural	
17.01	Above 95%	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
17.02	91% to 95%	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
17.03	81% to 90%	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
17.04	71% to 80%	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
17.05	below 70%	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported in less than 2.5% of the reporting entity's total admitted assets? Yes  No   
 (If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.)

Assets held in the 5 Largest Real Estate Holdings:

18.02	_____	\$ _____	% _____
18.03	_____	\$ _____	% _____
18.04	_____	\$ _____	% _____
18.05	_____	\$ _____	% _____
18.06	_____	\$ _____	% _____

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes  No   
 (If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.)

19.02 Aggregate statement value of investments held in mezzanine loans \$ \_\_\_\_\_ %

Largest three investments held in mezzanine real estate loans:

19.03	_____	\$ _____	% _____
19.04	_____	\$ _____	% _____
19.05	_____	\$ _____	% _____

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**  
**INVESTMENT RISKS INTERROGATORIES**

December 31, 2015

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-End		At End of Each Quarter		
			1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.02 Repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.03 Reverse repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.04 Dollar repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.05 Dollar reverse repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
		\$ _____	% _____	\$ _____
21.01 Hedging	\$ _____	% _____	\$ _____	% _____
21.02 Income generation	\$ _____	% _____	\$ _____	% _____
21.03 Other	\$ _____	% _____	\$ _____	% _____

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-End		At End of Each Quarter		
			1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr
22.01 Hedging	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.02 Income generation	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.03 Replications	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.04 Other	\$ _____	% _____	\$ _____	\$ _____	\$ _____

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-End		At End of Each Quarter		
			1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr
23.01 Hedging	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.02 Income generation	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.03 Replications	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.04 Other	\$ _____	% _____	\$ _____	\$ _____	\$ _____



**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**  
**SUMMARY INVESTMENT SCHEDULE**

December 31, 2015

	Gross Investment Holdings*		Admitted Assets as Reported In the Annual Statement**	
	Amount	Percentage	Amount	Percentage
1. Bonds:				
1.1 U.S. treasury securities	\$ 174,264	0.6%	\$ 174,264	0.6%
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	\$	%	\$	%
1.22 Issued by U.S. government-sponsored agencies	\$	%	\$	%
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)	\$	%	\$	%
1.4 Securities issued by states, territories, and possessions, and political subdivisions in the U.S.:				
1.41 States, territories, and possessions general obligations	\$ 868,978	2.8%	\$ 868,978	2.8%
1.42 Political subdivisions of states, territories, and possessions, and political subdivisions general obligations	\$ 784,131	2.6%	\$ 784,131	2.6%
1.43 Revenue and assessment obligations	\$ 1,276,569	4.2%	\$ 1,276,569	4.2%
1.44 Industrial development and similar obligations	\$	%	\$	%
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	\$ 66,395	0.2%	\$ 66,395	0.2%
1.512 Issued or guaranteed by FNMA and FHLMC	\$ 2,004,028	6.6%	\$ 2,004,028	6.6%
1.513 All other	\$ 28,151	0.1%	\$ 28,151	0.1%
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC, or VA	\$ 3,881,940	12.7%	\$ 3,881,940	12.7%
1.522 Issued by non U.S. government issuers and collateralized by MBS issued or guaranteed by agencies shown in Line 1.521	\$	%	\$	%
1.523 All other	\$ 1,292,950	4.2%	\$ 1,292,950	4.2%
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated and hybrid securities)	\$ 12,486,522	40.9%	\$ 12,486,522	40.9%
2.2 Unaffiliated non-U.S. securities (including Canada)	\$ 1,459,312	4.8%	\$ 1,459,312	4.8%
2.3 Affiliated securities	\$	%	\$	%

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**  
**SUMMARY INVESTMENT SCHEDULE**

December 31, 2015

	Gross Investment Holdings*		Admitted Assets as Reported In the Annual Statement**	
	Amount	Percentage	Amount	Percentage
3. Equity interests:				
3.1 Investments in mutual funds	\$ 4,014,745	13.1%	\$ 4,014,745	13.1%
3.2 Preferred stocks:				
3.21 Affiliated	\$ _____	%	\$ _____	%
3.22 Unaffiliated	\$ 867,965	2.8%	\$ 867,965	2.8%
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated	\$ _____	%	\$ _____	%
3.32 Unaffiliated	\$ 97,197	0.3%	\$ 97,197	0.3%
3.4 Other equity securities:				
3.41 Affiliated	\$ _____	%	\$ _____	%
3.42 Unaffiliated	\$ _____	%	\$ _____	%
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated	\$ _____	%	\$ _____	%
3.52 Unaffiliated	\$ _____	%	\$ _____	%
4. Mortgage loans:				
4.1 Construction and land development	\$ _____	%	\$ _____	%
4.2 Agricultural	\$ _____	%	\$ _____	%
4.3 Single family residential properties	\$ _____	%	\$ _____	%
4.4 Multifamily residential properties	\$ _____	%	\$ _____	%
4.5 Commercial loans	\$ _____	%	\$ _____	%
4.6 Mezzanine real estate loans	\$ _____	%	\$ _____	%
5. Real estate investments:				
5.1 Property occupied by company	\$ _____	%	\$ _____	%
5.2 Property held for production of income (including \$_____ of property acquired in satisfaction of debt)	\$ _____	%	\$ _____	%
5.3 Property held for sale (including \$_____ property acquired in satisfaction of debt)	\$ _____	%	\$ _____	%
6. Contract loans	\$ _____	%	\$ _____	%
7. Derivatives	\$ _____	%	\$ _____	%
8. Receivables for securities	\$ _____	%	\$ _____	%
9. Securities lending	\$ _____	%	\$ _____	%
10. Cash, cash equivalents, and short-term investments	\$ 1,248,172	4.1%	\$ 1,248,172	4.1%
11. Other invested assets	\$ _____	%	\$ _____	%
12. Total invested assets	\$ 30,551,319	100.0%	\$ 30,551,319	100.0%

\*Gross Investment Holdings as valued in compliance with NAIC *Accounting Practices & Procedures Manual*.

\*\*The Company has no admitted assets in reinvested collateral related to securities lending.

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**  
**REQUIRED REINSURANCE INTERROGATORIES**

December 31, 2015

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7.1 Has this reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g. a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provision)?

Yes  No

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:

- a. A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
- b. A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
- c. Aggregate stop loss reinsurance coverage;
- d. A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
- e. A provision permitting reporting losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
- f. Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

Yes  No

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member, where:

- a. The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
- b. Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.

Yes  No

**WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY**  
**REQUIRED REINSURANCE INTERROGATORIES**

December 31, 2015

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9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R – Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

- a. Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles (“SAP”) and as a deposit under generally accepted accounting principles (“GAAP”); or
- b. Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

Yes  No