

EXAMINATION REPORT
OF
METROMILE INSURANCE COMPANY
AS OF
DECEMBER 31, 2020

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
METROMILE INSURANCE COMPANY
AS OF
DECEMBER 31, 2020

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.

A handwritten signature in blue ink, reading "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro
Insurance Commissioner

Dated this 9th day of May, 2022

TABLE OF CONTENTS

SCOPE OF EXAMINATION..... 1

COMPANY HISTORY 3

MANAGEMENT AND CONTROL 5

TERRITORY AND PLAN OF OPERATION 9

REINSURANCE..... 10

FINANCIAL STATEMENTS 11

 STATEMENT OF ASSETS..... 12

 STATEMENT OF LIABILITIES AND SURPLUS 13

 STATEMENT OF OPERATIONS 14

 RECONCILIATION OF CAPITAL AND SURPLUS 15

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE
EXAMINATION 16

COMMENTS ON FINANCIAL STATEMENT ITEMS..... 16

SUBSEQUENT EVENTS 16

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS 20

SUMMARY OF RECOMMENDATIONS 20

CONCLUSION..... 20

February 15, 2022

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
1351 West North Street
Suite 101
Dover, Delaware 19904

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in examination Certification No. 21.019, dated February 1, 2021, an examination has been conducted of the

METROMILE INSURANCE COMPANY

hereinafter referred to as the Company or MIC. MIC was incorporated under the laws of the State of Delaware as a stock property and casualty insurance company.

The Company's registered agent is Corporation Trust Company with its registered office located at 1209 N. Orange Street, Wilmington, Delaware 19801. Due to the COVID-19 pandemic, the examination was conducted off-site. The Company's administrative office address is located at 425 Market Street, Suite 700, San Francisco, California 94105.

The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Delaware Department of Insurance (Department) performed a risk-focused financial examination of the Company. The previous regulatory examination of the Company was as of December 31, 2017. This examination covers the three-year period from January 1, 2018 through

December 31, 2020. Transactions subsequent to the examination date were reviewed where deemed necessary.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The 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, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* §321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There are no significant findings and no changes to the financial statements as a result of the current examination.

COMPANY HISTORY

The Company was originally incorporated under the laws of the State of Delaware as a stock company on July 26, 1971, as Hanseco Insurance Company (Hanseco). As of January 1, 1987, Hanseco owned all of the outstanding shares of three insurance subsidiaries: John Hancock Property and Casualty Company of Illinois (JHP&C-Illinois), John Hancock Indemnity Company (Indemnity), and John Hancock Reinsurance Company (JHRE).

JHP&C-Illinois's name was changed to John Hancock Property and Casualty Insurance Company (JHP&C) on July 7, 1988. Indemnity and JHRE were sold in 1996 and 1998, respectively. JHP&C's only remaining business in force as of September 8, 1999, was run-off business related to the treaty reinsurance book of business assumed from JHRE prior to its sale.

On September 9, 1999, JHP&C was purchased by Coliseum Reinsurance Company (Coliseum) from John Hancock Property and Casualty Holding Company. Coliseum was formerly known as Gamma Reinsurance Company until August 23, 1989, as AXA Reinsurance Company until September 11, 2000 and as AXA Corporate Solutions Reinsurance Company until April 21, 2008.

On September 10, 1999, JHP&C's name was changed to AXA Re Property and Casualty Insurance Company. At this time, the Company's ultimate controlling party became AXA, SA (AXA).

During 2000, the Company began a new strategy to write direct personal lines and commercial lines insurance programs through select managing general agents. On November 26, 2002, the Company informed the Department of its intention to enter run-off in accordance with

AXA's strategic decision to exit the United States property and casualty market. The Company implemented the exit strategy in 2003.

Effective January 1, 2004, management responsibilities of the Company were assumed by AXA Liabilities Managers under the terms of an affiliated management services agreement.

Effective January 1, 2007, the Company and Coliseum entered into a 100% Aggregate Quota Share Assumption Agreement whereby the Company's net policy liabilities were ceded to Coliseum. The agreement was entered in contemplation of efforts to sell the Company.

Effective September 21, 2010, the Company changed its name to Mosaic Insurance Company (MIC).

On August 18, 2016, pursuant to a stock purchase agreement, Metromile, Inc. (INC) purchased 100% of the outstanding equity interest in the Company from Coliseum. Concurrent with the purchase, the name of the Company was changed to from MIC to Metromile Insurance Company.

Capitalization

As amended, the Company's Certificate of Incorporation authorizes the issuance of 50,000 shares of common stock with \$115 par value per share. As of December 31, 2020, the Company had 35,191 common shares issued and outstanding totaling \$4,046,965. All of the outstanding common shares of the Company are owned by INC.

Dividends

The Company's Board of Directors (Board) has not approved, authorized, or paid any stockholder dividends during the examination period.

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, all corporate powers are exercised by or under the direction of its Board. The amended and restated bylaws provide that the Company's business and affairs shall be managed by the Board. Subject to restrictions imposed by law, the articles of incorporation or the bylaws, the Board can exercise all of the powers of the Company.

The Board shall consist of no less than three (3) or more than fifteen (15) directors. The directors are elected at the annual meeting of the Company's stockholder and shall hold office until the next succeeding annual meeting and until his/her successor is elected and qualified or until his/her earlier death, resignation or removal.

As of December 31, 2020, the directors and their principal business affiliations, were as follows:

<u>Name</u>	<u>Principal Business Affiliation</u>
Dan Preston	President and Secretary of MIC
Lindsay Alexovich	Treasurer of MIC
Karim Hirji	SVP & Managing Director of Index Venture Associates V Ltd.

Committees of the Board of Directors

As of December 31, 2020, the Company's parent, INC, had an Audit Committee (AC), Investment Committee and a Compensation Committee. The AC of INC serves as the AC of the Company.

Article IV of the amended and restated bylaws states that the Board, by resolution adopted by a majority of the whole Board, may designate one or more committees, including an Executive and Finance Committee, each consisting of at least three directors. As of December 31, 2020, the Company had not established an Executive or Finance Committee. In addition to the Executive

and Finance Committee, to the extent provided by resolution of the Board, other committees shall have and may exercise any of the powers of the Board. As of December 31, 2020, the Board had not established any other committees.

Officers

Article V of the amended and restated bylaws states 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 President shall serve as the Chairman of the Board if no Chairman of the Board has been chosen. He shall preside at all stockholders meetings of the Board and shall, in general, exercise the powers and perform the duties of the Chairman of the Board. No other officers need be a director.

As of December 31, 2020, the Company's principal officers and their respective titles were as follows:

<u>Name</u>	<u>Title</u>
Dan Preston	President and Secretary
Lindsay Alexovich	Treasurer
Jesse McKendry	Vice President – Insurance

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, a review of Company files indicated that written correspondence was submitted to the Department with regards to any changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

Insurance Holding Company System

As of December 31, 2020, the Company was a member of an Insurance Holding Company System as defined under 18 *Del. C.* §5001(6) of the Delaware Insurance Code. The Company is a wholly-owned subsidiary of INC.

An abbreviated organizational chart of the Metromile Group holding company system as of December 31, 2020, is as follows (with the percentage control of the downstream subsidiary by the upstream direct parent is shown):

<u>Company and Domicile</u>	<u>Equity Control Percent</u>	<u>Voting Control Percent</u>
Intact Financial Corporation [Canada] {1}	15.34%	16.20%
Metromile, Inc. [DE]	100%	100%
Metromile Insurance Services LLC [CA]		
Metromile Insurance Company [DE]		

{1} Considered an ultimate controlling entity

Agreements with Affiliates

Employee Leasing Agreement

Effective October 1, 2016, the Company entered into an Employee Leasing Agreement with INC whereby INC leased specified employees to the Company who performed claims adjudication and other loss adjustment functions. In addition, INC leased actuarial staff and statutory accounting and reporting employees to the Company. The Company reimbursed INC for all of the fees and compensation (salary, benefits, etc.) related to each leased employee. Effective April 1, 2020, this agreement was terminated and replaced with the Management Services Agreement described below.

Executive Management Agreement

Effective October 1, 2016, the Company entered into an Executive Management Agreement with INC whereby INC provided the Company with management, legal and administration services concerning its business. INC served as the regulatory and rating agency liaison, the policy advisor and consultant, marketing and investment advisor, record keeper, personnel and tax advisor, as well as provider of legal advice through its attorneys. The Company reimbursed INC for services provided for the benefit of the Company up to, but not to exceed, one percent (1.0%) of direct net written premiums. Effective April 1, 2020, this agreement was terminated and replaced with the Management Services Agreement described below.

Management Services Agreement

Effective April 1, 2020, the Company entered into a Management Services Agreement with INC. Under the terms of this agreement, INC agrees to provide and make available to the Company services on behalf of the Company as necessary, including the use of all necessary personnel, and including but not limited to, coordination of activities of the Company, development of corporate plans and provisional legal counsel, accounting, investment and financial management, executive management, reinsurance assistance risk management, claims servicing, human resources management, administrative services, office leasing, internal audit services, communication and IT equipment, marketing services, etc.

Managing General Agent Agreement

Effective October 1, 2016, the Company entered into a Managing General Agent Agreement with Metromile Insurance Services, LLC (MMIS) whereby MMIS served as the appointed Managing General Agent for selling and servicing the Company's policies. The Company reimbursed MMIS according to a commission schedule provided in the agreement, as

well as reimbursed MMIS for directly identifiable cost and expenses, such as postage, printing and supplies. MMIS reimbursed the Company for certain loss adjustment and underwriting expenses. MMIS did not provide any claims handling. Effective April 1, 2020, this agreement was terminated and replaced with the General Agency Agreement described in the next paragraph.

Effective April 1, 2020, the Company entered into a General Agency Agreement with MMIS. Under the terms of this agreement, the Company appointed MMIS as its exclusive general agent with respect to insurance policies for the authorized coverages in those states in which the Company is licensed. It is authorized to issue policies and renewals from the effective date of this agreement until terminated. MMIS is authorized and is delegated responsibility to bind authorized coverage and issue policies on behalf of the Company, collect and receive premium and cancel coverage only pursuant to a policy's terms and in accordance with applicable law. MMIS does not provide any claims handling services.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2020, the Company was licensed in forty-nine (49) U.S. States (all except Tennessee) and the District of Columbia.

Plan of Operation

The Company is authorized as a stock insurer to write property and casualty business. The Company is engaged in the business of pay-per-mile automobile insurance, with no other lines of business currently being written. Of the \$100,612,926 in 2020 direct written premiums, \$63,802,679 was in private passenger auto liability (lines 19.1 and 19.2, 63.4% of total) and \$36,810,247 was in auto physical damage (line 21.1, 36.6% of total).

The Company had direct written premiums in only eight states as of December 31, 2017, and the same eight states at December 31, 2020, as follows (in 000s):

<u>State</u>	<u>2017 Premiums</u>	<u>2017 Percent</u>	<u>2020 Premiums</u>	<u>2020 Percent</u>
California	\$27,975	53.0%	\$58,736	58.4%
Washington	5,075	9.6%	11,628	11.6%
New Jersey	6,742	12.8%	9,292	9.2%
Oregon	4,707	8.9%	7,051	7.0%
Arizona (began April 2018)	0	0.0%	4,751	4.7%
Illinois, Pennsylvania, Virginia	<u>8,281</u>	<u>15.7%</u>	<u>9,155</u>	<u>9.1%</u>
Total	<u>\$52,780</u>	<u>100.0%</u>	<u>\$100,613</u>	<u>100.0%</u>

The Company expects to eventually write business in more than the eight states. As of December 31, 2020, 100% of the Company's business was sold through its affiliated General Agent, MMIS. Sales are either completed online or by phone. For those sales completed by phone, the Company's policies are sold by licensed agents affiliated with MMIS.

REINSURANCE

The Company reported the following distribution of net written premiums for 2020:

Direct written premiums	\$100,612,926
Reinsurance assumed from affiliates	0
Reinsurance assumed from non-affiliates	<u>0</u>
Total gross (direct and assumed)	<u>\$100,612,926</u>
Reinsurance ceded to affiliates	0
Reinsurance ceded to non-affiliates	<u>85,503,878</u>
Total ceded	<u>\$85,503,878</u>
Net written premiums	<u>\$15,109,048</u>

The Company retained 15% of its gross business in 2020.

Assumed Reinsurance

The Company does not assume any business.

Ceded Reinsurance

The Company purchases reinsurance for capital management more so than risk management. Effective May 1, 2017, the Company entered into an 80% quota share reinsurance agreement with Horseshoe Re Ltd. (Horseshoe) and a 5% quota share reinsurance agreement with Mapfre Re Compania de Reaseguros SA (Mapfre). The reinsurance agreements for policies effective May 1, 2017 and May 1, 2018, only apply to policies renewed by the Company, meaning they do not apply to new policies issued by the Company. Effective May 1, 2019, the reinsurance agreements apply to new business as well as policies first renewed with the Company and include a loss corridor provision in which the Company retains losses between a loss ratio of 67.5% and 84.5%. Effective May 1, 2020, the reinsurance agreements apply to new business and subsequent renewals and include a loss corridor provision in which the Company retains losses between a loss ratio of 77.75% and 80.0% for one of the participating reinsurers.

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, 2020
- Statement of Income for the year ended December 31, 2020
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2017 to December 31, 2020
- Analysis of Changes in Financial Statements Resulting from the Examination

METROMILE INSURANCE COMPANY
STATEMENT OF ASSETS
AS OF DECEMBER 31, 2020

	<u>Ledger Assets</u>	<u>Non-admitted Assets</u>	<u>Net Admitted Assets</u>	<u>Note</u>
Bonds	\$ 12,120,277	\$ -	\$ 12,120,277	
Cash, cash equivalents and short-term investments	28,343,142	-	28,343,142	
Investment income due and accrued	82,958	-	82,958	
Uncollected premiums in course of collection	722,510	-	722,510	
Deferred premiums	15,606,445	-	15,606,445	
Amounts recoverable from reinsurers	8,474,743	-	8,474,743	
Receivable from parent, subsidiaries and affiliates	3,616,464	-	3,616,464	
Aggregate write-ins for other than invested assets	8,584,954	8,584,954	-	
Total Assets	<u>\$ 77,551,493</u>	<u>\$ 8,584,954</u>	<u>\$ 68,966,539</u>	

**METROMILE INSURANCE COMPANY
STATEMENT OF LIABILITIES AND SURPLUS
AS OF DECEMBER 31, 2020**

		<u>Note</u>
Losses	\$ 10,500,475	1
Loss adjustment expenses	12,651,434	1
Other expenses	482,929	
Taxes, licenses and fees (excluding federal income taxes)	235,774	
Unearned premiums	2,402,027	
Advance premiums	60,903	
Ceded reinsurance premiums payable (net of ceding commissions)	<u>20,180,047</u>	
Total liabilities	<u>\$ 46,513,589</u>	
Common capital stock	\$ 4,046,965	
Gross paid in and contributed surplus	163,239,636	
Unassigned funds (surplus)	<u>(144,833,651)</u>	
Surplus as regards policyholders	<u>\$ 22,452,950</u>	
Total liabilities & surplus	<u><u>\$ 68,966,539</u></u>	

METROMILE INSURANCE COMPANY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>
Underwriting Income	
Premiums earned	\$ <u>14,974,302</u>
Deductions	
Losses incurred	\$ 7,368,362
Loss adjustment expenses incurred	13,564,315
Other underwriting expenses incurred	<u>919,532</u>
Total underwriting deductions	<u>\$ 21,852,209</u>
Net underwriting gain (loss)	<u>\$ (6,877,907)</u>
Investment Income	
Net investment income earned	\$ 303,871
Net realized capital gains (losses) less capital gains tax of \$0	<u>2,382</u>
Net investment gain (loss)	<u>\$ 306,253</u>
Other Income	
Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 0, amount charged off \$0)	\$ -
Finance and service charges not included in premium	-
Aggregate write-ins for miscellaneous income	<u>4,493,989</u>
Total other income	<u>\$ 4,493,989</u>
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ (2,077,665)</u>
Dividends to policyholders	<u>-</u>
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	(2,077,665)
Federal and foreign income taxes incurred	<u>-</u>
Net Income	<u><u>\$ (2,077,665)</u></u>

**METROMILE INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS
FOR THE PERIOD FROM THE PRIOR EXAMINATION
AS OF DECEMBER 31, 2017, TO DECEMBER 31, 2020**

	Common Capital Stock	Gross Paid-in and Contributed Surplus	Surplus Notes	Unassigned Surplus	Total
12/31/2017	\$4,046,965	\$ 144,636,367	\$ -	\$ (135,795,197)	\$ 12,888,135
12/31/2018	-	3,500,000	(3) 3,500,000	-	7,000,000
12/31/2018	-	-	-	(2,517,768)	(1) (2,517,768)
12/31/2018	-	-	-	203,033	(2) 203,033
12/31/2019	-	11,603,269	(3) -	-	11,603,269
12/31/2019	-	-	-	(3,595,027)	(1) (3,595,027)
12/31/2019	-	-	-	(505,572)	(2) (505,572)
12/31/2020	-	3,500,000	(3) (3,500,000)	-	0
12/31/2020	-	-	-	(2,077,665)	(1) (2,077,665)
12/31/2020	-	-	-	(545,455)	(2) (545,455)
	<u>\$4,046,965</u>	<u>\$ 163,239,636</u>	<u>\$ -</u>	<u>\$ (144,833,651)</u>	<u>\$ 22,452,950</u>

- (1) Net Income
- (2) Represents the compilation of change in unrealized capital gains/(losses), change in net unrealized foreign exchange capital gain, change in net deferred income tax, change in non-admitted assets, change in provision for reinsurance, aggregate write-ins for gains and losses in surplus
- (3) Capital contributions

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes to the financial statements as a result of the current examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1

Losses	\$10,500,475
Loss Adjustment Expenses	\$12,651,434

The examination liability for the aforementioned captioned items is the same as those balances reported by the Company as of December 31, 2020. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Statutory Accounting Principles, including NAIC *Accounting Practices and Procedures Manual*, SSAP No. 55.

SUBSEQUENT EVENTS

COVID-19 Update

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic and national, state, and local governments have implemented a range of policies and actions to combat it. The extent of the impact of COVID-19 on world economies and the Company will depend on future developments, which are highly uncertain and difficult to predict, including the severity and duration of the pandemic, and the actions taken by government authorities and other third parties to contain or address its impact. Various government officials, including U.S. state insurance commissioners, have taken actions to protect consumers from the hardship caused by COVID-19 that, in the aggregate, may adversely impact the Company's results of operations in the near term. While it is likely that certain lines of business may experience increased loss activity due to COVID-19, there are also segments in which the Company operates that may benefit from improved loss experience due to reduced exposures. Company Management will continue to monitor developments, and their impacts on the Company including its operations, capital position

(including the risk-based capital ratio), the fair value of investments, and estimates reported in the financial statements and accompanying notes.

The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position and continues to closely monitor any impact on the Company and will take necessary action if a solvency concern arises.

Capital Maintenance Agreement

Effective January 2, 2021, the Company entered into a Capital Maintenance Agreement by and among INSU Acquisition Corp. II (INSU) and INC, whereby INSU and INC will maintain the Company's policyholder surplus in an amount equal to at least 300% of the NAIC-calculated authorized control level risk-based capital. The Company filed a Form D for this transaction with the Department, which was approved on January 21, 2021.

Change in Ownership

On February 9, 2021, with the approval of the Department, INC (parent of MIC and subsequently renamed Metromile Operating Company) consummated the business combination with INSU pursuant to the Agreement and Plan of Merger and Reorganization, dated November 24, 2020, and as amended on January 12, 2021, and further amended on February 8, 2021, pursuant to which, among other things, INSU merged with and into Metromile Operating Company (MOC), with MOC surviving the merger as a wholly-owned subsidiary of INSU (which was subsequently renamed Metromile, Inc., now known as MILE hereafter). As a result of this change in ownership, the holding company system as of February 9, 2021, is as follows:

<u>Company and Domicile</u>	<u>Equity Control Percent</u>	<u>Voting Control Percent</u>
Metromile, Inc. (now MILE, formerly INSU) [DE] {1}	100%	100%
Metromile Operating Company (now MOC, formerly INC) [DE]	100%	100%
Metromile Insurance Services LLC [CA]		
Metromile Enterprise Solutions, LLC [CA]		
Metromile Insurance Company [DE]		

{1} Considered the ultimate controlling entity, since no individual or entity owns or controls greater than 10% of this entity after February 9, 2021.

Capital Contributions Received

Following the change in ownership on February 9, 2021, the Company recorded receiving a capital contribution of \$10,000,000 in the first quarter from its immediate parent, MOC.

Commutation of Reinsurance

The Company effectively commuted 100% of its reinsurance coverage on April 30, 2021.

In February 2021, the Company entered into a Commutation Agreement and Release with Horseshoe effective February 11, 2021, to commute the reinsurance agreements between the two parties with effective dates beginning May 1, 2017, May 1, 2018 and May 1, 2019. Pursuant to the settlement, the Company paid \$8,989,208, net, for commutation of the underlying agreements.

In June 2021, the Company entered into a Commutation Agreement and Release with Horseshoe effective April 30, 2021, to commute the reinsurance agreement between the two parties with an effective date beginning May 1, 2020. Pursuant to the settlement, the Company paid \$1,404,057, net, for commutation of the underlying agreement.

In June 2021, the Company entered into a Commutation Agreement and Release with Partner Reinsurance Company of the US effective April 30, 2021, to commute the reinsurance agreements between the two parties with effective dates beginning May 1, 2019 and May 1, 2020.

Pursuant to the settlement, the Company paid \$2,772,170, net, for commutation of the underlying agreements.

In June 2021, the Company entered into a Commutation Agreement and Release with Topsail Reinsurance Spc Ltd effective April 30, 2021, to commute the reinsurance agreement between the two parties with an effective date beginning May 1, 2020. Pursuant to the settlement, the Company paid \$661,243, net, for commutation of the underlying agreement.

In July 2021, the Company entered into a Commutation Agreement and Release with Mapfre effective April 30, 2021, to commute the reinsurance agreements between the two parties with effective dates beginning May 1, 2017, May 1, 2018 and May 1, 2019. Pursuant to the settlement, the Company received \$232, 218, net, for commutation of the underlying agreements.

In July 2021, the Company entered into a Commutation Agreement and Release with Cincinnati Insurance Company effective April 30, 2021, to commute the reinsurance agreements between the two parties with effective dates beginning May 1, 2018, May 1, 2019 and May 1, 2020. Pursuant to the settlement, the Company paid \$1,596,541, net, for commutation of the underlying agreements.

Effectively, the Company had no reinsurance coverage beginning May 1, 2021 through December 31, 2021.

Tax Allocation Agreement

The Company disclosed in its filed 2020 Form B, Item 5(h) that there is no Tax Allocation Agreement, yet the Company disclosed in its 2020 Annual Statement - Note 9.F to the Financial Statements that it files a consolidated Federal income tax return with its parent. This is in violation of Internal Revenue Service requirements and 18 *Del. C.* §5005(a)(2)d, which also requires disclosure pursuant to 18 *Del. C.* §5004(b)(3) h. The Company filed a Form D with the Department

on February 1, 2022, for a proposed Tax Allocation Agreement, which was approved on February 3, 2022. Management provided a copy of the executed Tax Allocation Agreement to the Department on March 10, 2022.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no recommendations in the prior examination report issued by the Department as of December 31, 2017.

SUMMARY OF RECOMMENDATIONS

There are no recommendations as a result of the current examination.

CONCLUSION

The assistance and cooperation of the consulting actuarial firm, INS Consultants, Inc., the consulting information systems specialist firm, INS Services, Inc., the Company's outside audit firm, PricewaterhouseCoopers and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



Andrew Chiodini, CFE
Examiner In-Charge
State of Delaware



Anthony Cardone, CFE, CPA
Supervising Examiner

State of Delaware

I, Andrew Chiodini, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 21.019.

A handwritten signature in black ink, appearing to read "Andrew E. Chiodini". The signature is fluid and cursive, with a horizontal line extending from the end of the name.

Andrew Chiodini, CFE