

EXAMINATION REPORT
OF
AMERICAN BUSINESS & MERCANTILE INSURANCE MUTUAL, INC.
AS OF
DECEMBER 31, 2021

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION

OF

AMERICAN BUSINESS & MERCANTILE INSURANCE MUTUAL, INC.

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 15th day of June, 2023

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May 17, 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. 22.008, dated November 2, 2021, an examination has been made of the affairs, financial condition and management of

AMERICAN BUSINESS & MERCANTILE INSURANCE MUTUAL, INC.

hereinafter referred to as ABMIM or the Company. The Company was incorporated under the laws of the State of Delaware as a mutual company with its registered office located at 2711 Centerville Road, Wilmington, Delaware 19808. The administrative offices of the Company are located at 307 North Michigan Avenue, Chicago, Illinois 60601. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our multi-state examination of ABMIM. The last examination was conducted as of December 31, 2016, by the Delaware Department of Insurance (Department). This examination covered the period of January 1, 2017 through December 31, 2021. Our examination was performed as part of the coordinated examination of the United States based insurance companies controlled by Old Republic International Corporation (ORI) whereby Pennsylvania is

the lead state. The coordinated examination was performed in three subgroups including: the General Insurance Sub-Group, the Title Sub-Group and the Mortgage Sub-Group. The Company is part of the General Insurance Sub-Group. 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, KPMG LLP (KPMG). Certain auditor work papers of the 2021 KPMG 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 the Company's Financial Statements as a result of this examination.

COMPANY HISTORY

The Company was incorporated on July 9, 1981, as American Business & Mercantile Insurance Mutual Inc. under the laws of the State of Delaware as a mutual insurance company in accordance with 18 *Del. C.* § 4905. The Company commenced business on January 29, 1982, and has been under the ultimate control of ORI since its inception. The Company has undergone several name changes since its inception as follows:

On October 16, 1995, the Company's Articles of Incorporation were amended to change the Company's name to American Business & Personal Insurance Mutual, Inc.

On September 7, 2012, the Company's bylaws were amended to change the Company's name to American Business & Mercantile Insurance Mutual, Inc.

On October 11, 2012, the Company's Articles of Incorporation were amended to change the Company's name back to American Business & Mercantile Insurance Mutual, Inc.

Membership

The Company's bylaws require that every person, partnership, firm, association, corporation, estate, trustee and fiduciary insured by the Company as a policyholder under one

or more policies, other than a reinsurance contract, must be a member of the Company. Each policyholder owns one membership interest in the Company and each membership interest provides for a single vote. As a mutual insurer, the Company has no capital stock or paid-in-capital.

Surplus Notes

On December 15, 2011, the Company issued a Variable Rate Subordinate Surplus (VRSS Note) payable in the aggregate amount of \$10,500,000 to ORI. The VRSS Note was issued for a 30-year term and carried a variable interest rate equal to 450 basis points over the one-month LIBOR. Interest is payable quarterly on the last business day of March, June, September and December of each year. Effective April 1, 2020, the VRSS Note was amended to modify the variable interest rate to a fixed rate of 4%.

Dividends

No dividends were paid to policyholders during the period under examination.

MANAGEMENT AND CONTROL

Directors

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the property and affairs of the Company must be managed by or under the direction of its Board of Directors (Board). The Board shall not have less than three or more than seven members. The total number of directors shall be determined by the Board or by the members at the annual meeting.

Directors shall be elected and classified into a "class" for which time they severally hold office by dividing them equally as possible into three classes. Directors shall be elected for a term of three years so that the term of one class of Directors shall expire each year. Vacancies and

newly created Directorships resulting from any increase in the authorized number of Directors may be filled by a majority of the Directors then in office, and the Directors so chosen shall hold office until the next class election. Directors of the Company are not required to be members. Directors duly elected and serving as of December 31, 2021, are as follows:

<u>Name</u>	<u>Title</u>
Craig Richard Smiddy	Chief Executive Officer, ORI
Frank Joseph Sodaro	Chief Financial Officer, ORI
Thomas Andrew Dare	General Counsel, ORI

Officers

Officers were elected in accordance with the Company's bylaws during the period under examination. The bylaws require election of a Chairman of the Board, President, as many Vice-Presidents as needed, a Secretary, a Treasurer and one or more Assistant Vice-Presidents as needed. Any number of offices may be held by the same person. Officers of the Company are not required to be a policyholder member. The primary officers serving as of December 31, 2021, were as follows:

<u>Name</u>	<u>Title</u>
Frank Joseph Sodaro	Chairman of the Board and Vice-President
Craig Richard Smiddy	President
William Todd Gray	Treasurer
Thomas Andrew Dare	Secretary
Jeffery Patrick Lange	Vice-President
Stephen Joseph Oberst	Vice-President

Corporate Records

The recorded minutes of the policyholder members and Board were reviewed for the period under examination. The recorded minutes of the policyholder and Board adequately documented the meetings. The Board minutes properly documented 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 the ORI holding company system as defined under 18 *Del. C.* § 5001 of the Delaware Insurance Code. The Company is a mutual insurer owned by its policyholders. ORI is an affiliate that is considered the ultimate controlling party given it exerts significant influence over the Company's operations. An abbreviated organizational chart of the ORI holding company system as of December 31, 2021, is as follows (ownership of subsidiaries is 100% unless otherwise noted):

<u>Company</u>	<u>Domicile</u>
Old Republic International Corporation ¹	Delaware
Old Republic General Insurance Group, Inc.	Delaware
BITCO Corp.	Delaware
BITCO General Insurance Corporation ² (BGI)	Iowa
BITCO National Insurance Company ² (BNI)	Iowa
BITCO Construction Group, Inc.	Delaware
Old Republic Security Assurance Company ² (ORSAC)	Illinois
Brummel Brothers, Inc.	Illinois
ORI Great West Holdings, Inc.	Delaware
Great West Casualty Company ² (GWCC)	Nebraska
Joe Morten & Son, Inc.	Nebraska
Old Republic General Insurance Corporation ² (ORGENCO)	Illinois
ORHP Management Company	Illinois
Old Republic Home Protection Company, Inc. ² (ORHPC)	California
Old Republic Insurance Company ² (ORINSCO)	Pennsylvania
Old Republic Lloyds of Texas ² (ORLOT)	Texas
Old Republic Specialty Insurance Underwriters, Inc.	Delaware
Old Republic Specialty Insurance Company, IC ² (ORSIC)	Vermont
Old Republic Surety Group, Inc.	Delaware
Old Republic Surety Company ² (ORSC)	Wisconsin
Old Republic Union Insurance Company ² (ORUIC)	Illinois
PMA Companies, Inc.	Pennsylvania
Pennsylvania Manufacturers' Association Insurance Company ² (PMAIC)	Pennsylvania
Pennsylvania Manufacturers Indemnity Company ² (PMIC)	Pennsylvania

Manufacturers Alliance Insurance Company ² (MAICO)	Pennsylvania
Republic Credit Indemnity Companies, Inc.	Delaware
Republic Credit Indemnity Company ² (RCIC)	Illinois
Old Republic National Services Group, Inc	Illinois
Old Republic General Services, Inc.	Illinois
Old Republic Asset Management Corporation	Illinois
American Business & Mercantile Insurance Mutual^{2,3}	Delaware
Inter Capital Group Incorporated ⁴	Delaware
Inter Capital Company of Chicago	Delaware
Inter Capital Realty Corporation	Delaware
Old Republic Life Insurance Group, Inc.	Illinois
Old Republic Life Insurance Company ² (ORLIC)	Illinois

¹As of December 31, 2021, the Company owned 128,200 shares of the publicly traded common stock of ORI. The investment was acquired in 2014 at an actual cost of \$1.9 million and was carried at its fair market value of \$3.2 million as of December 31, 2021.

² Entity was included in the coordinated examination of the ORI General Insurance Sub-Group whereby the Pennsylvania Department of Insurance was the NAIC designated Lead State and the Examination Facilitator.

³ The Company is a mutual insurance company and is owned by its policyholders. The Company is controlled by ORI.

⁴ As of December 31, 2021, the Company owned 200,000 shares of Class B Common stock (100% ownership) of Inter Capital Group, Incorporated. The investment was acquired in 1983 at an actual cost of \$1.9 million and was carried at \$28.5 million as of December 31, 2021, in accordance with *SSAP 97 – Investments in Subsidiary, Controlled and Affiliated Entities*.

Agreements with Affiliates

The Company has no employees and receives all personnel, administrative, equipment and facilities from affiliates under various affiliated agreements. The following is a summary of the Company's significant affiliated agreements in-force as of December 31, 2021:

Management Agreement

The Company entered into a management agreement with Old Republic Marketing, Inc. (ORM), effective October 15, 1981. In accordance with the agreement, ORM may perform management, underwriting, claims, accounting and general services for the workers' compensation and employers' liability insurance for coal mining operators. Effective January 1, 1983, ORINSCO was designated as agent to perform these services as set forth in the Management Agreement with

American Business & Mercantile Insurance Mutual, Inc.

ORM. The business is currently in run-off, with only the accounting and claims or loss servicing duties required.

Tax Allocation Agreement

The Company entered into a tax sharing arrangement with its subsidiaries effective July 1, 1983. Addendums dated January 1, 1987 and January 1, 2001 were executed to include additional subsidiaries. Per the agreement, the Company files a consolidated federal tax return on behalf of itself and its subsidiaries. Funds are transferred between entities annually based on the differences between the consolidated filing and filing on a stand-alone basis.

Reinsurance Management Agreement

The Company entered into a reinsurance management agreement effective January 1, 1997 with Brummel Brothers, Inc. (Brummel). The terms of the agreement allow Brummel to perform various administrative services pertaining to the Company's reinsurance operation including assistance in the administration, underwriting, preparation and placement of reinsurance. Brummel also provides assistance in the collection of premiums and payment of claims pursuant to the reinsurance it places. Brummel additionally provides assistance in the preparation and maintenance of reinsurance statements and reports and processing of related financial records and transactions. The charge to the Company for services and facilities provided is based upon a percentage of reinsurance premiums on a program-by-program basis not to exceed ten percent.

Administrative Services Agreement

The Company entered into an administrative service agreement effective July 1, 2004 with Old Republic General Services, Inc. (ORGS). ORGS performs certain administrative services on behalf of the Company including, but not limited to, accounting services, actuarial services,

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telecommunications services, legal services, computer services, electronic data processing services, facilities and integration, software programming and computer hardware services.

Agency Contract

The Company entered into an agency contract effective April 1, 2008 with Joe Morten & Son, Inc. (JMS), an ORI affiliated agency. Pursuant to the contract, JMS may act as an agent for the Company in the placement of property and casualty insurance.

Service Agreement

The Company entered into a service agreement with GWCC effective January 1, 2008. Pursuant to the agreement, GWCC performs underwriting, accounting, reporting, premium collection/disbursement, and claims service to the Company and its reinsurers with respect to Commercial Automobile Physical Damage, Cargo & Non-Trucking use liability coverages.

Claims Servicing Agreement

The Company entered into a claims servicing agreement with GWCC effective July 1, 2009. Pursuant to the agreement, GWCC performs claims reporting and loss settlement duties on behalf of the Company with respect to the workers' compensation business for independent leased trucking operators.

Managing General Agent Agreement

The Company entered into a Managing General Agent agreement with affiliate Old Republic Agribusiness Underwriters, Inc. (ORAU) effective June 30, 2009. Pursuant to the agreement, ORAU performs underwriting, administration, marketing, and consulting services with respect to the Company's commercial general liability, commercial automobile, and workers' compensation business.

Investment Counsel Services Agreement

The Company entered into an investment counsel services agreement effective July 1, 2012 with Old Republic Asset Management Corporation (ORAM). In accordance with the agreement, ORAM may advise and assist in the maintenance of the Company's investment portfolio and perform certain investment counsel, management and accounting services on behalf of the Company. ORAM directs the Company's asset custodian, The Northern Trust Company, related to investment instructions. The Company pays a service fee quarterly to ORAM based on the market value of the investment portfolio at the end of each quarter.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2021, the Company is licensed to transact business in the following jurisdictions:

Alaska	Iowa	Montana	Pennsylvania
Arizona	Kansas	Nebraska	Texas
Delaware	Kentucky	Nevada	Utah
District of Columbia	Michigan	New Mexico	Wisconsin
Georgia	Minnesota	North Carolina	
Illinois	Mississippi	North Dakota	
Indiana	Missouri	Oregon	

Plan of Operation

The Company was originally formed to provide insurance coverage (mostly workers' compensation) to small coal mining companies. The coal mining insurance business (covering both occupational and traumatic workers' compensation exposures) was placed in run-off during 1990. A relatively large portion of the coal mining business is retained after affiliated and unaffiliated quota share and excess of loss reinsurance coverage. The business represents approximately 60% of the Company's carried net loss reserves as of December 31, 2021.

In 2008, the Company began writing of workers' compensation business for the trucking industry, specifically owner-operators (independent contractors). This business is underwritten by GWCC and was the Company's only active direct line of business as of December 31, 2021. The business is reinsured by GWCC under a quota share and excess of loss agreement. The business represents approximately 10% of the Company's carried net loss reserves as of December 31, 2021.

During the later part of 2009, the Company began reinsuring several property and liability lines of business written by ORAU and issued by ORINSCO to animal feed processors. At the beginning of 2017, this business was discontinued and placed in run-off. The business is reinsured by third parties via an excess of loss agreement. The business represents approximately 4% of the Company's carried net loss reserves as of December 31, 2021.

In 2015, the Company began reinsuring affiliates under various property and casualty excess of loss agreements. The business assumed consists predominantly of the general liability, commercial automobile, commercial multi-peril and workers' compensation lines of business. This business is active as of December 31, 2021, and is reinsured by unaffiliated excess of loss agreements. The business represents approximately 25% of the Company's carried net loss reserves as of December 31, 2021.

REINSURANCE

The Company assumes business from affiliates as part of its overall business and capital management strategy. Additionally, the Company cedes business to both affiliates and third parties in order to maintain premium production within its capacity and to limit maximum losses for which it might become liable under its policies. The following is a discussion of the Company's active assumed and ceded reinsurance programs followed by a discussion of the run-off assumed

and ceded reinsurance programs.

The Company reported the following distribution of gross and net premium written for the year ended December 31, 2021, and the prior examination date of December 31, 2016:

	<u>2021</u>	% of Gross Written Premium	<u>2016</u>	% of Gross Written Premium
Direct Written Premium	\$ 905,642	36.9%	\$ 1,443,224	28.1%
Reinsurance assumed from affiliates ¹	<u>1,551,376</u>	<u>63.1%</u>	<u>3,687,209</u>	<u>71.9%</u>
Gross premiums written	<u>\$ 2,457,018</u>	<u>100%</u>	<u>\$ 5,130,433</u>	<u>100%</u>
Reinsurance ceded to affiliates	\$ 243,173	9.9%	\$ 615,094	12.0%
Reinsurance ceded to non-affiliates	<u>(200)</u>	<u>-0.01%</u>	<u>897,310</u>	<u>17.5%</u>
Total ceded	<u>\$ 242,973</u>	<u>9.9%</u>	<u>\$ 1,512,404</u>	<u>29.5%</u>
Net premium written	<u>\$ 2,214,045</u>	<u>90.1%</u>	<u>\$ 3,618,029</u>	<u>70.5%</u>

¹The Company assumed an aggregate of \$1.55 million from affiliates for the year ended December 31, 2021. The majority of this premium was from PMAIC (\$1.45 million), and the remaining amounts were from BGI, ORGENCO and ORINSCO.

Assumed Reinsurance – Active

The Company currently assumes business only from affiliates, predominately in the general liability, commercial automobile, commercial multi-peril and workers compensation lines of business. As of December 31, 2021, the Company's participation on various treaties with ORI affiliates was as follows:

- Aircraft Excess of Loss (Whole Account Excess) Treaty: the Company assumes 5% of the \$42 million excess of \$13 million layer (ceded by ORINSCO);
- Casualty Excess of Loss Treaty: the Company assumes 5% of the \$11.5 million excess of the \$0.5 million layer (ceded by PMIC, MAICO and ORUIC to PMAIC and retroceded

by PMAIC to the Company for business written by Old Republic Specialty Underwriters, Inc.);

- CORE Workers' Compensation Catastrophe Treaty: the Company assumes 3% of the \$100 Million excess of \$100 million layer (ceded by members of the General Insurance Sub-Group);
- Property Catastrophe Treaty: the Company assumes 5% of the \$3 million excess of \$2 million, \$5 million excess of \$5 million and \$10 million excess of \$10 million layers (ceded by BNI to BGI and retroceded by BGI to the Company);
- PMA Property Catastrophe Excess of Loss Treaty: the Company assumes 5% of the \$20 million excess of \$5 million layer (ceded by PMIC, MAICO and ORUIC to PMAIC and retroceded by PMAIC to the Company).

Ceded Reinsurance – Active Affiliated

Currently, the Company has only one active affiliated ceded reinsurance program that relates to the trucking industry workers' compensation products written by GWCC on behalf of the Company. This ceded reinsurance program consists of quota share and excess loss reinsurance with GWCC. The Company cedes 20% of the subject business written to GWCC through a quota share agreement, subject to a maximum retention per occurrence of \$400,000 with excess of loss coverage attaching at \$500,000 subject to a maximum loss of \$5 million each occurrence.

Ceded Reinsurance – Active Third-party

Effective January 1, 2021, the Company is party to a ceded Casualty Excess of Loss contract related to Workers' Compensation losses and liabilities. The agreement was placed by Brummel with a panel of reinsurers on behalf of the various affiliated members of the General Insurance Sub-Group, including the Company.

Effective October 1, 2021, the Company became party to a ceded Casualty Quota-Share contract related to all policies produced and/or underwritten and classified as Automobile Liability, General Liability, Excess Liability, Employers Liability and Umbrella Liability. The agreement was placed by Brummel with a panel of reinsurers on behalf of the various affiliated members of the General Insurance Sub-Group, including the Company.

Assumed and Ceded Reinsurance – Run-off

As of December 31, 2021, the Company had two significant reinsurance programs that remained in run-off. The first relates to an affiliated assumptive program that was also ceded to third party reinsurers. The second relates to the legacy coal mining workers compensation program that was directly written by the Company and ceded to both affiliates and third parties. The following is a discussion of each run-off reinsurance program.

In 2009, the Company assumed 100% of policies for the coverage to animal feed processors written by ORAU and issued by ORINSCO under a Master Facultative Reinsurance Agreement. The Company cedes \$4.5 million in excess of \$500,000 of this business with external reinsurers. This business was placed in run-off in 2016.

The Company cedes risk related to the legacy coal mining company workers' compensation book of business through both quota share and excess of loss agreements. Originally, as of March 1, 1983, the Company retained 10% for the quota share treaty, however this was amended as January 1, 1985 to retain 15%. Per the quota share treaty, the Company retains 15% and cedes 60% of the business to affiliates and 25% to Munich Reinsurance America, Inc. (Munich). For the excess of loss coverage, the Company cedes 80% of the first excess other than occupational disease (\$1,700,000 each accident in excess of \$300,000 each accident) to Munich and 20% to ORINSCO. The Company cedes 100% of the second excess other than

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occupational disease (\$4,000,000 each accident in excess of \$2,000,000 each accident) to Munich.

The Company maintains separate occupational disease coverage.

FINANCIAL STATEMENTS

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, Surplus and Other Funds as of December 31, 2021
- Statement of Income for the Year Ended December 31, 2021
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2016 to December 31, 2021

Statement of Assets
As of December 31, 2021

	Assets	Non admitted Assets	Net Admitted Assets
Bonds	\$ 28,084,657	\$ -	\$ 28,084,657
Common stocks	48,239,906	-	48,239,906
Cash and cash equivalents	4,823,121	-	4,823,121
Subtotals, cash and invested assets	<u>\$ 81,147,684</u>	<u>\$ -</u>	<u>\$ 81,147,684</u>
Investment income due and accrued	236,169	-	236,169
Uncollected premiums and agents' balances	(283,641)	-	(283,641)
Deferred premiums, agents' balances and installments booked but deferred and not due	90,068	-	90,068
Amounts recoverable from reinsurers	860,659	-	860,659
Current federal and foreign income tax recoverable and interest thereon	36,227	-	36,227
Receivable from parent, subsidiary and affiliates	1,989	-	1,989
Total Assets	<u><u>\$ 82,089,155</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 82,089,155</u></u>

Statement of Liabilities, Surplus and Other Funds
As of December 31, 2021

		Notes
Losses	\$ 21,211,041	1
Reinsurance payable on paid losses and loss adjustment expense	24,206	
Loss adjustment expense	2,032,936	1
Commissions payable, contingent commissions and other similar charges	313	
Other expenses	42,798	
Taxes, licenses and fees	71,000	
Net deferred tax liability	1,514,943	
Unearned premiums	121,691	
Ceded reinsurance premiums payable	51,002	
Amounts withheld or retained by company for account of others	1,497	
Drafts outstanding	130,450	
Aggregate write-ins for liabilities	7,268	
Total liabilities	\$ 25,209,145	
Surplus notes	\$ 10,500,000	
Unassigned funds (surplus)	46,380,010	
Capital and Surplus	\$ 56,880,010	
Total liabilities, surplus and other funds	\$ 82,089,155	

Summary of Income
For the Year Ended December 31, 2021

Premiums earned	\$ 2,388,982
 DEDUCTIONS:	
Losses incurred	\$ (508,757)
Loss adjustment expenses incurred	371,004
Other underwriting expenses incurred	882,597
Total underwriting deductions	<u>\$ 744,844</u>
 Net underwriting gains (losses)	 <u>\$ 1,644,138</u>
 INVESTMENT INCOME:	
Net investment income earned	\$ 2,716,707
Net realized capital gains	1,481
Net investment gain	<u>\$ 2,718,188</u>
 OTHER INCOME (LOSS):	
Aggregate write-ins for miscellaneous income	\$ -
Total other income	<u>\$ -</u>
 Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	 <u>\$ 4,362,325</u>
 Federal and foreign income taxes incurred	 486,456
Net income	<u>\$ 3,875,869</u>

Reconciliation of Capital and Surplus
for the Period from the Prior Examination
As of December 31, 2016 to December 31, 2021

	Surplus Notes	Unassigned Funds	Total
December 31, 2016	\$ 10,500,000	\$ 20,126,739	\$ 30,626,739
2017 Other changes ¹	-	3,467,549	3,467,549
2017 Net Income	-	(1,333,622)	(1,333,622)
December 31, 2017	\$ 10,500,000	\$ 22,260,666	\$ 32,760,666
2018 Other changes ¹	-	(2,152,056)	(2,152,056)
2018 Net Income	-	5,951,850	5,951,850
December 31, 2018	\$ 10,500,000	\$ 26,060,460	\$ 36,560,460
2019 Other changes ¹	-	3,699,316	3,699,316
2019 Net Income	-	6,155,242	6,155,242
December 31, 2019	\$ 10,500,000	\$ 35,915,018	\$ 46,415,018
2020 Other changes ¹	-	(2,510,540)	(2,510,540)
2020 Net Income	-	482,832	482,832
December 31, 2020	\$ 10,500,000	\$ 33,887,310	\$ 44,387,310
2021 Other changes ¹	-	8,616,831	8,616,831
2021 Net Income	-	3,875,869	3,875,869
December 31, 2021	\$ 10,500,000	\$ 46,380,010	\$ 56,880,010

¹Other changes in unassigned funds for each year may consist of change in net unrealized capital gains (losses), change in net unrealized foreign exchange capital gains (losses), change in net deferred income taxes, change in non-admitted assets and change in provision for reinsurance.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the Company's Financial Statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	\$ 21,211,041
Loss Adjustment Expenses	2,032,936

The examination liabilities for the 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 *Actuarial Principles and Standards of Practice* and Statutory Accounting Principles, including NAIC *Accounting Practices and Procedures Manual, SSAP No. 55 - Unpaid Claims, Losses, and Loss Adjustment Expenses*.

SUBSEQUENT EVENTS

Subsequent events were evaluated through the date that this examination report was available to be issued. No material items were noted for disclosure.

SUMMARY OF RECOMMENDATIONS

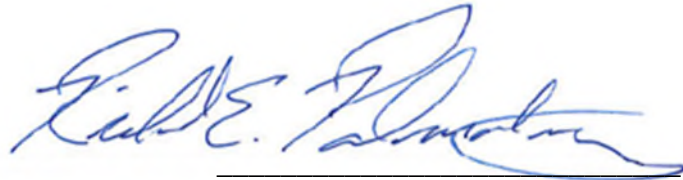
There were no recommendations as a result of this examination.

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of INS Consultants, Inc., the Company's outside audit firm, KPMG and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



Craig Jackson, CPA, CFE
Examiner In-Charge
State of Delaware



Richard Palmatary, CPA, CFE
Supervising Examiner
State of Delaware

I, Craig P. Jackson, 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. 22.008.

A handwritten signature in black ink, appearing to read "Craig P. Jackson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Craig P. Jackson, CFE