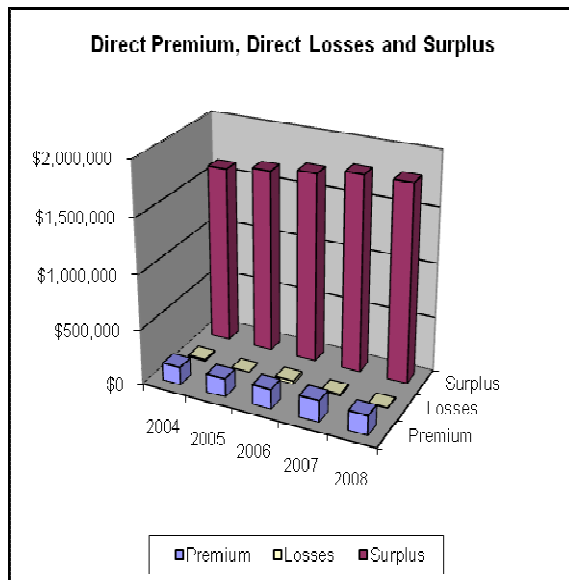


**Washington Town Mutual Insurance Company is a member of the Policyholder's Mutual Insurance Company and is Reinsured by WISCONSIN REINSURANCE CORPORATION (MADISON, WISCONSIN)**

**SELECTED HISTORICAL FINANCIAL INFORMATION**

	2008	2007	2006
Policies in force	453	467	468
Insurance in force	\$109,228,221	\$108,802,297	\$106,372,276
Direct premium written	\$178,227	\$181,565	\$179,001
Average investment return	3.7%	5.2%	4.8%



**MARCHANT CONSULTING**  
*Oregon, Wisconsin*

ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors  
Washington Town Mutual  
Insurance Company  
Washington Island, Wisconsin

I have compiled the accompanying statutory statements of admitted assets, liabilities and surplus of Washington Town Mutual Insurance Company as of December 31, 2008 and 2007, and the related statutory statements of income and changes in surplus and schedule of expenses incurred for the years then ended, in accordance with Statements on Standards for Accounting & Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them. These financial statements are prepared on the basis of accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin.

These financial statements do not include statements of cash flow and substantially all disclosures required by statutory accounting principles. If the statements of cash flow and omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flow. Accordingly, these financial statements are not designed for those who are not informed about such matters.

*David C Marchant*

Oregon, Wisconsin  
February 10, 2009

**1889**

**2008**



**ANNUAL REPORT TO POLICYHOLDERS**

(Unaudited)

**120th YEAR**

1246 Main Road  
Washington Island, WI 54246  
(920) 847-2041

**ANNUAL MEETING**

**April 21, 2009**

Location: Nelsen Hall  
Time: 7:00 p.m.  
(Includes refreshments and door prizes)

**OFFICERS AND DIRECTORS**

	<u>Term Expires</u>
Ivan Johnson, President	2010
Thomas Koyen, Vice-President	2009
Marlene Mann, Secretary	2010
Marg Bjarnarson, Treasurer/Manager	2009
Wayne Boshka	2011
Bill Jorgenson	2011

**STATUTORY STATEMENTS OF ADMITTED ASSETS,  
LIABILITIES AND SURPLUS**

- See Accountant's Compilation Report -  
December 31,

	2008	2007
<b>ADMITTED ASSETS</b>		
Cash and investments:		
Cash	17,393	13,496
Invested cash	1,194,779	1,161,990
Wisconsin Reinsurance Corporation Stock	51,100	47,324
Other Stocks & mutual funds	51,182	79,944
Mortgage loans	508,438	499,040
Real estate occupied by Company	27,360	29,105
Cash and investments	1,850,252	1,830,899
Accrued investment income	10,994	13,618
Uncollected premium	11,108	7,910
Reinsurance Premium Recvble	2,485	-
Computer Equipment, net	1,964	-
Fire due recoverable	-	191
Reinsurance commission receivable	4,987	4,435
<b>TOTAL ADMITTED ASSETS</b>	<b>1,881,790</b>	<b>1,857,053</b>
<b>LIABILITIES AND SURPLUS</b>		
Net unearned premium	75,273	56,923
Net unpaid losses	2,000	2,000
Net unpaid loss adjustment expense	100	100
Reinsurance payable	-	793
Premiums paid in advance	3,684	4,618
Other liabilities	3,125	2,235
Total liabilities	84,182	66,669
Surplus	1,797,608	1,790,384
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>1,881,790</b>	<b>1,857,053</b>

**STATUTORY STATEMENTS OF INCOME AND  
CHANGES IN SURPLUS**

- See Accountant's Compilation Report -  
Years Ended December 31,

	2008	2007
<b>UNDERWRITING OPERATIONS</b>		
Net premium earned:		
Direct premium earned	161,949	195,124
Reinsurance ceded	(87,681)	(97,122)
Net premium earned	74,268	98,002
Net losses incurred:		
Direct losses incurred	5,692	17,318
Reinsurance recoveries	(530)	(3,828)
Net losses incurred	5,162	13,490
Operating expenses incurred:		
Loss adjustment expense	10,889	10,677
Underwriting expense	85,975	80,188
Total operating expenses	96,864	90,865
Underwriting gain (loss)	(27,758)	(6,353)
<b>INVESTMENT INCOME</b>		
Investment income earned	68,767	94,392
Investment expenses	(10,649)	(10,309)
Net realized capital gain (loss)	831	4,832
Investment and other income	58,949	88,915
Net income (loss)	31,191	82,562
Change in unrealized capital gain (loss)	(28,360)	(250)
Change in non-admitted assets	4,393	(17,574)
Net change in surplus	7,224	64,738
Surplus, beginning of year	1,790,384	1,725,646
<b>SURPLUS, END OF YEAR</b>	<b>1,797,608</b>	<b>1,790,384</b>

Note: the 2008 statutory financial statements included a correction of an error in the 2007 financial statements resulting from an understatement of unearned premium and overstatement of net income by \$19,527. Had the error not occurred the 2007 unearned premium would have been higher and net income and surplus would have been lower by \$19,527 and the 2008 net income would have been higher by \$19,527.

**STATUTORY SCHEDULES OF  
EXPENSES INCURRED**

- See Accountant's Compilation Report -  
Years Ended December 31,

	2008	2007
Reinsurance commission income	(10,927)	(9,055)
Meeting fees and expenses	1,675	1,650
Loss adjustment expense	245	371
Underwriting & inspection	1,500	693
Director & officer insurance	7,517	9,691
Salaries & wages	46,210	44,946
Payroll taxes	3,874	3,673
Utilities and building costs	9,822	5,442
Property taxes	1,704	1,690
Depreciation-real estate	4,066	3,911
Telephone	1,974	1,957
Advertising	445	543
Office maintenance & supplies	4,039	4,524
Office forms & other	2,727	2,819
Computer deprec/support/license	5,123	-
Non-admitted Software Amortization	4,393	4,393
Trade association dues	1,937	1,951
Legal and accounting & OCI audit	6,118	10,771
Fire department dues	1,614	1,609
Seminars/conventions	6,566	2,551
Insurance	1,441	1,841
Annual Meeting	2,050	1,742
Investment & other expense	-	-
Donation-Wash. Isl. Scholarships	2,000	2,500
Donation-Wash. Isl. Fire Dept.	200	200
Donation-Wash. Isl. Rescue Squad	200	200
Donation-Wash. Isl. Archives	100	100
Donation-Wash. Isl. School	100	100
Donation-Wash. Isl. REC Foundation	100	100
Donation-Wash. Isl. Farm Museum	100	100
Donation-Wash. Isl. Maritime Mus	100	100
Donation-Wash. Isl. Players	100	100
Donation Wash. Isl. Dramatic Arts	-	100
Donation-Wash. Isl. Art & Nature Ctr	100	100
Donation-Wash. Isl. Baseball Team	100	100
Donation-Wash. Isl. Music Festival	100	100
Donation-Wash. Isl. Community Ctr	100	-
Change in Scholarship payable	-	(1,000)
<b>TOTAL EXPENSES NCURRED</b>	<b>107,513</b>	<b>101,174</b>
Allocation:		
Loss adjustment expense	10,889	10,677
Underwriting expense	85,975	80,188
Investment expense	10,649	10,309
<b>TOTAL EXPENSES INCURRED</b>	<b>107,513</b>	<b>101,174</b>
Total donations listed above	3,400	2,900