

Strategic Business Plan

Wisconsin Association of Mutual Insurance Companies

CONTENTS

I.	WHO ARE WE?	- 3 -
a.	Our The Association	- 3 -
b.	Our Mission, Values and Vision	- 3 -
c.	Our staff	- 4 -
d.	Our Board of Directors	- 4 -
e.	Our Contingency Plans	- 5 -
II.	FINANCIALLY, HOW HAVE WE BEEN DOING?	- 6 -
a.	Financial	- 6 -
b.	Operating Results for Last 5 Years	- 7 -
c.	Analysis of Operating Results	- 8 -
III.	How could we improve?	- 10 -
a.	Strengths (Internal things we do well)	- 10 -
b.	Weaknesses (Internal areas that limit our success)	- 11 -
c.	Opportunities (External areas that could help us in the future)	- 12 -
d.	Threats (Internal areas that limit our success)	- 14 -
IV.	What are our goals over the next 3 years	- 15 -
a.	Goals to Capitalize on our Strengths	- 15 -
b.	Goals to Overcome our Weaknesses	- 16 -
c.	Goals to take advantage of our opportunities	- 17 -
d.	Goals to Minimize our Threats	- 19 -

Appendix A.....- 20 -

A. January 2010 Long Range Planning Committee Memo- 20 -

B. July 2009 Long Range Planning Committee Minutes- 22 -

C. WAMIC Full Board Meeting Minutes August 2015**Error! Bookmark not defined.**

D. Strategic Planning Committee - Chair’s Report.....- 25 -

I. WHO ARE WE?

a. THE ASSOCIATION

The Wisconsin Association of Mutual Insurance Companies (WAMIC – hereafter referred to as “the Association” was founded in 1913 to serve as a trade association for mutual insurers domiciled in Wisconsin. Despite operating for many years, the Wisconsin Association of Mutual Insurance Companies formally filed articles of incorporation to operate as a non-profit corporation in 1949.

Currently it has 54 town mutual members operating under the 612 statutes and 9 domestic companies operating under the 611 statutes.

b. OUR MISSION, VALUES AND VISION

Our mission statement is:

To provide information to member companies and promote the general welfare of all mutual insurance companies.

To sponsor proper legislation for the benefit of mutual insurance companies and defend mutual insurance companies against undesirable legislation.

To implement programs which provide insurance protection for the policyholders of the mutual insurance companies which are members of this Corporation in the event of the insolvency of any mutual insurance company.

Our Values are:

To treat each member of the association with the utmost respect and strive to earn their respect through our caring assistance and to be good stewards of all monies received from the members.

Our Vision is to:

Provide quality assistance to the extent that members value their membership with the association.

Employ and maintain a staff that is dedicated to the mission of the association.

Be proactive in areas of education, technology, leadership and legislation all to the benefit of the membership.

c. OUR STAFF

Patrick Laws, President

Patrick earned his Bachelor's Degree from Marquette University. He has eighteen years of experience in the insurance industry as an agent, inspector, underwriter, claims manager, company manager, and director. Patrick served as a director of WAMIC for three years, and was Chair of the Board in his final year. He served as chair of the Strategic Planning Committee from 2013 to 2016.

As President, Patrick is directly accountable to the Board of Directors and indirectly accountable to the membership. His duties include administration of the Association, safeguarding funds, records, and property, ensuring compliance with the bylaws of the Association, promoting good public relations, providing support to members, serving as liaison between Office of the Commissioner of Insurance (OCI) and members, monitoring legislation and regulation, lobbying on behalf of the members and informing all members of rules, regulations and laws.

Jody Simon, Administrative Assistant

Jody was formerly employed at Covance Laboratories in Madison. She served as a Research Assistant and supported 4 supervisors and 75 technicians with all of their administrative needs.

In addition to providing support to the board of directors and the president, Jody's responsibilities include record keeping, accounting, payables, receivables, billing, forms production and shipping, membership services, convention planning and coordination of educational seminars and other events.

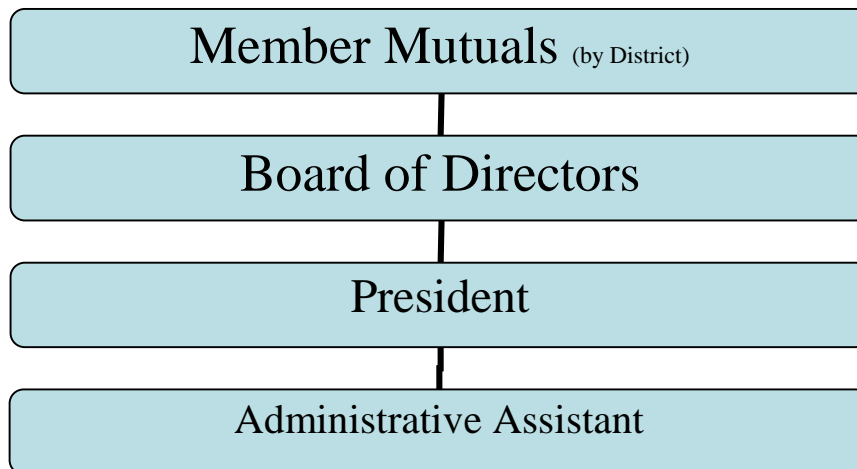
d. OUR BOARD OF DIRECTORS

Description

The membership is divided into 8 districts represented by a director. The bylaws state that only active officers, directors or other qualified personnel of member companies are eligible to serve as directors of the association.

The board meets on a quarterly basis. Special meetings may be called as necessary. Board members are responsible to ensure the staff carries out the mission statement. All board members also serve as board members of Policyholder's Mutual Insurance Company (PMIC).

Board members can serve 2 consecutive 3 year terms. The Association chair may serve more than 1 successive year as Chair. Officers of the Board are: Chair, Vice Chair, and Secretary/Treasurer.



e. OUR CONTINGENCY PLANS

Succession plan

The board of directors adopted a succession plan in 2016. The purpose of the plan is to:

- Ensure continuous service to member companies
- Anticipate future needs of the association
- Hire and groom future leadership

Disaster plan

The association maintains a disaster plan. Staff members keep it updated during the year. A copy of the plan is given to all board members. A copy of all confidential information such as passwords for banking and other financial information is provided to the board Chair. The plan provides information and guidance in the event of loss of current office facilities, loss of critical electronic data or loss of key office staff.

II. FINANCIALLY, HOW HAVE WE BEEN DOING?

a. FINANCIAL

The goal of the association is to have adequate financial resources to manage variances in expenses and incomes that can occur from time to time.

Primary sources of income are:

- Membership dues
- AAIS copyright fees
- Convention registration
- Seminar and educational seminars
- Forms sales

Secondary sources of income are:

- Associate membership dues
- Sponsorships by associate members

Primary classifications of expenses are:

- AAIS dues
- Convention expenses
- Staffing including salaries and related expenses
- General administrative costs including rent and insurance

b. OPERATING RESULTS FOR LAST 5 YEARS

5 Year Statement of Operations					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Membership Dues	\$ 283,220	\$ 276,864	\$ 279,633	\$ 291,505	\$ 292,694
Forms, Rate Manual & Brochure Sales	\$ 20,293	\$ 29,102	\$ 18,067	\$ 15,220	\$ 9,838
Donated Office Space	\$ 15,600	\$ 12,000	\$ 6,160	\$ 2,400	\$ 720
Investment Income	\$ 3,336	\$ 2,732	\$ 2,414	\$ 2,467	\$ 1,690
Other Income	\$ -	\$ 1,000	\$ 1,414	\$ 4,678	\$ 2,406
Program Revenue:					
WAMIC Convention	\$ 108,558	\$ 109,543	\$ 113,877	\$ 101,258	\$ 103,060
Schools & Seminars	<u>\$ 40,796</u>	<u>\$ 28,290</u>	<u>\$ 35,135</u>	<u>\$ 36,607</u>	\$ 37,915
Total Revenue	<u>\$ 471,803</u>	<u>\$ 459,531</u>	<u>\$ 456,700</u>	<u>\$ 454,635</u>	\$ 448,323
Member Services & General Administration	\$ 251,315	\$ 253,475	\$ 248,734	\$ 242,811	\$ 278,453
AAIS Copyright Fee	\$ 89,245	\$ 92,596	\$ 99,786	\$ 105,840	\$ 117,771
Cost of Sales	\$ 9,705	\$ 9,750	\$ 5,344	\$ 4,909	\$ 3,986
Program Costs:					
WAMIC Convention	\$ 66,922	\$ 69,053	\$ 78,227	\$ 59,022	\$ 68,936
Schools & Seminars	\$ 15,485	\$ 16,338	\$ 20,152	\$ 23,530	\$ 26,477
Termination of Defined Benefit Pension Plan	\$ 78,749	\$ -	\$ -	\$ -	
100th Anniversary Commemorative Book (net)			\$ 10,517	\$ -	
Total Expense	<u>\$ 511,421</u>	<u>\$ 441,212</u>	<u>\$ 462,760</u>	<u>\$ 36,112</u>	\$ 495,623
Increase (Decrease) in Unrestricted Net Assets	\$ (39,618)	\$ 18,319	\$ (6,060)	\$ 18,523	\$ (47,300)
Net Assets, Beginning of Year	<u>\$ 89,715</u>	<u>\$ 51,097</u>	<u>\$ 69,416</u>	<u>\$ 63,356</u>	\$ 81,879
Net Assets, End of Year	<u>\$ 51,097</u>	<u>\$ 69,416</u>	<u>\$ 63,356</u>	<u>\$ 81,879</u>	\$ 34,579

BALANCE SHEET

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total Assets	\$ 312,723	\$ 150,881	\$ 150,505	\$ 176,883	\$ 152,798
Total Liabilities	\$ 262,626	\$ 81,465	\$ 87,149	\$ 95,004	\$ 118,219
Net Assets - Association Equity	\$ 50,097	\$ 69,416	\$ 63,356	\$ 81,879	\$ 34,579

c. ANALYSIS OF OPERATING RESULTS

The Association has maintained sufficient assets for operational expenses in recent years. Other than 2010-2011, the association has operated for decades with only slight variations of revenue, expenses, and net worth. Fortunately, the association is not directly affected by storms and claims. Indirectly, it is affected when storms put a financial strain on the association's members.

The association had for many years provided a defined benefit pension plan for its employees. Unfortunately, it was not fully funded when the executive retired in 2006. The shortage had not been previously reported or recorded as a liability for the association. The value of the pension fund decreased substantially during the financial crisis and the rate of depletion of the fund accelerated with the drop in fund value because the monthly withdrawal (pension benefit) was a fixed amount.

The Association completed a process to address this deficiency, and the liability and corresponding assets have now been permanently removed from the Association's financials. The Association petitioned the IRS to terminate the pension plan that had been set up for Gerry Mueller. An annuity was purchased to replace the pension plan with the assets from the plan, and the annuity was put into Gerry's name.

Jim Tlusty retired as the Association Executive in February of 2016. Jim's employment agreement was 10 years old, and included provisions for accumulation of unused sick and vacation time. The agreement specified that the unused time would be paid out as a retirement benefit. Jim also had a non-qualified deferred compensation plan that was invested in CDs. The WAMIC Board and Jim reached an agreement regarding settlement of his retirement package, and payout was completed at the time of his retirement.

Despite the decrease in member companies due to mergers, revenue derived from membership dues been fairly level over the years due to increases in individual company membership dues. Revenue for sales of forms will likely continue to decrease as more and more companies print their own. Income from seminars remains adequate as more events are held and the attendance of some events (in particular the Directors seminar) has increased despite a decrease in member companies.

In 2015, the Association experienced a net decrease in assets of just over \$47,000. There are several reasons for this decrease. First, the 2015 convention was held in La Crosse. The La Crosse convention center costs \$10,000 to rent, which is a cost that we ordinarily do not have to incur for the convention. This means that the convention lost \$10,000 last year.

Second, AAIS changed the formula they use to calculate forms fees, particularly as it relates to the larger companies. The formula AAIS uses is based on the Direct Written Premium (DWP) of our member companies, so there are usually annual fluctuations based on increases and decreases of DWP among our member companies. The net changes are generally minimal. WAMIC typically provides the DWP figures to AAIS in the spring, and AAIS sends the forms fees bill in July or August. WAMIC has always billed for the forms fees in January as the AAIS bill has remained relatively consistent over the years.

This change in the formula resulted in an increase of \$23,000 to the forms fees bill, which was not received until July last year. At that time, the WAMIC board opted to absorb the increase rather than pass it on to our members. However, in response to this increase, the WAMIC Board tasked the Strategic Planning committee to find an alternate method of billing for the forms fees that: 1) addressed the change in the formula, and 2) revised our billing procedure to anticipate future changes or increases from AAIS.

AAIS bills on two levels. For the purposes of this discussion, WAMIC is essentially considered a single company. First, there is a fixed level of fee charged per state in which a company writes business. Second, there is a fixed level based on the number of lines (e.g. farm, farm fire, homeowners, etc.) which a company writes per state. Finally, AAIS charges a percentage of the DWP of the company.

Strategic Planning recommended, and the Board approved, a billing procedure whereby WAMIC bills for the annual dues and the fixed AAIS costs in January. Once the AAIS bill is received in July or August, WAMIC will bill companies based on the actual bill instead of projected costs as was done in the past.

While AAIS would not provide us with the actual formula, we were able to approximate the formula sufficiently that we could make adjustments to the billing schedule. This resulted in an increase for companies with the highest and lowest DWP. We discovered, during our research, that the bulk of the WAMIC companies were subsidizing the forms fees of smaller companies, so these companies will see small increases with their next forms fees billing. Additionally, had we not made the changes, those same companies would have ended up subsidizing the larger companies as well.

Finally, Jim Tlusty's retirement resulted in significant increases in committee expenditure. Committee expenditures last year totaled \$22,000, which is an anomaly. Typical annual committee expenses are significantly lower than this. Committee expenses normally include mileage, per diems, meals, and sometimes a fee for a meeting room if necessary.

III. HOW COULD WE IMPROVE?

a. STRENGTHS (INTERNAL THINGS WE DO WELL)

We deliver the education that our members need and want. There are other educational sources but rarely for the specialized needs of our members. Our members are small and so internal education is not feasible. Our membership values this education. There are many ways however that we feel we could improve the curriculum we offer and perhaps try alternative delivery methods in the near future.

We have many talented members who assist the association. We have a community of wonderful and talented members. They assist us at the board and committee levels and many help with education and sharing of resources. We should strive to look for more ways to leverage this wonderful resource.

Our Convention is widely appreciated and valued. This is certainly the highlight “community event” of the year for the association. While it’s impossible to please everyone most rate their convention experience highly. We need to look for new ways to further enhance this valuable event.

We save our members on cost of AAIS forms via our group membership. This is a valuable, tangible and quantifiable service that we provide. The buying power of many can save all the members money and certainly does in the case of AAIS costs. We need to ensure that we never lose this partnership and key service and we need to look for more ways to harness the buying power of the group.

We have an efficient and talented staff. Over the years WAMIC has been privileged to have a highly experienced and educated staff that provides meaningful assistance to our members. We must capture and archive that information for future use and prepare for turnover with proper succession planning and preparation.

We foster a valuable sense of community for our members. Without WAMIC many members would rarely if ever have had the chance to meet and interact. Our members always remark that the networking and discussion opportunities are the most valuable times at our meetings. We need to look for ways to increase these opportunities even further.

Our relationship with the OCI helps them stay informed and value our small mutual membership. Having a state regulator (OCI) that appreciates the service our membership offers to the citizens of Wisconsin is extremely valuable. The better they understand our challenges and value, the better environment we can create for our mutuals to operate in. We need to continue to involve the OCI in our association and find new ways to help our membership and the OCI understand each other.

We provide a daily resource for management and staff. Our membership relies on the WAMIC office for assistance with claims, underwriting, and operations. We must continue to provide this support as our staff changes. We also need to create a knowledge archive system to preserve past research and improve the efficiency of our services.

b. WEAKNESSES (INTERNAL AREAS THAT LIMIT OUR SUCCESS)

Some member directors do not have an appreciation for the value of WAMIC. The survey administered by NAMIC in 2014 indicated that many member directors do not recognize the value that WAMIC brings to their companies. They do not feel that the investment of their dues in WAMIC provides a worthwhile return.

WAMIC has no Strategic Business Plan. The lack of a Strategic Business Plan for WAMIC results in an unclear vision, shifting priorities, and lack of direction for the Association. WAMIC is forced to reinvent itself annually causing substantial shifts in resources. WAMIC is, therefore, both inefficient and ineffective at times.

Key person vulnerability. Due to small size of the WAMIC staff, the loss of one individual will adversely impact WAMIC's ability to provide the services expected by the membership. Combined with the lack of a Strategic Business Plan, this creates the potential for instability within the Association.

Need for more director education. Educational opportunities for member directors are limited. The Director's Seminar and the Convention are the only events specifically geared towards directors, and WAMIC provides no alternative avenues of education.

Members would like more communication. WAMIC's current communication strategy consists of: 1) members calling WAMIC for assistance or information, 2) a fairly static website, 3) District Meetings, and 4) the State Convention. These communication streams are limited and passive.

Advocacy The need to increase the legislative involvement is evident. WAMIC should meet with the WIA to discuss the specifics of the 612 charter needs as well as the domestics. Identifying and setting clear expectations of the Legislative committee to ensure they are monitoring the legislative activities for the members. Monitoring the Wheeler Report daily.

c. OPPORTUNITIES (EXTERNAL AREAS THAT COULD HELP US IN THE FUTURE)

WAMIC to promote Mutual Brand Awareness. WAMIC has the opportunity to promote the NAMIC Mutual Branding program among member companies. WAMIC could also research ways to help members with Wisconsin specific branding.

The WAMIC website has considerable potential. The website can be developed much more fully. The Association would then be positioned to offer more products and services than it currently does. This would create new revenue streams for WAMIC.

WAMIC is in a unique position to pool resources and create buying groups. WAMIC could provide a valuable service to member companies by creating buying groups to get bulk discounts on goods and services. WAMIC is already a buying group for forms with AAIS. The Association could expand that buying power into IT, supplies, HR, marketing, and field services. If all WAMIC members became a single buying group for loss control, the potential exists for a CLUE style program that would allow member companies paid access to ALL inspections done by member companies.

WAMIC can increase collaborative efforts with other the Associations. The Association can increase the cooperation and possibly obtain assistance from strategic partners like the WIA, the Cooperative Network, NAMIC, and other state associations. The potential exists to tap into goods and services that are either provided or accessed by these partners.

Facebook, LinkedIn, and other social media platforms exist, and should be used. WAMIC could develop a comprehensive social media strategy in order to provide alternate methods of communication with our member companies. Additionally, WAMIC could research and develop social media strategies our member companies can employ to communicate with their agents and insureds.

Industry Best Practices should be developed. WAMIC currently offers the Mutual Assistance Manual on its website. This manual could be developed further, or, alternatively, industry “Best Practices” guides could be developed for claims, underwriting, management, and boards. These guides would be housed on the website, and available for adoption and use by all member companies.

Member companies consistently ask for CE. WAMIC members are unique in that many have directors and/or managers who are agents. CE is constantly being requested at WAMIC events. WAMIC should either look into developing online CE or establish a buying pool to provide online CE for member companies.

New product lines could be researched and developed for members. The WAMIC forms committee could develop new product lines for member companies. The committee could develop forms and underwriting guidelines to provide to member companies for adoption.

The 612 committee has completed its work. However, WAMIC should always be investigating possible ways to eliminate assessability. This could involve some sort of evolution of PMIC, and further updating of the 612 statutes.

Greater Industry Analysis. WAMIC should develop a comprehensive process for analyzing the mutual industry in Wisconsin.

d. THREATS (INTERNAL AREAS THAT LIMIT OUR SUCCESS)

Legislative changes could hurt our membership. NAMIC assists the Association on the national and state levels, but the Association needs to stay involved to help our legislators see the value of the regional mutual companies. We also need work to change antiquated laws to keep them up to date.

Losing the AAIS group membership would decrease our value to the membership.

This is certainly a big value added for our membership. We should look for ways to ensure we never lose this advantage. We also should brainstorm other ways to bring this type of buying group benefit to our members in our areas of commonality.

Member's numbers continue to decrease. With mergers, our membership numbers will continue to decrease. The up side is that the average size of each member has been increasing. We must continue to look for ways to help our members stay healthy so that merger is not needed. We can also consider ways to strengthen the association by teaming with other states to bring critical mass to meetings or buying group opportunities when needed. In the future, our association may evolve into a multi-state the Association so fostering relationships with neighboring state associations can only help our future.

If a member mutual were to fail or levy an assessment the group would be harmed.

The perception of the safety of small mutuals would decrease if there were a publicized failure of any member. We need to stay vigilant in identifying and assisting those members who reach financial insecurity.

Costs of reinsurance and operations are adding pressure on small mutuals. The average size of our members is under \$2,000,000 in GWP. Being relatively small has advantages but also disadvantages when it comes to competing with large carriers and their economies of scale. We need to look for ways to assist our members in bringing down their expense and reinsurance ratios to enhance their probability of underwriting profitability.

IV. WHAT ARE OUR GOALS OVER THE NEXT 3 YEARS

a. GOALS TO CAPITALIZE ON OUR STRENGTHS

- 1) Adopt quality educational curriculum for 2016 and beyond.
 - a) Implement short course
 - b) Create new Risk Management series that would appeal to anyone in Underwriting and Loss Control.
 - c) Implement webinars and record them to make them available for anyone to purchase after the live webinar. (Make available on line)
 - d) Create partnerships with member companies and other industry professionals to broaden the list of possible speakers.
- 2) Make sure membership clearly values the AAIS benefit.
 - a) Ensure all forms are filed correctly
 - b) Update Flow Chart and make available via website to all members
- 3) Develop and update an Introduction to Mutual Insurance program for new managers, directors, and staff.
- 4) Improve communication of education with industry partners so that we don't overlap education or miss topics altogether.
- 5) Set up searchable archive of research done in the past by WAMIC staff or other vendors that would contribute information and past education presentations and handouts so members can access it as needed. Generate a fee based password to allow access.
- 6) Develop a comprehensive guide to convert from the WMS and other outdated forms to the AAIS forms.

b. GOALS TO OVERCOME OUR WEAKNESSES

- 1) The President of WAMIC should visit every member company every four years to:
 - a. Discuss and fine tune the business plan,
 - b. Inform and demonstrate new services WAMIC may offer
 - c. Increase the WAMIC value awareness
 - d. Meet with and assist new managers
- 2) The WAMIC President, assisted by the Strategic Planning Committee (as requested), will review and approve the Strategic Business Plan annually. The President will implement the SBP and board members will champion the top goals.
- 3) The President, assisted by the Education Committee, will develop and implement improved opportunities and avenues for Director Education, e.g. short course, webinars.
- 4) The President will develop a regularly issued newsletter to be sent to all member directors, managers, and staff.
- 5) The President will develop a brief, consistent message regarding WAMIC value and deliver at multiple WAMIC events.
- 6) The WAMIC staff will create and archive a procedure manual for every event and activity. This should be updated annually.

c. GOALS TO TAKE ADVANTAGE OF OUR OPPORTUNITIES

- 1) Make the WAMIC website more useful and user friendly by adding:
 - a. FAQ/Q & A archive
 - b. Online registration for WAMIC events
- 2) Research Wisconsin based mutual branding. Tap into the Buy Local movement and coordinate with the Cooperative Network.
- 3) Develop a social media strategy both for WAMIC and for member companies.
- 4) Promote the NAMIC Mutual Branding program.
- 5) Review the websites of other state associations for comparison.
- 6) Investigate the possibility of buying groups for:
 - a. IT
 - b. HR
 - c. Supplies
 - d. Marketing
 - e. Field Services
- 7) Increase involvement and collaboration with the WIA, Cooperative Network, NAMIC, and other state associations.
- 8) Develop Best Practices sample manuals for claims, underwriting, operations, and management.
- 9) Develop alternative CE opportunities for member companies.
- 10) Refocus the forms committee on developing new product forms complete with underwriting guidelines.
- 11) The forms committee should create a guide for updating forms for programs to assist members with this process.
- 12) WAMIC should continually research possible ways to eventually eliminate assessability.
- 13) PMIC should review its existing insurance program, and explore ways to strengthen or evolve PMIC.

- 14) WAMIC should develop a “Members Only” section of the website.
- 15) Work to assist all member companies to convert to update forms and programs.
- 16) Research a new Logo for WAMIC
- 17) Create a Committee Chair Checklist (expectations and roles)
- 18) Complete WAMIC website -
 - A) Link Wheeler Report to website
 - B) Board Documents

d. GOALS TO MINIMIZE OUR THREATS

- 1) Engage actively with the OCI, Reinsurance Companies and industry accounting firms regarding what the association and others can do to help prevent a company failure and how we would react if one were imminent.
- 2) Meet with and collaborate with other state associations to bring more multi-state events and networking.
- 3) Provide more education regarding reinsurance and reinsurance cost containment.
- 4) Increase participation and effectiveness of TM Day at the Capital.
- 5) Improve effectiveness of WAMIC's participation in NAMIC's Congressional Contact Program by setting up a conference call briefing for participants in advance so that they are prepared to fully participate.
- 6) Increase participation in the WIA and NAMIC to stay abreast of legislative issues in other areas that may affect the membership and to bring more information back to the membership.
- 7) AAIS contract should be reviewed to see if a long term contract could be negotiated.
- 8) Set up a more formal PMIC member oversight procedure to stay aware of companies in trouble and have a set procedure to follow to assist them in their recovery.
- 9) Bring more education on Pro-Forma and other types of financial analysis and management for manager and directors to help our members find more "probability of profitability"
- 10) Conduct brainstorming sessions regarding buying group opportunities such as the AAIS contract. Helping our members save on expenses will help the association as well.