

EXAMINATION REPORT
OF
AMERICAN SECURITY INSURANCE COMPANY
AS OF
DECEMBER 31, 2022

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
AMERICAN SECURITY INSURANCE COMPANY
AS OF
DECEMBER 31, 2022

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, which appears to read "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro
Insurance Commissioner

Dated this 21 day of June, 2024

TABLE OF CONTENTS

SCOPE OF EXAMINATION.....	1
SUMMARY OF SIGNIFICANT FINDINGS	3
HISTORY	3
CAPITALIZATION.....	4
DIVIDENDS	5
MANAGEMENT AND CONTROL	6
DIRECTORS	6
OFFICERS	7
CORPORATE RECORDS	7
INSURANCE HOLDING COMPANY SYSTEM	8
AGREEMENTS WITH AFFILIATES	9
TERRITORY AND PLAN OF OPERATION	11
TERRITORY	11
PLAN OF OPERATION	11
REINSURANCE.....	12
FINANCIAL STATEMENTS	15
STATEMENT OF ASSETS	16
STATEMENT OF LIABILITIES, SURPLUS, AND OTHER FUNDS	17
STATEMENT OF INCOME.....	18
RECONCILIATION OF CAPITAL AND SURPLUS.....	19
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION	20
COMMENTS ON FINANCIAL STATEMENT ITEMS.....	20
SUBSEQUENT EVENTS	21
SUMMARY OF RECOMMENDATIONS	21

May 16, 2024

Honorable Trinidad Navarro
Commissioner
Delaware Department of Insurance
1351 W. North St., Suite 101
Dover, Delaware 19904

Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 23.008, dated January 13, 2023, an examination has been made of the affairs, financial condition, and management of

AMERICAN SECURITY INSURANCE COMPANY

hereinafter referred to as the Company or ASIC. ASIC was incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 251 Little Falls Drive, Wilmington, Delaware 19808.

SCOPE OF EXAMINATION

We have performed our multi-state examination of ASIC. The last examination was conducted as of December 31, 2017, by the Delaware Department of Insurance (Department) and covered the period of January 1, 2014 through December 31, 2017. This examination covers the period of January 1, 2018 through December 31, 2022. Our examination was performed as part of the multi-state coordinated examination of the Assurant Group (Group). The lead state for this coordinated examination was Florida, with the Florida Office of Insurance Regulation (FLOIR) as the lead regulator.

The coordinated examination of the Group was conducted concurrently with that of the Group's Delaware domiciled affiliates, ASIC and Standard Guaranty Insurance Company (SGIC), along with affiliates American Bankers Insurance Company of Florida (ABIC), American Bankers Life Assurance Company of Florida (ABLIC), Caribbean American Property Insurance Company (CAPIC), Caribbean American Life Assurance Company (CALAC), Reliable Lloyds Insurance Corporation (RLIC), Voyager Indemnity Insurance Company (VIIC), Virginia Surety Company (VSC), and Union Security Life Insurance Company of New York (USLICNY). 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 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 this examination, consideration was given to work performed by the Company's external accounting firm, PricewaterhouseCoopers LLP (PwC). Certain auditor work papers of the 2022 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, areas of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in financial statements resulting from this examination.

HISTORY

The Company's predecessor was originally incorporated in Georgia on August 12, 1938. On September 16, 1983, the Company was incorporated under the laws of Delaware as American Security Insurance Company of Delaware to act as the vehicle for the transfer of corporate domicile of the Company from the state of Georgia to the state of Delaware, effected January 1, 1984.

On January 1, 2004, the Company was an indirect wholly-owned subsidiary of Fortis, Inc., domiciled in the United States, which itself was an indirect, wholly-owned subsidiary of Fortis N.V. of the Netherlands and Fortis SA/NV of Belgium (collectively Fortis), through their affiliates, including their wholly owned subsidiary, Fortis Insurance N.V.

On February 5, 2004, Fortis sold approximately 64% of its ownership in Fortis, Inc. via Initial Public Offering (IPO) and retained approximately 36% of its ownership. In connection with the IPO, Fortis, Inc. was merged into Assurant, Inc. (Assurant), a Delaware corporation, which was formed solely for the re-domestication of Fortis, Inc. After the merger, Assurant became the successor to the business, operations, and obligations of Fortis, Inc. Further, Fortis transferred their ownership of Assurant's stock into their wholly owned subsidiary, Fortis Insurance N.V.

On January 21, 2005, Fortis owned approximately 36% (50,199,130 shares) of Assurant, based on the number of shares outstanding that day. In a secondary offering on that same day, Fortis sold 20% of its interest in Assurant and concurrently, sold mandatorily exchangeable bonds for its remaining interest.

Direct ownership of the Company resides with Interfinancial, Inc. (Interfinancial), an intermediate holding company of Assurant, formerly known as Fortis, Inc. until February 5, 2004, when that company was sold off in a public IPO from its parent, Fortis, as noted previously. Assurant acquired its interest in Interfinancial on June 30, 1980.

As of December 31, 2022, the Company continued to have its wholly owned subsidiary, SGIC, a Delaware domestic insurance company, which was examined concurrently with this examination.

Capitalization

The Company's amended Articles of Incorporation authorizes the issuance of four thousand shares of common stock, each with a par value of \$4,700. As of December 31, 2022, the Company had 1,075 common shares issued and outstanding, totaling \$5,052,500. The Company had no preferred stock outstanding. All outstanding common shares of the Company are owned by its parent, Interfinancial.

On February 25, 2019, the Company received a capital contribution of \$55,000,000 from its parent, Interfinancial. Department approval was provided for the Company to treat the contribution as a Type 1 subsequent event, pursuant to SSAP 9 and SSAP 72, paragraph 8, and include the capital infusion, retroactively, in its surplus as of December 31, 2018. As of December 31, 2018, the Company's gross paid in and contributed surplus totaled \$126,367,386.

On December 22, 2022, the Company received contributed surplus of \$25,000,000 from its parent, Interfinancial, in the form of cash of \$235,932 and invested assets, including related accrued interest, with a market value of \$24,764,168.

As of December 31, 2022, the Company's gross paid in and contributed surplus remained at \$151,367,386.

Dividends

The Company's Board of Directors (Board) approved the following dividends during the exam period:

<u>Year</u>		<u>Dividends</u>
2018	\$	15,000,000 ¹
2019	\$	75,000,000 ²
2020	\$	125,000,000 ³
2021	\$	155,000,000 ⁴
2022	\$	80,000,000 ⁵

- (1) The Company paid an ordinary dividend totaling \$15,000,000 on December 31, 2018.
- (2) The Company paid an ordinary dividend totaling \$10,000,000 on June 24, 2019. The Company paid an ordinary dividend totaling \$28,481,650, and an extraordinary dividend totaling \$6,518,350 on September 16, 2019. The Company paid an extraordinary dividend totaling \$30,000,000, on December 31, 2019. Dividends were paid in the form of cash and invested assets, including related accrued interest.
- (3) The Company paid an ordinary dividend totaling \$15,000,000 on March 31, 2020. The Company paid an ordinary dividend totaling \$11,979,990, and an extraordinary dividend totaling \$23,020,030 on June 25, 2020. The Company paid an ordinary dividend totaling \$11,979,987, and an extraordinary dividend totaling \$8,020,013 on September 30, 2020. The Company paid an ordinary dividend totaling \$21,979,990, and an extraordinary dividend totaling \$33,020,010 on December 31, 2020. Dividends were paid in the form of cash and invested assets, including related accrued interest.
- (4) The Company paid an extraordinary dividend totaling \$30,000,000 on March 30, 2021, and an extraordinary dividend totaling \$45,000,000 on June 16, 2022, and an extraordinary dividend totaling \$80,000,000 on December 28, 2021. Dividends were paid in the form of cash and invested assets, including related accrued interest.
- (5) The Company paid an extraordinary dividend totaling \$50,000,000 on March 30, 2022, and an extraordinary dividend totaling \$30,000,000 on June 27, 2022. Dividends were paid in the form of cash and invested assets, including related accrued interest.

All dividends were approved in the Board minutes, and proper filings were made to the Department for extraordinary dividends.

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 not have less than seven nor more than fifteen 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, 2022, were as follows:

<u>Name and Location</u>	<u>Principal Occupation</u>
Rebekah Susan Biondo Miami, Florida	Senior Vice President, Finance Officer Assurant, Inc.
Michael P. Campbell (CH) San Clemente, California	Executive Vice President President Global Housing
David Patrick Madigan, Jr. Yorba Linda, California	President Lender Placed Insurance
Gary Anderson Mann Marietta, Georgia	Senior Vice President Global Housing Operations
Dina Elisa Olsen Homestead, Florida	Senior Vice President Global Specialty Products
Judi Jo Salvato Westfield, New Jersey	Senior Vice President Investment Strategy & Analytics
Greg Marshall Tuttle Marietta, Georgia	Senior Vice President Global Housing Product Line Executive

Officers

Officers were elected in accordance with the bylaws during the period under examination. The bylaws require election of a Chairman of the Board, a Vice Chairman of the Board, a President, a Secretary, and a Treasurer. Any number of offices may be held by the same person except that the President shall not hold the office of Secretary. The primary officers serving as of December 31, 2022, were as follows:

<u>Name</u>	<u>Title</u>
Michael Campbell	President and Chairman of the Board
Jeannie Amy Aragon-Cruz	Secretary
Athanasios Bolovinos	Treasurer
Gregory Joseph DeChurch	General Counsel
Jeffery Alan Lamy	Appointed Actuary
Eduardo Arthur	Senior Vice President
Manuel Jose Becerra	Senior Vice President
Gary Mann	Senior Vice President
Keith Roland Meier	Senior Vice President
Teonna Nicole Icen	Senior Vice President
Marilyn Montero Piccolo	Chief Information Security Officer
David Patrick Madigan	Senior Vice President

Corporate Records

The recorded shareholder and board minutes were reviewed for the period under examination. The recorded board minutes adequately documented the Board's 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.

A review of executed conflict of interest disclosure statements was conducted for all years under examination by the examiners. On an annual basis, Assurant's Ethics Office performs a

review of disclosure statement responses. No conflicts of interest were identified by the examiners nor the Ethics Office for all years under examination.

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined under 18 *Del. C.* § 5001 of the Delaware Insurance Code. As noted above, the Company is a wholly-owned subsidiary of Interfinancial, Inc., with the ultimate parent in the insurance holding company system being Assurant, Inc.

An abbreviated organizational chart for ASIC shows the following structure:

<u>Company</u>	<u>Domicile</u>	<u>% own</u>
Assurant, Inc.	Delaware	10.7%
Union Security Life Insurance Company of New York	New York	100%
Wolverine InterCo., Inc.	Delaware	100%
Wolverine Acquisitions, Inc.	Delaware	100%
The Warranty Group, Inc.	Delaware	100%
TWG Holdings, Inc.	Delaware	100%
Virginia Surety Company, Inc.	Illinois	100%
Interfinancial, Inc.	Georgia	100%
American Security Insurance Company	Delaware	100%
Standard Guaranty Insurance Company	Delaware	100%
American Bankers Insurance Group, Inc.	Florida	100%
ABI International	Cayman	100%
Assurant International Division Limited	Malta	1%
Protection Holding Cayman	Cayman	72.4%
Assurant International Division Limited	Malta	99%
Assurant Solutions Holdings Puerto Rico, Inc.	Puerto Rico	100%
Caribbean American Property Insurance Company	Puerto Rico	74.33%
Caribbean American Life Assurance Company	Puerto Rico	100%
Caribbean American Property Insurance Company	Puerto Rico	25.67%
American Bankers Insurance Company of Florida	Florida	100%
American Bankers General Agency, Inc.	Texas	100%
Reliable Lloyds Insurance Company ⁽¹⁾	Texas	100%
American Bankers Life Assurance Company of Florida	Florida	100%
Voyager Group, Inc.	Florida	100%
Voyager Indemnity Insurance Company	Georgia	100%

(1) Controlled by American Bankers General Agency, Inc. through a management agreement.

Copies of the Form B - Holding Company Registration Statements, filed with the Department during the period under examination were reviewed in conjunction with the review of the management, service and tax agreements in place during the period under examination. This review indicated that the Company complied with the provisions of 18 *Del. Admin. Code* 1801.

Agreements with Affiliates

Intermediary Services & Payment Intermediary Agreements (ISPIA)

The captioned agreements were amended or entered by the Company with the following affiliates during the examination period:

- Effective January 1, 2011, the Company entered an ISPIA with Signal LP, Signal Northwest LLC, and CWork Solutions, LP. This agreement has subsequently been amended. Amendment #1, effective February 1, 2015, to add Broadtech, LLC as party to the agreement. Amendment #2, effective July 3, 2018, to add Service Optimization Solutions, formerly known as Guardian Travel, Inc., as party to the agreement. Amendment #3, effective November 18, 2019, to add SOSI CPR LLC as party to the agreement. Amendment #4, effective March 1, 2020, to add Assurant Device Services, Inc, MMI-CPR, LLC, and Signal Holdings LLC as parties to the agreement.
- Effective July 1, 2018, the Company entered an ISPIA with SGIC and Tracksure Insurance Agency, Inc.
- Effective August 1, 2018, the Company entered an ISPIA with SGIC, Assurant New Ventures, Inc., I.Q. Data International, Inc., TS Holdings., and Shipsurance Insurance Services, Inc.
- Effective January 1, 2019, the Company entered an ISPIA with Virginia Surety Company, Inc.
- Effective June 1, 2021, the Company entered an ISPIA with SGIC, Hyla Mobile, Inc., Hyla Technology Solutions, LLC, ERV, LLC, and Flipswap, LLC

Pursuant to the terms of the agreements, the parties each expend costs and generate expenses in the ordinary course of their business and this agreement sets forth their duties and obligations to each other and the reimbursement for the cost of services and amounts expended on behalf of or for the benefit of the other.

Amended and Restated Intercompany Tax Allocation Agreement

The Company files a consolidated federal income tax return and uses the method of allocation, which is guided by the written agreement. Within the agreement, the allocation is based

on a separate return and the calculations are analyzed with focus and concern on the current credit for net losses. The intercompany tax balances are settled within thirty (30) days of the filing of the consolidated federal income tax return. The Tax Allocation Agreement was amended and restated for a fourth time effective June 1, 2018, to include The Warranty Group and affiliates which were acquired by Assurant effective May 31, 2018, as signatory parties to the agreement. All terms and conditions remained the same. The Company paid \$10,746,493 in 2022 under this agreement.

Other Intercompany Agreements

The following agreements became effective prior to the examination period and remained in-force as of December 31, 2022:

- Management Agreement dated January 1, 1994, between the Company and Assurant.
- Investment Management Agreement dated January 1, 1995, between the Company and Assurant.
- Management Agreement dated January 1, 2002, between the Company and SGIC.
- Net Rate Agreement dated March 30, 2006, amended April 30, 2009, between the Company, American Bankers Insurance Company (ABIC) and Consumer Assist Network Association (CANA).
- General Agency Agreement dated May 1, 2006, between the Company, SGIC, VIIC and TrackSure Insurance Agency, Inc. (TrackSure).
- Management Agreement dated June 15, 2007, between the Company and Insureco, Inc.
- Affiliate Services Agreement dated December 31, 2007, between the Company and SGIC.
- ISPIA dated January 1, 2008, between the Company and ABIC.
- Allocation Agreement dated January 1, 2008, between the Company and SGIC.
- General Agency Agreement dated October 1, 2008, between the Company and Signal, LP.
- Payroll Prefunding Agreement dated December 1, 2008, between the Company and Assurant.
- General Agency Agreement dated December 31, 2008, between the Company, Insureco Agency and Insurance Services, Inc.
- ISPIA dated December 31, 2008, between the Company and ABLAC.
- Affiliate Services Agreement dated January 1, 2010, between the Company and SGIC.
- Insurance Services Agreement dated November 1, 2012, between the Company and ABIC.
- ISPIA dated February 1, 2017, between the Company and SGIC and Assurant Insurance Agency, Inc. (formerly Green Tree Insurance Agency Inc.).
- ISPIA dated August 1, 2017, between the Company and American Bankers Insurance Group.

- ISPIA dated August 1, 2017, between the Company and American Bankers Management Company.
- ISPIA dated August 1, 2017, between the Company and Assurant Payment Services and MS Diversified.

Net amounts due to parent and affiliates under the above agreements during 2022 were \$19,141,895, and net amounts receivable from parent and affiliates were \$270,460,196.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2022, the Company is licensed and/or authorized to transact business in forty-nine states, (the exception being New Hampshire), the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands and Guam.

For the year ended December 31, 2022, the Company wrote approximately 75.06% of its business in the jurisdictions of Florida (32.06%), New York (21.23%), Texas (11.20%) and California (10.57%). The Company's top three (3) lines of business in 2022, in terms of direct premiums written, were allied lines (40.43%), inland marine (32.64%) and fire (17.06%).

Plan of Operation

The Company is authorized to write health, credit health, property, surety, marine & transportation, casualty including: vehicle, liability, burglary & theft, personal property floater, glass, boiler & machinery, credit, leakage & fire extinguisher equipment, livestock and miscellaneous.

Assurant is comprised of two major business segments, Global Lifestyle and Global Housing. ASIC operates within both business segments. Within the Global Lifestyle segment, ASIC writes auto (GAP Insurance, vehicle service contracts and leased & financed equipment), mobile device protection (technology insurance protections, core insurance protection), financial services products (credit card – disability and dismemberment insurance, leave of absences

insurance, involuntary unemployment insurance and contractual liability insurance, which reimburses the insured for any loss incurred under its insured contractual obligation). Within the Global Housing segment, ASIC writes both residential and commercial voluntary and involuntary homeowners' insurance (lender-placed insurance, i.e., force placed insurance, flood, wind, manufactured housing & antique auto, homeowners, condominium insurance and multifamily housing – renters' insurance). These products protect the collateral of financial institution loans and their revolving credit balances, or the institution loan customer from property and casualty losses arising from fire, windstorm, loss of income, contractual liability and auto physical damage.

Business is written by banks and finance companies located throughout the United States. The Company has no branch offices. The Company has one corporate agent that is an affiliate, Insureco Agency (Insurco). Insureco procures hazard insurance (lender-placed coverage) for various financial institutions on the Company's paper, collects premium payments, deducts commissions due and remits the net amounts to the Company. As of December 31, 2022, the Company reported approximately 416 corporate distributors and 5236 licensed individual agents and brokers throughout the U.S. to distribute its products.

REINSURANCE

The Company's reinsurance activities are performed within the various business segments and to some extent at the corporate level especially regarding coverage against catastrophic events. The Company utilizes reinsurance for loss protection and capital management, business dispositions and, in the Assurant Global Lifestyle and Assurant Global Housing business segments, insured risk and profit sharing. In addition, the Company has utilized ceded reinsurance contracts to exit certain businesses that no longer fit into its business model or strategic plans. The following is a brief description of those activities:

Assumed

The Company's reinsurance assumed activities, as reported in Schedule F, excluding intercompany assumed business, was nominal and not significant in relation to the overall operation. While these activities were reviewed during the examination, the examination focused on ceded reinsurance business. In 2022, the Company reported assumed business from its affiliate, SGIC, totaling \$143,295,000 in assumed premiums, with paid losses and loss adjustment expenses (LAE) of \$5,204,000 and known case reserves (with LAE) of \$7,179,000. Amounts reported by the Company matched the affiliate's annual statement ceded balances. Other unaffiliated activities were nominal.

Ceded (Other than Catastrophe)

As previously noted, the Company actively utilizes ceded reinsurance. The following schedule demonstrates the extent of the Company's ceded reinsurance activities:

	Reinsurance		Ceded Loss	Net Amount
	Premiums	Paid Losses	Reserves	Recoverable
	Ceded			
Affiliates – Authorized	\$ 18,489,000	\$ -	\$ 1,647,000	\$ 28,979,000
Affiliates - Unauthorized	-	-	-	-
Unaffiliated – Authorized (including mandatory pools)	94,320,000	2,308,000	127,389,000	119,797,000
Unaffiliated – Unauthorized	534,811,000	1,487,000	62,314,000	65,034,000
Certified	29,032,000	880,000	25,675,000	17,946,000
Total	<u>\$676,652,000</u>	<u>\$4,675,000</u>	<u>\$217,025,000</u>	<u>\$231,756,000</u>

Most of the Company's ceded reinsurance is related to its intercompany cession to its affiliate, ABIC. In addition, other than its catastrophe program, the Company's ceded business, a substantial portion of the Company's unaffiliated ceded reinsurance activities are related to agreements to reinsure premiums generated by certain clients back to those clients' own captive insurance companies, or to reinsurance subsidiaries in which they have an ownership interest. This

is accomplished using generally standard quota share reinsurance agreements with the various captives. The Company derives servicing income from processing and other service fees received from these clients. These activities are generally managed within Assurant's two business segments, Global Lifestyle and Global Housing

Ceded - Catastrophe Reinsurance

Due to the nature and geographic location of loss exposures related to several product lines (such as homeowners, manufactured housing, and other property policies) that exposes the Group to possibly extreme catastrophe losses, it obtains reinsurance coverage to protect the capital of the organization and to mitigate earnings volatility. This exposure is most significant in the Global Housing business segment, and to a lesser degree in the Global Lifestyle business segment. The catastrophe reinsurance activity is generally managed at the corporate group level and affords protection across the various affected business segments up to a 176-year event or \$1,245,000,000 (net of Florida Hurricane Catastrophe Fund cover). Assurant's primary corporate catastrophe reinsurance is outlined as follows:

Limit Retention Details

Assurant Retention \$80M Group Retention
Underlying 1st, 2nd and 3rd Event \$30M xs \$80M Layer placed 100%
Layer 1 \$50M xs \$110M Layer placed 90%, with a co-par of \$5M
Layer 2 \$75M xs \$110M Layer placed 72%
Layer 3 \$165M xs \$110M Layer placed 72%
Layer 4 \$240M xs \$110M Layer placed 72%
Layer 5 \$315M xs \$110M Layer placed 72%
Layer 6 \$290M xs \$955M Layer placed 100%
Stretch Layer ⁽¹⁾ \$795M xs \$110M Layer placed 28%

(1) The stretch layers:

a - Five-year multiyear basis, effective 1/1/2019 through 12/31/2023.

b - Three-year multiyear basis, effective 1/1/2020 through 12/31/2022

For 2022, the Group's property catastrophe reinsurance program includes U.S. per-occurrence catastrophe coverage providing \$1.16 billion of protection, excess of \$80.0 million

retention in the main reinsurance program for a first event. In addition, it includes multi-year reinsurance contracts covering approximately 45% of the U.S. program, reducing volatility in future reinsurance costs. All layers of the program allow for one automatic reinstatement, except the first layer which has two reinstatements and covers the first \$30.0 million of losses, excess of the \$80.0 million retention. The 2022 program also maintains a cascading feature that provides multi-event protection in which higher coverage layers (Layers 3 through 6) drop down to \$110.0 million as the lower layers and reinstatement limit are exhausted. Layer 7 does not cascade, with a retention of \$955.0 million and a limit of \$290.0 million. When combined with the Florida Hurricane Catastrophe Fund, the U.S. program is covered for gross Florida losses of up to approximately \$1.34 billion. The 2022 catastrophe reinsurance program also includes Caribbean catastrophe coverage providing \$150.0 million, including a \$2.0 million co-participation on the top layer, excess of a \$20.0 million retention.

FINANCIAL STATEMENTS

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

General Account:

- Statement of Assets as of December 31, 2022
- Statement of Liabilities, Surplus and Other Funds as of December 31, 2022
- Statement of Income for the year ended December 31, 2022
- Reconciliation of Capital and Surplus for the period from the prior examination as of December 31, 2017 to December 31, 2022

Statement of Assets
As of December 31, 2022

	Assets	Assets Nonadmitted	Net Admitted Assets
Bonds	\$ 813,092,080	\$ -	\$ 813,092,080
Stocks			
Preferred stocks	56,672,001		56,672,001
Common stocks	180,460,065		180,460,065
Mortgage loans on real estate			
First liens	52,186,760		52,186,760
Real estate			
Properties occupied by the company	90,794,898		90,794,898
Cash, cash equivalents, short-term investments	102,350,523		102,350,523
Other invested assets	32,459,051		32,459,051
Receivables for securities	1,004,200		1,004,200
Securities lending reinvested collateral assets		-	-
Subtotals, cash and invested assets	<u>\$1,329,019,579</u>	<u>\$ -</u>	<u>\$1,329,019,579</u>
Investment income due and accrued	9,355,484		9,355,484
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	11,217,326		11,217,326
Accrued retrospective premiums and contracts subject to redetermination			
Reinsurance			
Amounts recoverable from reinsurers	4,674,685		4,674,685
Amounts receivable relating to uninsured plans			-
Net deferred tax asset	41,517,133		41,517,133
Guaranty funds receivable or on deposit	216,170		216,170
Electronic data processing equipment and software	52,622,765	52,622,140	625
Furniture and equipment	1,286,789	1,286,789	-
Receivables from parent, subsidiaries and affiliates	270,578,028	117,832	270,460,196
Health care and other amounts receivable			-
Aggregate write-ins for other than invested assets	9,585,624	643,250	8,942,374
Total	<u>\$1,730,073,583</u>	<u>\$54,670,011</u>	<u>\$1,675,403,572</u>

Statement of Liabilities, Surplus and Other Funds
As of December 31, 2022

		<u>Note</u>
Losses	\$ 308,002,292	1
Reinsurance payable on paid losses and loss adjustment expenses	6,451,575	
Loss adjustment expense	23,556,253	1
Commissions payable, contingent commissions and other similar charges	23,064,362	
Other expenses	35,674,359	
Taxes, licenses and fees	12,386,829	
Current federal and foreign income taxes	2,142,375	
Unearned premiums	628,233,824	
Ceded reinsurance premiums payable	54,206,986	
Funds held by company under reinsurance treaties	10,677,516	
Amounts withheld or retained by company for account of others	1,032,308	
Remittances and items not allocated	7,935,911	
Provision for reinsurance	886,000	
Payable to parent, subsidiaries and affiliates	19,141,895	
Payable for securities lending	3,978,630	
Aggregate write-ins for other liabilities	65,421,230	
Total liabilities	<u>\$ 1,202,792,345</u>	
Aggregate write-ins for special surplus funds		
Common capital stock	\$ 5,052,500	
Gross paid-in and contributed surplus	151,367,386	
Unassigned funds (surplus)	316,191,341	
Surplus as regards policyholders	<u>\$ 472,611,227</u>	
Totals	<u><u>\$ 1,675,403,572</u></u>	

Statement of Income
For the Year Ended December 31, 2022

Premiums earned	<u>\$ 932,800,717</u>
Losses incurred	\$ 440,725,089
Loss adjustment expenses incurred	56,108,305
Other underwriting expenses incurred	489,388,119
Total underwriting deductions	<u>\$ 986,221,513</u>
Net underwriting gain (loss)	\$ (53,420,796)
Net investment income earned	\$ 49,260,742
Net realized capital gains or (losses)	<u>(9,310,094)</u>
Net investment gain (loss)	<u>\$ 39,950,648</u>
Finance and service charges not included in premiums	\$ 368,909
Aggregate write-ins for miscellaneous income	<u>28,453,271</u>
Total other income	<u>\$ 28,822,180</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 15,352,032
Dividends to policyholders	<u>-</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 15,352,032
Federal and foreign income taxes incurred	<u>10,746,493</u>
Net income	<u>\$ 4,605,539</u>
Surplus as regards policyholders, December 31, 2021	\$ 482,010,827
Net income (losses)	4,605,539
Change in net unrealized capital gains (losses)	32,613,845
Change in net deferred income tax	4,842,946
Change in non-admitted assets	22,216,613
Change in provision for reinsurance	1,743,000
Surplus adjustment: Paid in	25,000,000
Dividends to stockholders	(80,000,000)
Aggregate write-ins for gains and losses in surplus	<u>(20,421,543)</u>
Change in surplus as regards policyholders for the year	<u>\$ (9,399,600)</u>
Surplus as regards policyholders, December 31, 2017	<u>\$ 472,611,227</u>

Reconciliation of Capital and Surplus
For the Period from the Prior Examination
as of December 31, 2017 to December 31, 2022

	Common Capital Stock	Gross Paid in and Contributed Surplus	Unassigned Surplus	Total	Note
12/31/2017	\$ 5,052,500	\$ 71,367,386	\$ 429,859,951	\$ 506,279,837	
12/31/2018		55,000,000	(26,463,336)	28,536,664	1
12/31/2019			35,691,403	35,691,403	2
12/31/2020			(26,112,313)	(26,112,313)	3
12/31/2021			(62,384,764)	(62,384,764)	4
12/31/2022		25,000,000	(34,399,600)	(9,399,600)	5
	<u>\$ 5,052,500</u>	<u>\$ 151,367,386</u>	<u>\$ 316,191,341</u>	<u>\$ 472,611,227</u>	

(1) Represents:

Net income	\$ 16,130,624
Change in unrealized capital gains	(3,767,779)
Change in net deferred income tax	3,705,074
Change in non-admitted assets	(20,704,255)
Change in asset valuation reserve	(6,827,000)
Dividends to stockholders	(15,000,000)
Gross Paid in	55,000,000
Net Change in Surplus	<u>\$ 28,536,664</u>

(2) Represents:

Net income	\$ 90,373,953
Change in unrealized capital gains	17,047,376
Change in net deferred income tax	2,371,931
Change in non-admitted assets	(5,393,857)
Change in asset valuation reserve	6,292,000
Dividends to stockholders	(75,000,000)
Net Change in Surplus	<u>\$ 35,691,403</u>

(3) Represents:

Net income	\$ 113,974,659
Change in unrealized capital gains	(8,155,927)
Change in net deferred income tax	3,185,977
Change in non-admitted assets	(7,011,461)
Change in asset valuation reserve	2,712,000
Dividends to stockholders	(125,000,000)
Aggregate write ins for gains and losses in surplus	(5,817,561)
Net Change in Surplus	<u>\$ (26,112,313)</u>

(4) Represents:

Net income	\$ 82,049,971
Change in unrealized capital gains	10,095,857
Change in net deferred income tax	(2,982,346)
Change in non-admitted assets	47,178,722
Change in asset valuation reserve	(2,405,000)
Dividends to stockholders	(155,000,000)
Aggregate write ins for gains and losses in surplus	(41,321,968)
Net Change in Surplus	<u>\$ (62,384,764)</u>

(5) Represents:

Net income	\$ 4,605,539
Change in unrealized capital gains	32,613,845
Change in net deferred income tax	4,842,946
Change in non-admitted assets	22,216,613
Change in asset valuation reserve	1,743,000
Dividends to stockholders	(80,000,000)
Aggregate write ins for gains and losses in surplus	(20,421,543)
Gross Paid in	25,000,000
Net Change in Surplus	<u>\$ (9,399,600)</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.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	\$308,022,292
Loss Adjustment Expenses (LAE)	\$ 23,556,253

The examination liability for the aforementioned captioned items of \$308,022,292 and \$23,556,253 are the same as reported by the Company as of December 31, 2022. The examination analysis of Loss and LAE reserves was conducted in accordance with *Actuarial Principles and Standards of Practice* and Statutory Accounting Principles, including the NAIC *Accounting Practices and Procedures Manual, SSAP No. 55 – Unpaid Claims, Losses and Loss Adjustment Expenses*.

SUBSEQUENT EVENTS

The following material subsequent events occurred, requiring disclosure in this examination report.

Effective April 1, 2023, the Company entered into an Intercompany General Agency Agreement with American Lease Insurance Agency Corporation (ALI), an affiliate and an indirect subsidiary of Assurant. Pursuant to the agreement, ALI is the appointed agent of the Company in regard to the insurance coverages provided by policies and certificates of insurance issued in the state of Minnesota (collectively, Policies). ALI shall obtain and maintain licenses and appointments pursuant to Company guidelines and as required by state law. ALI has the right to bind the Company in respect to coverage under the Policies in accordance with Company's requirements and requirements of applicable law. The Company subsequently terminated this agreement effective December 1, 2023.

The Company paid dividends in the amounts of \$250,000,000 in 2023 and \$110,000,000 in 2024.

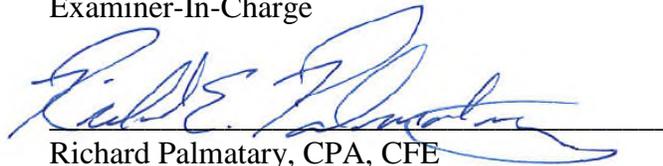
SUMMARY OF RECOMMENDATIONS

There were no examination report findings or recommendations as a result of the December 31, 2022 examination. The assistance and cooperation of the Company's outside audit firm, PwC, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



Keith E. Misenheimer, CFE, ALMI, CFE, ARM
Examiner-In-Charge



Richard Palmatary, CPA, CFE
Supervising Examiner

American Security Insurance Company

I, Keith E. Misenheimer, 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 Authority No. 23.008.



Keith E. Misenheimer, CFE, ALMI, CFE, ARM