

EXAMINATION REPORT
OF
SECURITY NATIONAL INSURANCE COMPANY
AS OF
DECEMBER 31, 2021

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
SECURITY NATIONAL INSURANCE COMPANY
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.

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

Trinidad Navarro
Insurance Commissioner

Dated this 9th day of June, 2023

TABLE OF CONTENTS

SCOPE OF EXAMINATION.....	1
SUMMARY OF SIGNIFICANT FINDINGS	3
COMPANY HISTORY	3
CAPITALIZATION.....	4
DIVIDENDS	4
MANAGEMENT AND CONTROL	5
DIRECTORS	5
OFFICERS	5
CORPORATE RECORDS	6
INSURANCE HOLDING COMPANY SYSTEM	6
AGREEMENTS WITH AFFILIATES	8
TERRITORY AND PLAN OF OPERATION	10
REINSURANCE.....	10
FINANCIAL STATEMENTS	14
STATEMENT OF ASSETS AND LIABILITIES	15
STATEMENT OF INCOME.....	17
RECONCILIATION OF CAPITAL AND SURPLUS.....	18
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION	18
COMMENTS ON FINANCIAL STATEMENT ITEMS.....	19
SUBSEQUENT EVENTS	19
SUMMARY OF RECOMMENDATIONS	19

May 25, 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. 22.026, dated January 11, 2022, an examination has been made of the affairs, financial condition and management of

SECURITY NATIONAL INSURANCE COMPANY

hereinafter referred to as Company or SNIC. 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 19808.

SCOPE OF EXAMINATION

We have performed our multi-state examination of SNIC. The last examination of the Company was conducted by the Delaware Department of Insurance (Department) and covered the period of January 1, 2015 through December 31, 2017. This examination covers the period of January 1, 2018 through December 31, 2021.

Our examination was performed as part of the multi-state coordinated examination of the AmTrust Financial Services, Inc. (AFSI) Group of regulated entities wherein Delaware is the lead

state. The examination was conducted concurrently with that of the Company's Delaware domiciled affiliates, Technology Insurance Company, Inc. (TIC), Wesco Insurance Company (WIC), CorePointe Insurance Company (CPIC), Milford Casualty Insurance Company (MCIC), First Nonprofit Insurance Company (FNIC) and AmTrust Insurance Company (AIC), along with the following thirteen (13) United States (U.S.) affiliate insurers:

<u>Company</u>	<u>State of Domicile</u>
Associated Industries Insurance Company, Inc. (AIIIC)	FL
ARI Insurance Company (ARI)	PA
Developers Surety and Indemnity Company (DSIC)	CA
Heritage Indemnity Company (HIC)	CA
Sequoia Insurance Company (SEQ)	CA
Southern Underwriters Insurance Company (SUIC)	OK
Republic Fire and Casualty Insurance Company (RFC)	OK
Republic Lloyds (RL)	TX
Republic Underwriters Insurance Company (RUIC)	TX
Southern Insurance Company (SOIC)	TX
Rochdale Insurance Company (RIC)	NY
AmTrust Title Insurance Company (ATIC)	NY
Republic-Vanguard Insurance Company (RVIC)	AZ

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 are 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 from the December 31, 2021 and 2020 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 on July 7, 1924, as a fire insurance company under the provisions of Chapter 861 of the Texas Insurance Code and commenced business on August 1, 1924 as Security National Fire Insurance Company. Trinity Universal Insurance Company

(TUIC) acquired the Company on December 8, 1942, and subsequently on December 3, 1954, the Company's current name was adopted, as the powers of the Company were broadened to permit writing all lines of fire and casualty insurance under the provisions of Chapters 822, 861 and 862 of the Texas Insurance Code.

AFSI acquired the Company on June 1, 2008, as approved under Texas Commissioner's Order No. 08-0375, dated April 28, 2008. AFSI purchased the Company and certain affiliates with a combination of cash and notes payable to TUIC. On December 28, 2012, the Company re-domesticated from Texas to Delaware with the approval of both Texas and Delaware Insurance Departments.

Effective December 31, 2019, pursuant to an internal reorganization of certain AFSI U.S. affiliate insurance companies, SNIC became the owner of 100% of the issued and outstanding shares of CPIC and MCIC (both Delaware companies).

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 400,000 shares of common stock with a \$10 par value. As of December 31, 2021, the Company had all 400,000 common shares issued and outstanding totaling \$4,000,000. All outstanding common shares of the Company are owned by AFSI. As of December 31, 2021, the Company reported gross paid in and contributed surplus of \$152,495,310.

Dividends

The Company's Board of Directors (Board) did not approve or authorize any dividends to stockholders during the exam period.

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. The Board shall consist of not less than three (3) or more than five (5) members and the total number of directors shall be determined by the Board.

Each Director is elected annually by the stockholder and holds office until the next annual election and until their successors are elected and qualified except as removed for cause and the successor elected by a special meeting of the stockholder. Directors duly elected and serving as of December 31, 2021, are as follows:

<u>Name</u>	<u>Title</u>
Donald Thomas DeCarlo	Attorney (Self-Employed)
Evan Marc Greenstein	SVP, Commercial Lines, AFSI
Stephen Barry Ungar	EVP, General Counsel, AFSI
Susan Carol Fisch	Retired (Reinsurance Broker Executive)
Adam Zev Karkowsky	President, AFSI

Officers

Officers were elected in accordance with the bylaws during the period under examination. The bylaws require election of a President, Secretary and Treasurer. Any number of offices may be held by the same person. The primary officers serving as of December 31, 2021, were as follows:

<u>Name</u>	<u>Title</u>
Christopher Harold Foy	President
Stephen Barry Ungar	Secretary
Harry Chaim Schlachter	Treasurer
Jeffrey Howard Mayer	Chief Actuary
Barry Wolff Moses	Assistant Secretary, Vice President and Senior Regulatory Counsel

Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* § 1304. In addition, review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* § 4919. Company files for the examination period also indicated conflict of interest disclosure questionnaires were completed in accordance with 18 *Del. C.* §320(c).

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. SNIC is a wholly owned subsidiary of AFSI, the ultimate parent in the insurance holding company system. As mentioned in the COMPANY HISTORY section above, SNIC now wholly owns CPIC and MCIC.

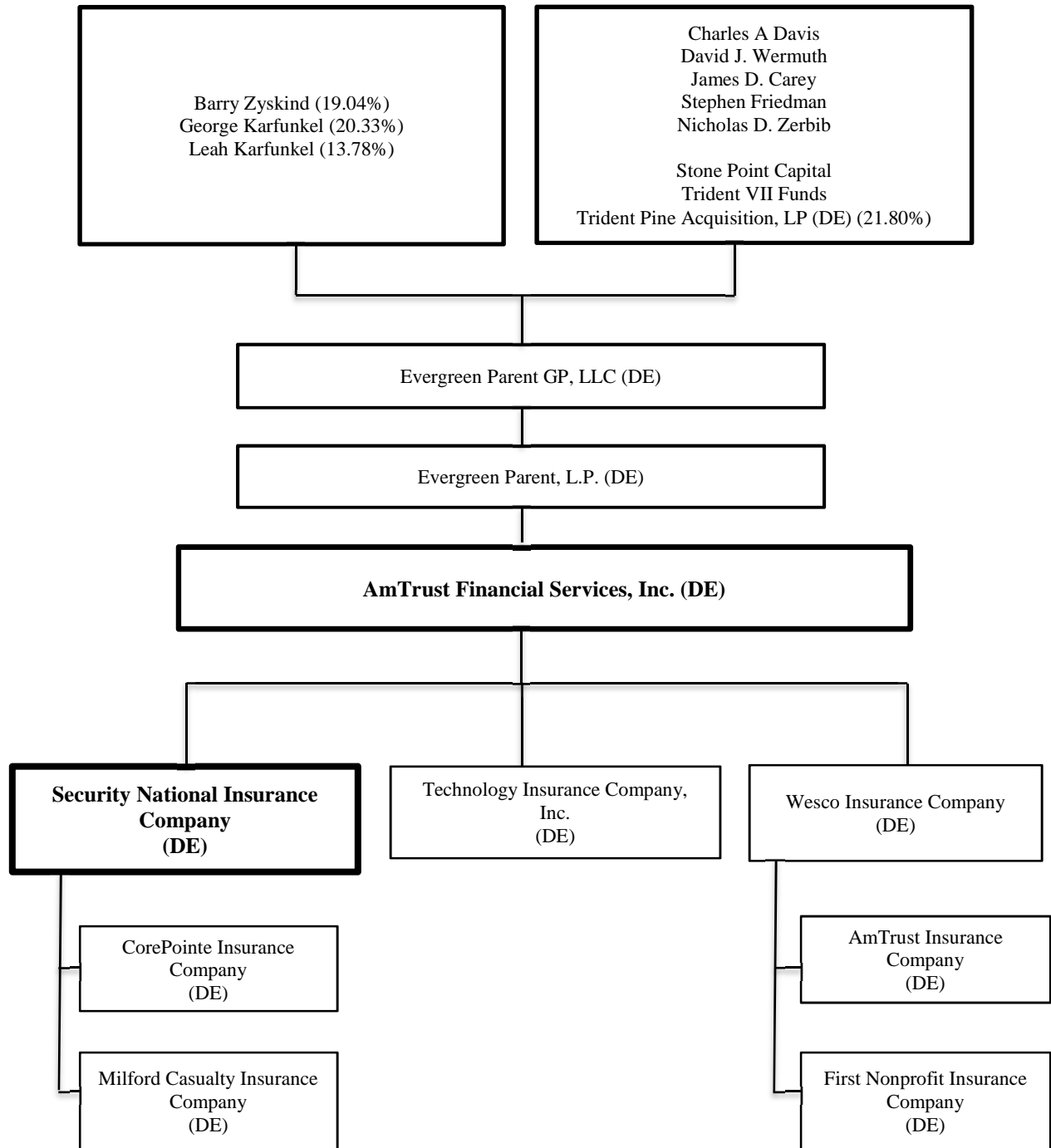
AFSI, a privately held stock company, is wholly owned by Evergreen Parent, L.P. (Evergreen Parent), which is wholly owned by Evergreen Parent GP, LLC (Evergreen GP). As of December 31, 2021, percentage of ownership interest in each of Evergreen GP and Evergreen Parent are held by the Karfunkel-Zyskind family (George Karfunkel, Leah Karfunkel and Barry Zyskind) and related persons (65.73%), Trident Pine Acquisition, LP (Trident Pine), 21.80%,

Enstar Group Ltd. (Enstar), through its affiliate Cavello Bay Reinsurance Limited (8.41%) and MH JV (3.74%), along with and certain members of AmTrust's management team (0.33%).

On November 28, 2018, a merger closed whereby Evergreen Parent (formed by private equity firm Stone Point Capital LLC), together with the Karfunkel-Zyskind family and joined by Enstar, an entity controlled by Madison Dearborn Partners, acquired AFSI's outstanding common shares, par value \$0.01 per share that were not currently owned or controlled by the Karfunkel-Zyskind family and its affiliates and certain related parties for \$14.75 per share of common stock in cash. As a result of this transaction, AFSI's outstanding common stock was no longer publicly traded.

In addition, Trident Pine, a Delaware limited liability company, holds a controlling interest in both Evergreen Parent and Evergreen GP by virtue of its rights under the Amended and Restated Limited Liability Company Agreement of Evergreen GP, dated as of November 29, 2018.

An abbreviated organizational chart of the AFSI holding company system showing SNIC and its Delaware domiciled affiliate insurers as of December 31, 2021, is as follows (ownership of subsidiaries is 100% unless otherwise noted):



Agreements with Affiliates

The following affiliated agreements within the AFSI organizational structure and applicable to the Delaware domiciled companies (Companies) were identified and in effect as of December 31, 2021:

Tax Allocation Agreement

Effective on various dates and during the examination period, each of the Companies, along with other AFSI insurance affiliates, are party to a Tax Allocation Agreement, whereby each affiliate Company pays AFSI its tax liability as if it were computed on a stand-alone basis. Each affiliate remits to AFSI its federal tax liability due, as each is legally obligated to make pursuant to the terms of the agreement.

Insurance Services, Management and Agency Agreements

Effective on various dates and during the examination period, each of the Companies was provided services from AmTrust North America, Inc. (ANA), an affiliate insurance agency, per an Insurance Services, Management and Agency Agreement. Under the terms of the agreement, ANA provides the Companies compliance, marketing, billing and collection, underwriting and other administration services as defined in the agreement.

Intercompany Management Agreement

Effective on various dates and during the examination period, each of the Companies was provided services from AFSI per the Intercompany Management Agreement. Under terms of the agreement, AFSI provides the Companies financial, accounting, corporate and operational management services as defined in the agreement.

Intercompany Master Lending Agreement

On June 1, 2019, TIC, WIC, SNIC and DSIC (Lenders) entered into a Master Intercompany Lending Agreement, to make loans to ANA (Borrower). All loans are made to the Borrower in any trailing 12 months in the aggregate, to the extent of all loans outstanding are not to exceed the lesser of 3% of such Lender's admitted assets and 25% of such Lender's surplus to policyholders as of the proceeding December 31st. Interest paid under the loans was identified as the short term

applicable federal rate as of the loan date, plus fifty (50) basis points. On June 28, 2019, the following three (3) loans had been made with an interest rate of 2.87% each: 1) from TIC to ANA, due June 2025 of \$100 million, 2) from WIC to ANA, due June 2025 of \$50 million and 3) from SNIC to ANA, due June 2025 of \$29 million.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2021, the Company is licensed to write business in 49 states, in the District of Columbia, and is eligible to write on a surplus lines' basis in Florida. SNIC has the authority to write various types of property and casualty business, including fire, allied lines, farm owners' multiple peril, inland marine, other liability, products liability, commercial auto liability and auto physical damage and workers' compensation. The Company's primary lines of business in 2021, in terms of direct premiums written, were workers' compensation (61.5%), commercial multi-peril (15.1%), other liability – occurrence (9.0%) and commercial auto liability (8.6%).

The Company fits into AFSI's plan of operation within AFSI's North American Commercial P&C operating segment and targets small accounts and low hazard classes for workers' compensation and continues to develop other core lines of business. The Company focuses on underwriting discipline, expense management, digital innovation and data science to improve its risk selection, customer experience and operational efficiency. AFSI's business strategy includes being a leading workers' compensation writer in the U.S. in terms of written premium.

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, 2017:

	<u>2021</u>	<u>2017</u>
Direct premiums written	\$ 557,608,920	\$ 749,489,417
Assumed premiums (from affiliates)	349,164,477	200,608,085
Assumed premiums (from non-affiliates)	<u>159,733</u>	<u>5,824,670</u>
Gross premiums written	\$ 906,933,130	\$ 955,922,172
Ceded premiums (to affiliates)	530,224,374	647,095,459
Ceded premiums (to non-affiliates)	<u>27,544,279</u>	<u>28,447,990</u>
Net premiums written	<u>\$ 349,164,477</u>	<u>\$ 280,378,723</u>

Reinsurance Pooling Agreement

Effective October 1, 2017, and amended January 1, 2021, the Company became party to an intercompany Reinsurance Pooling Agreement (RPA). Under the RPA, affiliate TIC, as the lead company in the pool, assumes one hundred percent (100%) of the insurance business obligations of thirteen (13) of the U.S. insurance affiliates (pool affiliates). TIC then cedes fifty percent (50%) of the pooled net premiums and losses to Bermuda affiliate AmTrust International Insurance, Ltd. (AAIL) under a fifty percent (50%) quota share (QS) reinsurance agreement. The intercompany QS with AAIL was amended on January 1, 2019, to cede ten percent (10%) of the pooled net premiums and losses defined as Swiss Re Covered Business to AAIL. All other pooled net premiums and losses continued to be ceded at fifty percent (50%).

After the cession to AAIL, TIC retrocedes a total of forty-two percent (42%) of the pool's net retained liabilities to the following three (3) pool affiliates: 1) WIC assumes twenty two percent (22%) of the retrocession, SNIC assumes twelve (12%) and DSIC assumes eight percent (8%) of the pool's net retained liabilities.

Assumed Reinsurance – Affiliates

As mentioned above, the Company assumes twelve percent (12%) of the retrocession from TIC as part of the intercompany pooling arrangement, which accounts for over ninety-nine percent (99%) of the assumed premium reported by the Company in 2021.

Assumed Reinsurance – Non-Affiliates

The small amount of assumed business from non-affiliates reported by the Company in 2021 was almost entirely from the National Workers' Compensation Reinsurance Pool.

Ceded Reinsurance – Affiliates

As mentioned above, under terms of the intercompany pooling arrangement, the Company cedes to the pool one hundred percent (100%) of its "insurance business obligations" as of and/or incurred on or after October 1, 2017. Insurance business obligations are defined as liabilities on all insurance policies and all assumed reinsurance contracts that were in force as of October 1, 2017, or that had expired or had been terminated or non-renewed as of October 1, 2017, as well as one hundred percent (100%) of its liabilities on all insurance policies and all assumed reinsurance contracts issued subsequent to October 1, 2017.

Ceded Reinsurance – Non-Affiliates

Swiss Re America Corporation (Swiss Re)

Effective January 1, 2021, the Company and certain affiliates renewed the QS agreement with Swiss Re for the Company's U.S. commercial liability business. The contract is now a thirty-four percent (34%) QS agreement (a reduction from 38.25% in 2020 and 2019) and contains a funds withheld provision, with pooled balances of \$980.9 million and \$636.6 million in 2021 and 2020, respectively.

Premia Reinsurance Ltd.

Effective June 30, 2017, AILL, TIC and WIC entered into an Adverse Loss Development Cover Agreement (ADC) with Premia Reinsurance Ltd. (Premia). The ADC is accounted for as retroactive reinsurance as required by SSAP No. 62R. Under terms of the ADC, Premia is obligated to pay up to an aggregate limit of \$1.025 billion for ultimate net losses in excess of retention of

approximately \$5.962 billion, for a one-time premium payment of \$675.0 million, of which \$50.0 million represents payment for adverse coverage above the carried loss reserves as of March 31, 2017. During the exam period, the contract was amended, and TIC was given a permitted practice by the Department to deviate from SSAP No. 62R for changes made to the ADC. A total deposit of \$679.8 million, representing the premium amount of \$675.0 million and interest of \$4.8 million, was placed in a collateral trust account established to secure Premia's claims payment obligations under the agreement. In addition, Premia deposited an incremental \$100.0 million of excess collateral at inception and is obligated to deposit incremental collateral in accordance with a pre-agreed schedule. Consideration to Premia under the ADC also includes a \$1 million annual claims administration monitoring fee, but not for more than thirty (30) annual payments. The reinsurance transaction is inclusive of all occurrences and claims made prior to April 1, 2017. For the year ended December 31, 2017, \$400.0 million of net adverse loss development was recorded, which increased the retroactive reinsurance recoverable to the aggregate limit of \$1.025 billion as of December 31, 2017. As of December 31, 2021, TIC has a balance of \$1,016,939,827 of the retroactive contra liability attributable to Premia.

Other Third-Party Reinsurance

Below describes the excess of loss (XOL) and QS third-party reinsurance programs that all U.S. domestic companies are covered under as of December 31, 2021.

Workers' Compensation XOL – retention of \$20,000,000 up to a maximum protection of \$350,000,000. Coverage is one hundred percent (100%) of \$330,000,000.

Property Per Risk XOL – retention of \$5,000,000 up to a maximum protection of \$35,000,000. Coverage is one hundred percent (100%) of \$30,000,000.

Property Catastrophe XOL – retention varies by layer up to a maximum protection of \$450,000,000. Coverage is one hundred percent (100%) of \$383,000,000.

Casualty XOL – retention of \$5,000,000 up to a maximum protection of \$5,000,000. Coverage is one hundred percent (100%) of \$5,000,000.

Casualty/Clash XOL – retention of \$10,000,000 up to a maximum protection of \$40,000,000. Coverage is one hundred percent (100%) of \$40,000,000.

Commercial Core QS – thirty-four percent (34%) QS, net of insuring other reinsurance, subject to the following limits:

- Workers' Compensation \$1,000,000 limit any one occurrence;
- General Liability and Employers Liability and Umbrella \$5,000,000 limit any one occurrence;
- Professional Liability \$5,000,000 limit any one occurrence;
- Cyber Liability and Professional Advantage limit \$1,500,000, any one claim made, any one policy;
- Umbrella limit \$1,500,000 any one policy;
- Property \$5,000,000 any one risk, \$15,000,000 any one occurrence;
- Subject net earned premium shall not exceed \$3.45 billion during term. If put into run-off premium shall not exceed \$570 million.

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, include:

- Statement of Assets and Liabilities 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, 2017 to December 31, 2021

Statement of Assets and Liabilities
As of December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 489,598,512	\$ -	\$ 489,598,512
Common stocks (stocks)	42,054,963		42,054,963
Cash (\$1,685,530); cash equivalents (\$27,526,191); and short-term investments (\$17,920,639)	47,132,360		47,132,360
Other invested assets (Schedule BA)	27,225,516		27,225,516
Receivables for securities	10,000		10,000
Investment income due and accrued	2,990,972		2,990,972
Uncollected premiums and agents' balances in the course of collection	84,559,126	27,116,287	57,442,839
Deferred premiums; agents' balances and installments booked but deferred and not yet due	138,793,373	1,490,408	137,302,964
Accrued retrospective premiums	37,469		37,469
Amounts recoverable from reinsurers	10,812,762		10,812,762
Funds held by or deposited with reinsured companies	88,614,173		88,614,173
Net deferred tax asset	24,319,194	10,914,592	13,404,602
Guaranty funds receivable or on deposit	89,786		89,786
Receivables from parent; subsidiaries and affiliates	3,887,959		3,887,959
Aggregate write-ins for other than invested assets:			
Claims suspense account	21,698,333		21,698,333
Accounts receivable	6,867,901		6,867,901
Other assets	151,653		151,653
Totals	<u>\$ 988,844,050</u>	<u>\$ 39,521,287</u>	<u>\$ 949,322,762</u>

Security National Insurance Company

		<u>Note</u>
Losses	\$ 415,685,705	1
Reinsurance payable on paid losses and loss adjustment expenses	24,545	
Loss adjustment expenses	75,562,773	1
Commissions payable, contingent commissions & other similar charges	31,781,329	
Other expenses	1,909,679	
Taxes, licenses, and fees (excluding fed and foreign income taxes)	6,004,803	
Current federal and foreign income taxes	1,039,749	
Unearned premium reserve	184,409,983	
Advance premium	1,689,315	
Ceded reinsurance premiums payable	16,147,287	
Funds held by company under reinsurance treaties	4,948,492	
Amounts withheld or retained by company for account of others	1,316,659	
Provision for reinsurance	8,287,974	
Payable to parent, subsidiaries and affiliates	24,341	
Payable for securities	6,999,761	
Aggregate write-ins for liabilities:		
Other liability	2,059,607	
Deferred miscellaneous revenue	850,165	
Other liability (retroactive reinsurance)	(22,474)	
Surcharges payable	(48,961)	
Total Liabilities	<u>\$ 758,670,732</u>	
Aggregate write-ins for special surplus funds:		
Special surplus from retroactive reinsurance	\$ 31,954,080	
Common capital stock	4,000,000	
Gross paid in and contributed surplus	152,495,310	
Unassigned funds (surplus)	2,202,640	
Surplus as regards policyholders	<u>\$ 190,652,030</u>	
Total Liabilities, Capital and Surplus	<u><u>\$ 949,322,762</u></u>	

Statement of Income
For the Year Ended December 31, 2021

Underwriting Income

Premiums earned	\$ <u>287,577,988</u>
Deductions	
Losses incurred	\$ <u>146,106,010</u>
Loss adjustment expenses incurred	40,442,563
Other underwriting expenses incurred	<u>117,400,491</u>
Total underwriting deductions	<u>\$ 303,949,064</u>
Net underwriting gain or (loss)	<u>\$ (16,371,076)</u>

Investment Income

Net investment income earned	\$ <u>10,211,931</u>
Net realized capital gains or (losses)	<u>2,899,399</u>
Net investment gain or (loss)	<u>\$ 13,111,330</u>

Other Income

Net gain (loss) from agents' or premium balances charged off	\$ <u>(5,176,445)</u>
Finance and service charges not included in premiums	3,161,697
Aggregate write-ins for miscellaneous income:	
Other income	429,502
Claims monitoring fee	(120,000)
Retroactive reinsurance gain	<u>(199,174)</u>
Total other income	<u>\$ (1,904,420)</u>
Net income before dividends to policyholders	<u>\$ (5,164,166)</u>
Dividends to policyholders	<u>2,018,087</u>
Net income; after dividends to policyholders	<u>\$ (7,182,253)</u>
Federal and foreign income taxes incurred	<u>1,463,573</u>
Net Income	<u>\$ (8,645,826)</u>

Reconciliation of Capital and Surplus
For the Period from the Prior Examination
December 31, 2017 to December 31, 2021

	Common Capital Stock	Special Surplus from Retroactive Reinsurance	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
12/31/17	\$ 5,000,000	\$ 17,308,515	\$ 90,007,614	\$ (3,317,635)	\$ 108,998,494
12/31/18 (1)				5,112,575	5,112,575
12/31/18 (2)				1,064,045	1,064,045
12/31/18 (3)		(68,148)		68,148	
12/31/18 (4)			21,000,000		21,000,000
12/31/18 (5) (1,000,000)					(1,000,000)
12/31/19 (1)				33,864,787	33,864,787
12/31/19 (2)				(10,524,247)	(10,524,247)
12/31/19 (3)		9,277,155		(9,277,155)	
12/31/19 (4)			41,487,696		41,487,696
12/31/19 (6)				(227,604)	(227,604)
12/31/20 (1)				4,683,665	4,683,665
12/31/20 (2)				2,377,594	2,377,594
12/31/20 (6)				(6,865,722)	(6,865,722)
12/31/21 (1)				(8,645,826)	(8,645,826)
12/31/21 (2)				462,002	462,002
12/31/21 (3)		5,436,558		(5,436,558)	
12/31/21 (6)				(1,135,429)	(1,135,429)
12/31/21	<u>\$ 4,000,000</u>	<u>\$ 31,954,080</u>	<u>\$ 152,495,310</u>	<u>\$ 2,202,640</u>	<u>\$ 190,652,030</u>

(1) Net income

(2) Change in unrealized capital gains (losses), change in net deferred tax, change in nonadmitted assets, change in provision for reinsurance

(3) Special surplus from Retroactive Reinsurance (included in income) and backed out of Unassigned Surplus.

(4) Surplus adjustments: Paid in

(5) Reduction of Capital Stock

(6) Aggregate write-ins for gains and losses in surplus: Prior Period Adjustments

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	\$ 415,685,705
Loss Adjustment Expenses	\$ 75,562,773

The examination liability for the aforementioned captioned items of \$415,685,705 and \$75,562,773 are the same as 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, Statement of Statutory Accounting Principle No. 55 *Unpaid Claims, Losses and Loss Adjustment Expenses* (SSAP No. 55).

SUBSEQUENT EVENTS

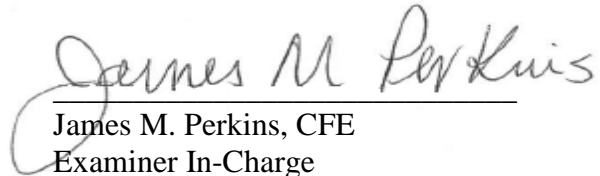
The Company received a total capital contribution of \$62,000,000 from its direct parent, AFSI, in cash payments of \$7,000,000 on May 13, 2022, \$20,000,000 on September 16, 2022 and \$35,000,000 on December 29, 2022.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "James M. Perkins". The signature is written in dark ink and is positioned above a horizontal line.

James M. Perkins, CFE
Examiner In-Charge
State of Delaware

Anthony Cardone

Tony Cardone, CFE
Supervising Examiner
State of Delaware

Security National Insurance Company

I, James M. Perkins, 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. 22.026.


James M. Perkins, CFE