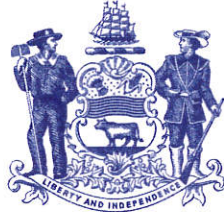


ORGANIZATIONAL EXAMINATION
OF
NEXT INSURANCE US COMPANY
AS OF
NOVEMBER 15, 2017

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 ORGANIZATIONAL EXAMINATION, made as of November 15, 2017 of the

NEXT INSURANCE US COMPANY

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

Attest By: Rylynn Brown

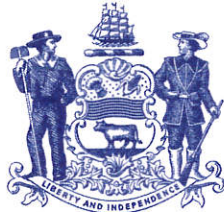
Date: December 29, 2017



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 29th day of December, 2017.

Trinidad Navarro
Trinidad Navarro
Insurance Commissioner

Trinidad Navarro
Commissioner



Delaware Department of Insurance

REPORT ON ORGANIZATIONAL EXAMINATION
OF THE
NEXT INSURANCE US COMPANY
AS OF
NOVEMBER 15, 2017

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", written over a horizontal line.

Trinidad Navarro
Insurance Commissioner

Dated this 29th day of December, 2017

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SALUTATION

November 29, 2017

Honorable Trinidad Navarro
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 17.914, dated November 9, 2017, an Organizational Examination has been conducted of the

Next Insurance US Company

hereinafter referred to as “Next US” or “the Company”, incorporated under the laws of the State of Delaware as a stock property and casualty insurance company.

The Company’s registered agent is Corporation Service Company with its registered office located at 251 Little Falls Drive, Wilmington, DE 19808. The Company’s administrative office address is located at 490 S. California Avenue, Suite 300, Palo Alto, CA 94306.

This examination was conducted at the Company’s aforementioned administrative office location. The report of such examination is respectfully submitted herewith.

SCOPE OF EXAMINATION

This organizational examination was conducted in conjunction with the Company’s application for a domestic Certificate of Authority in the State of Delaware. The Company’s corporate records, records applicable to and attendant with its application, as well as financial data as of November 15, 2017, have been reviewed.

HISTORY

The Company was incorporated on September 26, 2017, under the laws of the State of Delaware and is authorized to issue three thousand (30,000) common shares with \$100 par value per share. The following common stock certificates were issued by the Company to Next Insurance Holding, Inc. (Next Holding), a Delaware holding corporation:

<u>Certificate</u>	<u>Shares</u>	<u>Date</u>	<u>Capital</u>	<u>Surplus</u>	<u>Total</u>
#2	30,000	11/10/2017	\$3,000,000	\$7,000,000	\$10,000,000

MANAGEMENT AND CONTROL

Board of Directors

In accordance with its by-laws, adopted September 26, 2017, the business and affairs of the Company shall be managed by a Board of Directors. The number of directors shall be fixed from time to time by resolution of the Board of Directors. A Written Consent in lieu of a Board of Directors meeting dated October 27, 2017, fixed the number of directors at four. The directors are to be elected at the annual meeting of the Company’s stockholder and shall hold office until his successor shall be elected and qualified.

The directors serving as of the examination date were as follows:

Guy Goldstein, Chairman of the Board
Michael A. Lex
Dawn H. Puro
Nisim Tapiro

Committees of the Board of Directors

No committees of the Board of Directors have been constituted as of the examination date.

Officers

In accordance with its by-laws, the officers of the Company shall be a president or chief executive officer, a treasurer, a secretary, and other officers as deemed necessary, who shall be elected annually by the Board of Directors and who shall hold office until their successors are elected and qualified. Any number of offices may be held by the same person unless the certificate of incorporation or the bylaws otherwise provide. The officers serving as of the examination date were as follows:

<u>Officer</u>	<u>Office</u>
Guy Goldstein	President and Chief Executive Officer
Nisim Tapiro	Secretary and Vice President – Research and Development
David N. Fiore	Treasurer and Chief Financial Officer
Sofya Pogreb	Chief Operating Officer and Chief Underwriting Officer
Xiucui Yu	Vice President – Finance
Richard Liersaph	Director of Claims Management
Jordan Gantz	Vice President - Underwriting

The Company completed the NAIC Form 11 - Biographical Affidavit for each of the directors and officers noted above.

The Company completed the NAIC Form 12 - Uniform Consent to Service of Process (Power of Attorney), dated and effective November 16, 2017.

The Company directors and officers have completed annual conflict of interest disclosure statements. No conflicts were noted.

HOLDING COMPANY SYSTEM

At formation, the Company became a member of an Insurance Holding Company System. 18 Del. C. §5001(3) states that “control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10% or more of the voting securities of any other person.”

The organizational structure as of the examination date with control percentages of the upstream entities’ control of the downstream entity [and domicile in brackets] is presented below:

	Economic Ownership Control <u>Percent</u>	Voting Control <u>Percent</u>
Guy Goldstein {1}{2}	15.32%	16.77%
Alon Huri {1}{2}	15.32%	16.77%
Nisim Tapiro {1}{2}	15.32%	16.77%
Ribbit Capital III, L.P. {1}{3}	11.25%	12.32%
Next Insurance, Inc. [DE]	100.00%	100.00%
Next Insurance Holding, Inc. [DE]	100.00%	100.00%
Next Insurance US Company [DE]		
Next Insurance Agency, Inc. [DE]		

{1} Considered an ultimate controlling entity of the Company. Financial Statement has been provided to the Delaware Department of Insurance.

{2} The 15.32% economic ownership control of this individual is calculated as ownership of 10,501,667 voting common shares divided by 68,568,498 total shares (consisting of 31,505,000 voting common shares, 15,632,512 voting preferred Series A shares, 2,211,704 voting preferred Series B-1 shares, 13,270,137 voting preferred Series B shares, 3,492,450 non-voting issued optioned common shares, 2,456,695 non-voting unissued optioned common shares).

The 16.77% voting control of this individual is calculated as ownership of 10,501,667 voting common shares divided by 62,619,353 total voting shares (consisting of 31,505,000

voting common shares, 15,632,512 voting preferred Series A shares, 2,211,704 voting preferred Series B-1 shares, 13,270,137 voting preferred Series B shares).

{3} According to the Limited Partnership Agreement, Meyer Malka is the General Partner of Ribbit Capital III G.P., L.P., which is the general partner of Ribbit Capital III, L.P.

The 11.25% economic ownership control of Ribbit Capital III, L.P. is calculated as ownership of 7,715,486 voting preferred shares (consisting of 6,012,506 voting preferred Series A shares, 0 voting preferred Series B-1 shares, 1,702,980 voting preferred Series B shares) divided by 68,563,498 total shares (consisting of 31,505,000 voting common shares, 15,632,512 voting preferred Series A shares, 2,211,704 voting preferred Series B-1 shares, 13,270,137 voting preferred Series B shares, 3,492,450 non-voting issued optioned common shares, 2,456,695 non-voting unissued optioned common shares).

The 12.32% voting control of Ribbit Capital III, L.P. is calculated as ownership of 7,715,486 voting preferred shares (consisting of 6,012,506 voting preferred Series A shares, 0 voting preferred Series B-1 shares, 1,702,980 voting preferred Series B shares) divided by 62,619,353 total voting shares (consisting of 31,505,000 voting common shares, 15,632,512 voting preferred Series A shares, 2,211,704 voting preferred Series B-1 shares, 13,270,137 voting preferred Series B shares).

FIDELITY BOND AND OTHER INSURANCE COVERAGE

The Company is not covered by a financial institution bond at this time. Based on the 2018 pro forma information submitted by management, the minimum suggested coverage per the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook – Exhibit R* is \$225,000. *It is recommended that the Company obtain \$225,000 in fidelity insurance coverage as a condition of licensure by the Delaware Department of Insurance.*

AGREEMENTS

As of the examination date, the Company is not a party to any claim services agreement, investment management or advisory agreement, custodial agreement, intercompany tax allocation agreement, management agreement or administrative services agreement.

The Company has no employees and does not intend to have employees. Instead, the Company's staffing needs and other administrative services will be provided by and paid by parent Next Insurance, Inc. (Next Parent) under a proposed management and services agreement. Upon licensure, the Company intends to file and obtain approval of such an agreement through a Form D filing with the Delaware Department of Insurance.

The Company plans to enter into a tax allocation agreement among Next Parent and its U.S. subsidiaries. Upon licensure, the Company intends to file and obtain approval of such an agreement through a Form D filing with the Delaware Department of Insurance.

The Company entered into custodial agreements with U.S. Bank and Silicon Valley Bank.

PLAN OF OPERATION

The Company intends to specialize in the small commercial lines marketplace by initially focusing on the construction industry. Specifically, the Company will initially offer Contractors Insurance in three levels of coverage for 190 classes including Handymen, Carpenters, Electricians, HVAC Technicians, Landscapers, Janitors and Plumbers. All Contractor Insurance plans will include general liability (\$5 million limit), professional liability (\$3 million limit) and inland marine (\$3 million limit) coverages. The Company will eventually write other types of small business classes including restaurants, daycares, personal training and photographers. These products are currently produced by licensed producers of Next Parent on other insurance carriers' paper. After the Company becomes licensed, the programs will be moved to the Company upon the approval of form and rate filings.

Besides the general liability, professional liability and inland marine coverages mentioned above, the company will eventually offer the following additional types of commercial insurance to small businesses with \$3 million maximum limits, unless indicated otherwise: commercial property, commercial auto, director and officer liability, employment practices liability, business interruption, surety bond (\$1 million limit), liquor liability, cyber, data breach (\$5 million limit). The Company's planned net retention for all lines will be 20% of the maximum limits.

The Company's affiliated producer firm, Next Insurance Agency, Inc. (Next Agency), will produce business for the Company. The Company will pay Next Agency a 25% commission for business produced. Next Agency has a web-based underwriting platform that was developed by data engineers, looking at ISO data and analyzing competitors in the space. The Next Agency's data engineers have developed a set of questions and an algorithm that determines whether or not to insure the small business customer based on the answers provided. The algorithm is also then responsible for determining the premium for the potential small business customer. The underwriting and quote development is accomplished 100% on-line. If the quote is approved for binding, the small business customer can input their credit card information and the policy will be issued. If the small business customer does not meet the underwriting criteria, then the risk is declined. Next Parent has developed a policy administration system, which will be used by the Company to issue ISO-based policies. Additionally, endorsements may be requested on-line by calling Next Agency's customer support center and issued using Next Parent's policy administration system. Cancellation can be done at any time by an insured using the on-line portal.

Next Parent has found that its web-based underwriting platform allows for less subjectivity, therefore eliminating the chance of discrimination. Underwriting inputs will be handled by three data engineers together with the Company's reinsurance partner, Munich Reinsurance America Corporation (MRAM).

Next Parent currently uses Milliman as its pricing firm and intends to continue to work with Milliman for pricing for the Company's policies.

Claims will be handled by Gallagher Basset, a third-party administrator (TPA). In consultation with the Company's directors and officers, the Next Parent's Director of Claims will (i) establish claims protocols, manuals and similar guidelines for the Company; (ii) review TPA performance; and (iii) consult as to reinsurance, treaties, large losses and coverage issues.

The Company will use Perr & Knight for reserving actuarial services.

Next Parent manages advertising in-house and utilizes nationwide on-line advertising on Google, Facebook, Yahoo and Bing websites. All advertising must be approved by the Company. The Company's competitors in the selected markets include Chubb, The Hartford, Travelers, Liberty Mutual and other insurers which sell commercial business insurance to small businesses.

REINSURANCE

The Company is not a party to any reinsurance agreements at this time. Upon licensure by the Delaware Department of Insurance and the beginning of premium writings, the Company anticipates entering into an 80% quota share reinsurance agreement and an excess of loss reinsurance agreement with MRAM.

CAPITAL AND SURPLUS REQUIREMENTS

18 Del. C. §511(a) requires \$500,000 as the minimum common capital stock and \$250,000 gross paid-in and contributed surplus for a stock insurance company authorized to write multiple lines property and casualty insurance. Consequently, the minimum required amounts for this examination are as follows:

Common Capital Stock	\$500,000
Gross Paid-in and Contributed Surplus	<u>250,000</u>
Capital and Surplus as Regards Policyholders	\$750,000

FINANCIAL DATA

The financial position of the Company as of the examination date, as determined by this organizational examination, was as follows:

	<u>Assets</u>	<u>Note</u>
Cash, Cash Equivalents and Short-term Investments	<u>\$10,000,925</u>	1
Total Admitted Assets	<u>\$10,000,925</u>	
<u>Liabilities, Capital and Surplus</u>		
Total Liabilities	<u>\$ 0</u>	
Common Capital Stock	\$3,000,000	
Gross Paid In and Contributed Surplus	7,000,000	
Unassigned Funds	<u>925</u>	
Capital and Surplus as Regards Policyholders	<u>\$10,000,925</u>	2
Total Liabilities, Capital and Surplus	<u>\$10,000,925</u>	

NOTES TO FINANCIAL STATEMENTS

Note 1	Cash, Cash Equivalents and Short-term Investments	\$10,000,925
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The reported balance of \$10,000,925 consists of short-term investments in a custodial account at Silicon Valley Bank, which was confirmed directly with the financial institution.

Note 2	Capital and Surplus as Regards Policyholders	\$10,000,925
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The reported balance of \$10,000,925 consists of Next Holding's investment in the Company's common stock, reflected as \$3,000,000 common capital stock, \$7,000,000 gross paid in and contributed surplus, and \$925 unassigned funds.

RECOMMENDATIONS

It is recommended that the Company obtain \$225,000 in fidelity insurance coverage as a condition of licensure by the Delaware Department of Insurance. [Page 5]

SUBSEQUENT EVENT

The Company obtained fidelity bond coverage effective December 18, 2017 in the amount of \$1,000,000 for a single loss and \$2,000,000 in the aggregate.

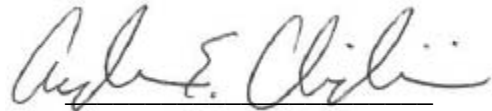
CONCLUSION

Based on the organizational examination conducted as of November 15, 2017, the financial condition of the Company is as follows:

Assets	\$10,000,920
Liabilities	<u>0</u>
Capital and Surplus as Regards Policyholders	<u>\$10,000,920</u>

Upon completion of the organizational examination, the Company has complied with the capitalization requirements for the State of Delaware. The examination was conducted by the undersigned.

Respectfully Submitted,



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