

DISSOLUTION REPORT

OF

LR INSURANCE, INC.

AS OF

MARCH 31, 2022

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON DISSOLUTION EXAMINATION
OF
LR INSURANCE, INC.
AS OF
MARCH 31, 2022

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, which appears to read "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro
Insurance Commissioner

Dated this 17th day of May, 2022

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April 14, 2022

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

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority 22.907, dated March 30, 2022, a Dissolution Examination has been made of the affairs, financial condition and management of the

LR INSURANCE, INC.

hereinafter referred to as LRI or the Company and incorporated under the laws of the State of Delaware. Due to the COVID-19 Pandemic, the examination was conducted off-site. The administrative office of the Company is located at 1330 Enclave Parkway, Suite 200, Houston, Texas 77077. The report of such review is respectfully submitted herewith.

SCOPE OF EXAMINATION

This Dissolution Report is a limited-scope examination and is not intended to communicate all matters of importance for an understanding of the Company's financial condition. The last examination was as of December 31, 2019. This dissolution examination is as of March 31, 2022.

As a result of a management decision, the Company is to be dissolved. Therefore, this examination was to ascertain the following:

LR Insurance, Inc.

- Verify the remaining investment/cash assets of the Company and determine any operating receivables that may exist.
- Ascertain and verify that there are no material liabilities other than residual general operating expenses.
- Review any other documents as needed.

HISTORY

The Company was incorporated as Lloyd's Register Industrial Services (Insurance), Inc. on August 10, 1973, under the laws of the State of Delaware, and was licensed to transact business as an insurance company on August 14, 1973. The Company changed its name to LR Insurance, Inc. on May 11, 1989. The Company is a wholly-owned subsidiary of Lloyd's Register Americas, Inc. (Lloyd's Americas), which is a wholly-owned subsidiary of Lloyd's Register Group Limited (LRGL), an inspection and classification of merchant ships holding company system domiciled in London, England.

The Company's Certificate of Incorporation authorizes the issuance of 200 shares of \$5,000 par value common stock. As of March 31, 2022, the Company had 200 shares issued and outstanding, for a common capital stock balance of \$1,000,000. All of the issued and outstanding shares all held by the Company's sole shareholder, Lloyd's Americas.

The Company had no policies in effect in 2022. The Company's Board of Directors (Board) and sole shareholder approved the dissolution plan on March 23, 2022.

PROCEDURES PERFORMED

Procedures performed for the period January 1, 2020 through March 31, 2022 and subsequently include:

- Review the filed statutory 2021 annual statement.
- Review the year-end 2021 unaudited statutory financial statements provided by the Company (the Company requested and received an exemption from the Delaware Department of Insurance (Department) for the requirement of filing audited statutory financial statements as of December 31, 2021).
- Review the bank and custodian account statements as of March 31, 2022.
- Review the Board and Stockholder meeting minutes of the Company from January 1, 2020 through March 31, 2022.
- Review the Trial Balance as of March 31, 2022.
- Review the General Ledger activity from January 1, 2022 through March 31, 2022.
- Review the material related-party agreements in effect as of March 31, 2022.
- Review the Actuarial Opinion for the year ended December 31, 2021 (the Company requested and received an exemption from the Department for the requirement of filing an actuarial opinion as of December 31, 2021).
- Confirmation of invested assets as of March 31, 2022, specifically, cash and cash equivalents.

SUMMARY CONCLUSIONS

Corporate Records

The examiner reviewed the Board and Stockholder meeting minutes of the Company, which contained the approval of the dissolution. The dissolution is contingent upon the approval by the Department.

Related Parties

Upon approval of the dissolution by the Department, the Company intends to cancel the following related party agreements, which were still in effect as of the dissolution examination date:

Management Services Agreement

Effective July 2, 2012, the Company and other affiliates entered into an agreement with LRGL and affiliated service providers (as noted in Schedule 1 of the agreement) to provide specified management services for a fee based on cost plus a 6% mark-up. Services include corporate communications, group financial planning and analysis, corporate finance and group reporting services, group safety and business assurance, human resources, information technology, integrated business system, internal audit services, legal services, operational management and reporting, risk management and secretarial services and taxation and treasury services.

Reciprocal Services Agreement

Effective July 2, 2012, the Company and other affiliates entered into an agreement with LRGL whereby LRGL provides the named affiliates with reciprocal services related to classified codes and standards inspection services. Fees for this reciprocal agreement are agreed upon periodically following discussion and negotiation. This agreement was last revised on April 11, 2015.

License Agreement

Effective July 2, 2012, the Company and other affiliates (also referred to as the Licensees) entered into an agreement with LRGL (also referred to as the Licensor) that allows the Licensees to use the Licensor's intellectual property rights and the technical and

LR Insurance, Inc.

marketing support services with respect to the Licensees' activities connected with the promotion of safety on land and sea.

Tax Allocation Agreement

Effective July 1, 2017, the Company entered into an agreement with Lloyd's Americas and its affiliates for the filing of consolidated Federal income taxes.

Custodial Agreement

The Company has cash held at Wilmington Trust under a custodial escrow agreement dated August 14, 1973, with a statement balance of \$1,500,000 as of March 31, 2022.

Claims

The Company had no outstanding or open claims as of March 31, 2022.

Balance Sheet

The examiner reviewed the unaudited Financial Statements provided by management as of March 31, 2022. Additionally, a review of the bank statements was made as of March 31, 2022. The aggregate cash and cash equivalent balances of \$1,516,951 consists of \$1,500,000 at Wilmington Trust (Delaware special deposit) and \$16,951 at JPMorgan Chase Bank, N.A. (operating account), which were confirmed directly with the financial institutions as of March 31, 2022.

The Company reported \$0 in carried loss reserves and \$0 in loss adjustment expenses for policies as of March 31, 2022.

ASSETS, LIABILITIES, AND POLICYHOLDER SURPLUS

As of March 31, 2022

Assets

Cash, cash equivalents and short-term investments	\$	1,516,951
Total	\$	<u>1,516,951</u>

Liabilities

General expenses due and accrued	\$	-
Total	\$	<u>-</u>

Policyholder Surplus

Common capital stock	\$	1,000,000
Gross paid in and contributed surplus		558,154
Unassigned funds (surplus)		<u>(41,203)</u>
Total	\$	<u>1,516,951</u>
Total Liabilities and Policyholder Surplus	\$	<u>1,516,951</u>

The Company has complied with the dissolution requirements for the Department.

The examination was conducted by the undersigned.

Respectfully Submitted,



Andrew E. Chiodini, CFE
Examiner-In-Charge
Department of Insurance
State of Delaware

LR Insurance, Inc.

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 22.907.



Andrew Chiodini, CFE