REPORT ON EXAMINATION

OF

AMERICAN ALTERNATIVE INSURANCE CORPORATION

AS OF

DECEMBER 31, 2021

TRINIDAD NAVARRO
COMMISSIONER

STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION

OF

AMERICAN ALTERNATIVE INSURANCE CORPORATION

AS OF

DECEMBER 31, 2021

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 ___19th___ day of ______April________, 2023

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February 9, 2023

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

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 22.006, dated November 2, 2021, an examination has been made of the affairs, financial condition and management of

American Alternative Insurance Corporation

hereinafter referred to as Company or AAIC. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 251 Little Falls Drive, Wilmington, Delaware. The administrative office of the Company is located at 555 College Road East, Princeton, New Jersey. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Delaware Department of Insurance (Department) performed a multi-state financial examination of the Company. The previous examination of the Company covered the period from January 1, 2013 through December 31, 2016. This examination covered the period from January 1, 2017 through December 31, 2021. Our examination of the Company was performed as part of the examination of the Munich Re America Corporation (MRAC) affiliated sub-group of insurance companies as of December 31, 2021. The examination was conducted concurrently with that of its Delaware domiciled affiliate companies, Munich Reinsurance America, Inc. (MRAm), The Princeton Excess and Surplus Lines Insurance Company (PESLIC), Bridgeway Insurance Company (BIC), Digital Edge Insurance Company and the Company's Rhode Island affiliate Digital Advantage Insurance Company (DAIC). To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

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 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, 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.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm Ernst & Young, LLP (E&Y). Certain auditor work papers of the 2021 E&Y 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

The Company was incorporated in New York on April 26, 1923, as American Union Insurance Company of New York. The Company's name was changed to American Union Reinsurance Company in 1987.

On January 1, 1994, American Re Corporation (name changed to MRAC on September 5, 2006) acquired the Company from American States Insurance Company, an Indiana domiciled insurer. MRAC is a Delaware holding company and the sole owner of the Company.

On August 13, 1996, MRAC, the Company's immediate parent, entered into an Agreement and Plan of Merger with Munchener Ruckversicherungs-Gesellschaft Aktiengesellschaft (MRG) and Puma Acquisition Corporation (Puma), a Delaware corporation and wholly owned subsidiary of MRG. Pursuant to the terms of the Agreement and Plan of Merger, on November 25, 1996, following the approval of the merger by

MRAC's stockholders and applicable regulatory authorities, Puma was merged with MRAC with the latter being the surviving entity. There have been no ownership changes since September 2000.

Capitalization

The Company's Certificate of Incorporation authorizes the issuance of 3,200 shares of common stock with a $1,600 par value. As of December 31, 2021, the Company had 3,200 shares of common stock issued and outstanding totaling $5,120,000. All outstanding common shares of the Company are owned by MRAC. As of December 31, 2021, the Company reported gross paid-in and contributed surplus of $8,611,387. The Company has one Surplus Note outstanding issued on October 1, 2000, in the amount of $92.5 million, with an interest rate of 5%. The Surplus Note and associated interest payments have been approved and authorized by the Department.

Dividends

The Company paid ordinary cash dividends to its sole shareholder during the examination period as reflected in the Board of Directors (Board) meeting minutes and approved by the Department as follows:

Type	Ordinary / Extraodinary	Date Declared	Notification Date	Date Paid	Dividend Paid
Cash	Ordinary	03/10/2017	03/10/2017	03/17/2017	$ 27,838,587
Cash	Ordinary	02/18/2018	02/23/2018	03/27/2018	$ 31,852,705
Cash	Ordinary	03/07/2019	03/08/2019	03/28/2019	$ 44,563,531
Cash	Ordinary	04/07/2020	04/08/2020	04/22/2020	$ 40,665,780
Cash	Ordinary	04/15/2021	04/16/2021	04/30/2021	$ 25,648,574

The Dividend payments noted above are in compliance with 18 *Del. C.* §5005 (e).

MANAGEMENT AND CONTROL

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers and its business property and affairs are managed by, or under the direction, of its Board. In accordance with the Company's bylaws, the number of Directors shall consist of not less than three members or more than eleven members. Directors shall be elected annually by the sole stockholder and shall hold office for one year until successors are elected and qualified, or until earlier resignation or removal. The members of the Board, serving as of December 31, 2021, each elected or appointed in accordance with the Company bylaws were as follows:

Name	Affiliation
Richard Leonard Alleyne	MRAm
Andrew James Buchanan	MRG
Alice Chamberlayne Hill	Independent
Oliver Juergen Horbelt	MRAm
Michael Gerard Kerner (Chairman & CEO)	MRAm
Anthony Joseph Kuczinski	MRAm
Elizabeth Ann Levy-Navarro	Independent
Adrieene Wallis Mageras	MRAm
Lisa Ann Pollina	Independent
Cathy Bostick Smith	MRAm

Committees of the Board

The standing Board of Director committees as of December 31, 2021, were constituted as follows:

Audit Committee
Andrew James Buchanan, Chair
Elizabeth Ann Levy-Navarro, Independent
Alice C. Hill, Independent
Lisa A. Polina, Independent

Regional Investment Committee
Oliver Juergen Horbelt , Chair
René Gobonya
Peter Richter

Björn Reichwald
Ganesh Narayan

Regional Risk Management Committee
Anthony Joseph Kuczinski – Chair
Richard Leonard Alleyne
Gregory M. Barat
Angela Homm
Oliver Juergen Horbelt
Dr. Markus Hummel
Michael Kerner
Andreas Kleiner
Adrienne Wallis Mageras
Cathy Bostick Smith
Dr. Marcus Stefan Winter

Officers

In accordance with its bylaws, officers serving the Company shall be a President and Chief Operating Officer, Vice Presidents and a Secretary. The Board may also elect one or more Vice Presidents, as they may deem proper. The senior officers, duly appointed in accordance with the Bylaws and serving as of December 31, 2021, are as follows:

Name	Title
Michael Gerard Kerner	President and Chief Executive Officer
Oliver Juergen Horbelt	SVP, Chief Financial Officer
Ignacio Rivera	Deputy General Counsel & Secretary

The minutes of the meetings of the Stockholder and Board, which were held during the period of examination, were read and noted. Attendance at meetings, election of directors and officers and approval of investment transactions were also noted.

Inspection of Company files indicated that an ethics statement/conflict of interest statement was completed by all employees for the examination period. A review of the Company's bylaws revealed that no changes were made during the examination period.

A review was performed for compliance with Code 18 *Del. C.* § 4919 "any change of directors, officers"; notice, "Every domestic stock or mutual insurer shall promptly notify the Commissioner in writing of any change of personnel among its directors or principal officers". Based on our review, the Company is in compliance.

Corporate Records

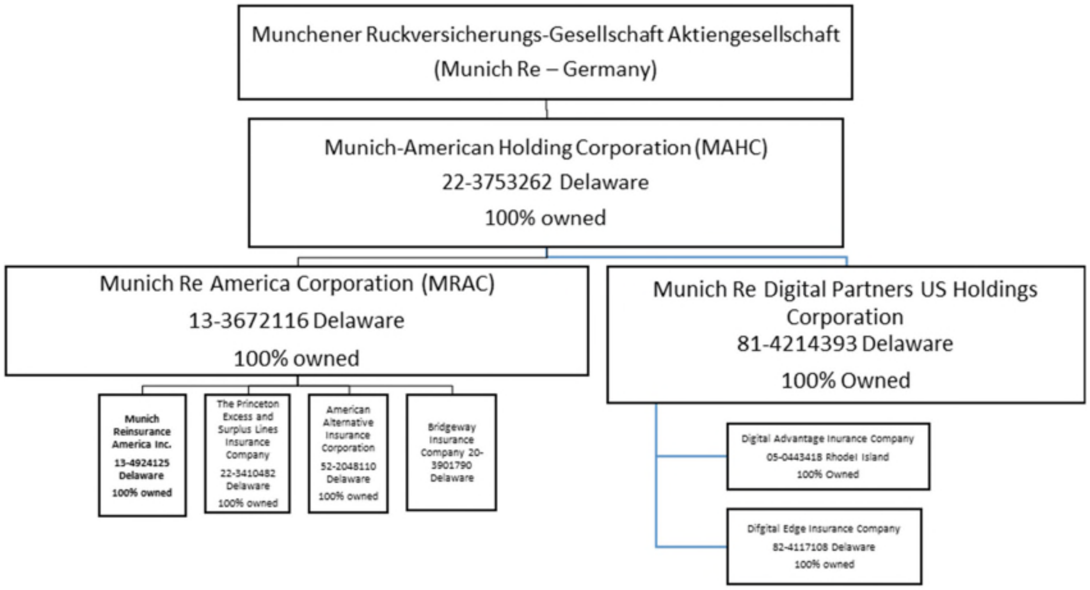
The recorded minutes of the Shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* §1304. In addition, the 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 under 18 *Del. C.* §5001 (7) of the Delaware Insurance Code. The Company maintains that as of December 31, 2021, MRG is the ultimate controlling entity of the Company. The 2021 amounts below were reported in the most recent MRG annual report based on International Financial Reporting Standards (IFRS), converted from Euros to U.S. dollars as of December 31, 2021, (conversion rate of 1 Euro = $1.137651 U.S.).

Assets	$355.4 Billion
Liabilities	$320.2 Billion
Equity	$35.2 Billion

The following is an abbreviated organizational chart of the insurance holding company system as of December 31, 2021:



A review of the Annual Form B and Form C filings made by AAIC for all years under examination revealed that the Company has complied with the requirements of 18 *Del. Admin Code* §1801.

<u>Agreements with Affiliates</u>

The Company was a party to the following significant intercompany agreements and arrangements in effect as of December 31, 2021:

Consolidated Income Tax Allocation Agreements

Effective March 2, 2012, the Company entered into an Amended and Restated Tax Allocation Agreement with affiliate Munich-American Holding Corporation (MAHC) and all its subsidiaries including MRAm and PESLIC, for tax years ending December 31, 2011 and later. Under this agreement, income tax expenses are computed on a separate company basis as if each affiliate filed a separate tax return. Intercompany balances shall be settled on a quarterly basis. This agreement was filed with the Department on January 20, 2012, and approved by the Department on January 30, 2012. The agreement was subsequently non-materially amended on August 9, 2012 and January 7, 2014, to add and remove certain affiliated companies. These amendments did not require prior approval but were filed with the Department on an informational basis.

Effective September 27, 2017, the 2012 Amended and Restated Tax Allocation Agreement was replaced with the Second Amended and Restated Tax Allocation Agreement with MAHC and its subsidiaries for tax years ending December 31, 2017 and later. Under this agreement, income tax expenses are computed on a separate company basis as if each affiliate filed a separate tax return. Intercompany balances shall be settled on a quarterly basis. This agreement was filed with the Department on February 3, 2017, and approved by the Department on February 7, 2017. This agreement was amended on July 31, 2018 and August 1, 2019. These amendments were filed with and approved by the Department.

Effective January 15, 2020, the 2017 Second Amended and Restated Tax Allocation Agreement was replaced with the Third Amended and Restated Tax Allocation Agreement with MAHC and all its subsidiaries for tax years ending December 31, 2020 and later. Under this agreement, income tax expenses are computed on a separate company basis as if each affiliate filed a separate tax return. Intercompany balances shall be settled on a quarterly basis. This agreement was filed with the Department on January 30, 2020, and approved by the Department on February 18, 2020. This agreement was amended on August 31, 2020. This amendment was filed with and approved by the Department.

General Service and Administrative Agreements

Effective September 1, 2009, the Company entered into a General Services and Cost Allocation Agreement with MAHC and numerous affiliates. Parties to the agreement may provide the following services to each other: accounting, tax, auditing, underwriting, claims, actuarial, information technology, legal, payroll, human resources, corporate finance, public relations, executive, engineering, loss mitigation and inspection, intellectual property and other services. The agreement requires that charges and expenses incurred be allocated according to Delaware Insurance Laws and Statement of Statutory Accounting Principles (SSAP) 70. Charges shall be settled within thirty days of the end of each calendar quarter. The terms of this agreement are considered fair and equitable. This agreement was filed with the Department on June 6, 2009, and approved by the Department on July 1, 2009. The agreement has been amended nine times subsequent to inception, the most recent amendment effective as of August 18, 2017. The amendments have been filed with and approved by the Department.

Effective September 27, 2017, the 2009 General Services and Cost Allocation Agreement was replaced with the Amended and Restated General Services and Cost Allocation Agreement with MAHC and affiliates. Parties to the agreement may provide the following services to each other: accounting, tax, auditing, underwriting, claims, actuarial, information technology, legal, payroll, human resources, corporate finance, public relations, executive, engineering, loss mitigation and inspection, intellectual property and other services. The agreement requires that charges and expenses incurred be allocated according to Delaware Insurance Laws and SSAP 70. Charges shall be settled within thirty days of the end of each calendar quarter. The terms of this agreement are considered fair and equitable. This agreement was filed with the Department on February 3, 2017, and approved by the Department on February 8, 2017. This agreement was amended on July 31, 2018, and August 1, 2019. These amendments were filed with and approved by the Department.

Effective October 7, 2019, the 2017 Amended and Restated General Services and Cost Allocation Agreement was replaced with the Amended and Restated General Services and Cost Allocation Agreement with MAHC and affiliates. Parties to the agreement may provide the following services to each other: accounting, tax, auditing, underwriting, claims, actuarial, information technology, legal, payroll, human resources, corporate finance, public relations, executive, engineering, loss mitigation and inspection, executive, intellectual property and other services. The agreement requires that charges and expenses incurred be allocated according to Delaware Insurance Laws and SSAP 70. Charges shall be settled within thirty days of the end of each calendar quarter. The terms of this agreement are considered fair and equitable. This agreement was filed with the Department on September 24, 2019, and approved by the Department on October 7, 2019. This agreement was amended on March 3, 2021. This amendment was filed with and approved by the Department.

Investment Management Agreements

Effective March 1, 2006, the Company entered into a Second Amended and Restated Investment Management Agreement with MEAG New York Corporation (MEAG-NY). The agreement provides that MEAG-NY will manage the investment portfolio of invested assets held by State Street Bank, the Company's custodian. MEAG-NY is required to adhere to strict Investment Guidelines attached to the agreement and amended periodically whenever the Company amends its investment policy. The Company retains the sole authority to modify Investment Guidelines and MEAG-NY is not permitted to trade assets that are designated by the Company as regulatory or trust deposits. MEAG-NY does not act as custodian and does not physically hold any of the Company's invested assets. Regular reviews of the performance and actions of MEAG-NY are performed, and the terms of the agreement were considered fair and equitable. Charges shall be settled within thirty days of the end of each calendar quarter. This agreement was filed with the Department on March 6, 2006, and approved by the Department on April 6, 2006. This agreement was most recently amended effective March 20, 2012, and was approved by the Department on April 20, 2012. Effective October 1, 2020, the 2006 Second Amended and Restated Investment Management Agreement was replaced with an Investment Management Agreement with affiliate MR Group Investment US, Inc. with similar terms. This 2020 Investment Management Agreement was filed with the Department on August 24, 2020, and approved by the Department on September 14, 2020.

Letter of Credit Facility

Effective October 2, 2009, the Company entered into an Amended and Restated Letter of Credit (LOC) Facility Fee Reimbursement Agreement with MRG, MRAm and PESLIC. MRG shall from time to time provide collateral for reinsurance in the form of letters of credit to MRAm, AAIC and PESLIC from MRG's existing LOC facilities to support unaffiliated unauthorized liabilities. MRAm, AAIC and PESLIC shall pay MRG a fee of fifty basis points for any issuances of LOCs made by the Company under any of MRG's LOC facilities. This agreement was filed with the Department on September 30, 2009, and approved by the Department on October 23, 2009.

Agency Agreement

Effective March 1, 2011, the Company entered into a Managing General Agency Agreement with affiliate Roanoke Insurance Group, Inc. (Roanoke) [formerly known as Roanoke Trade Services, Inc.] which wrote $35.935 million in direct business in 2021 on behalf of the Company. This agreement was approved by the Department on March 9, 2011. This agreement was most recently amended effective August 1, 2017, and was approved by the Department on July 18, 2017.

TERRITORY AND PLAN OF OPERATION

Territory

The Company is currently licensed to write business in all fifty U.S. States, the District of Columbia and Puerto Rico. In addition, the Company is authorized as an acceptable surety writer by the U.S. Treasury.

Plan of Operation

The Company's clients are traditional insurance buyers (i.e., commercial corporations) and the alternative market (i.e., risk retention groups, risk purchasing groups, captives and risk managers of commercial companies). AAIC primarily markets its products through the use of Managing General Agents (MGA) and Third Party Administrators (TPA). During 2021, the largest MGA/TPA's authorized by the Company produced approximately $462.5 million or 87.35% of total direct premiums written.

MGA/TPA	Authority	Direct Written Premium	%
Community Association Underwriters of America Inc. (CAUA)	U,C,CA,B,P	$ 198,004,778	37.39%
Global Aerospace, Inc. (GA)	U,C,CA,B,P	187,867,267	35.48%
Mckee Risk Management Inc. (MRM)	U,B,P	14,446,554	2.73%
National Insurance Professional Corporation (NIPC)	U,B,P	13,296,810	2.51%
Roanoke Trade Services, Inc. (RTS) [affiliate].	U,C,CA,B,P	35,395,337	6.68%
Universal Insurance Programs, LLC (UIP)	U,B,P	13,493,982	2.55%
Total Largest		462,504,728	87.35%
Others		67,000,801	12.65%
Total Direct Premium		529,505,529	100.00%

Authority granted
U- Underwriting
C- Claims Payment
CA- Claims adjustment
B- Binding
P- Premium Collection

The applicable MGA/TPA agreements, state licenses, audit schedules and selected audit reports were reviewed. Proper licensing was noted and the selected audit reports indicated no conflicts with the Company's underwriting guidelines. All of the MGA/TPA's noted above have been granted underwriting and binding authority along with the authority to collect premiums. CAUA, GA and RTS all have claims adjustment and claims payment authority. None of the MGA/TPA's are permitted to bind the Company to ceded reinsurance.

The five largest lines of direct written premiums represent 94.41% of the 2021total of $530M written and assumed are as follows:

Line of business	Gross Premiums	Percentage
Commercial multi-peril	$ 231,305,859	43.64%
Aircraft (all perils)	188,497,349	35.57%
Surety	35,935,336	6.78%
Other liability - occurrence	34,787,627	6.56%
Commercial auto liability	9,844,544	1.86%
All other lines	29,634,184	5.59%
Total	$ 530,004,899	100.00%

REINSURANCE

The Company reported the following distribution of premiums written for the years ended December 31, 2021, and the prior examination date of December 31, 2016:

	2021	% GPW	2016	% GPW
Direct Business	$ 529,505,529	100%	$ 827,815,012	100%
Reinsurance assumed from affiliates	-	0%	-	0%
Reinsurance assumed from non-affiliates	499,370	0%	1,460,026	0%
Gross Premiums written	530,004,899	100%	829,275,038	100%
Reinsurance ceded to affiliates	474,234,507	89%	603,471,188	73%
Reinsurance ceded to non-affiliates	55,770,392	11%	225,803,850	27%
Total ceded	530,004,899	100.00%	829,275,038	100%
Net premium written	$ -	0%	$ -	0%

Assumed from Non-affiliates

The Company's assumed reinsurance is comprised of participations in pools and associations. As a direct writer of workers' compensation insurance and auto insurance, the Company is required to participate in various state-operated or sponsored plans or reinsurance facilities. The Company participated in several involuntary pools or associations in 2021 with total premiums of approximately $499,370.

Ceded to Affiliates

Ceded to MRAm

Effective July 1, 2009, the Company commuted all of its prior reinsurance contracts with MRAm under a Commutation and Release Agreement as a first step in the establishment of a Reinsurance Pooling Agreement (Pooling Agreement) which covers 100% of the Company's net liabilities (defined as gross liability net of specific cessions to other reinsurers). The previously ceded business, along with the Company's retained business at June 30, 2009, is subject to the Pooling Agreement.

The Company is a participant in the Pooling Agreement with MRAm and PESLIC, originally effective July 1, 2009. BIC was added to the Pooling Agreement by Amendment #1 effective July 1, 2019. The Pooling Agreement covers all direct and assumed current and prior policies and contracts issued by the Company, PESLIC and BIC. Under the Pooling Agreement, each of the companies cedes 100% of its net liabilities to the Pool. MRAm is the lead company for the Pooling Agreement and has a 100% participation in the pooled business and the Company, PESLIC and BIC each have a 0% participation in the pooled business. A provisional ceding commission of 24.5%, adjusted quarterly for actual acquisition expenses allocable to the net business subject to the agreement, is paid to the Company, PESLIC and BIC. In addition, an override commission of 5.5% is paid to the

Company, PESLIC and BIC. The override commission is in excess of the acquisition costs, and therefore, in accordance with SSAP 62R – paragraph 76, a deferred ceding commission liability equal to the difference between the reinsurance commission received and the acquisition cost have been recorded by the Company, PESLIC and BIC. The deferred ceding commission liability is amortized pro-rata over the effective period of the agreement in proportion to the amount of coverage provided. The Commutation and Release Agreement and the Pooling Agreement were approved by the Department on September 29, 2009. Amendment #1 to the Pooling Agreement was approved by the Department on September 16, 2019.

Total premiums ceded by the Company to MRAm in 2021 under the Pooling Agreement were $470.045 million. As of December 31, 2021, the Company reported a net reinsurance recoverable from MRAm of $1,127.323 million.

Ceded to Other Affiliates

The Company entered into a Surety Quota Share Reinsurance Agreement with Watkins Syndicate at Lloyd's Syndicate 457 (domiciled in Great Britain) pursuant to a Surety Quota Share Reinsurance Agreement effective March 1, 2011, and approved by the Department on March 9, 2011. The Company ceded $2,140 thousand in 2021.

The Company entered into various reinsurance agreements with Hartford Steam Boiler Inspection and Insurance Company (domiciled in Connecticut) covering equipment breakdown programs which were below the materiality thresholds and not required to be filed with the Department. The Company ceded $2,050 thousand in 2021.

<u>Ceded to Non-affiliates</u>

The Company ceded $55,770,392 in premiums to non-affiliates in 2021, which includes a significant amount of business with the express purpose of ceding all or part of the loss exposure to designated reinsurers. These programs are referred to as Specific Reinsurance business. The Global Aerospace and Aviation program dominated the Company's cessions in 2021, with $36.791 million ceded to Mitsui Sumitomo Insurance Company (domiciled in Japan) accounting for 66.0% of total premiums ceded to non-affiliates in 2021.

FINANCIAL STATEMENTS

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

- Statement of Assets as of December 31, 2021
- Statement of Liabilities and Surplus as of December 31, 2021
- Statement of Income for the year ended December 31, 2021
- Statement of Capital and Surplus Account for the year ended December 31, 2021
- Reconciliation of Capital and Surplus for the Period December 31, 2016 to December 31, 2021

STATEMENT OF ASSETS
As of December 31, 2021

	Ledger Assets	Nonadmitted Assets	Net Admitted Assets 2021
Bonds	$ 155,989,668	$ -	$ 155,989,668
Cash, Cash equivalants	36,876,557	-	36,876,557
Subtotals, cash and invested assets	$ 192,866,225	$ -	$ 192,866,225
Investment income due and accrued	515,255		515,255
Uncollected premiums and agents' balances in the course of collection	63,017,883	-	63,017,883
Deferred premiums (including earned but unbilled $68,105)	52,809,163	-	52,809,163
Amounts recoverable from reinsurers	76,311,277	-	76,311,277
Current federal and foreign income tax recoverable and interest thereon	746,026	-	746,026
Net deferred tax asset	2,785,777	552,870	2,232,907
Guarranty Funds receivable	568,822		568,822
Furniture and equiptment, including healthcare delivery assets	2,690,714	2,690,714	-
Aggregate write-ins for other than invested assets:			-
Imprest loss funds/loss payments in advance	74,443,173	-	74,443,173
Contingent commission receivable	813,480	-	813,480
Deposits in pools & associations	236,316	236,316	-
Other Receivables	87,863	87,863	-
Total Assets	$ 467,891,974	$ 3,567,763	$ 464,324,211

STATEMENT OF LIABILITIES AND SURPLUS
As of December 31, 2021

	2021	Note
Losses	$ -	1
Reinsurance payable on paid losses and loss adjustment expenses	(52,435)	
Loss adjustment expenses	-	1
Commissions payable; contingent commissions and other similar charges	1,668,991	
Other expenses (excluding taxes; licenses and fees)	-	
Taxes, licenses, and fees	5,322,180	
Unearned premiums	-	
Ceded reinsurance premiums payable (net of ceding commissions)	190,473,882	2
Funds held by company under reinsurance treaties	51,313,291	
Amounts withheld or retained by company for account of others	23,886	
Payable to parent; subsidiaries and affiliates	6,157,002	
Payable for securities	2,444	
Aggregate write-ins for liabilities	15,644,062	
Total liabilities excluding protected cell liabilities	$ 270,553,303	
Total liabilities	$ 270,553,303	
Common capital stock	5,120,000	
Surplus Notes	92,500,000	
Gross paid in and contributed surplus	8,611,387	
Unassigned funds (surplus)	87,539,521	
Surplus as regards policyholders	$ 193,770,908	
Totals of liabilities & surplus	$ 464,324,211	

STATEMENT OF INCOME
For the Year Ended December 31, 2021

Underwriting Income	2021
Premiums earned	$ -
Deductions	
Losses incurred	$ -
Loss adjustment expenses incurred	-
Other underwriting expenses incurred	(24,138,772)
Total underwriting deductions	$ (24,138,772)
Net underwriting gain (loss)	$ 24,138,772
Investment Income	
Net investment income earned	2,279,421
Net realized capital gains (losses) less capital gains tax of $ 305,045	1,147,549
Net investment gain (loss)	$ 3,426,970
Other Income	
Net gain (loss) from agents' or premium balances charged off (amount recovered $82, ampunt charged off $2,403)	(2,321)
Aggregate write-ins for miscellaneous income	408,469
Total other income	$ 406,148
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	$ 27,971,890
Dividends to policyholders	-
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	$ 27,971,890
Federal and foreign income taxes incurred	5,607,545
Net Income	$ 22,364,345

CAPITAL & SURPLUS ACCOUNT
For the Year Ended December 31, 2021

		2021
Surplus as regards policyholders, Decmeber 31, 2020	$	196,824,916
Net income		22,364,345
Change in unrealized capital gains or (losses) less capital gains tax of $(36,379)		(136,853)
Change in unrealized foreign exchange capital gain (loss)		(19)
Change in deferred income tax		(97,633)
Change in nonadmitted assets		464,726
Dividends to Stockholder		(25,648,574)
Change in Surplus as regards policyholders for the year ended	$	(3,054,008)
Surplus as regards policyholders, December 31, 2021	$	193,770,908

RECONCILIATION OF CAPITAL AND SURPLUS
As of December 31, 2016 to December 31, 2021

		Common Capital Stock	Gross Paid-in and Contributed Surplus	Surplus Note	Unassigned Surplus	Total
12/31/2016		$ 5,120,000	$ 8,611,387	$ 92,500,000	$ 92,189,954	$ 198,421,341
12/31/2017	1				32,119,067	32,119,067
12/31/2017	2				(1,028,407)	(1,028,407)
12/31/2017	3				(27,838,587)	(27,838,587)
12/31/2018	1				44,563,531	44,563,531
12/31/2018	2				(41,828)	(41,828)
12/31/2018	3				(31,852,705)	(31,852,705)
12/31/2019	1				42,075,065	42,075,065
12/31/2019	2				(1,352,602)	(1,352,602)
12/31/2019	3				(44,563,531)	(44,563,531)
12/31/2020	1				29,177,845	29,177,845
12/31/2020	2				(2,188,493)	(2,188,493)
12/31/2020	3				(40,665,780)	(40,665,780)
12/31/2021	1				22,364,345	22,364,345
12/31/2021	2				230,221	230,221
12/31/2021	3				(25,648,574)	(25,648,574)
Total		$5,120,000	$8,611,387	$92,500,000	$87,539,521	$193,770,908

(1) Represents net income
(2) 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.
(3) Dividends to stockholder

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 $0
Loss Adjustment Expenses $0

The examination liabilities for the aforementioned captioned items are the same as those balances reported by the Company as of December 31, 2021. 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 55. As part of a reinsurance pooling agreement noted in the Reinsurance section above, the Company is a party to 100% Pooling Agreement in which all loses net of third party reinsurance are ceded to MRAm.

Note 2:
Ceded Reinsurance Premiums Payable $190,473,882

The above captioned amount, which is the same as that reported by the Company in its Annual Statement, has been accepted for purposes of this report. Of the $190.47 million, $172.97 million or 90.08% is due to MRAm under the terms of the Pooling Agreement. With the exception of $0.71 million, the remainder is due to unaffiliated third parties.

SUBSEQUENT EVENTS

Reinsurance pooling

Effective January 1, 2022, the Pooling Agreement was amended. DAIC was added to the Pooling Agreement, covering all direct and assumed current and prior policies and contracts issued by DAIC. As such, MRAm has assumed 100% of the net liabilities (defined as gross liability net of specific cessions to other reinsurers) under policies, contracts and binders of insurance and reinsurance of DAIC.

Intercompany tax sharing

Effective September 30, 2022, and approved by the Department on August 30th, 2022, MAHC has amended the tax sharing agreement with certain affiliates of MRAm, PESLIC, AAIC and BIC. The agreement has been modified to address if a subsidiary company generates a tax loss which is subsequently used by the MAHC consolidated group on its return, the subsidiary in question will then be repaid for its losses during the same period of tax return that the loss was used.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

The assistance and cooperation of the Company's outside audit firm, E&Y, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

Albert Piccoli

Albert Piccoli, CFE
Examiner In-Charge
State of Delaware

Anthony Cardone, CPA, CFE
Supervising Examiner
State of Delaware

I, Albert Piccoli, 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 Certification No. 22.006

Albert Piccoli

Albert Piccoli, CFE