

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

STATUTORY FINANCIAL STATEMENTS

December 31, 2023 and 2022



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INDEPENDENT AUDITOR'S REPORT ON THE STATUTORY FINANCIAL STATEMENTS

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

Report on the Audit of the Statutory Financial Statements

Opinions

We have audited the statutory financial statements of Wisconsin Lawyers Mutual Insurance Company (the Company), which are comprised of the statutory balance sheets as of December 31, 2023 and 2022, 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.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying statutory financial statements present fairly, in all material respects, the statutory financial position of the Company as of December 31, 2023 and 2022, 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.

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 section of our report, the statutory financial statements 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, 2023 and 2022, or the results of its operations or its cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statutory Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 statutory financial statements, the Company prepared these statutory financial statements using 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. The effects on the statutory financial statements of the variances between these statutory accounting practices 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 and pervasive.

Responsibilities of Management for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of these statutory 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 statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the statutory financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the statutory financial statements are issued.

Auditor's Responsibilities for the Audit of the Statutory Financial Statements

Our objectives are to obtain reasonable assurance about whether the statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statutory financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory financial statements.



- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Strohm Ballweg, LLP

Madison, Wisconsin
March 13, 2024

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

STATUTORY BALANCE SHEETS

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ADMITTED ASSETS		
Cash and invested assets:		
Bonds	\$ 26,195,604	\$ 28,666,098
Preferred stocks	-	45,925
Common stocks and mutual funds	7,971,818	5,636,839
Cash, cash equivalents, and short-term investments	<u>1,731,732</u>	<u>1,175,411</u>
Cash and invested assets	35,899,154	35,524,273
Uncollected premiums	524,175	416,379
Reinsurance recoverable on paid losses	23,839	6,456
Other amounts receivable under reinsurance contracts	-	165,303
Investment income due and accrued	181,260	168,200
Deductibles receivable	21,179	8,840
Electronic data processing equipment (net of accumulated depreciation of \$19,390 in 2023 and \$110,019 in 2022)	10,792	2,931
Income tax recoverable	243,022	183,600
Net deferred tax asset	<u>85,700</u>	<u>165,300</u>
Total admitted assets	<u>\$ 36,989,121</u>	<u>\$ 36,641,282</u>
LIABILITIES AND SURPLUS		
Liabilities:		
Unpaid losses (net of reinsurance of \$844,286 in 2023 and \$4,545,599 in 2022)	\$ 3,251,959	\$ 3,404,826
Unpaid loss adjustment expenses (LAE) (net of reinsurance of \$450,112 in 2023 and \$676,534 in 2022)	3,254,461	3,034,639
Unearned premiums (net of reinsurance of \$654,528 in 2023 and \$569,788 in 2022)	1,604,010	1,459,851
Ceded reinsurance premiums payable	976,352	934,431
Dividends payable	56,320	64,047
Premiums received in advance	277,851	277,962
Other liabilities	<u>942,042</u>	<u>971,571</u>
Total liabilities	10,362,995	10,147,327
Surplus:		
Unassigned surplus	<u>26,626,126</u>	<u>26,493,955</u>
Total liabilities and surplus	<u>\$ 36,989,121</u>	<u>\$ 36,641,282</u>

See Notes to the Statutory Financial Statements.

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY
STATUTORY STATEMENTS OF INCOME

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
UNDERWRITING OPERATIONS		
Net premium earned:		
Direct premium earned	\$ 4,748,572	\$ 4,426,833
Reinsurance ceded	<u>(1,336,534)</u>	<u>(982,812)</u>
	<u>3,412,038</u>	<u>3,444,021</u>
Net losses incurred:		
Direct losses incurred	(239,675)	184,476
Reinsurance recoveries	<u>1,921,798</u>	<u>323,752</u>
	<u>1,682,123</u>	<u>508,228</u>
Operating expenses incurred:		
Direct LAE incurred	2,287,949	1,932,530
Reinsurance recoveries on LAE	(424,551)	(162,980)
Direct underwriting expenses	1,566,147	1,655,718
Reinsurance commission income	<u>(29,868)</u>	<u>(21,320)</u>
	<u>3,399,677</u>	<u>3,403,948</u>
Underwriting loss	<u>(1,669,762)</u>	<u>(468,155)</u>
INVESTMENT AND OTHER INCOME		
Investment income earned	926,078	568,340
Investment expenses	(225,213)	(221,206)
Net realized capital gains (net of federal income tax of \$166,688 in 2023 and \$195,407 in 2022)	627,066	735,104
Other income	<u>33,917</u>	<u>38,156</u>
Investment and other income	<u>1,361,848</u>	<u>1,120,394</u>
Net income (loss) before dividends to policyholders and federal income tax benefit	(307,914)	652,239
Dividends to policyholders	<u>215,046</u>	<u>250,897</u>
Net income (loss) before federal income tax benefit	(522,960)	401,342
Federal income tax benefit	<u>(225,858)</u>	<u>(118,207)</u>
Net income (loss)	<u>\$ (297,102)</u>	<u>\$ 519,549</u>

See Notes to the Statutory Financial Statements.

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

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Surplus, beginning of year	<u>\$ 26,493,955</u>	<u>\$ 27,945,714</u>
Net income (loss)	(297,102)	519,549
Change in net unrealized capital gains (losses), net of tax	413,956	(2,063,142)
Change in nonadmitted assets	(39,122)	86,864
Change in net deferred income tax	30,439	(59,030)
Change in provision for reinsurance	<u>24,000</u>	<u>64,000</u>
Surplus, end of year	<u><u>\$ 26,626,126</u></u>	<u><u>\$ 26,493,955</u></u>

See Notes to the Statutory Financial Statements.

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

STATUTORY STATEMENTS OF CASH FLOWS

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash from operations:		
Net premiums collected	\$ 3,655,514	\$ 3,110,756
Net investment income received	817,261	680,393
Other income received	33,917	38,156
Net losses paid	(1,852,373)	(1,228,874)
Operating expenses paid	(3,209,398)	(3,380,354)
Dividends paid to policyholders	(222,773)	(241,229)
Federal income taxes paid	<u>-</u>	<u>(98,001)</u>
Net cash from operations	<u>(777,852)</u>	<u>(1,119,153)</u>
Cash from investments:		
Proceeds from investments sold, matured, or repaid:		
Bonds	9,164,177	8,516,525
Stocks and mutual funds	973,414	2,161,032
Other	6,906	21,874
	<u>10,144,497</u>	<u>10,699,431</u>
Cost of investments acquired:		
Bonds	(6,471,322)	(8,845,530)
Stocks and mutual funds	(2,274,701)	(436,285)
Other	-	(1,813)
	<u>(8,746,023)</u>	<u>(9,283,628)</u>
Net cash from investments	<u>1,398,474</u>	<u>1,415,803</u>
Cash from financing and miscellaneous sources:		
Other cash applied	<u>(64,300)</u>	<u>(93,694)</u>
Net cash from financing and miscellaneous sources	<u>(64,300)</u>	<u>(93,694)</u>
Net change in cash, cash equivalents, and short-term investments	556,321	202,956
Cash, cash equivalents, and short-term investments:		
Beginning of year	<u>1,175,411</u>	<u>972,455</u>
End of year	<u>\$ 1,731,732</u>	<u>\$ 1,175,411</u>

See Notes to the 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 (the 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. Under GAAP, the Company’s debt securities would be classified as held-to-maturity, trading, or available-for-sale. For GAAP, debt securities classified as held-to-maturity would be carried at cost or amortized cost, and debt 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.
- Investments in equity securities are generally carried at fair value with unrealized holding gains and losses reported as a direct charge or credit to surplus. Under GAAP, the Company’s equity securities would be carried at fair value with the unrealized holding gains and losses reported in income.
- Under GAAP, allowances for credit losses are required to be assessed and recorded for certain financial assets measured at cost or amortized cost such as uncollected premiums and amounts due from reinsurers; under statutory accounting, no such allowance for credit losses is recorded.
- Policy acquisition costs, such as salaries, commissions, 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.

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

- 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.
- Certain assets designated as “nonadmitted assets” (primarily prepaid expenses, nonoperating software, furniture and equipment, and investments in unaudited subsidiaries) are charged against surplus. Under GAAP, prepaid expenses would be recorded as assets and amortized as the expenses are incurred, nonoperating software and furniture and equipment would be recognized as assets net of accumulated depreciation, and the financial statements of the subsidiaries would be consolidated with those of the Company.
- All leases are accounted for as operating leases and are expensed as incurred. Under GAAP, leases would be classified separately as either finance or operating leases and recorded on the balance sheet as right-of-use assets and lease liabilities. For finance leases, the lessee would recognize amortization of the right-of-use asset and interest expense on the lease liability in separate line items on the statement of income. For operating leases, the lessee would recognize a single lease cost, which is generally amortized on a straight-line basis over the remaining lease term.
- 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.

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

- 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 (OTTI) 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 and 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 cyclical, may be 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; (6) emerging legal precedents and trends may have a significant specific impact on settlement amounts and cost of defending claims; and (7) ultimate losses may not fully emerge for several years following the year in which an insured event is reported.

Cash, Cash Equivalents, and Short-Term Investments. For purposes of reporting cash flows, the Company follows statutory accounting practices and considers cash in checking accounts, certain money market funds, and other highly liquid debt instruments purchased with a remaining maturity of 1 year or less to be cash, cash equivalents, and short-term investments. Cash and short-term investments are carried at cost and amortized cost, respectively, which approximates fair value. Cash equivalents are carried at fair value. The Company periodically has deposits in a financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). 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, as follows:

- Investments in bonds, except for mandatory convertible bonds, are carried at amortized cost using the scientific interest method; however, bonds with an NAIC designation of 3 or lower are carried at the lower of amortized cost or fair value.
- Loan-backed (single class and multi-class mortgage-backed/asset-backed) securities are generally valued at amortized cost using the scientific interest method, including anticipated prepayments at the time of purchase; however, loan-backed securities with an initial NAIC designation of 3 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 from Clearwater Analytics and the Company's investment manager's internal estimates.

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

- Mandatory convertible bonds are carried at the lower of amortized cost or fair value during the period prior to conversion.
- Perpetual preferred stocks are generally carried at fair value, not to exceed any currently effective call price.
- Investments in common stocks and mutual funds (which include exchange-traded 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 preferred stocks, common stocks, mutual funds, and certain 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.

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 \$15,535 in 2023 and \$46,041 in 2022.

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

December 31, 2023 and 2022

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

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 income tax rates.

Subsequent Events. Subsequent events were evaluated through March 13, 2024, which is the date the financial statements were available to be issued.

Note 2 ~ Investments

The carrying value and fair value of investments in bonds at December 31, 2023 and 2022, were as follows:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2023				
Bonds:				
U.S. government	\$ 1,215,787	\$ 1,934	\$ (22,176)	\$ 1,195,545
Obligations of states and political subdivisions	3,323,548	312	(231,109)	3,092,751
Corporate securities	14,305,542	369,223	(908,641)	13,766,124
Loan-backed securities	7,350,727	18,711	(563,296)	6,816,142
Total bonds	<u>\$ 26,195,604</u>	<u>\$ 390,180</u>	<u>\$ (1,725,222)</u>	<u>\$ 24,860,562</u>

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 2 ~ Investments (Continued)

	<u>Carrying Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>2022</u>				
Bonds:				
U.S. government	\$ 1,917,893	\$ -	\$ (42,783)	\$ 1,875,110
Obligations of states and political subdivisions	3,451,472	-	(340,116)	3,111,356
Corporate securities	15,935,891	400,371	(1,150,581)	15,185,681
Loan-backed securities	<u>7,360,842</u>	<u>8,574</u>	<u>(677,286)</u>	<u>6,692,130</u>
Total bonds	<u>\$ 28,666,098</u>	<u>\$ 408,945</u>	<u>\$ (2,210,766)</u>	<u>\$ 26,864,277</u>

Bonds in an Unrealized Loss Position. The following tables show unrealized losses on the Company's bond portfolio by length of time that the bonds were in an unrealized loss position as of December 31, 2023 and 2022:

<u>Less than 12 months</u>		<u>12 months or longer</u>		<u>Total</u>	
<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>

2023

Bonds (excluding loan-backed securities)	\$ 2,772,278	\$ (75,492)	\$ 9,760,455	\$ (1,086,434)	\$ 12,532,733	\$ (1,161,926)
Loan-backed securities	<u>596,304</u>	<u>(9,303)</u>	<u>5,100,128</u>	<u>(553,993)</u>	<u>5,696,432</u>	<u>(563,296)</u>
	<u>\$ 3,368,582</u>	<u>\$ (84,795)</u>	<u>\$ 14,860,583</u>	<u>\$ (1,640,427)</u>	<u>\$ 18,229,165</u>	<u>\$ (1,725,222)</u>

2022

Bonds (excluding loan-backed securities)	\$ 10,640,051	\$ (973,273)	\$ 2,446,509	\$ (560,208)	\$ 13,086,560	\$ (1,533,481)
Loan-backed securities	<u>4,386,693</u>	<u>(311,514)</u>	<u>1,825,128</u>	<u>(365,771)</u>	<u>6,211,821</u>	<u>(677,285)</u>
	<u>\$ 15,026,744</u>	<u>\$ (1,284,787)</u>	<u>\$ 4,271,637</u>	<u>\$ (925,979)</u>	<u>\$ 19,298,381</u>	<u>\$ (2,210,766)</u>

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 2 ~ Investments (Continued)

The carrying value and fair value of bonds (including short-term investments) are categorized by the effective maturity date below. Effective maturities differ from contractual maturities as certain borrowers have the right to call or prepay obligations.

	<u>Carrying Value</u>	<u>Fair Value</u>
Due within one year	\$ 2,223,131	\$ 2,113,550
Due after one year through five years	13,794,178	13,573,897
Due after five years through ten years	6,637,903	6,069,752
Due after ten years	<u>3,840,606</u>	<u>3,414,209</u>
	<u>\$ 26,495,818</u>	<u>\$ 25,171,408</u>

The cost and fair value of investments in stocks at December 31, 2023 and 2022, were as follows:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>2023</u>				
Common stocks and mutual funds	<u>\$ 6,285,880</u>	<u>\$ 1,824,638</u>	<u>\$ (138,700)</u>	<u>\$ 7,971,818</u>
<u>2022</u>				
Perpetual preferred stocks	\$ 41,871	\$ 4,054	\$ -	\$ 45,925
Common stocks and mutual funds	<u>4,351,797</u>	<u>1,442,440</u>	<u>(157,398)</u>	<u>5,636,839</u>
Total stocks	<u>\$ 4,393,668</u>	<u>\$ 1,446,494</u>	<u>\$ (157,398)</u>	<u>\$ 5,682,764</u>

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY
NOTES TO THE STATUTORY FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 2 ~ Investments (Continued)

Stocks in an Unrealized Loss Position. The following tables show unrealized losses on the Company's stock portfolio by length of time that the stocks were in an unrealized loss position as of December 31, 2023 and 2022:

Less than 12 months		12 months or longer		Total	
Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses

2023

Common stocks and mutual funds

\$ 1,810	\$ (2)	\$ 936,308	\$ (138,698)	\$ 938,118	\$ (138,700)
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2022

Common stocks and mutual funds

\$ 805,876	\$ (157,398)	\$ -	\$ -	\$ 805,876	\$ (157,398)
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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. This investment was valued at \$14,220 and \$42,961 at December 31, 2023 and 2022, respectively, which represented the Agency's equity. This amount was nonadmitted because it was not audited. The Agency distributed \$40,000 and \$0 to the Company during 2023 and 2022, respectively.

Gains and Losses on Investments Sold, Matured, or Repaid. The components of net realized capital gains (losses) were as follows:

	2023	2022
Gains	\$ 1,067,824	\$ 1,405,803
Losses	(232,263)	(475,292)
OTTI	(41,807)	-
	793,754	930,511
Less: Tax expense	(166,688)	(195,407)
Net realized capital gains	\$ 627,066	\$ 735,104

Declines in fair value that are determined to be OTTI 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.

Note 2 ~ Investments (Continued)

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. Declines deemed other than temporary were \$41,807 and \$0 for the years ended December 31, 2023 and 2022, respectively.

The Company had two securities sold, redeemed, or otherwise disposed of as a result of a callable feature (including make whole call provisions), which generated \$0 and \$2,254 of investment income as a result of a prepayment penalty and/or acceleration fee during 2023 and 2022, respectively.

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.

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

Cash equivalents: Comprised of actively traded money market mutual funds.

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

Bonds: Comprised of municipal and corporate securities.

Preferred stocks: Comprised of all perpetual 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 for all Level 3 measurements is determined by the Company's investment manager using an income approach valuation technique (present value using the discount rate adjustment technique).

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 2 ~ Investments (Continued)

Financial Instruments Reported at Fair Value in the Statutory Balance Sheet. The following summarizes the assets measured at fair value as of December 31, 2023 and 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2023</u>				
Bonds	\$ -	\$ 1,064,622	\$ -	\$ 1,064,622
Common stocks and mutual funds	7,967,021	-	4,797	7,971,818
Cash equivalents	637,244	-	-	637,244
	<u>\$ 8,604,265</u>	<u>\$ 1,064,622</u>	<u>\$ 4,797</u>	<u>\$ 9,673,684</u>
<u>2022</u>				
Bonds	\$ -	\$ 1,952,792	\$ -	\$ 1,952,792
Preferred stocks	-	45,925	-	45,925
Common stocks and mutual funds	5,623,384	-	13,455	5,636,839
Cash equivalents	564,365	-	-	564,365
	<u>\$ 6,187,749</u>	<u>\$ 1,998,717</u>	<u>\$ 13,455</u>	<u>\$ 8,199,921</u>

The Company does not have any liabilities measured at fair value at December 31, 2023 or 2022.

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 2023 or 2022.

All Financial Instruments. The following is the aggregate fair value for all financial instruments as of December 31, 2023 and 2022:

<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>
<u>2023</u>					
Bonds	\$ 24,860,562	\$ 26,195,604	\$ 1,195,545	\$ 23,665,017	\$ -
Common stocks and mutual funds	7,971,818	7,971,818	7,967,021	-	4,797
Short-term bonds	310,846	300,215	-	310,846	-
Cash equivalents	637,244	637,244	637,244	-	-
	<u>\$ 33,780,470</u>	<u>\$ 35,104,881</u>	<u>\$ 9,799,810</u>	<u>\$ 23,975,863</u>	<u>\$ 4,797</u>

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 2 ~ Investments (Continued)

<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>
2022					
Bonds	\$ 26,864,277	\$ 28,666,098	\$ 1,875,110	\$ 24,989,167	\$ -
Preferred stocks	45,925	45,925	-	45,925	-
Common stocks and mutual funds	5,636,839	5,636,839	5,623,384	-	13,455
Short-term bonds	15,670	15,531	-	15,670	-
Cash equivalents	564,365	564,365	564,365	-	-
	<u>\$ 33,127,076</u>	<u>\$ 34,928,758</u>	<u>\$ 8,062,859</u>	<u>\$ 25,050,762</u>	<u>\$ 13,455</u>

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, 2023 and 2022, is summarized as follows (000's omitted):

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 11,661	\$ 12,370
Less reinsurance recoveries	<u>5,222</u>	<u>5,257</u>
Net balance at January 1	<u>6,439</u>	<u>7,113</u>
Incurred related to:		
Current year	3,299	3,159
Prior years	<u>247</u>	<u>(881)</u>
Total incurred	<u>3,546</u>	<u>2,278</u>
Paid related to:		
Current year	649	501
Prior years	<u>2,830</u>	<u>2,451</u>
Total paid	<u>3,479</u>	<u>2,952</u>
Net balance at December 31	6,506	6,439
Plus reinsurance recoveries	<u>1,294</u>	<u>5,222</u>
Balance, end of year	<u>\$ 7,800</u>	<u>\$ 11,661</u>

As a result of changes in estimates of insured events in prior years, net loss and loss adjustment expenses incurred were increased in 2023 and decreased in 2022, due to higher (lower) than anticipated losses and related expenses by approximately \$247,000 and (\$881,000), respectively.

Note 4 ~ Deferred Compensation Agreement

The former Chief Executive Officer (CEO) entered into a deferred compensation agreement with the Company, which began January 1, 2006, and provides for benefits payable upon her separation of service from the Company. Compensation payable is determined by the fair value of assets invested in a mutual fund at the balance sheet date, specifically earmarked for this purpose. The former CEO retired during 2022, and benefits from the accrued deferred compensation agreement are to be paid out evenly over a 48-month period, which began in June of 2023. Amounts due under this agreement at December 31, 2023 and 2022, were \$843,235 and \$816,883, 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 for each insured, each claim until April 1, 2014, when that amount was increased to \$200,000. The Company also retained 20 percent in excess of this retention, up to \$1,000,000. Beginning January 1, 2021, the retention amount was increased to \$250,000. The Company also retains 20 percent in excess of this retention, up to \$750,000.

In the event that all or any of the reinsuring companies are unable to meet their obligations under the existing reinsurance agreements, the Company's surplus level could be impacted negatively. The Company did not have unsecured aggregate recoverables for losses, loss adjustment expense, and unearned premiums in excess of 3 percent of surplus at December 31, 2023, from individual reinsurers.

Note 6 ~ Lease Commitments

The Company leases office space, office equipment, and software under various operating leases. The original term of these leases was 5 years.

Future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	
2024	\$ 30,285
2025	31,151
2026	32,017
2027	32,883
2028	<u>16,408</u>
	<u>\$ 142,744</u>

Total expense for the office space, office equipment, and software lease was \$194,457 and \$223,113 for the years ended December 31, 2023 and 2022, respectively.

Note 7 ~ Debt

The Company has a \$1,000,000 revolving line of credit with U.S. Bank National Association. The line of credit was established to provide a working cash relief program. The line of credit was established on August 9, 2017, and amended on August 15, 2023, to mature on August 31, 2024. The interest rate on the line of credit is the daily SOFR index rate plus 200 basis points. The Company did not borrow on this line of credit in 2023 or 2022.

Note 8 ~ 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 and various levels of activities based on the perceived degree of risk. At December 31, 2023, the Company's surplus significantly exceeded the minimum levels required by the OCI and RBC standards.

Subsequent to December 31, 2023, the Board of Directors declared a dividend of 5 percent of policy premium, excluding premium on tail endorsements, for policyholders on record at March 10, 2024. The amount of the dividend is estimated to be \$240,000.

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

	<u>2023</u>	<u>2022</u>
Net unrealized gains	\$ 1,565,841	\$ 1,041,847
Nonadmitted assets	(137,250)	(98,128)
Provision for reinsurance	(20,000)	(44,000)

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 9 ~ 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 21 percent to pretax income for the years ended December 31, 2023 and 2022, due to the following:

	2023	2022
Computed expected federal income tax	\$ (74,817)	\$ 125,317
Increase (decrease) in taxes resulting from:		
Unearned premiums	6,055	1,871
Unpaid losses and LAE	9,946	(10,210)
Tax-exempt interest, net	(1,230)	(1,240)
Dividends received deduction, net	(6,280)	(125)
Deferred compensation	5,534	(30,793)
OTTI	8,779	-
Depreciation	541	727
Other, net	(7,698)	(8,347)
Federal income tax expense (benefit)	<u>\$ (59,170)</u>	<u>\$ 77,200</u>

For the years ended December 31, 2023 and 2022, net realized capital gains on the statutory statements of income are shown net of federal income tax expense of \$166,688 and \$195,407, respectively.

The components of the net deferred tax asset at December 31, 2023 and 2022, were as follows:

	Ordinary	Capital	Total
<u>2023</u>			
Gross deferred tax assets	\$ 402,664	\$ 29,247	\$ 431,911
Statutory valuation allowance	-	-	-
	<u>402,664</u>	<u>29,247</u>	<u>431,911</u>
Deferred tax asset nonadmitted	-	-	-
	<u>402,664</u>	<u>29,247</u>	<u>431,911</u>
Deferred tax liability	<u>(19,741)</u>	<u>(326,470)</u>	<u>(346,211)</u>
	<u>\$ 382,923</u>	<u>\$ (297,223)</u>	<u>\$ 85,700</u>
<u>2022</u>			
Gross deferred tax assets	\$ 385,442	\$ 20,468	\$ 405,910
Statutory valuation allowance	-	-	-
	<u>385,442</u>	<u>20,468</u>	<u>405,910</u>
Deferred tax asset nonadmitted	-	-	-
	<u>385,442</u>	<u>20,468</u>	<u>405,910</u>
Deferred tax liability	<u>(30,214)</u>	<u>(210,396)</u>	<u>(240,610)</u>
	<u>\$ 355,228</u>	<u>\$ (189,928)</u>	<u>\$ 165,300</u>

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 9 ~ Income Taxes (Continued)

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>
<u>2023</u>			
11a. Ability to recover taxes paid in prior years	\$ 84,594	\$ -	\$ 84,594
11b. Expected to be realized, after application of threshold limitations	268,350	-	268,350
11c. Offset of deferred tax liabilities	<u>49,720</u>	<u>29,247</u>	<u>78,967</u>
	<u><u>\$ 402,664</u></u>	<u><u>\$ 29,247</u></u>	<u><u>\$ 431,911</u></u>
<u>2022</u>			
11a. Ability to recover taxes paid in prior years	\$ 185,082	\$ 16,374	\$ 201,456
11b. Expected to be realized, after application of threshold limitations	-	-	-
11c. Offset of deferred tax liabilities	<u>200,360</u>	<u>4,094</u>	<u>204,454</u>
	<u><u>\$ 385,442</u></u>	<u><u>\$ 20,468</u></u>	<u><u>\$ 405,910</u></u>
		<u>2023</u>	<u>2022</u>
Ratio Used to Determine Recovery Period and Threshold Limitation amount under paragraph 11b		1,998%	1,995%
Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation under paragraph 11b		\$ 26,540,426	\$ 26,328,655

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 9 ~ Income Taxes (Continued)

The major components of current federal income taxes incurred and net deferred tax asset (liability) as of December 31, 2023 and 2022, were as follows:

	2023	2022	Change
Current income tax:			
Federal	\$ (225,858)	\$ (118,207)	\$ (107,651)
Federal income tax on net capital gains	<u>166,688</u>	<u>195,407</u>	<u>(28,719)</u>
Federal income taxes incurred	<u>\$ (59,170)</u>	<u>\$ 77,200</u>	<u>\$ (136,370)</u>
Deferred tax assets:			
Unpaid loss and LAE	\$ 111,013	\$ 110,253	\$ 760
Unearned and advance premiums	79,038	72,988	6,050
Compensation and benefits accrual	183,233	179,505	3,728
Nonadmitted assets	28,822	20,608	8,214
Investments	29,247	20,468	8,779
Other	<u>558</u>	<u>2,088</u>	<u>(1,530)</u>
Total deferred tax assets	<u>431,911</u>	<u>405,910</u>	<u>26,001</u>
Nonadmitted deferred tax assets	<u>-</u>	<u>-</u>	<u>-</u>
Total admitted deferred tax assets	<u>431,911</u>	<u>405,910</u>	<u>26,001</u>
Deferred tax liabilities:			
Investments	(326,470)	(210,396)	(116,074)
Other	<u>(19,741)</u>	<u>(30,214)</u>	<u>10,473</u>
Total deferred tax liabilities	<u>(346,211)</u>	<u>(240,610)</u>	<u>(105,601)</u>
Net deferred tax asset	<u>\$ 85,700</u>	<u>\$ 165,300</u>	<u>\$ (79,600)</u>

Federal income taxes which would be available for recoupment in the event of future tax losses are approximately \$0 and \$85,000 for 2023 and 2022, respectively.

The Company pays Wisconsin income tax equal to the lesser of 7.9 percent of Wisconsin taxable income or 2 percent of direct premiums written. Included in underwriting expenses are state income taxes of approximately (\$250) in 2023 and \$36,000 in 2022.

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, 2023, the Company had not identified any material loss contingencies arising from uncertain tax positions.

Note 10 ~ 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 \$100,110 in 2023 and \$116,568 in 2022.



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

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

Our audit was conducted 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 13, 2024

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

INVESTMENT RISKS INTERROGATORIES

December 31, 2023

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

\$ 36,989,121

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

	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	Federal Nat'l Mortgage Assoc. Fannie Mae	MBS, CMO	\$ 2,623,786	7.1%
2.02	Federal Home Loan Mortgage Corporation	MBS, CMO	\$ 1,500,877	4.1%
2.03	Amg Capital Trust II	Bonds	\$ 359,621	1.0%
2.04	Ares Capital Corporation	Bonds	\$ 330,484	0.9%
2.05	BNP Paribas SA	Bonds	\$ 330,000	0.9%
2.06	JP Morgan Chase Financial Company LLC	Bonds	\$ 317,681	0.9%
2.07	BofA Finance LLC	Bonds	\$ 315,103	0.9%
2.08	Akamai Technologies, Inc.	Bonds	\$ 309,098	0.8%
2.09	Citigroup Global Markets Holdings Inc.	Bonds	\$ 301,239	0.8%
2.10	Barclays Bank PLC	Bonds	\$ 293,683	0.8%

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	\$ 17,530,078 47.4%	3.07	NAIC – 1	\$ %
3.02	NAIC – 2	\$ 7,127,501 19.3%	3.08	NAIC – 2	\$ %
3.03	NAIC – 3	\$ 957,140 2.6%	3.09	NAIC – 3	\$ %
3.04	NAIC – 4	\$ 595,113 1.6%	3.10	NAIC – 4	\$ %
3.05	NAIC – 5	\$ 285,986 0.8%	3.11	NAIC – 5	\$ %
3.06	NAIC – 6	\$ %	3.12	NAIC – 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	\$ 1,688,336	4.5%
4.03	Foreign-currency-denominated investments	\$	%
4.04	Insurance liabilities denominated in that same foreign currency	\$	%

(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	\$ 1,668,336	4.5%
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	United Kingdom	\$ 468,310	1.3%
6.02	France	\$ 330,000	0.9%

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, 2023

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

	Issuer	NAIC Rating	Amount	Percent
10.01	BNP Paribas SA	1AZ	\$ 330,000	0.9%
10.02	Barclays Bank PLC	1FE	\$ 293,683	0.8%
10.03	Jazz Investments I Limited	3FE	\$ 252,389	0.7%
10.04	QIAGEN N.V.	2	\$ 208,498	0.6%
10.05	Asendis Pharma A/S	5	\$ 154,738	0.4%
10.06	WPP Finance 2010	2FE	\$ 99,627	0.3%
10.07	Pfizer Investment Enterprises Pte. Ltd.	1FE	\$ 94,958	0.3%
10.08	Camatek Ltd.	2	\$ 90,000	0.2%
10.09	BP Capital Markets p.i.c	1FE	\$ 75,000	0.2%
10.10	Teva Pharmaceutical Finance Netherlands III B.V.	3FE	\$ 69,442	0.2%

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, 2023

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	Apple, Inc.	\$	197,385	0.5%
13.03	Microsoft Corp	\$	193,094	0.5%
13.04	Alphabet Inc.	\$	97,283	0.3%
13.05	Amazon.com Inc.	\$	97,283	0.3%
13.06	NVIDIA	\$	87,088	0.2%
13.07	Meta Platforms, Inc.	\$	55,491	0.2%
13.08	Tesla, Inc.	\$	44,116	0.1%
13.09	Berkshire Hathaway Inc.	\$	45,450	0.1%
13.10	Broadcom Inc.	\$	34,412	0.1%
13.11	JPMorgan Chase & Co.	\$	33,947	0.1%

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 14.02 through 14.05.)

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		\$	%

Ten Largest Fund Managers:

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
	Fund Manager	Total Invested	Diversified	Non-Diversified
14.06	Professionally Managed Portfolios – Muzinich U.S. High Yield Corporate Bond Fund	\$ 3,076,499	\$ 3,076,499	\$
14.07	Capital World Growth and Income Fund	\$ 843,270	\$ 843,270	\$
14.08	iShares Trust – iShares Core S&P 500 ETF	\$ 771,372	\$	\$ 771,372

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14.09	iShares Trust – iShares Russell 3000 ETF	\$	722,947	\$		\$	722,947
14.10	SODR S&P 500 ETF Trust	\$	702,983	\$		\$	702,983
14.11	Vanguard Index Funds – Vanguard S&P 500 ETF	\$	682,282	\$		\$	682,282
	First American Funds, Inc. – U.S. Treasury Money						
14.12	Market Fund	\$	637,244	\$	637,244	\$	
14.13	iShares Trust –iShares Core S&P Small-Cap ETF	\$	599,813	\$	599,813	\$	
	Vanguard Tax-Managed Funds – Vanguard FTSE						
14.14	Developed Markets ETF	\$	567,855	\$	567,855	\$	
14.15		\$		\$		\$	

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.)

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 _____ \$ _____ %

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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	\$ _____	_____ %

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.)

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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 _____ \$ _____ %

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

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

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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 st Qtr	2 nd Qtr	3 rd Qtr
23.01 Hedging	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.02 Income generation	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.03 Replications	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.04 Other	\$ _____	% _____	\$ _____	\$ _____	\$ _____

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SUMMARY INVESTMENT SCHEDULE

December 31, 2023

	Gross Investment Holdings		Admitted Assets as Reported In the Annual Statement*	
	Amount	Percentage	Amount	Percentage
1. Long-Term Bonds (Schedule D, Part 1):				
1.01 U.S. Governments	\$ 1,832,378	5.102%	\$ 1,832,378	5.104%
1.02 All Other Governments	\$	%	\$	%
1.03 U.S. States, Territories, and Possessions, etc. Guaranteed	\$ 113,640	0.316%	\$ 113,640	0.317%
1.04 U.S. Political Subdivisions of States, Territories, and Possessions, Guaranteed	\$ 941,891	2.623%	\$ 941,891	2.624%
1.05 U.S. Special Revenue and Special Assessment Obligations, etc. Non-Guaranteed	\$ 6,677,370	18.593%	\$ 6,677,370	18.600%
1.06 Industrial and Miscellaneous	\$ 16,198,381	45.104%	\$ 16,198,381	45.122%
1.07 Hybrid Securities	\$ 431,944	1.203%	\$ 431,944	1.203%
1.08 Parent, Subsidiaries, and Affiliates	\$	%	\$	%
1.09 SVO-Identified Funds	\$	%	\$	%
1.10 Bank Loans	\$	%	\$	%
1.11 Unaffiliated Certificates of Deposit	\$	%	\$	%
1.12 Total Long-Term Bonds	\$ 26,195,604	72.941%	\$ 26,195,604	72.970%
2. Preferred Stocks (Schedule D, Part 2, Section 1):				
2.01 Industrial and Miscellaneous (Unaffiliated)	\$	%	\$	%
2.02 Parent, Subsidiaries, and Affiliates	\$	%	\$	%
2.03 Total Preferred Stocks	\$	%	\$	%
3. Common Stocks (Schedule D, Part 2, Section 2):				
3.01 Industrial and Miscellaneous Publicly Traded (Unaffiliated)	\$ 4,797	0.013%	\$ 4,797	0.013%
3.02 Industrial and Miscellaneous Other (Unaffiliated)	\$	%	\$	%
3.03 Parent, Subsidiaries, and Affiliates Publicly Traded	\$	%	\$	%
3.04 Parent, Subsidiaries, and Affiliates Other	\$	%	\$	%
3.05 Mutual Funds	\$ 3,919,768	10.915%	\$ 3,919,768	10.919%
3.06 Unit Investment Trusts	\$	%	\$	%
3.07 Closed-end Funds	\$	%	\$	%
3.08 Exchange-Traded Funds	\$ 4,047,253	11.269%	\$ 4,047,253	11.274%
3.09 Total Common Stocks	\$ 7,971,818	22.197%	\$ 7,971,818	22.206%
4. Mortgage Loans (Schedule B):				
4.01 Farm Mortgages	\$	%	\$	%
4.02 Residential Mortgages	\$	%	\$	%
4.03 Commercial Mortgages	\$	%	\$	%
4.04 Mezzanine Real Estate Loans	\$	%	\$	%
4.05 Total Valuation Allowance	\$	%	\$	%
4.06 Total Mortgage Loans	\$	%	\$	%

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SUMMARY INVESTMENT SCHEDULE

December 31, 2023

	Gross Investment Holdings		Admitted Assets as Reported In the Annual Statement*	
	Amount	Percentage	Amount	Percentage
5. Real Estate (Schedule A):				
5.01 Properties Occupied by Company	\$	%	\$	%
5.02 Properties Held for Production of Income	\$	%	\$	%
5.03 Properties Held for Sale	\$	%	\$	%
5.04 Total Real Estate	\$	%	\$	%
6. Cash, Cash Equivalents, and Short-Term Investments:				
6.01 Cash (Schedule E, Part 1)	\$ 794,273	2.212%	\$ 794,273	2.213%
6.02 Cash Equivalents (Schedule E, Part 2)	\$ 637,244	1.774%	\$ 637,244	1.775%
6.03 Short-Term Investments (Schedule DA)	\$ 300,215	0.836%	\$ 300,215	0.836%
6.04 Total Cash, Cash Equivalents, and Short-Term Investments	\$ 1,731,732	4.822%	\$ 1,731,732	4.824%
7. Contract Loans	\$	%	\$	%
8. Derivatives (Schedule DB)	\$	%	\$	%
9. Other Invested Assets (Schedule BA)	\$	%	\$	%
10. Receivables for Securities	\$	%	\$	%
11. Securities Lending (Schedule DL, Part 1)	\$	%	\$	%
12. Other Invested Assets	\$ 14,220	0.040%	\$	%
13. Total Invested Assets	\$ 35,913,374	100.000%	\$ 35,899,154	100.000%

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

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY
REQUIRED REINSURANCE INTERROGATORIES

December 31, 2023

- 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 ☒

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REQUIRED REINSURANCE INTERROGATORIES

December 31, 2023

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 ☒