

WISCONSIN LAWYERS MUTUAL INSURANCE COMPANY ANNUAL REPORT TO POLICYHOLDERS 2013

Wisconsin Lawyers Mutual  
INSURANCE COMPANY



## PROTECTING THE HARVEST



Katja Kunzke

**Y**ou might have to work in the field of insurance for a while to appreciate the impeccable logic behind the concept of protecting against loss. I like to explain this by telling the story of where insurance began. The tale, quite true despite its mythical trappings, makes it easier to relate to the concept.

It has to do with rice farmers in China thousands of years ago. They got into the habit of each farmer putting a portion of their harvest on another farmer's boat for the sometimes-perilous trip to market. If one boat sank on the way, each farmer still had something to sell. No one lost everything.

Wisconsin Lawyers Mutual Insurance Company follows the same logic when it sells professional liability coverage to Wisconsin lawyers. We aren't exactly dividing rice to protect the harvest, but in the same way, the company makes it possible for policyholders to share the risk of loss in case of malpractice claims. Wisconsin Lawyers Mutual is here to smooth out those losses when they occur.

Last year was one of those times when the benefit of spreading the risk was apparent and our financial strength important. Claims happened, some of them substantial, despite best practices and good faith. But the careful stewardship of financial resources that has defined Wisconsin Lawyers Mutual since we began helped us manage losses from those claims. Our long-standing strategy of prudent investing paid off with returns that offset the losses.

It's a powerful reminder that our policyholders do not put all their rice in one boat when it comes to professional liability and neither does Wisconsin Lawyers Mutual.

In fact, 2013 left the company on a good financial footing, led by a level of growth in new business that rivaled 2009, our previous best year on record. Assets grew in 2013 to \$31.5 million and surplus reached \$21.3 million.

### TRANSITIONAL TIME

Working with policyholders to reduce practice risks and prevent claims is a big part of the Wisconsin Lawyers Mutual story and, for all of us here, essential to doing our

job. But we're in a transitional time for professionals like lawyers who consult and advise. You practice in an age driven by vast amounts of information available on the Internet. Because of this, the public's perception of how to value people who know stuff has changed. Easy downloads of write-a-will kits or step-by-step guides to completing other legal tasks means lawyers must work at remaining relevant to current and potential clients.

Wisconsin Lawyers Mutual gets it. We recognize the challenges of the wired world where you must practice. We see it as particularly true for new lawyers who embark on their careers today with only a vague template for where they'll be in six or seven years. They are coming up with new approaches—having a web presence, running a virtual law office, diversifying—so they can put their knowledge and skill into practice.

Board and staff members of Wisconsin Lawyers Mutual take up a similar challenge. We study how practice risks are shifting and changes in the environment where you serve your clients. It helps us find the right tools and develop prevention-focused practice resources for our customers.

Without hesitation, Wisconsin Lawyers Mutual is in this all the way with policyholders. Like you, we are deciphering what the legal clients of the 21st century want and need, how they research their legal questions and where professional advice and counsel come in.

## SMALL FIRM AND SOLO

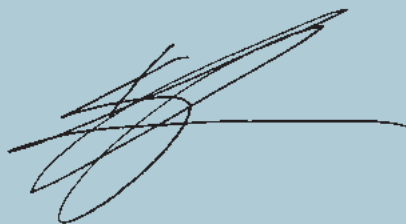
Lawyers practicing in small firms or solo do an especially good job of closing the distance between perception and reality when people judge legal answers found online as accurate or enough. Solo and small firm lawyers work hard to give them access instead to credible legal information and reliable representation. I know these lawyers. You're the ones Wisconsin Lawyers Mutual covers. You have the ability to connect with people in your community and act on it, always looking to learn.

Wisconsin Lawyers Mutual follows your lead and a philosophy that says *we are still learning*. It promises a strong future for us all.

## SPEAKING OF STRENGTH

Informed anticipation of what's next for the company and Wisconsin lawyers keeps Wisconsin Lawyers Mutual looking ahead even as we report on 2013. What keeps us grounded is how carefully we choose the experts who advise us. We avoid assumptions and act on good information and verifiable credentials. I see this caution as one of our greatest strengths. It ensures that Wisconsin Lawyers Mutual stays an active practice resource for people we respect, solo and small firm lawyers who need the certainty of malpractice coverage but also the business tools to succeed for themselves and their clients.

Like another chapter to a good story, Wisconsin Lawyers Mutual is proud you put your rice in our boat.



Katja Kunzke  
President & CEO

## CHALLENGE INTO OPPORTUNITY

*Wisconsin Lawyers Mutual Insurance Company recognized again in 2013 how much this liability insurer looks to its policyholders for a realistic picture of how small firm and solo practice lawyers operate in the 21st Century. Superior Attorney Johanna R. Kirk is one of them. Meet a young lawyer practicing solo and on her own terms who epitomizes a professional capable of turning the challenges of today's marketplace into opportunity.*



Attorney Johanna Kirk

Opening a solo law practice after several years as a partner in a small firm proved a welcome chance to *reboot* for Johanna Kirk. She describes the move she made last year as redefining her “operating systems” to better connect with clients and prospective clients.

“People expect more value out of a relationship with a lawyer today,” Kirk says. “It has less to do with price than the fact they want to connect

with you as a professional who can explain clearly how a statute or code they’ve learned about online relates to their situation. Clients want to know you can help them solve a legal problem.”

Operating solo frees Kirk to “practice my own way” as she relates to these clients and responds to the influence of market forces on her profession.

### ACCESSIBLE AND REAL

Kirk practices business and other areas of law in Superior, Wisconsin, and throughout Douglas and surrounding counties in northwest Wisconsin. She works on cases related to special education, guardianship issues, employment law, real estate transactions, estate planning, probate and more. Her clients include local businesses, non-profit organizations, individuals, school districts and municipalities.

Kirk explains the Superior market is far enough north to steer clear of trends without being out of step. She is one of the few women among a sizeable number of lawyers

working solo in the market, a fact that differentiates her firm, as does a matter-of-fact approach to communicating with clients and negotiating fees. Kirk explains this and more on her website ([kirklawsuperior.com](http://kirklawsuperior.com)) in language that portrays her as accessible and down-to-earth.

Through the site and different social media outlets, Kirk reaches potential clients and her community. The “ramblings” she features online cover topics like the basics of estate planning, drafting a deed or doing informal background checks on prospective employees. Shorter Twitter posts run the gamut from legal tips to information on local events and seasonal photos. The response so far is positive.

“Clients want to know lawyers are real people rather than the stereotype of a suit standing against a bookshelf of law books,” Kirk observes.

No rows of books in the Kirk Law Office. She relies on Fastcase, a web-based legal research service available through the State Bar of Wisconsin that provides quick access to a comprehensive library of cases, statutes, regulations, court rules and more.

### NEW WORLD, NEW RISKS

Comfortable as Kirk is practicing law in a world where clients have access to an Internet’s worth of legal information (accurate or not) and connectedness is a click away, this “one-woman show” is alert to the inherent risk. Because she maintains a largely paperless office, Kirk follows a strict routine about backing up and managing document storage to prevent problems.

Kirk notes the cardinal rule of client confidentiality applies as much or more in this environment. One example is the care she takes in selecting topics to discuss in her online blog, avoiding anything remotely close to an issue that involves current work for clients.

### GIVE AND GET

Active in the State Bar of Wisconsin, Kirk volunteers on several committees, and makes presentations at conventions and conferences. She asserts it is an important part

of belonging to a self-regulating profession. Participating allows her to give back and add her voice to the discussion when issues come up that affect bar members or the law as practiced in Wisconsin. “Being involved, I’ve also had the opportunity to get to know others in the profession and build a network of useful resources.”

In one example, her State Bar involvement introduced her to Wisconsin Lawyers Mutual Insurance Company back when she was a firm shareholder.

“After knowing Katja, Tom and Brian for a number of years, I didn’t think twice about where to purchase malpractice coverage when I set up my solo practice,” she says. It was one of the first calls she made.

“Like my clients, I look for value in a relationship and that’s what I get from Wisconsin Lawyers Mutual—answers when I need them, good programs and a range of resources to run a successful practice.”

Kirk also gives back through teaching. She instructs courses in the Paralegal Certification Program at the University of Wisconsin-Superior and serves on the program’s Curriculum Planning Committee. Aware after being in practice for eight years of what she did *not* learn in law school, Kirk uses her experience operating a law business to push her students beyond vocabulary and theory to practical examples of tracking and billing time, managing budgets and cash flow, and other fine points of business.

## A GOOD FIT

Kirk’s decision to simplify her practice approach mirrors moves seen nationally and in Wisconsin of firms downsizing and attorneys going solo. In her case, the combination of modern marketing savvy and old-fashioned relationship building put her closer in touch with work she enjoys and clients that are a good fit.

For Wisconsin Lawyers Mutual, there is a lot to learn from this valued policyholder. Kirk’s strong sense of her goals as a lawyer serving clients and as a businesswoman active in her community makes it a good fit all around. ●

## ACTIVE COMMITMENT TO GO BEYOND

*Professional liability coverage for solo and small firm lawyers in Wisconsin only narrowly describes the business of Wisconsin Lawyers Mutual Insurance Company. There is a commitment, made at its founding, that the company will go beyond insurance to engage with policyholders. This translates into providing practical resources that help them operate a successful practice and prevent claims. The commitment was active last year as the company’s staff of experienced professionals shared a wealth of risk management tools with policyholders and responded to coverage and claims questions. They share their observations here on trends and discuss the Wisconsin Lawyers Mutual approach to the prudent asset management that is the foundation of a strong mutual insurance company.*

### JUST ASK

Customer service is top of mind at Wisconsin Lawyers Mutual, founded as it was by lawyers intent on providing professionals like themselves with a source for malpractice insurance better in every way than what went before.

Staff members today who are the first to greet policyholders and others who call with questions understand this commitment. Executive and Marketing Assistant Stephanie Williams, Underwriting Associate Jane Harder and Claims Assistant Joyce Neumaier say their front-line roles are like a window on the profession. They field calls from lawyers inquiring about their policies, potential claims and everything in between.

“Policyholders feel comfortable calling in with questions that range from how long they should hold on to their files to seeking advice on whether or not they should take on certain kinds of work,” Stephanie says. She also has the chance to acquaint customers with new offerings like cyber liability coverage, and probate and court bonds.

“I find the key to providing good customer service is listening,” notes Stephanie, who also interacts with Wisconsin lawyers while staffing the Wisconsin Lawyers Mutual booth at conventions and conferences. “Listening to what people need and doing our best to get it for them,

whether it is a court bond, a change in coverage or simply the answer to a question. That's what we do."

*Doing our best*, Joyce agrees, is an important standard and has a lot to do with the company's legendary retention rate. But it is tested daily by customer expectations for instant answers. Policyholders are influenced like everyone else by the fast pace of commerce in a digital world and meeting their needs in an accurate and timely way is a challenge. But, Joyce says, it is one Wisconsin Lawyers Mutual takes on with many resources in hand and more to come.

"Our policyholders want access to more services via the web and we are moving in the right direction to provide them with things like a way to bind coverage online or over the phone," explains Joyce. "But I think we'll always have customers who need one-on-one service and prefer to connect with one of us."

### Opportunity to educate

Even for those who prefer personal contact, Joyce suggests, improvements like development of a web portal that allows policyholders to find specific information quickly and do business with their liability insurer is an opportunity for Wisconsin Lawyers Mutual to educate its insureds.

Jane, who has more than a decade of experience on the underwriting side of the business, considers the tradition of delivering personal, professional and caring service a touchstone for Wisconsin Lawyers Mutual.

"When I hear these words from an insured—"that was easier than I expected!"—I feel like I've done my job," Jane says. "You get to know how much our insureds value efficiency and we strive to deliver that in every case with a quick, concise response."

The three women all recognize that while policyholders will benefit from increased access to information online, and the ability to conduct business with the company via mobile devices and the planned portal, it does not change their reasons for connecting. Exceptional customer satisfaction remains a primary goal of every contact between Wisconsin Lawyers Mutual and its policyholders.

## CHANGING TIMES IN RISK

Work on development of risk management strategies starts for Sally Anderson and Brian Anderson with taking a pulse on claims. Vice President-Claims and Claims Counsel respectively, Sally and Brian say frequency and severity of claims in 2013 is the bellwether of trends they track for better tools that can help policyholders reduce their practice risk.

Bankruptcy and collections together topped the number of cases reported to Wisconsin Lawyers Mutual last year. "We saw a correlation between the influx of claims in these areas of practice and the recession that has had such a widespread negative impact nationally," says Sally. And, she notes, the economic downturn continues for lawyers judging by the higher percentage of claims going into suit.



Customer service is key to Jane Harder, Stephanie Williams and Joyce Neumaier.

“We also see plaintiff’s lawyers more willing to take on matters that in the past they would not touch,” Sally adds. “Once they do, they tend to pull the litigation trigger sooner.”

Areas of practice that rated just behind bankruptcy for frequency were family law, personal injury, real estate, and cases involving estate, probate and trust law.

Claims involving bankruptcy and collections also ranked number one in severity, meaning the cost to resolve them. Wisconsin Lawyers Mutual paid significant indemnity dollars to settle these and claims involving mistakes made in estate/probate/trust.

Brian says analyzing the numbers is one way to spot trends. Another is talking with policyholders dealing with a claim and others seeking advice about preventing one. “The trend of lawyers taking work that falls outside professional legal services has led to numerous claims over the last few years where our insured argues there was no attorney/client relationship,” he notes. “Problems arise because the courts view that relationship more broadly these days and in a light unfavorable to the insured.”

### Learn and advise

Along with the claims group, Vice President for Underwriting Joe McCarthy communicates often with lawyers to find out what the practice environment is like in Wisconsin for attorneys working solo and in small firms.

What he learns, Joe says, helps him judge the risks they take and advise on strategies to reduce or prevent claims.

Non-traditional relationships and spin-offs are two areas that raise questions. Joe explains that in the case of non-traditional relationships, lawyers are collaborating with other lawyers in arrangements just short of formally expanding the size of their practice.

“I answer questions weekly about ‘of counsel’ or independent contractor relationships between individual lawyers or an individual and a firm,” says Joe, citing the example of three attorneys located in different parts of the state who help cover hearings for each other. “The work is all in one area of practice and in courts where the rules are the same and each attorney knows what to expect.”

Clients receive good service at less cost since travel and other expenses are taken out of the equation. But Joe describes the risk as ensuring the same level of competence and service in a hearing from the stand-in



They take risk seriously: standing, Joe McCarthy, Brian Anderson, Sally Anderson and seated, Tom Watson, Frank Zillner.

that clients expected from the attorney they hired. “It is also important the relationship is transparent so the client understands why another attorney is stepping in,” he adds.

Another kind of collaboration Joe sees are firms contracting with outside attorneys to handle an overflow of work or a particular area of practice. For Wisconsin Lawyers Mutual, the concern with any collaboration is making sure the work is being covered by insurance should some mistake occur.

The trend of lawyers “spinning off” larger firms to open smaller or individual practices as a response to the tough economy is something Joe predicts will continue to evolve.

“One reason is that individual attorneys with portable books of business and practices can open their own office with much lower overhead and provide clients with the same level of service at a reduced price,” he notes. “I’ve seen areas of practice like contract review and negotiation, insurance coverage review, even some litigation-based practices involved in spinoffs; but any attorney who can be self-supporting is a good candidate.”

One more situation on the risk-management radar for underwriting and claims is trustee work. For a time last year, Joe says they were hearing from lawyers frequently who wanted to know what form of trustee work their Wisconsin Lawyers Mutual policy covered and what kind of conflict of interest may exist.

“Except for financial advice and specific fiduciary responsibilities, our coverage generally does apply to work done by a trustee,” Joe explains. “And for attorneys asked to draft trusts and then serve as a trustee, we advise them to discuss the potential conflict with the clients.”

### **Talking prevention**

Tom Watson, Senior Vice President and Director of Communications for Wisconsin Lawyers Mutual, talked loss prevention in many presentations last year that generated valuable dialog with lawyers across the state. He credits these interactions with giving the company a better idea of what lawyers need from their malpractice insurer.

“To connect face-to-face with the profession this way lets us hear firsthand how Wisconsin lawyers practice, what kind of lawyers they want to be and the concerns they have about future risks,” says Tom. “I sense our con-

versations make a difference for the lawyers and I know they’re worthwhile for us in developing new resources and relevant coverage options.”

### **Outlook for risk**

From the contact Tom and others in the risk management group made in 2013 with policyholders and Wisconsin lawyers in general, they see several issues that will demand careful practice management over the next few years.

Lawyers continue to face pressure to respond more quickly around the clock to clients while keeping legal costs low. This exposes them to claim risks they need to control. And it includes cyber risk. As attorneys use a range of Internet-based technologies to manage document work on cases and run their businesses, they enter a new realm demanding extra scrutiny.

Wisconsin Lawyers Mutual Information Technology Manager Frank Zillner monitors this world and suggests it is easy for solo and small firm practices to overlook or downplay the need to act on cyber security. “Large corporations have teams of individuals dedicated to safeguarding against cyber risks,” he says. “Most law firms do not have the resources for adequate in-house oversight of their electronic tools.”

Frank lists use of passwords and encryption to protect access to data, identifying sensitive data and where it is stored, and putting procedures in place in case of a breach as methods for mitigating cyber risk. He notes that besides good risk-prevention practices, having an insurance policy specific to cyber risk offers Wisconsin lawyers coverage for costs involved in resolving problems, limiting liability and restoring systems damaged by a breach.

Finally, the changing practice landscape promises to affect clients, lawyers and insurers alike as older lawyers retire and take their experience with them. Those who take their place often have different skill sets, observes Sally. As a result, lawyers and law firms might face the challenge—and risk—of representing clients in situations, like a court trial, where they lack the resources to meet client expectations.



## MUTUAL ASSETS

**F**inancial strength and stability are the backbone of Wisconsin Lawyers Mutual. The investment and accounting acumen of the financial professionals on staff and the lawyers who sit on the Board's Investment Committee are proof of how important knowledgeable management of assets is to the company.

That is the message Patricia Lehner, Wisconsin Lawyers Mutual Treasurer and Controller, sends about the investment policy and guidelines she and Assistant Controller Linda Budziszewski follow in their "behind-the-scenes" efforts to protect company assets while making them grow.

"The best way to explain how we do this is to consider where the process starts, with our annual risk-tolerance review," Patty explains. Management works with the Investment Committee and the company's investment

advisors to review and discuss the guidelines they follow, the risks to take or avoid. "We run scenarios to evaluate the risk potential of one investment strategy over another to decide whether the upside, if there is one, is worth it."

The review asks how the department and its investment advisors are managing assets but also why they are doing it a certain way. "And is it the best way to continue?" Patty adds.

Answers in hand, she and the committee members then share the results of the annual review with the full Board to insure that all key people weigh in and endorse the updated investment guidelines. The Board also reviews adherence to the guidelines at every board meeting.

### Whose assets?

President and CEO Katja Kunzke, who works with Patty and Linda to maintain responsive asset management procedures, says policyholders' interests are a major consideration. "We view company assets as belonging to our policyholders. It is their money," Katja notes, echoing the attitude that permeates the culture of Wisconsin Lawyers Mutual. "Our sense of responsibility to policyholders really does define what we do with our investments."

Accordingly, Wisconsin Lawyers Mutual takes a conservative approach with investments, Linda explains, with 78 percent of the total in high quality bonds. A major driving force is the need to meet state regulations that require the company to secure assets enough to pay all necessary claims.

"The insurance regulations also guide our thinking about which investments we choose since some of the riskier ones require approval from the Wisconsin Office of the Commissioner of Insurance," Linda adds.

### Perspective of experience

Patty and Linda both have long experience in accounting for insurance, a business that requires a different outlook than other enterprises. Their combined many years with



Accounting for assets are Linda Budziszewski, Katja Kunzke and Patty Lehner.

Wisconsin Lawyers Mutual also give them a healthy respect for the impact of outside forces on best-laid plans and a clear perspective on how to manage that impact.

“We take the long view, which helps us focus where we need to when markets respond negatively to events,” observes Linda, adding that Patty and she take pride in running the department efficiently while quietly meeting expectations from all directions. “We are the legs on the chair,” is how Linda describes their low-key role.

The financial crisis that reared up six years ago was a notable market response that changed everything, Patty explains. “Before that, the idea of risk tolerance was hypothetical, just talk. Watching the significant loss of value in our investment portfolio made it real.” The next risk-tolerance review took the sharpest look yet at what was an acceptable drop in surplus.

Patty notes that while she “lives and breathes insurance,” working for a mutual company is different from a stock insurance company. “For us, there is one focus, not to satisfy shareholders but to protect the interests of our policyholders.”

With greater pressure since the recession to move into riskier investments as a way to achieve growth, the asset management group remains steadfast about following time-tested precepts that provide a good balance between taking chances and protecting policyholders’ interests.

“We weathered our losses, adjusted our view of risk tolerance and can claim ourselves as survivors,” Patty concludes. “Our ability to regroup and restore surplus sends an important message.” ●

## STAFF

**Brian C. Anderson**  
*Claims Counsel*

**Sally E. Anderson**  
*Vice President-Claims*

**Linda Budziszewski**  
*Assistant Controller*

**Jane K. Harder**  
*Underwriting Associate*

**Katja Kunzke**  
*President and  
Chief Executive Officer*

**Patricia A. Lehner**  
*Treasurer and Controller*

**Joseph A. McCarthy**  
*Vice President-Underwriting*

**Joyce R.H. Neumaier**  
*Claims Assistant*

**Thomas J. Watson**  
*Senior Vice President and  
Director of Communications*

**Stephanie Williams**  
*Executive/Marketing  
Assistant*

**Frank S. Zillner**  
*Information Technology  
Manager*

## SERVICE PROVIDERS

**Domestic Reinsurance Broker**  
Aon Benfield  
Chicago, Illinois

**London Reinsurance Broker**  
Aon Benfield  
(Non-Marine Reinsurance)  
London, U.K.

**Consulting Actuary**  
EVP Advisors, Inc.  
Geneva, Illinois

**Investment Advisors**  
Asset Allocation & Management  
Company, LLC  
Chicago, Illinois

Zazove Associates, LLC  
Incline Village, Nevada

**Independent Auditors**  
Stroh Ballweg, LLP  
Madison, Wisconsin

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& Danner, SC  
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**Linda C. de la Mora**  
Attorney  
de la Mora &  
de la Mora  
Elm Grove



**Katja Kunzke**  
Attorney  
President & CEO  
Wisconsin Lawyers  
Mutual Insurance  
Company  
Madison



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Attorney  
Miller, McGinn  
& Clark, SC  
Milwaukee



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Chairman of the Board  
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Milwaukee



**Kevin J. Palmersheim**  
Attorney  
Haley Palmersheim, SC  
Middleton



**Noreen J. Parrett**  
Attorney  
Parrett &  
O'Connell, LLP  
Madison



**Mark A. Pennow**  
Attorney  
Denissen, Kranzush,  
Mahoney & Ewald, SC  
Green Bay



**Anne E. Ross**  
Attorney  
Foley & Lardner, LLP  
Madison



**Thomas R. Schumacher**  
Attorney  
Bakke Norman, SC  
New Richmond



**Thomas S. Sleik**  
Attorney  
Retired  
Hale, Skemp, Hanson,  
Skemp & Sleik  
La Crosse



**Marna Tess-Mattner**  
Attorney  
Schmidt, Rupke,  
Tess-Mattner & Fox, SC  
Brookfield

*Committee Members June 2013 through June 2014*

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George Brown  
John Danner  
Kevin Palmersheim, Chair  
Noreen J. Parrett  
Marna Tess-Mattner

**Investment Committee**

John Bubolz, Chair  
John Danner  
Linda de la Mora  
Katja Kunzke  
John Miller  
Kevin J. Palmersheim

**Nominating Committee**

George Brown  
Katja Kunzke, Chair  
Kevin J. Palmersheim  
Thomas Schumacher  
Thomas Sleik

**Long Range Planning Committee**

George Brown  
Katja Kunzke  
William Mulligan  
Kevin Palmersheim  
Noreen Parrett  
Mark A. Pennow, Chair  
Marna Tess-Mattner

**Executive Committee**

George Brown  
Linda de la Mora  
Katja Kunzke  
Mark Pennow  
William Mulligan, Chair  
Thomas Schumacher  
Thomas Sleik

## FINANCIAL HIGHLIGHTS 2013

### Statutory Balance Sheets December 31, 2013 and 2012

	2013	2012
<b>ADMITTED ASSETS</b>		
Cash and invested assets:		
Bonds	\$ 23,609,079	\$ 22,241,212
Preferred stocks	1,458,948	1,077,720
Common stocks and mutual funds	3,820,211	4,026,478
Cash and short-term investments	1,282,987	1,532,475
Receivable for securities	278,383	-
	<u>30,449,608</u>	<u>28,877,885</u>
Cash and invested assets	30,449,608	28,877,885
Uncollected premiums	656,403	647,687
Investment income due and accrued	181,797	182,725
Deductibles receivable	6,615	25,853
Reinsurance recoverable on paid losses	208	411,718
Data processing equipment (net of accumulated depreciation of \$85,988 in 2013 and \$83,723 in 2012)	14,429	22,497
Federal income taxes recoverable	101,000	75,000
Net deferred tax asset	97,300	217,680
State income taxes recoverable	65,000	28,500
	<u>31,572,360</u>	<u>30,489,545</u>
Total admitted assets	\$ 31,572,360	\$ 30,489,545
<b>LIABILITIES AND SURPLUS</b>		
Liabilities:		
Unpaid losses (net of reinsurance of \$1,532,817 in 2013 and \$1,049,061 in 2012)	\$ 3,809,655	\$ 2,967,374
Unpaid loss adjustment expenses (net of reinsurance of \$503,334 in 2013 and \$491,204 in 2012)	3,052,383	2,935,526
Unearned premiums (net of reinsurance of \$600,689 in 2013 and \$592,054 in 2012)	1,639,912	1,612,465
Ceded reinsurance premiums payable	988,996	1,382,848
Premiums received in advance	260,559	243,943
Other liabilities	523,498	482,351
	<u>10,275,003</u>	<u>9,624,507</u>
Total liabilities	10,275,003	9,624,507
Surplus:		
Unassigned surplus	21,297,357	20,865,038
	<u>31,572,360</u>	<u>30,489,545</u>
Total liabilities and surplus	\$ 31,572,360	\$ 30,489,545

### Statutory Statements of Income Years Ended December 31, 2013 and 2012

	2013	2012
<b>UNDERWRITING OPERATIONS</b>		
Net premium earned:		
Direct premium earned	\$ 4,895,080	\$ 4,858,261
Reinsurance ceded	(1,488,172)	(1,497,057)
	<u>3,406,908</u>	<u>3,361,204</u>
Net losses incurred:		
Direct losses incurred	2,419,362	2,049,314
Reinsurance recoveries	(809,848)	(855,993)
	<u>1,609,514</u>	<u>1,193,321</u>
Operating expenses incurred:		
Direct loss adjustment expenses (LAE)	1,833,632	1,812,439
Reinsurance recoveries on LAE	(8,938)	(58,388)
Direct underwriting expenses	1,212,814	1,175,320
Reinsurance commission income	(94,665)	(86,817)
	<u>2,942,843</u>	<u>2,842,554</u>
Underwriting loss	(1,145,449)	(674,671)
<b>INVESTMENT AND OTHER INCOME</b>		
Investment income earned	549,687	776,161
Investment expenses	(203,770)	(210,358)
Net realized capital gains (net of federal income tax of \$358,310 in 2013 and \$245,850 in 2012)	694,720	569,480
Other income	86,904	69,308
	<u>1,127,541</u>	<u>1,204,591</u>
Investment and other income	1,127,541	1,204,591
Net income (loss) before dividends to policyholders and federal income tax expense	(17,908)	529,920
Dividends to policyholders	236,197	471,347
Net income (loss) before federal income tax expense (benefit)	(254,105)	58,573
Federal income tax expense (benefit)	(334,310)	(219,600)
Net income	<u>\$ 80,205</u>	<u>\$ 278,173</u>

A copy of audited financial statements for 2013, including the independent auditors report and notes to statutory financial statements, is available at [wilmic.com](http://wilmic.com).

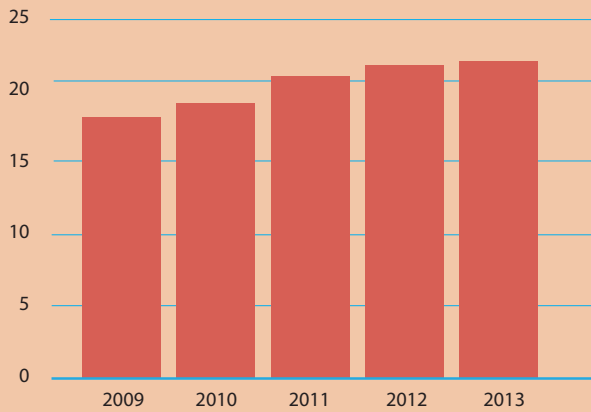
**Statutory Statements of Changes in Surplus**  
Years Ended December 31, 2013 and 2012

	2013	2012
Surplus, beginning of year	<u>\$20,865,038</u>	<u>\$20,098,820</u>
Net income	80,205	278,173
Change in net unrealized capital gains (losses), net of tax	411,632	357,675
Change in nonadmitted assets	(151,190)	107,433
Change in net deferred income tax	91,672	(54,363)
Change in provision for reinsurance	-	(2,000)
Cumulative effect of change in accounting principle	-	79,300
Surplus, end of year	<u>\$ 21,297,357</u>	<u>\$ 20,865,038</u>

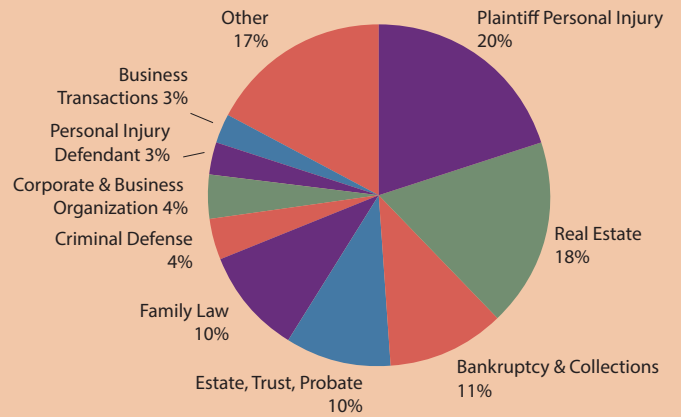
**Statutory Statements of Cash Flow**  
Years Ended December 31, 2013 and 2012

	2013	2012
Cash from operations:		
Net premiums collected	\$ 3,048,404	\$ 4,041,933
Net investment income received	727,990	814,885
Other income received	86,904	69,308
Net losses paid	(355,723)	(1,672,695)
Operating expenses paid	(2,817,837)	(2,856,543)
Dividends paid to policyholders	(236,197)	(471,347)
Federal income taxes paid	(50,000)	(185,000)
Net cash from operations	<u>403,541</u>	<u>(259,459)</u>
Cash from investments:		
Proceeds from investments sold, matured, or repaid:		
Bonds	6,745,886	8,192,593
Stocks and mutual funds	2,138,131	542,041
Other	69,392	148,651
	<u>8,953,409</u>	<u>8,883,285</u>
Cost of investments acquired:		
Bonds	(8,012,427)	(7,282,643)
Stocks and mutual funds	(1,186,108)	(817,915)
Other	(333,950)	-
	<u>(9,532,485)</u>	<u>(8,100,558)</u>
Net cash from investments	<u>(579,076)</u>	<u>782,727</u>
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	(73,953)	2,372
Net cash from financing and miscellaneous sources	<u>(73,953)</u>	<u>2,372</u>
Net change in cash and short-term investments	<u>(249,488)</u>	<u>525,640</u>
Cash and short-term investments:		
Beginning of year	<u>1,532,475</u>	<u>1,006,835</u>
End of year	<u>\$ 1,282,987</u>	<u>\$ 1,532,475</u>

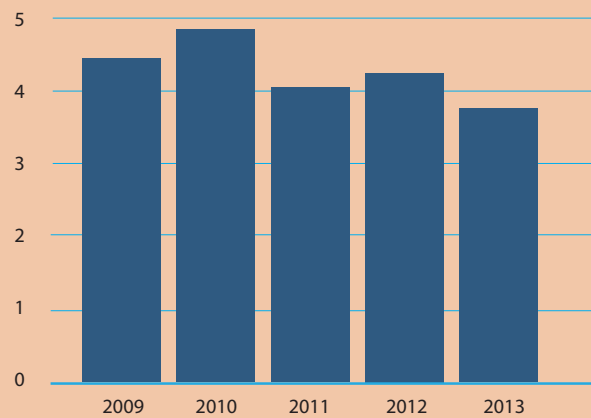
**Policyholders Surplus**  
Dollars in millions



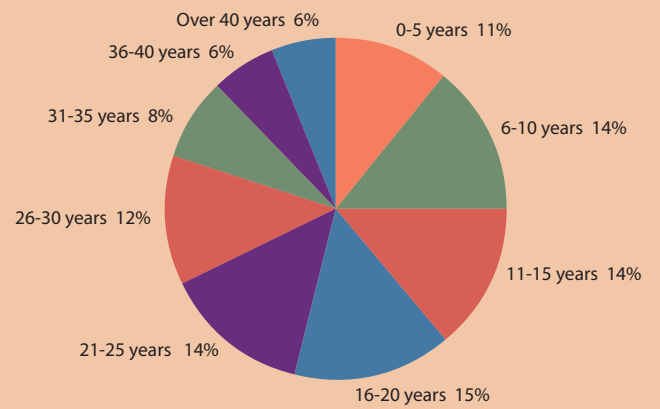
**Claims Frequency by Areas of Practice since 1986**



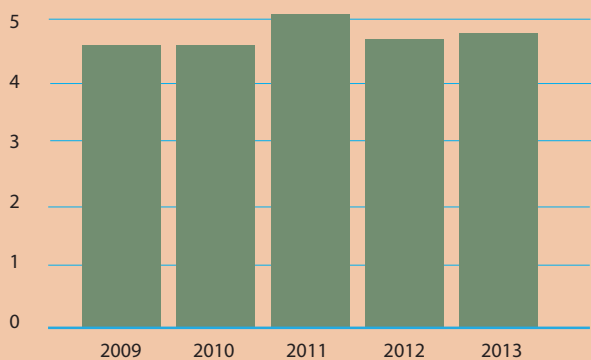
**Frequency of Claims**  
Number per 100 lawyers insured



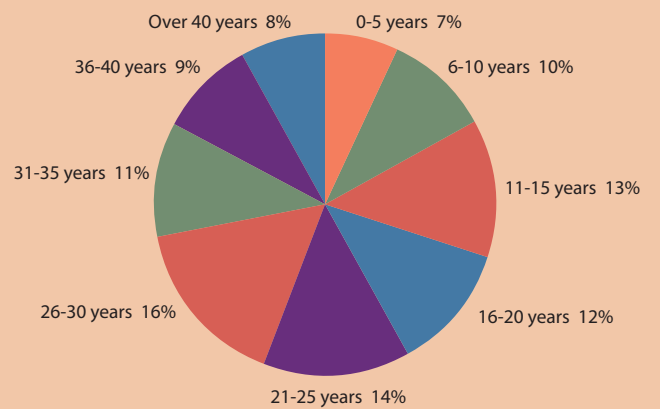
**Claims Frequency by Years in Practice since 1986**



**Premium Written**  
Dollars in millions



**Claims Severity by Years in Practice since 1986**



ON THE COVER: Origami boats folded by Ruthanne Bessman, internationally known origami artist from Madison, Wisconsin.

WRITING/EDITING MARY MAHER DESIGN ZUCKER DESIGN

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