

REPORT ON EXAMINATION  
OF THE  
ASI SELECT INSURANCE CORP  
AS OF  
DECEMBER 31, 2015

Trinidad Navarro  
Commissioner



Delaware Department of Insurance

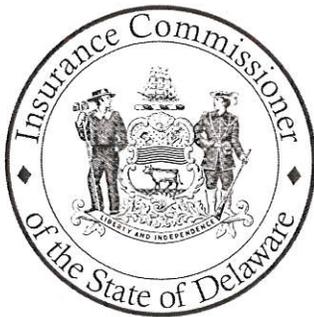
I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2015 of the

**ASI SELECT INSURANCE CORP**

is a true and correct copy of the document filed with this Department.

Attest By: Reyn Brown

Date: June 16, 2017



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 16<sup>th</sup> day of June, 2017.

Trinidad Navarro  
Trinidad Navarro  
Insurance Commissioner

Trinidad Navarro  
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION  
OF THE  
ASI SELECT INSURANCE CORP  
AS OF  
DECEMBER 31, 2015

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 that reads "Trinidad Navarro".

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Trinidad Navarro  
Insurance Commissioner

Dated this 16<sup>th</sup> day of June, 2017

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## **SALUTATION**

May 12, 2017

Honorable Trinidad Navarro  
Delaware Department of Insurance  
Rodney Building  
841 Silver Lake Blvd.  
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 16.033, dated September 29, 2016, an examination has been made of the affairs, financial condition and management of

### **ASI SELECT INSURANCE CORP**

hereinafter referred to as “Company” or “ASISL”, incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 1807 North Market Street, Wilmington, Delaware 19802. The examination was conducted at the Company’s administrative office located at 1 ASI Way, St. Petersburg, Florida 33702. Concurrent with this examination, the following affiliated insurance companies within ARX Holding Corp (a Delaware domiciled holding company), were also examined and separate Reports of Examination have been issued:

- American Strategic Insurance Corp (FL)
- ASI Assurance Corp (FL)
- Ark Royal Insurance Company (FL)
- ASI Home Insurance Corp (FL)
- ASI Preferred Insurance Corp (FL)

The Florida Office of Insurance Regulation (OIR) facilitated this examination as the lead state. The State of Delaware participated on the examination with Florida.

### **SCOPE OF EXAMINATION**

The last examination covered the period April 11, 2011 through December 31, 2011. This examination covered the period of January 1, 2012 through December 31, 2015 and encompassed a general review of transactions during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a determination of the financial condition of the Company at December 31, 2015. Transactions subsequent to the examination date were reviewed where deemed necessary.

The Multi-state examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identification and evaluation of 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 examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

During this examination, consideration was given to work performed by the Company's external accounting firm, BDO, USA LLP (BDO) and the internal audit department. Certain auditor work papers of their 2015 audit 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 risk mitigation and substantive testing.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings as a result of this examination.

### **COMPANY HISTORY**

The Company was incorporated under the laws of the State of Delaware on August 30, 2010 as a subsidiary of ARX Holding Corp (ARX), and commenced business on April 11, 2011.

The Company is authorized as a stock insurer to transact the business of Property, as defined in 18 Del. C. §904; Casualty, as defined in 18 Del. C. §906 including: Liability, Burglary and Theft, Personal Property Floater, Glass, Boiler and Machinery, Leakage & Fire Extinguishing Equipment, and Miscellaneous; and Marine and Transportation as defined in 18 Del. C. § 907.

At December 31, 2015, all outstanding shares of the Company's common stock were owned by ARX Holding Corp., the ultimate parent. The Progressive Corporation holds a controlling interest in ARX Holding Corp. ("ARX"). On April 1, 2015, ARX stockholders entered into a Stock Purchase Agreement with The Progressive Corporation ("Progressive"). Per the terms of the agreement, Progressive acquired approximately 63.2% of the outstanding capital stock of ARX through the purchase of the common and preferred stock of XL Re Ltd. ("XL"),

Flexpoint Fund, L.P. and other non-management individuals and entities. Subsequently, in 2015, Progressive purchased an additional 1.0% of ARX capital stock from certain employee shareholders and option holders, bringing its ownership of ARX to 69.16%. Prior to the acquisition, Progressive held a 5% interest in ARX as part of its investment portfolio.

### **Capitalization**

The Company is authorized to issue one thousand nine hundred (1,900) shares of common stock with a par value of one thousand dollars (\$1,000) per share. As of December 31, 2015, all one thousand nine hundred shares are issued and outstanding representing capital totaling \$1,900,000.

At December 31, 2015, all outstanding shares of the Company's common stock were owned by ARX Holding Corp, the ultimate parent, itself 69% owned by the Progressive Corp.

The Company was initially capitalized with \$5,000,000 in capital and surplus consisting of \$1,900,000 of paid in Capital Stock and \$3,100,000 of paid in Surplus. The Company received additional capital contributions of \$500,000 in 2013 and \$15,800,000 in 2014.

### **Dividends**

The Company did not pay any dividends during the examination period.

## **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 the Board of Directors.

**Stockholders**

In accordance with Article II, Section 1 of the Company’s bylaws, the annual stockholder’s meeting shall be held each year on the First of March if not a legal holiday, and, if a legal holiday, then on the next business day following.

**Board of Directors**

The Board of Directors shall consist of no less than four (4) and no more than eighteen (18) members. Currently the Board is comprised of five (5) members. Directors are elected for one year terms at the annual meeting of the stockholders. Individuals elected and serving on the Board of Directors at December 31, 2015 were:

<u>Director</u>	<u>Principal Business Affiliation</u>
John Franklin Auer	President and Treasurer ASI Select Insurance Corp.
Marc Steven Fasteau	Investment Banker Fulcrum Partners, LLC
Brian Charles Domeck	Former Chief Financial Officer Progressive Corporation
Glenn Morris Renwick	Executive Chairman of the Board Progressive Corporation
Patrick Kevin Callahan	Insurance Executive Progressive Corporation

Newly elected directors may hold their first meeting for organization and the transaction of business, if a quorum is present, immediately after the annual meeting of the stockholders or at any such time and place as may be fixed by written consent of all the Directors. The Company’s bylaws provide that the Board of Directors, by resolution, may designate one or more committees as deemed appropriate and each committee to consist of one or more of the

directors of the Corporation. The following Board Committees were appointed and serving as of the examination date:

**Audit Committee**

The Audit Committee is responsible for oversight of the financial reporting process, reviews financial statements, engages and approves the selection of the independent auditor, approves the investment policies, reviews the actuarial reports with the actuary and takes responsibility for governance.

Members appointed and serving on the Audit Committee at December 31, 2015 were:

<u>Officer</u>	<u>Title</u>
Brian C. Domeck, Chairman	Former Progressive CFO
Glen M. Renwick	Former Progressive CEO
Marc Steven Fasteau	Investment Banker

**Investment Committee**

Members appointed and serving on the Investment Committee at December 31, 2015 were:

<u>Officer</u>	<u>Title</u>
Marc S. Fasteau, Chairman	Investment Banker
Brian C. Domeck	Former Progressive CFO

The Investment Committee and Audit Committee are shared committees for all Insurers in the ARX Holding Corp.

The bylaws of the Company state that the elected officers of the corporation shall be a President, a Treasurer and a Secretary. The Board of Directors may elect other officers as it may from time to time deem appropriate. Officers elected and serving at December 31, 2015 were:

## Officers

<u>Officer</u>	<u>Title</u>
John F. Auer	President and Treasurer
Kevin R. Milkey	Executive Vice President
Angel D. Conlin	Vice President, Secretary & General Counsel
Mary F. Fournet	Vice President
Trevor C. Hillier	Vice President
Philip L. Brubaker	Vice President
Patrick T. McCrink	Vice President
Tanya J. Fjare	Vice President
Jeffrey W. Hannon	Vice President

## Holding Company System

The Company is a wholly owned subsidiary of ARX Holding Corp., (ARX) a Delaware holding company. ARX is in turn owned 69.16% by The Progressive Corporation, an Ohio holding Company.

On April 1, 2015, ARX stockholders entered into a Stock Purchase Agreement with Progressive. Per the terms of the agreement, Progressive acquired approximately 63.2% of the outstanding capital stock of ARX through the purchase of the common and preferred stock of XL Re Ltd. (XL), Flexpoint Fund, L.P. and other non-management individuals and entities. Subsequently, in 2015, Progressive purchased an additional 1.0% of ARX capital stock from certain employee shareholders and option holders. Prior to the acquisition, Progressive held a 5% interest in ARX as part of its investment portfolio.

## **Organizational Chart**

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2015, follows:

The Progressive Corporation  
ARX Holding Corp.  
American Strategic Insurance Corp.  
ASI Assurance Corp.  
**ASI Select Insurance Corp.**  
Ark Royal Insurance Company  
ASI Home Insurance Corp.  
ASI Preferred Insurance Corp  
ASI Lloyds

## **Intercompany Agreements**

### *Intercompany Settlement Agreement*

Effective May 31, 2013, the Company entered into an Intercompany Settlement Agreement with its parent, ARX Holding Corp. and its affiliates.

The agreement had an initial term of one year and would automatically renew for consecutive one year terms until either party decides to terminate by providing written notice of termination of at least 90 days prior to the effective date of termination. One company may pay expenses incurred on behalf of another company and the companies mutually agree to submit a bill once a month for any expenses incurred on behalf of another and shall remit payment in full no later than 90 days after receipt.

**Subsequent Event:** Effective May 31, 2016, the agreement was amended to remove American Capital Assurance Corp. and Safe Harbour Underwriters, LLC. Furthermore, the agreement was amended on June 1, 2016 to add Ark Royal Insurance Company and Ark Royal Underwriters, LLC.

*Policy Administration Services Agreement*

Effective December 29, 2010, the Company entered into a Policy Administration Services Agreement with e-INS, LLC. Per the terms of the agreement, e-INS shall design, construct and implement such software systems as needed to support the following services: acquisition and management of the Company's policies; host and maintain a website for the use of the Company; issue policies and policy change endorsements, process renewals, cancellations and reinstatements; process invoices for premiums due or returned for all policy transactions; handle mailings of all necessary policy documents and handle the accounting for and collection of all premium payments including fees and installments. In exchange for these services, the Company agreed to pay e-INS a monthly commission of \$13.925 per new business and renewal policy plus \$1.16 per policy in force. The agreement has a minimum term of twenty-four months unless terminated earlier pursuant to the provisions of the agreement. After the conclusion of the minimum term, the agreement automatically renews for successive annual periods. After expiration of the initial term (24 full months), either company may terminate the agreement by giving written notice ninety (90) days prior to the effective date of the termination.

The agreement was amended on December 24, 2014 to include the following language: ASISL shall own and have custody of its general corporate accounts and records. All premiums collected must be held in a fiduciary capacity and paid over to ASISL within 30 days following collection.

*Claims Management Services Agreement*

Effective December 29, 2010, the Company entered into a Claims Management Services Agreement with ASI Underwriters Corp. (ASIU) for the purpose of appointing ASIU to act as

claims administrator on behalf of the Company with respect to all policies. The agreement gives ASIU the authority to monitor, supervise, adjust, investigate, report and otherwise settle claims on behalf of the Company. In exchange for these services, the Company has agreed to pay ASIU at cost. Amounts owed under this agreement shall be settled monthly or in no event later than 90 days in accordance with the “Intercompany Settlement Agreement”. The agreement had a term of one year, automatically renewing each year until otherwise amended by written agreement or terminated for cause with 90 days written notice.

The agreement was amended on December 24, 2014 to acknowledge that ASIU acknowledges and agrees that ASISL shall at all times have ultimate control and responsibility over the claims and losses on ASISL policies. ASISL shall have ownership and custody of its general corporate accounts and records. All expenses shall be apportioned in accordance with SSAP No. 70, “Allocation of Expenses”. The books accounts and records shall be so maintained as to clearly and accurately disclose the nature and details of the transactions, including such accounting information necessary to support the expenses apportioned to ASI Select.

Any fees or reimbursements payable hereunder shall be paid no later than fifteen (15) days after the end of the calendar month in which the amount was incurred on behalf of ASISL. Amounts not paid shall be subject to the accumulation of interest at an annual rate of interest equal to the sum of the composite prime rate as published in the Wall Street Journal plus one percent.

*Consolidated Federal Income Tax Return Agreement*

Effective July 1, 2012, the Company entered into a Consolidated Federal Income Tax Agreement with its parent, ARX Holding Corp., and its affiliates. The agreement provides that the Holding Company and its subsidiaries file consolidated federal income tax returns for such

periods of time during which the Holding Company and its subsidiaries are qualified to file. The Holding Company and its subsidiaries agree to make all computations and settlements of the respective federal income tax liabilities of each company that are party to the agreement. The method of allocation between the companies is subject to written agreement, and approved by the Board of Directors whereby allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return. Receivable (payable) tax balances are to be settled within 90 days of tax payment. The agreement was amended on December 24, 2014 to amend certain articles of the original agreement. Namely, the amendment provides that all receivable (payable) tax balances are to be settled within 30 days of tax payment and that the Holding Company was liable for federal income taxes in amounts not to exceed that which would have been due by the respective subsidiaries had they filed separate returns. It is the intent of the parties that this agreement complies with Section 1.1552-1(a)(1) of the Federal Tax Regulation. The Agreement was also amended to state that tax payments shall be made by ARX Holding Corp.

**Subsequent Event:** Effective May 31, 2016, the agreement was amended to remove American Capital Assurance Corp. and Safe Harbour Underwriters, LLC. Furthermore, the agreement was amended on June 1, 2016 to add Ark Royal Insurance Company and Ark Royal Underwriters, LLC.

## **TERRITORY AND PLAN OF OPERATION**

### **Territory**

The Company is licensed to transact business in 5 States: Delaware, Indiana, California, Louisiana, and New York.

## Plan of Operation

The Company is a multi-line carrier, underwriting property and casualty coverage through independent agents in Delaware and Indiana. During 2015 the Company began writing flood insurance in the states of California and New York through the National Flood Insurance Program. In 2016, the Company began to write homeowner's business in the states of California and New York. Effective February 1, 2016, the Company became party to a Participation Agreement with the California Earthquake Authority (CEA), whereby the Company pays CEA all premiums related to earthquake coverage in California and in return, the Company is reimbursed for 100% of Earthquake claims paid.

## REINSURANCE

### General

The Company reported the following distribution of net premiums written for 2015:

Direct:	\$ 3,236,078
Reinsurance assumed affiliates	0
Reinsurance assumed from non-affiliates	0
Total gross (direct and assumed)	<u>\$ 3,236,078</u>
Reinsurance ceded to affiliates	\$ 2,208,901
Reinsurance ceded to non-affiliates	<u>529,737</u>
Total ceded	<u>\$ 2,738,638</u>
Net premiums written	<u><u>\$ 497,440</u></u>

The Company retained 15.37% of its gross business in 2015.

**Assumed**

The Company did not assume any business in 2015.

**Ceded**

Of the Company's \$2.2 million in premiums ceded to affiliates in 2015, all was ceded to American Strategic Insurance Corp. (ASIC). The Company cedes 75% of its business to ASIC under a Quota Share agreement.

**FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the Delaware Department of Insurance and present the financial condition of the Company for the period ending December 31, 2015. The accompanying comments on the financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements. Financial statements, as reported and filed by the Company with the State Department of Insurance, are reflected in the following:

Statement of Assets as of December 31, 2015  
Statement of Liabilities, Surplus and Other Funds as of December 31, 2015  
Statement of Income as of December 31, 2015  
Capital Changes During the Examination Period

**STATEMENT OF ASSETS**  
AS OF DECEMBER 31, 2015

	Assets Current Year	Nonadmitted Assets Current Year	Net Admitted Assets Current Year	Note
Bonds	\$ 13,003,528	\$ -	\$ 13,003,528	1
Cash (\$99,543); cash equivalents \$8,116,829 and short-term investments \$2,020	8,019,306	-	\$ 8,019,306	1
Receivables for securities	<u>8,156</u>	<u>-</u>	<u>\$ 8,156</u>	
Subtotals; cash and invested assets	\$ 21,030,990	\$ -	\$ 21,030,990	
Investment income due and accrued	96,180	-	96,180	
Premiums and Considerations:		-		
Uncollected premiums and agents' balances in the course of collection	88,839	-	88,839	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	110,004	-	110,004	
Reinsurance				
Amounts recoverable from reinsurers	78,991		78,991	
Current federal and foreign income tax recoverable	388,120		388,120	
Net deferred tax asset	23,270	12,072	11,198	
Aggregate write-ins for other than invested assets	<u>10,591</u>	<u>10,591</u>	<u>-</u>	
Total assets excluding Separate Accounts; Segregated Accounts and Protected Cell Accounts	\$ 21,826,985	\$ 22,663	\$ 21,804,322	
From Separate Accounts; Segregated Accounts and Protected Cell Accounts	<u>-</u>	<u>-</u>	<u>-</u>	
Totals	<u>\$ 21,826,985</u>	<u>\$ 22,663</u>	<u>\$ 21,804,322</u>	

**STATEMENT OF LIABILITIES, SURPLUS AND OTHER FUNDS**  
AS OF DECEMBER 31, 2015

	Current Year	Note
Losses	\$ 49,351	2
Loss adjustment expenses	5,596	2
Commissions payable, contingent commissions and other similar charges	75,330	
Other expenses	69,294	
Taxes, licenses and fees	10,383	
Unearned premiums after deducting unearned premiums for ceded reinsurance of \$1,669,691.	279,708	
Advance premium	59,326	
Ceded reinsurance premiums payable	211,262	
Payable to parent, subsidiaries and affiliates	52,047	
Aggregate write-ins for liabilities	<u>2,939</u>	
Total liabilities excluding protected cell liabilities	\$ 815,236	
Protected cell liabilities	<u>-</u>	
Total liabilities	<u>\$ 815,236</u>	
Common capital stock	\$ 1,900,000	
Gross paid in and contributed surplus	19,400,000	
Unassigned funds (surplus)	<u>(310,914)</u>	
Surplus as regards policyholders	<u>\$ 20,989,086</u>	
Totals of common and preferred stock and surplus	<u><u>\$ 21,804,322</u></u>	

**STATEMENT OF INCOME**  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Current Year	Note
<b>UNDERWRITING INCOME</b>		
Premium earned	\$ 234,633	
<b>DEDUCTIONS</b>		
Losses incurred	\$ (39,987)	
Loss adjustment expenses incurred	24,440	
Other underwriting expenses incurred	380,185	
Total underwriting deductions	\$ 364,638	
Net income of protected cells	-	
Net underwriting gain (loss)	\$ (130,005)	
<b>INVESTMENT INCOME</b>		
Net investment income earned	200,566	
Net realized capital gains (losses) less capital gains tax of \$0	4,649	
Net investment gain (loss)	\$ 205,215	
<b>OTHER INCOME</b>		
Net gain (loss) from agents' or premium balances charged off (amount recovered \$29 amount charged off \$2,794)	(2,765)	
Finance and service charges not included in premiums	4,105	
Aggregate write-ins for miscellaneous income	(1)	
Total other income	\$ 1,339	
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 76,549	
Dividends to policyholders	-	
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	76,549	
Federal and foreign income taxes incurred	13,606	
Totals	\$ 62,943	
<b>CAPITAL AND SURPLUS ACCOUNTS</b>		
Surplus as regards policyholders December 31, 2014	\$ 20,920,458	
Net income	62,943	
Change in deferred income tax	1,871	
Change in non admitted assets	3,814	
Change in surplus as regards policyholders for the year	\$ 68,628	
Surplus as regards policyholders December 31, 2015	\$ 20,989,086	

**CAPITAL CHANGES DURING THE EXAMINATION PERIOD**

Capital and Surplus, December 31, 2011	<u>\$ 4,974,471</u>
Net income	\$ (285,992)
Change in net deferred income tax	21,571
Change in nonadmitted assets	(20,964)
Surplus adjustment paid in	<u>16,300,000</u>
Total change during the examination period	<u>\$ 16,014,615</u>
Capital and Surplus, December 31, 2015	<u><u>\$ 20,989,086</u></u>

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 1:**

<b>Bonds</b>	<b>\$13,003,528</b>
<b>Short-term Investments</b>	<b>2,020</b>
<b>Cash Equivalents</b>	<b>8,116,829</b>

As of December 31, 2015, the Company reported total bond investments on Schedule D – Part 1 with book adjusted carrying values in the amount of \$13,003,528 and fair market values of \$13,184,092. Bonds were comprised of the following classes:

<u>Schedule D - Part 1</u>	<u>Statement Value</u>	<u>% of Total</u>
U.S. Government Bonds	\$ 9,667,040	46.4%
U.S. States, Territories Guaranteed	2,885,326	13.9%
U.S. Political Subdivisions Guaranteed	928,331	4.5%
U.S. Special Revenue - Non-Guarantee	7,347,658	35.3%
Sub-total	<u>\$ 20,828,355</u>	<u>100.0%</u>
<u>Schedule DA - Part 1</u>		
Exempt Money Market Funds	<u>\$ 2,020</u>	<u>100.0%</u>
Schedule E Part 2		
Bank Reverse Repo	<u>\$ 292,000</u>	<u>100.0%</u>

Of the Company's total bond holdings, 100% were categorized as class 1. Bond maturities were structured as follows: 42.1%, 26.3%, 30.0%, 1.2% and 0.4% maturing in less than one year, one to five years, five to ten years, ten to twenty years and over twenty years.

**Note 2:**

<b>Losses</b>	<b>\$49,351</b>
<b>Loss Adjustment Expenses</b>	<b>5,596</b>

The DDOI contracted with INS Consultants, Inc. (INS) to conduct an independent review of the Company's loss and LAE reserves as of December 31, 2015. The Consulting Actuary's analysis was performed using a risk-focused approach according to the guidelines contained in the NAIC Handbook. The conclusions set forth in the Consulting actuary's report were based on information provided by the Company and the Lead State. The Statement of Actuarial Opinion and the Actuarial Report for the Company were signed by Gary S. Traicoff, FCAS, MAAA.

Based on work performed, the Consulting Actuary found the Company's carried net and gross loss and LAE reserves, as of December 31, 2015 to be reasonably stated. No financial adjustment to Company reserves was required for examination purposes.

## **SUBSEQUENT EVENTS**

On January 1, 2016, the Company along with its parent, ARX Holding Corp. and its affiliates entered into a Cost Allocation Agreement with Progressive Casualty Insurance Company (PCIC). The agreement provides that PCIC may provide services and facilities that will complement the operations and provide quality services and products to the Company's customers. Additionally, the Company may have the capacity to provide, from time to time, services to PCIC and its affiliates. The initial term of the agreement is one year, which shall automatically renew for consecutive one year terms. After the first year, either party may terminate this Agreement with or without cause by giving ninety (90) days written notice of termination to the other.

## **SUMMARY OF RECOMMENDATIONS**

There were no recommendations as a result of this examination.

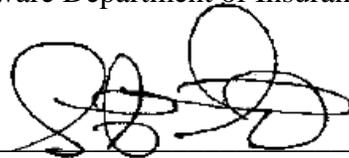
**CONCLUSION**

The assistance and cooperation of examiners representing the lead state is acknowledged. In addition, the assistance of the consulting actuarial firm, INS Consultants, Inc. and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

A handwritten signature in black ink that reads "Richard Randour". The signature is written in a cursive style and is positioned above a horizontal line.

Richard A Randour, CFE  
Examiner In-Charge  
Delaware Department of Insurance

A handwritten signature in black ink that reads "S. E. Guest". The signature is written in a cursive style and is positioned above a horizontal line.

Steven E. Guest, CPA, CFE  
Supervising Examiner  
Delaware Department of Insurance