EXAMINATION REPORT

OF

STANDARD GUARANTY INSURANCE COMPANY

AS OF

DECEMBER 31, 2017

Trinidad Navarro
Commissioner

Delaware Department of Insurance

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2017 of

STANDARD GUARANTY INSURANCE COMPANY

is a true and correct copy of the document filed with this Department.

Attest By: Rufaym Brown

Date: 7th day of June, 2019

Insurance Commissioner of the State of Delaware

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 18 day of June, 2019.

Trinidad Navarro
Insurance Commissioner

Trinidad Navarro
Commissioner

Delaware Department of Insurance

REPORT ON EXAMINATION

OF

STANDARD GUARANTY INSURANCE COMPANY

AS OF

DECEMBER 31, 2017

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Trinidad Navarro
Insurance Commissioner

Dated this 18 day of June, 2019

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<u>**TABLE OF CONTENTS**</u>

SALUTATION

May 20, 2019

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
Rodney Building
841 Silver Lake Boulevard
Dover, Delaware 19904

Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 18.016, dated March 14, 2018, an examination has been made of the affairs, financial condition and management of

STANDARD GUARANTY INSURANCE COMPANY

hereinafter referred to as the Company or SGIC. SGIC was incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 251 Little Falls Drive, Wilmington, Delaware 19808. The examination was conducted at the main administrative offices of the Company, located at 11222 Quail Roost Drive, Miami, FL 33157. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our examination of SGIC as part of a multi-state coordinated examination. The last examination was conducted as of December 31, 2013 by the Delaware Department of Insurance (Department). This examination covers the four-year period from January 1, 2014 through December 31, 2017. The examination was conducted concurrently with the examinations of other insurance entities within the Assurant, Inc. Group (Assurant Group), including: American Security Insurance Company (ASIC), American Bankers Insurance Company of Florida (ABIC), Reliable Lloyds Insurance Company (RLIC), Voyager Indemnity Insurance Company (VIIC), American Bankers Life Assurance Company of Florida (ABLAC), American Memorial Life Insurance Company (AMLIC), John Alden Life Insurance Company (JALIC), Union Security Insurance Company (USIC), and Union Security Life Insurance Company of New York (USLICONY). The State of Delaware was the assigned lead state by the National Association of Insurance Commissioners (NAIC). To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants. Separate reports of examination were filed for each company.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, in accordance with 18 *Del. C.* § 321, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g. subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, PricewaterhouseCoopers, LLP (PwC). Certain auditor work papers of the 2017 audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in financial statements as a result of this examination.

COMPANY HISTORY

On January 1, 2004, the Company was an indirect wholly-owned subsidiary of Fortis, Inc., domiciled in the United States, which itself was an indirect, wholly-owned subsidiary of Fortis N.V. of the Netherlands and Fortis SA/NV of Belgium (collectively Fortis), through their affiliates, including their wholly owned subsidiary, Fortis Insurance N.V.

On February 5, 2004, Fortis sold approximately 64% of its ownership in Fortis, Inc. via Initial Public Offering (IPO) and retained approximately 36% of its ownership. In connection with the IPO, Fortis, Inc. was merged into Assurant, Inc. (Assurant), a Delaware corporation, which was formed solely for the re-domestication of Fortis, Inc. After the merger, Assurant became the successor to the business, operations and obligations of Fortis, Inc. Further, Fortis transferred their ownership of Assurant's stock into their wholly owned subsidiary, Fortis Insurance N.V.

On January 21, 2005, Fortis owned approximately 36% (50,199,130 shares) of Assurant based on the number of shares outstanding that day. In a secondary offering on that same day, Fortis sold 20% of its interest in Assurant and concurrently, sold mandatorily exchangeable bonds for its remaining interest.

The Company's immediate parent is ASIC, a Delaware domestic insurance company, which was examined concurrently with this examination.

Capitalization

The Company's amended Articles of Incorporation authorizes the issuance of one-thousand seventy-five shares of common stock with a $3,300 par value. As of December 31, 2017, all common shares were issued and outstanding totaling $3,547,500. All outstanding common shares of the Company are owned by its parent, ASIC. As of December 31, 2017, the Company reported gross paid in and contributed surplus of $33,339,575.

Dividends

The Company's Board of Directors (Board) approved the following dividends during the exam period:

Year	**Dividends**
2014	$ 15,000,000
2015	$ 60,000,000 [1]
2016	$ 10,000,000 [2]
2017	$ 35,000,000 [3]

(1) The Company paid extraordinary dividends totaling $54,264,108 in 2015.
(2) The Company paid extraordinary dividends totaling $10,000,000 in 2016.
(3) The Company paid extraordinary dividends totaling $7,626,580 in 2017.

All dividends were approved in the Board minutes and proper filings were made to the Department for extraordinary dividends.

MANAGEMENT AND CONTROL

Directors

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Articles of Incorporation and bylaws, the property, business and affairs of the Company shall be managed by a Board. The amended and restated bylaws require that the Board consist of not less than seven (7) nor more than fifteen (15) members, the precise number to be fixed from time to time by resolution of the stockholders, to be chosen by the stockholders at their annual meeting.

The Directors are elected annually by the stockholder and hold office until the next annual election and until their successors are elected and qualify.

As of December 31, 2017, the members of the Board, together with their principal business affiliations, were as follows:

Name and Location	**Principal Occupation**
Rebekah Susan Biondo Miami, Florida	Senior Vice President, Financial Officer Assurant, Inc.
John August Frobose Atlanta, Georgia	President, Lending Solutions Global Home
Robbie Harrington Atlanta, Georgia	Vice President, Managing Attorney Assurant, Inc.
Julia Mercedes Hix Miami, Florida	Vice President, Regulatory Compliance Assurant, Inc.
Ivan Carlos Lopez-Morales Atlanta, Georgia	President, Assistance and Financial Services Assurant, Inc.
Katharine Ann McDonald Miami, Florida	Executive Vice President, Assurant, Inc.
Gary Turner (1) Atlanta, Georgia	Senior Vice President, Operations and Services Admin Global Home

(1) Effective March 4, 2019, Mr. Gary Turner was removed as Director of the Company and left Assurant. Effective March 28, 2019, Mr. Garrett Hoyt Hale, Senior Vice President, Operations, was appointed as a Director of the Company.

Committees

Article III of the amended bylaws states that the Board may appoint from among its members an Executive Committee, an Investment Committee, an Audit Committee and any Other Committees that the Board deems desirable.

As of December 31, 2017, the Company had not established a separate Executive, Investment, Audit or Other Committees; however, the Board had designated the Executive, Investment, and Audit Committees of Assurant as the committees of the Company.

Officers

Article IV of the amended and restated bylaws state that the Company's executive officers shall consist of a President, one or more Vice Presidents, a Secretary, and a Treasurer, and may include one or more Assistant Secretaries and one or more Assistant Treasurers. Other officers may be appointed, all of whom shall be elected by the Board and who shall hold office until their successors are elected and qualified. The Chairman of the Board and the President shall be chosen from among the directors of the Corporation and may hold such offices so long as they continue to be directors. The President shall be the Chairman of the Board. No other officers need be a director.

As of December 31, 2017, the Company's principal officers and their respective titles were as follows:

Name	Principal Occupation
John August Frobose	President
Jeannie Amy Aragon-Cruz	Secretary
Beech Hargis Turner	Treasurer, Vice President
Eduardo Arthur	Senior Vice President
Michael Campbell	Senior Vice President
Manuel Jose Becerra	Senior Vice President

Garrett Hoyt Hale	Senior Vice President
Julia Mercedes Hix	Senior Vice President
Ivan Carlos Lopez-Morales	Senior Vice President
Katharine Ann McDonald	Senior Vice President
Keith Roland Meier	Senior Vice President
Gary Louis Lau	Vice President
Temika LaTonia Montford	Vice President
Gregory Joseph DeChurch	General Counsel
Jeffrey Alan Lamy	Appointed Actuary

The Company maintains a formal written Code of Ethics, which sets out minimum standards of ethical conduct that applies to all employees, officers and directors. Incorporated into the Code of Ethics is a conflict of interest policy. Pursuant to the policy, conflicts of interest are to be promptly reported in writing to the General Counsel. Annual acknowledgment is required documenting that conflicts of interest do not exist.

In accordance with the Department Examination Handbook, Section 12, a review of biographies and inquiries with Management noted that there was no indication of any criminal conviction of officers, directors or key employees of the Company.

Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* §1304. In addition, review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined in 18 *Del. C.* §5001 of the Delaware Insurance Code. The Company's Holding Company Registration

Statements were timely filed with the Department for the years under examination. The Company is a wholly-owned subsidiary of ASIC, which is a wholly-owned subsidiary of Interfinancial, Inc., which is a wholly-owned subsidiary of Assurant. Assurant's common stock is publicly traded on the New York Stock Exchange under the ticker symbol AIZ. The largest shareholder of AIZ is The Vanguard Group, Inc., ultimate parent of the Assurant organization.

Organization Chart

An abbreviated organizational chart of the Assurant holding company system as of December 31, 2017, is as follows:

Company	Domicile	% own
The Vanguard Group, Inc. (1)		
Assurant, Inc.	Delaware	100%
Union Security Life Insurance Company of New York	New York	100%
Interfinancial, Inc.	Georgia	100%
American Security Insurance Company	Delaware	100%
Standard Guaranty Insurance Company	Delaware	100%
American Memorial Life Insurance Company	South Dakota	100%
John Alden Life Insurance Company	Wisconsin	100%
Union Security Insurance Company	Kansas	100%
Time Insurance Company (2)	Wisconsin	100%
American Bankers Insurance Group, Inc.	Florida	100%
ABI International	Cayman Islands	100%
Protection Holding Cayman	Cayman Islands	72%
Assurant International Division Limited	Malta	99%
Assurant Solutions Holdings Puerto Rico, Inc.	Puerto Rico	100%
Caribbean American Property Insurance Company	Puerto Rico	74.33%
Caribbean American Life Assurance Company.	Puerto Rico	100%
Caribbean American Property Insurance Company	Puerto Rico	25.67%
American Bankers Insurance Company of Florida	Florida	100%
American Bankers General Agency, Inc.	Texas	100%
Reliable Lloyds Insurance Company (3)	Texas	100%
American Bankers Life Assurance Company of Florida	Florida	100%
Voyager Group, Inc.	Florida	100%
Voyager Indemnity Insurance Company	Georgia	100%

(1) Disclosed on the filed 2017 Holding Company Registration Statement, Vanguard owns 11.11% of the 52,475,408 common shares of Assurant as of February 12, 2018, making it an ultimate controlling entity of the Company. Vanguard filed a disclaimer of control/affiliation with the Department relating to the control of the Company. The Department accepted and approved Vanguard's disclaimer of control/affiliation.

(2) Time Insurance Company subsequently acquired from Assurant by Haven Holdings on December 3, 2018.

(3) Controlled by American Bankers General Agency, Inc. through a management agreement.

Agreements with Affiliates

- Intercompany Services & Payment Intermediary Agreements

  Effective February 1, 2017, the Company entered into an Intermediary Services & Payment Intermediary Agreement (ISPIA) between the Company, ASIC and Green Tree Insurance Agency Inc. Pursuant to the terms of the agreement, the parties each expend costs and generate expenses in the ordinary course of their business and this agreement sets forth their duties and obligations to each other and the reimbursement for the cost of services and amounts expended on behalf of or for the benefit of the other.

- Sale of Assets Agreement

  Effective June 13, 2014, the Company entered into a Sale of Assets Agreement with ASIC, whereby the Company agreed to sell, and ASIC agreed to buy Assets with a purchase price of $20,442,555 to be allocated among the purchased assets. ASIC paid the purchase price in full.

- Amended and Restated Intercompany Tax Allocation Agreement

  The Company files a consolidated federal income tax return and uses the method of allocation, which is guided by the written agreement. Within the agreement, the allocation is based on a separate return and the calculations are analyzed with focus and concern on the current credit for net losses. The intercompany tax balances are settled within thirty (30) days of the filing of the consolidated federal income tax return. The Tax Allocation Agreement was amended and restated for a third time effective January 1, 2016 to change the assignability and manner of settlement. The Company paid $10,924,328 in 2017 under this agreement.

- Other Intercompany Agreements

The following agreements became effective prior to the examination period and remained in-force as of December 31, 2017:

- Management Agreement dated January 1, 1994, between the Company and Assurant.
- Investment Management Agreement dated January 1, 1995, between the Company and Assurant.
- Management Agreement dated January 1, 2002, between the Company and ASIC.
- Affiliate Services Agreement dated December 31, 2007, between the Company and ASIC.
- General Agency Agreement dated May 1, 2006, between the Company and ASIC.
- General Agency Agreement dated December 31, 2008, between the Company and Insureco Agency.
- General Agency Agreement dated October 1, 2008, between the Company and Signal LP.
- Prefunding Payroll Agreement effective in 2008, between the Company and Assurant.
- ISPIA dated January 1, 2008, between the Company and ABIC.
- ISPIA dated December 31, 2008, between the Company and ABLAC.
- Allocation Agreement dated January 1, 2008, between the Company and ASIC.

Amounts paid by SGIC under the above agreements during 2017 were ($194,783,339) and amounts received by related parties amounted to $246,800.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2017, the Company is licensed and/or authorized to transact business in forty-two states and the District of Columbia and is eligible to write surplus lines in the State of Texas.

For the year ended December 31, 2017, the Company wrote approximately 29.8% of its business in the jurisdictions of Illinois (8.8%), Georgia (7.9%), North Carolina (7.1%) and Ohio (6.1%).

Plan of Operation

The Company is authorized to write the following lines of business: fire and allied lines, marine, transportation, property and casualty, theft and burglary, leakage and fire extinguisher equipment, liability, fidelity, surety and guaranty bonds, all forms of motor vehicle and aircraft insurance, credit insurance, and accident and health insurance.

The Company's principal products protect the collateral of financial institution loans and their revolving credit balances, or the institution loan customer from property and casualty losses arising from fire, windstorm, loss of income, contractual liability and auto physical damage. Business is written by banks and finance companies located throughout the United States. The Company has no branch offices. The Company has one corporate agent that is an affiliate, Insureco. Insureco procures hazard insurance (lender-placed coverage) for various financial institutions on the Company's paper, collects premium payments, deducts commissions due and remits the net amounts to the Company. As of December 31, 2017, the Company had approximately 43 corporate distributors and 520 individual agents and brokers.

REINSURANCE

The Company's reinsurance activities are performed within the various business segments and to some extent at the corporate level especially regarding coverage against catastrophic events. The Company utilizes reinsurance for loss protection and capital management, business dispositions and, in the Assurant Global Lifestyle and Assurant Global Housing segments, insured risk and profit sharing. In addition, the Company has utilized ceded reinsurance contracts to exit certain businesses that no longer fit into its business model or strategic plans. The following is a brief description of the reinsurance activities:

Assumed

The Company reported no assumed reinsurance activities in Schedule F in its 2017 Annual Statement.

Ceded (Other than Catastrophe)

The following schedule demonstrates the extent of the Company's ceded reinsurance activities:

	Reinsurance Premiums Ceded	Paid Losses	Ceded Loss Reserves	Net Amount Recoverable
Affiliates – Authorized	$ 177,787,000	$ 6,699,000	$ 37,283,000	$134,550,000
Affiliates – Unauthorized	-0-	-0-	-0-	-0-
Unaffiliated – Authorized	2,246,000	249,000	905,000	1,331,000
Unaffiliated – Unauthorized	9,566,000	551,000	2,028,000	2,987,000
Certified	57,000	4,000	8,000	23,000
	$189,656,000	$ 7,503,000	$ 40,224,000	$138,891,000

A majority of the Company's ceded reinsurance is related to its intercompany cession to its affiliate, ASIC. In addition, other than its catastrophe program, the Company's ceded business was related to agreements to reinsure premiums generated by certain clients' exposure back to those clients' own captive insurance companies, or to reinsurance subsidiaries in which they have an ownership interest. This is accomplished through the use of generally standard quota share reinsurance agreements with the various captives. The Company derives servicing income from processing and other service fees received from these clients. These activities are generally managed within the Assurant Global Lifestyle and Assurant Global Housing business segments.

Catastrophe Reinsurance – Assurant, Inc.

Due to the nature and geographic location of loss exposures related to several product lines (such as homeowners, manufactured housing, and other property policies) that exposes Assurant Group to possibly extreme catastrophe losses, it obtains reinsurance coverage to protect the capital of the organization and to mitigate earnings volatility. This exposure is most significant in the Global Housing business segment, to a lesser degree in the Global Lifestyle business segment, and some minor exposures are covered in other segments. The catastrophe reinsurance activity is generally managed at the corporate Assurant Group level and affords protection across the various affected business segments up to a 174-year event or $1,155,000,000 (net of Florida Hurricane Catastrophe Fund cover). The primary Assurant Group corporate catastrophe reinsurance is outlined as follows:

	Limit	Retention	Details
Assurant Retention (1)	$ -	$ 125 million	Group Retention
Layer 1	45 million	125 million	Layer placed 95.25%
Layer 2	90 million	170 million	Layer placed 100%
Layer 3	180 million	260 million	Layer placed 84%
Layer 4	265 million	440 million	Layer placed 84%
Layer 5	450 million	705 million	Layer placed 84%
Stretch Layer (2)	895 million	260 million	Layer placed 16%

(1) All layers function on a cascading basis down to the $125M retention level, thus, after any layer is exhausted, reinstated, and exhausted again, higher layers will cascade down such that the company's retention level on further events remains $125M.
(2) The stretch layer is purchased on a two-year multiyear basis.

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets and Liabilities as of December 31, 2017
- Statement of Income for the year ended December 31, 2017
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2013 to December 31, 2017

Statement of Assets and Liabilities
As of December 31, 2017

	Assets	Non admitted Assets	Net Admitted Assets	Notes
Bonds	$ 206,307,974		$ 206,307,974	
Preferred stocks	16,350,714		16,350,714	
Common stocks	227,287		227,287	
First liens	2,856,817		2,856,817	
Cash	(460,092)		(460,092)	
Other invested assets	30,401,439		30,401,439	
Receivables for securities	1,549,503		1,549,503	
Subtotals, cash and invested assets	$ 257,233,642	$ -	$ 257,233,642	
Investment income due and accrued	1,711,305		1,711,305	
Uncollected premiums and agents' balances in the course of collection	17,912		17,912	
Amounts recoverable from reinsurers	7,502,744		7,502,744	
Net deferred tax asset	4,888,288		4,888,288	
Receivable from parent, subsidiaries and affiliates	42,538,358		42,538,358	
Premium tax recoverable	512,870		512,870	
Accounts receivable other	40,065		40,065	
Commissions and fees receivable	5,399	5,399	-	
Totals	$ 314,450,583	$ 5,399	$ 314,445,184	

		Notes
Losses	$ 37,157,077	1
Reinsurance payable on paid losses and LAE	-	
Loss adjustment expenses	3,736,710	1
Commissions payable, contingent commissions	264,757	
Other expenses	107	
Taxes, licenses and fees	3,282,369	
Current federal and foreign income taxes	3,036,004	
Unearned premiums	97,567,821	
Ceded reinsurance premiums payable	6,557,445	
Funds held by company under reinsurance treaties	3,417,699	
Amounts withheld or retained by company for account of others	-	
Remittances and items not allocated	77,662	
Provisions for reinsurance	28,000	
Payable to parent, subsidiaries, and affiliates	20,938,392	
Payable for securities	-	
Checks pending escheat	4,530,357	
Unearned ceding fees	4,085,452	
Agents' credit balances	2,076	
Other liabilities	268	
Total liabilities	$ 184,682,196	
Common capital stock	3,547,500	
Gross paid in and contributed surplus	33,339,575	
Unassigned funds (surplus)	92,875,913	
Surplus as regards policyholders	$ 129,762,988	
Totals	$ 314,445,184	

Statement of Income
For the Year Ended December 31, 2017

			Notes
Premiums earned	$	197,436,345	
Losses incurred	$	70,234,592	
Loss adjustment expenses incurred		9,213,971	
Other underwriting expenses incurred		105,418,013	
Total underwriting deductions	$	184,866,576	
Net underwriting gain (loss)	$	12,569,769	
Net investment income earned		12,687,483	
Net realized capital gains or (losses)		213,450	
Net investment gain (loss)	$	12,900,933	
Net gain (loss) from agents' or premiums balances charged off	$	-	
Finance and service charges not included in premiums		2,645	
Fee income		13,454,398	
Fines and penalties		(438,248)	
Loss on disposal of fixed assets		(2,194)	
Administrative Fees		2,167	
Total other income	$	13,018,768	
Net income after dividends to policyholders	$	38,489,470	
Dividends to policyholders		-	
Net income, after dividends to policyholders	$	38,489,470	
Federal and foreign income taxes incurred		9,954,450	
Net income	$	28,535,020	
Surplus as regards policyholders, December 31, 2016	$	143,311,833	
Net income (losses)	$	28,535,020	
Change in net unrealized capital gains (losses)		394,567	
Change in net deferred income tax		(6,300,545)	
Change in non-admitted assets		(4,887)	
Change in provision for reinsurance		62,000	
Dividends to stockholders		(35,000,000)	
Correction of errors		(1,235,000)	
Net change in capital and surplus for the year	$	(13,548,845)	
Surplus as regards policyholders, December 31, 2017	$	129,762,988	

Reconciliation of Capital and Surplus
For the Period from the Prior Examination
As of December 31, 2013, to December 31, 2017

		Correction of Errors	Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
12/31/13			3,547,500	33,339,575	113,987,792	150,874,867
12/31/14	1				9,857,696	9,857,696
12/31/15	1				(34,478,170)	(34,478,170)
12/31/16	2	(2,450,215)			19,507,655	17,057,440
12/31/17	2	(1,235,000)			(12,313,845)	(13,548,845)
		$(3,685,215)	$ 3,547,500	$ 33,339,575	$ 96,561,128	$ 129,762,988

(1) Represents net income, change in unrealized capital gains (losses), change in unrealized foreign exchange gain (losses), change in net deferred income tax, change in non-admitted assets, change in provisions for reinsurance, and dividends paid.
(2) Correction of errors due to IT related expenses not properly recorded pertaining to a review of lender-placed insurance products, and recording of a settlement with several states related to a multi-state market conduct exam in 2016.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the Financial Statements as a result of this Examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:
Losses **$37,157,077**
Loss Adjustment Expenses (LAE) **$ 3,736,710**

In order for the examination team to gain an adequate comfort level with the Company's losses and LAE reserve estimates, the Department retained the actuarial services of INS Consultants (INS) to perform a risk-focused review of the Company's reserving and pricing activities. Certain risks within the reserving processes required Phase 5 substantive test work. Conversely, pricing risks were mitigated and therefore did not require any Phase 5 substantive test work.

Based on the procedures performed and results obtained by INS, the examination team obtained sufficient evidence to support the conclusion that the Company's net loss and LAE reserves are reasonably stated as of December 31, 2017.

SUBSEQUENT EVENTS

The following material subsequent events occurred, requiring disclosure in this examination report.

Acquisition of The Warranty Group from TPG Capital by Assurant, Inc.:

On October 17, 2017, Assurant, Inc. entered into an Agreement and Plan of Merger (the Original Merger Agreement), with: TWG Holdings Limited, a Bermuda limited company and portfolio company of TPG Capital (TWG Holdings, and together with its subsidiaries, including TWG); TWG Re, Ltd., a corporation incorporated in the Cayman Islands (TWG Re); and Arbor Merger Sub, Inc., a Delaware corporation and a direct wholly owned subsidiary of TWG Holdings (TWG Merger Sub). Under the terms of the Original Merger Agreement and subject to the satisfaction or waiver of the conditions therein, Assurant and TWG would have combined their businesses through a transaction in which TWG Merger Sub would have merged with and into Assurant, with Assurant continuing as the surviving corporation and a wholly owned subsidiary of TWG Holdings. On January 8, 2018, Assurant entered into an Amended and Restated Agreement and Plan of Merger (the A&R Merger Agreement) with: TWG Holdings; TWG Re; TWG Merger Sub; and Spartan Merger Sub, Ltd., a Bermuda exempted limited company and direct wholly owned subsidiary of Assurant (Merger Sub), which amended and restated in its entirety the Original Merger Agreement. Under the terms of the A&R Merger Agreement and subject to the satisfaction or waiver of the conditions therein, in lieu of the transactions contemplated by the Original Merger Agreement, Assurant would acquire TWG

Holdings through a transaction in which Merger Sub would merge with and into TWG Holdings, with TWG Holdings continuing as the surviving corporation and a wholly owned subsidiary of Assurant. On May 31, 2018, pursuant to the terms of the A&R Merger Agreement, Assurant completed its acquisition of TWG from TPG Capital for a total enterprise value of approximately $2.5 billion.

Intercompany Agreements

Subsequent to the period under examination, the Company entered into two new intercompany agreements as follows:

Intercompany Services and Payment Intermediary Agreement (ASIC, SGIC and TrackSure Insurance Agency, Inc.)

Effective July 1, 2018, the Company entered into an ISPIA with ASIC and TrackSure Insurance Agency, Inc. Pursuant to the terms of the agreement, the parties each expend costs and generate expenses in the ordinary course of their business and this agreement sets forth their duties and obligations to each other and the reimbursement for the cost of services and amounts expended on behalf of or for the benefit of the other.

Intercompany Services and Payment Intermediary Agreement (ASIC, SGIC, Assurant New Ventures, I.Q. Data International, TS Holdings, and Shipassurance Insurance Services)

Effective August 1, 2018, the Company entered into an ISPIA with ASIC and Shipassurance Insurance Services, Inc., and other affiliates. Pursuant to the terms of the agreement, the parties each expend costs and generate expenses in the ordinary course of their business and this agreement sets forth their duties and obligations to each other and the reimbursement for the cost of services and amounts expended on behalf of or for the benefit of the other.

Dividend Payment

On November 30, 2018, ASIC submitted a request to pay a $7 million dividend to its parent company on December 31, 2018. The Department approved the payment on December 5, 2018.

Reserves Release

As of December 31, 2018, the Company released $7.851 million of net loss and LAE reserves for accident years 2017 and prior, which is 19.2% of December 31, 2017, net Annual Statement reserves. This release of reserves was based on additional data through December 31, 2018.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

CONCLUSION

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the consulting actuarial firm, INS, the consulting information systems specialist firm, INS Services, Inc., the Company's outside audit firm, PwC, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

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