

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

STATUTORY FINANCIAL STATEMENTS

December 31, 2019 and 2018



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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 statutory financial statements of Wisconsin Lawyers Mutual Insurance Company (the Company), which are comprised of the statutory balance sheets as of December 31, 2019 and 2018, 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 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, 2019 and 2018, 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, 2019 and 2018, 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
February 29, 2020

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

STATUTORY BALANCE SHEETS

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ADMITTED ASSETS		
Cash and invested assets:		
Bonds	\$ 27,169,059	\$ 27,288,417
Preferred stocks	5,477	407,799
Common stocks and mutual funds	7,056,545	5,502,435
Cash, cash equivalents, and short-term investments	<u>1,231,237</u>	<u>539,942</u>
Cash and invested assets	35,462,318	33,738,593
Uncollected premiums	520,412	511,459
Investment income due and accrued	155,977	161,486
Deductibles receivable	31,368	5,682
Reinsurance recoverable on paid losses	2,572	-
Data processing equipment (net of accumulated depreciation of \$92,004 in 2019 and \$88,951 in 2018)	3,496	3,165
Income tax recoverable	<u>4,600</u>	<u>48,000</u>
Total admitted assets	<u>\$ 36,180,743</u>	<u>\$ 34,468,385</u>
LIABILITIES AND SURPLUS		
Liabilities:		
Unpaid losses (net of reinsurance of \$1,268,887 in 2019 and \$1,047,002 in 2018)	\$ 3,150,846	\$ 3,246,365
Unpaid loss adjustment expenses (LAE) (net of reinsurance of \$393,930 in 2019 and \$401,307 in 2018)	2,788,549	2,714,827
Unearned premiums (net of reinsurance of \$555,248 in 2019 and \$565,479 in 2018)	1,528,148	1,551,442
Ceded reinsurance premiums payable	1,081,719	1,323,177
Deferred tax liability	266,000	1,000
Premiums received in advance	216,462	147,527
Other liabilities	<u>802,612</u>	<u>708,773</u>
Total liabilities	9,834,336	9,693,111
Surplus:		
Unassigned surplus	<u>26,346,407</u>	<u>24,775,274</u>
Total liabilities and surplus	<u>\$ 36,180,743</u>	<u>\$ 34,468,385</u>

See Notes to Statutory Financial Statements.

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

STATUTORY STATEMENTS OF INCOME

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
UNDERWRITING OPERATIONS		
Net premium earned:		
Direct premium earned	\$ 4,797,676	\$ 5,083,036
Reinsurance ceded	<u>(948,499)</u>	<u>(1,193,890)</u>
	<u>3,849,177</u>	<u>3,889,146</u>
Net losses incurred:		
Direct losses incurred	1,127,326	104,037
Reinsurance recoveries	<u>(295,605)</u>	<u>41,922</u>
	<u>831,721</u>	<u>145,959</u>
Operating expenses incurred:		
Direct LAE	1,724,879	1,458,902
Reinsurance recoveries on LAE	<u>(17,471)</u>	<u>364</u>
Direct underwriting expenses	1,612,658	1,927,920
Reinsurance commission income	<u>(88,587)</u>	<u>(87,837)</u>
	<u>3,231,479</u>	<u>3,329,349</u>
Underwriting gain (loss)	<u>(214,023)</u>	<u>443,838</u>
INVESTMENT AND OTHER INCOME		
Investment income earned	775,193	765,407
Investment expenses	<u>(220,847)</u>	<u>(210,803)</u>
Net realized capital gains (net of federal income tax of \$119,455 in 2019 and \$117,217 in 2018)	448,000	437,195
Other income	<u>41,842</u>	<u>50,941</u>
Investment and other income	<u>1,044,188</u>	<u>1,042,740</u>
Net income before dividends to policyholders and federal income tax expense	830,165	1,486,578
Dividends to policyholders	<u>454,750</u>	<u>493,774</u>
Net income before federal income tax expense	374,415	992,804
Federal income tax expense	<u>20,870</u>	<u>96,332</u>
Net income	<u>\$ 354,545</u>	<u>\$ 896,472</u>

See Notes to Statutory Financial Statements.

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY
STATUTORY STATEMENTS OF CHANGES IN SURPLUS
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Surplus, beginning of year	<u>\$ 24,775,274</u>	<u>\$ 24,456,363</u>
Net income	354,545	896,472
Change in net unrealized capital gains/losses, net of tax	1,208,214	(571,295)
Change in nonadmitted assets	(47,797)	6,598
Change in net deferred income tax	<u>56,171</u>	<u>(12,864)</u>
Surplus, end of year	<u>\$ 26,346,407</u>	<u>\$ 24,775,274</u>

See Notes to Statutory Financial Statements.

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY
STATUTORY STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash from operations:		
Net premiums collected	\$ 3,644,407	\$ 3,944,492
Net investment income received	726,336	812,568
Other income received	41,842	50,941
Net losses paid	(929,812)	(263,442)
Operating expenses paid	(3,265,546)	(3,478,723)
Dividends paid to policyholders	(454,750)	(493,774)
Federal income taxes	(60,000)	(233,649)
Net cash from operations	<u>(297,523)</u>	<u>338,413</u>
Cash from investments:		
Proceeds from investments sold, matured, or repaid:		
Bonds	6,887,854	10,377,670
Stocks and mutual funds	646,372	922,955
Other	53	-
	<u>7,534,279</u>	<u>11,300,625</u>
Cost of investments acquired:		
Bonds	(6,302,907)	(10,435,573)
Stocks and mutual funds	(336,120)	(2,147,686)
Other	-	(13,055)
	<u>(6,639,027)</u>	<u>(12,596,314)</u>
Net cash from investments	<u>895,252</u>	<u>(1,295,689)</u>
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	93,566	(3,246)
Net cash from financing and miscellaneous sources	<u>93,566</u>	<u>(3,246)</u>
Net change in cash, cash equivalents, and short-term investments	<u>691,295</u>	<u>(960,522)</u>
Cash, cash equivalents, and short-term investments:		
Beginning of year	<u>539,942</u>	<u>1,500,464</u>
End of year	<u>\$ 1,231,237</u>	<u>\$ 539,942</u>

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 (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 and investments in equity securities are carried at fair value. Under GAAP, the Company’s debt and equity 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. Equity securities classified as trading or available-for-sale would be carried at fair value with the unrealized holding gains and losses reported in income.
- 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.

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.
- 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 (OTTI) analysis of the investment portfolio.
- The amount of deferred tax assets expected to be realized.

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

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 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 one year or less to be cash, cash equivalents, and short-term investments. Cash, cash equivalents, 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). 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, except for mandatory convertible securities, 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. 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 three or lower are carried at the lower of amortized cost or fair value. Mandatory convertible bonds are carried at the lower of amortized cost or fair value during the period prior to conversion. 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.

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. 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.

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

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 \$6,843 in 2019 and \$6,290 in 2018.

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.

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

NOTES TO STATUTORY FINANCIAL STATEMENTS

December 31, 2019 and 2018

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

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 February 29, 2020, which is the date the financial statements were available to be issued.

Note 2 ~ Investments

Bonds. The amortized cost and fair value of bonds at December 31, 2019 and 2018, were as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>2019</u>				
Bonds:				
U.S. government	\$ 1,226,530	\$ 34,414	\$ (85)	\$ 1,260,859
Obligations of states and political subdivisions	2,903,186	111,464	(9,043)	3,005,607
Corporate securities	13,005,576	871,394	(79,265)	13,797,705
Loan-backed securities	<u>10,068,515</u>	<u>233,807</u>	<u>(21,869)</u>	<u>10,280,453</u>
	<u>\$ 27,203,807</u>	<u>\$ 1,251,079</u>	<u>\$ (110,262)</u>	<u>\$ 28,344,624</u>
<u>2018</u>				
Bonds:				
U.S. government	\$ 1,625,100	\$ -	\$ (36,686)	\$ 1,588,414
Obligations of states and political subdivisions	2,651,622	18,803	(23,416)	2,647,009
Corporate securities	12,945,045	188,660	(487,411)	12,646,294
Loan-backed securities	<u>10,210,514</u>	<u>60,773</u>	<u>(208,792)</u>	<u>10,062,495</u>
	<u>\$ 27,432,281</u>	<u>\$ 268,236</u>	<u>\$ (756,305)</u>	<u>\$ 26,944,212</u>

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

NOTES TO STATUTORY FINANCIAL STATEMENTS

December 31, 2019 and 2018

Note 2 ~ Investments (Continued)

The statement value is lower than amortized cost by \$34,748 and \$143,864 at December 31, 2019 and 2018, respectively, due to unrealized losses on bonds rated three or lower under the valuation methods prescribed by the NAIC.

The amortized cost and estimated fair value of bonds (including short-term bonds) at December 31, 2019, 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	\$ 1,429,635	\$ 1,428,248
Due after one year through five years	8,699,319	9,217,155
Due after five years through ten years	7,581,536	7,883,998
Due after ten years	<u>9,658,254</u>	<u>9,980,022</u>
	<u>\$ 27,368,744</u>	<u>\$ 28,509,423</u>

Investments in Preferred Stocks. The cumulative net unrealized capital loss on preferred stocks was \$0 and (\$40,312) at December 31, 2019 and 2018, respectively.

Investments in Common Stocks and Mutual Funds. The cumulative net unrealized capital gain on common stocks and mutual funds was \$2,782,703 and \$1,405,476 at December 31, 2019 and 2018, respectively.

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, 2019, this investment was valued at \$25,901, which represented the Agency's equity. This amount was nonadmitted because it was not audited.

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

NOTES TO STATUTORY FINANCIAL STATEMENTS

December 31, 2019 and 2018

Note 2 ~ Investments (Continued)

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, 2019 and 2018:

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2019						
Bonds (excluding loan-backed securities)	\$ 2,233,611	\$ (33,003)	\$ 444,681	\$ (55,390)	\$ 2,678,292	\$ (88,393)
Loan-backed securities	964,571	(2,838)	1,281,137	(19,031)	2,245,708	(21,869)
Common stock and mutual funds	4,595	(261)	354,994	(6,748)	359,589	(7,009)
	<u>\$ 3,202,777</u>	<u>\$ (36,102)</u>	<u>\$ 2,080,812</u>	<u>\$ (81,169)</u>	<u>\$ 5,283,589</u>	<u>\$ (117,271)</u>

2018

Bonds (excluding loan-backed securities)	\$ 8,900,331	\$ (421,686)	\$ 3,367,784	\$ (125,828)	\$ 12,268,115	\$ (547,514)
Loan-backed securities	1,563,488	(17,087)	5,822,448	(191,705)	7,385,936	(208,792)
Preferred stocks	193,388	(6,024)	194,622	(34,288)	388,010	(40,312)
Common stock and mutual funds	1,864,978	(250,513)	2,604	(709)	1,867,582	(251,222)
	<u>\$ 12,522,185</u>	<u>\$ (695,310)</u>	<u>\$ 9,387,458</u>	<u>\$ (352,530)</u>	<u>\$ 21,909,643</u>	<u>\$ (1,047,840)</u>

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

	2019	2018
Gains	\$ 631,303	\$ 788,146
Losses	(62,470)	(229,969)
OTTI	(1,378)	(3,765)
	<u>567,455</u>	<u>554,412</u>
Less: tax expense	(119,455)	(117,217)
Net realized capital gains	<u>\$ 448,000</u>	<u>\$ 437,195</u>

Note 2 ~ Investments (Continued)

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. 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 \$1,378 and \$3,765 for the years ended December 31, 2019 and 2018, respectively.

The Company had two and four securities sold, redeemed, or otherwise disposed of as a result of a callable feature during 2019 and 2018, respectively (including make whole call provisions), which generated \$2,180 and \$9,437 of investment income as a result of a prepayment penalty and/or acceleration fee during 2019 and 2018, 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.

Mutual funds: Comprised of actively traded, exchange-listed 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.

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

December 31, 2019 and 2018

Note 2 ~ Investments (Continued)**Level 3 Measurements**

Bonds: Comprised of corporate securities.

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).

Financial Instruments Reported at Fair Value in the Statutory Balance Sheet. The following summarizes the assets measured at fair value as of December 31, 2019 and 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2019</u>				
Bonds	\$ -	\$ 179,560	\$ 291	\$ 179,851
Common stocks	-	-	1,130	1,130
Mutual funds	<u>7,055,416</u>	<u>-</u>	<u>-</u>	<u>7,055,416</u>
	<u>\$ 7,055,416</u>	<u>\$ 179,560</u>	<u>\$ 1,421</u>	<u>\$ 7,236,397</u>
<u>December 31, 2018</u>				
Bonds	\$ -	\$ 1,361,890	\$ -	\$ 1,361,890
Preferred stocks	-	388,009	-	388,009
Common stocks	-	-	1,181	1,181
Mutual funds	<u>5,501,254</u>	<u>-</u>	<u>-</u>	<u>5,501,254</u>
	<u>\$ 5,501,254</u>	<u>\$ 1,749,899</u>	<u>\$ 1,181</u>	<u>\$ 7,252,334</u>

The Company does not have any liabilities measured at fair value at December 31, 2019 or 2018.

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 2019 or 2018.

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

NOTES TO STATUTORY FINANCIAL STATEMENTS

December 31, 2019 and 2018

Note 2 ~ Investments (Continued)

All Financial Instruments. The following is the aggregate fair value for all financial instruments as of December 31, 2019 and 2018:

<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>December 31, 2019</u>					
Bonds	\$ 28,344,625	\$ 27,169,059	\$ 1,260,859	\$ 27,083,475	\$ 291
Preferred stocks	5,711	5,477	-	5,711	-
Common stocks and mutual funds	<u>7,056,545</u>	<u>7,056,545</u>	<u>7,055,415</u>	<u>-</u>	<u>1,130</u>
	<u>\$ 35,406,881</u>	<u>\$ 34,231,081</u>	<u>\$ 8,316,274</u>	<u>\$ 27,089,186</u>	<u>\$ 1,421</u>
<u>December 31, 2018</u>					
Bonds	\$ 26,944,212	\$ 27,288,417	\$ 1,588,414	\$ 25,355,798	\$ -
Preferred stocks	408,548	407,799	-	408,548	-
Common stocks and mutual funds	<u>5,502,435</u>	<u>5,502,435</u>	<u>5,501,254</u>	<u>-</u>	<u>1,181</u>
	<u>\$ 32,855,195</u>	<u>\$ 33,198,651</u>	<u>\$ 7,089,668</u>	<u>\$ 25,764,346</u>	<u>\$ 1,181</u>

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

December 31, 2019 and 2018

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, 2019 and 2018, is summarized as follows (000's omitted):

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 7,409	\$ 7,852
Less reinsurance recoveries	<u>1,448</u>	<u>1,458</u>
Net balance at January 1	<u>5,961</u>	<u>6,394</u>
Incurred related to:		
Current year	3,149	3,265
Prior years	<u>(610)</u>	<u>(1,660)</u>
Total incurred	<u>2,539</u>	<u>1,605</u>
Paid related to:		
Current year	710	738
Prior years	<u>1,851</u>	<u>1,300</u>
Total paid	<u>2,561</u>	<u>2,038</u>
Net balance at December 31	5,939	5,961
Plus reinsurance recoveries	<u>1,663</u>	<u>1,448</u>
Balance, end of year	<u>\$ 7,602</u>	<u>\$ 7,409</u>

As a result of changes in estimates of insured events in prior years, net loss and loss adjustment expenses incurred were decreased in 2019 and 2018 due to lower than anticipated losses and related expenses by approximately \$610,000 and \$1,660,000, 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, 2019 and 2018, were \$646,924 and \$478,016, 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.

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

NOTES TO STATUTORY FINANCIAL STATEMENTS

December 31, 2019 and 2018

Note 5 ~ Reinsurance (Continued)

The Company has received surplus aid from reinsurance of \$37,315 as of December 31, 2019, 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, 2019, there were no unsecured aggregate recoverables for losses, loss adjustment expense, and unearned premiums from reinsurers which exceeded 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>	
2020	\$ 247,850
2021	158,524
2022	75,000
2023	-
2024	-
	<u>\$ 481,374</u>

Total rental expense was \$246,182 and \$244,228 for the years ended December 31, 2019 and 2018, respectively.

Note 7 ~ Debt

The Company has a \$1,000,000 revolving line of credit with US Bank N.A. 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 1, 2019, to mature on August 31, 2020. The interest rate on the line of credit is the one-month LIBOR rate, plus 172 basis points. The Company did not borrow on this line of credit in 2019 or 2018.

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, 2019, the Company's surplus significantly exceeded the minimum levels required by the OCI and RBC standards.

During 2019, the Company paid a dividend of 10 percent of policy premium for policyholders of record at March 10, 2019. The amount of the dividend paid was \$454,750. During 2018, the Company paid a dividend of 10 percent of policy premium for policyholders of record at March 10, 2018. The amount of the dividend paid was \$493,774.

Subsequent to December 31, 2019, the Board of Directors declared a dividend of 8 percent of policy premium, excluding premium on tail endorsements, for policyholders of record at March 10, 2020. The amount of the dividend is estimated to be \$356,000.

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

	2019	2018
Net unrealized gains	\$ 2,770,856	\$ 1,241,471
Nonadmitted assets	(145,297)	(97,500)

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

NOTES TO STATUTORY FINANCIAL STATEMENTS

December 31, 2019 and 2018

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, 2019 and 2018, due to the following:

	2019	2018
Computed expected federal income tax	\$ 103,923	\$ 233,104
Increase (decrease) in taxes resulting from:		
Unearned premiums	1,917	(9,639)
Unpaid losses and LAE	6,574	1,754
Tax-exempt interest, net	(2,934)	(3,342)
Dividends received deduction, net	(7,829)	(6,788)
Deferred compensation	35,471	(2,545)
OTTI	289	791
Depreciation	283	110
Other, net	2,631	104
Federal income tax expense	\$ 140,325	\$ 213,549

For the years ended December 31, 2019 and 2018, net realized capital gains on the statutory statements of income are shown net of federal income tax expense of \$119,455 and \$117,217, respectively.

The components of the net deferred tax asset/(liability) at December 31, 2019 and 2018, were as follows:

	Ordinary	Capital	Total
<u>2019</u>			
Gross deferred tax assets	\$ 361,265	\$ 15,335	\$ 376,600
Statutory valuation allowance	-	-	-
	361,265	15,335	376,600
Deferred tax asset nonadmitted	-	-	-
	361,265	15,335	376,600
Deferred tax liability	(65,529)	(577,071)	(642,600)
	\$ 295,736	\$ (561,736)	\$ (266,000)

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

NOTES TO STATUTORY FINANCIAL STATEMENTS

December 31, 2019 and 2018

Note 9 ~ Income Taxes (Continued)

	Ordinary	Capital	Total
<u>2018</u>			
Gross deferred tax assets	\$ 316,955	\$ 15,045	\$ 332,000
Statutory valuation allowance	-	-	-
	316,955	15,045	332,000
Deferred tax asset nonadmitted	-	-	-
	316,955	15,045	332,000
Deferred tax liability	(76,527)	(256,473)	(333,000)
	\$ 240,428	\$ (241,428)	\$ (1,000)

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)*:

	Ordinary	Capital	Total
<u>2019</u>			
11a. Ability to recover taxes paid in prior years	\$ 196,406	\$ 12,268	\$ 208,674
11b. Expected to be realized, after application of threshold limitations	-	-	-
11c. Offset of deferred tax liabilities	164,859	3,067	167,926
	\$ 361,265	\$ 15,335	\$ 376,600

<u>2018</u>			
11a. Ability to recover taxes paid in prior years	\$ 186,620	\$ 12,036	\$ 198,656
11b. Expected to be realized, after application of threshold limitations	-	-	-
11c. Offset of deferred tax liabilities	130,335	3,009	133,344
	\$ 316,955	\$ 15,045	\$ 332,000

	2019	2018
Ratio Used to Determine Recovery Period and Threshold Limitation amount under paragraph 11b	2,371%	2,169%
Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation under paragraph 11b	\$ 26,346,407	\$ 24,775,274

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY

NOTES TO STATUTORY FINANCIAL STATEMENTS

December 31, 2019 and 2018

Note 9 ~ Income Taxes (Continued)

The major components of current income taxes incurred and net deferred tax assets as of December 31, 2019 and 2018, were as follows:

	2019	2018	Change
Current income tax:			
Federal	\$ 20,870	\$ 96,332	\$ (75,462)
Federal income tax on net capital gains	119,455	117,217	2,238
Federal income taxes incurred	140,325	213,549	(73,224)
Deferred tax assets:			
Unpaid loss and LAE	111,422	115,297	(3,875)
Unearned and advance premiums	73,273	71,357	1,916
Compensation and benefits accrual	144,068	108,680	35,388
Nonadmitted assets	30,512	19,653	10,859
Investments	15,335	15,045	290
Other	1,990	1,968	22
Total deferred tax assets	376,600	332,000	44,600
Nonadmitted deferred tax assets	-	-	-
Total admitted deferred tax assets	376,600	332,000	44,600
Deferred tax liabilities:			
Investments	(577,071)	(256,473)	(320,598)
Other	(65,529)	(76,527)	10,998
Total deferred tax liabilities	(642,600)	(333,000)	(309,600)
Net deferred tax liabilities	\$ (266,000)	\$ (1,000)	\$ (265,000)

Federal income taxes which would be available for recoupment in the event of future tax losses are approximately \$141,000 and \$213,000 for 2019 and 2018, respectively.

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 approximately \$64,000 in 2019 and \$93,600 in 2018.

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, 2019, 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 \$127,087 in 2019 and \$130,191 in 2018.

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

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

Our audit was 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
February 29, 2020

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY
INVESTMENT RISKS INTERROGATORIES

December 31, 2019

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

\$ 36,180,743

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	\$ 1,961,601	5.4%
2.02	Freddie Mac	MBS, CMO	\$ 1,459,916	4.0%
2.03	Deutsch Bank Aktiengesellschaft	Yankee	\$ 318,987	0.9%
2.04	Kaman Corporation	Bonds	\$ 294,252	0.8%
2.05	Booking Holdings Inc	Bonds	\$ 292,986	0.8%
2.06	Palo Alto Networks, Inc	Bonds	\$ 267,618	0.7%
2.07	Illumina, Inc	Bonds	\$ 261,140	0.7%
2.08	Akamai Technologies, Inc.	Bonds	\$ 259,600	0.7%
2.09	BofA Finance LLC	Bonds	\$ 256,937	0.7%
2.10	Commonwealth of Massachusetts	Municipal	\$ 252,939	0.7%

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	\$ 18,719,459	51.7%	3.07 P/RP - 1	\$ _____ %
3.02 NAIC - 2	\$ 6,356,879	17.6%	3.08 P/RP - 2	\$ _____ %
3.03 NAIC - 3	\$ 646,750	1.8%	3.09 P/RP - 3	\$ 5,477 0.0%
3.04 NAIC - 4	\$ 1,370,376	3.8%	3.10 P/RP - 4	\$ _____ %
3.05 NAIC - 5	\$ 240,241	0.7%	3.11 P/RP - 5	\$ _____ %
3.06 NAIC - 6	\$ 291	0.0%	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	\$ 1,794,110	5.0%
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, 2019

(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	\$ 1,794,110	5.0%
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: France	\$ 440,002	1.2%
6.02	Country: Germany	\$ 318,987	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

\$ _____	% _____
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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, 2019

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

	Issuer	NAIC Rating	Amount	Percent
10.01	Deutsche Bank Akiengesellschaft	2FE	\$ 318,987	0.9%
10.02	VINCI SA	1FE	\$ 226,550	0.6%
10.03	Total SA	1FE	\$ 213,452	0.6%
10.04	STMicroelectronics N.V.	2FE	\$ 212,291	0.6%
10.05	Qiagen N.V.	2	\$ 209,732	0.6%
10.06	Rio Tinto Finance (USA) Limited	1FE	\$ 128,040	0.4%
10.07	Shire Acquisitions Investments Ireland Limited	2FE	\$ 99,993	0.3%
10.08	WPP Finance 2010	2FE	\$ 97,733	0.3%
10.09	Jazz Investments I Limited	3	\$ 95,101	0.3%
10.10	BP Capital Markets p.l.c	1FE	\$ 75,000	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, 2019

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	_____	\$ _____	_____ %
13.03	_____	\$ _____	_____ %
13.04	_____	\$ _____	_____ %
13.05	_____	\$ _____	_____ %
13.06	_____	\$ _____	_____ %
13.07	_____	\$ _____	_____ %
13.08	_____	\$ _____	_____ %
13.09	_____	\$ _____	_____ %
13.10	_____	\$ _____	_____ %
13.11	_____	\$ _____	_____ %

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, 2019

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, 2019

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, 2019

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

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY
SUMMARY INVESTMENT SCHEDULE

December 31, 2019

	<u>Gross Investment Holdings</u>		<u>Admitted Assets as Reported In the Annual Statement*</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
1. Long-Term Bonds (Schedule D, Part 1):				
1.01 U.S. Governments	\$ 2,870,715	8.1%	\$ 2,870,715	8.1%
1.02 All Other Governments	\$	%	\$	%
1.03 U.S. States, Territories and Possessions, etc. Guaranteed	\$ 598,717	1.7%	\$ 598,717	1.7%
1.04 U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed	\$ 627,535	1.8%	\$ 627,535	1.8%
1.05 U.S. Special Revenue and Special Assessment Obligations, etc. Non-Guaranteed	\$ 5,098,451	14.4%	\$ 5,098,451	14.4%
1.06 Industrial and Miscellaneous	\$ 17,634,158	49.5%	\$ 17,634,158	49.6%
1.07 Hybrid Securities	\$ 339,483	1.0%	\$ 339,483	1.0%
1.08 Parent, Subsidiaries and Affiliates	\$	%	\$	%
1.09 SVO Identified Funds	\$	%	\$	%
1.10 Bank Loans	\$	%	\$	%
1.11 Total Long-Term Bonds	<u>\$ 27,169,059</u>	<u>76.5%</u>	<u>\$ 27,169,059</u>	<u>76.6%</u>
2. Preferred Stocks (Schedule D, Part 2, Section 1):				
2.01 Industrial and Miscellaneous (Unaffiliated)	\$ 5,477	0.0%	\$ 5,477	0.0%
2.02 Parent, Subsidiaries and Affiliates	\$	%	\$	%
2.03 Total Preferred Stocks	<u>\$ 5,477</u>	<u>0.0%</u>	<u>\$ 5,477</u>	<u>0.0%</u>
3. Common Stocks (Schedule D, Part 2, Section 2):				
3.01 Industrial and Miscellaneous Publicly Traded (Unaffiliated)	\$ 1,130	0.0%	\$ 1,130	0.0%
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	\$ 7,055,415	19.9%	\$ 7,055,415	19.9%
3.06 Unit Investment Trusts	\$	%	\$	%
3.07 Closed-end Funds	\$	%	\$	%
3.08 Total Common Stocks	<u>\$ 7,056,545</u>	<u>19.9%</u>	<u>\$ 7,056,545</u>	<u>19.9%</u>
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 Mortgage Loans	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY
SUMMARY INVESTMENT SCHEDULE

December 31, 2019

	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	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
6. Cash, Cash Equivalents and Short-Term Investments:				
6.01 Cash (Schedule E, Part 1)	\$ 248,116	0.7%	\$ 248,116	0.7%
6.02 Cash Equivalents (Schedule E, Part 2)	\$ 818,184	2.3%	\$ 818,184	2.3%
6.03 Short-Term Investments (Schedule DA)	\$ 164,937	0.5%	\$ 164,937	0.5%
6.04 Total Cash, Cash Equivalents and Short-Term Investments	<u>\$ 1,231,237</u>	<u>3.5%</u>	<u>\$ 1,231,237</u>	<u>3.5%</u>
7. Contract Loans	\$	%	\$	%
8. Derivatives (Schedule DB)	\$	%	\$	%
9. Other Invested Assets (Schedule BA)	\$ 25,901	0.1%	\$	%
10. Receivables for Securities	\$	%	\$	%
11. Securities Lending (Schedule DL, Part 1)	\$	%	\$	%
12. Other Invested Assets	\$	%	\$	%
13. Total Invested Assets	<u>\$ 35,488,219</u>	<u>100.0%</u>	<u>\$ 35,462,318</u>	<u>100.0%</u>

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

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY
REQUIRED REINSURANCE INTERROGATORIES

December 31, 2019

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, 2019

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