

**EXAMINATION REPORT**  
**OF**  
**STANDARD GUARANTY INSURANCE COMPANY**  
**AS OF**  
**DECEMBER 31, 2022**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION  
OF  
STANDARD GUARANTY 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, reading "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro  
Insurance Commissioner

Dated this 21 day of June, 2024

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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. 23.009, dated January 13, 2023, an examination has been made of the affairs, financial condition, and management of

**STANDARD GUARANTY INSURANCE COMPANY**

hereinafter referred to as the Company or SGIC. SGIC is 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 SGIC. 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 two Delaware domiciled affiliates, SGIC and American Security Insurance Company (ASIC), 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 course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, 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 as a result of this examination.

#### **HISTORY**

The Company's predecessor was originally incorporated in Georgia on August 29, 1960. On September 16, 1983, the Company was incorporated under the laws of Delaware as Standard Guaranty 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, Inc. became the successor to the business, operations and obligations of Fortis, Inc. Further, Fortis, N.V. and Fortis SA/NV transferred their ownership of Assurant, Inc.'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, Inc., based on the number of shares outstanding that day. In a secondary offering on January 21, 2005, Fortis sold 20% of its interest in Assurant and concurrently, sold mandatorily exchangeable bonds for its remaining interest.

The Company's immediate parent is ASIC, a Delaware domestic insurance company, which was examined concurrently with this examination.

#### Capitalization

The Company's amended Articles of Incorporation authorizes the issue of one-thousand seventy-five shares of common stock with a \$3,300 par value. As of December 31, 2022, the Company had one-thousand seventy-five common shares issued and outstanding totaling \$3,547,500. All outstanding common shares of the Company are owned by its parent, ASIC. As of December 31, 2022, the Company reported gross paid in and contributed surplus of \$33,339,575.

#### Dividends

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

<u>Year</u>	<u>Dividends</u>
2018	\$ 7,000,000 <sup>1</sup>
2019	\$ 25,000,000 <sup>2</sup>
2020	\$ 30,000,000 <sup>3</sup>
2021	\$ 32,000,000 <sup>4</sup>
2022	\$ -

- (1) The Company paid an ordinary dividend totaling \$3,321,570 and an extraordinary dividend totaling \$3,678,430 on December 31, 2018.
- (2) The Company paid an ordinary dividend totaling \$6,008,733 and an extraordinary dividend totaling \$18,991,267 on December 27, 2019.
- (3) The Company paid an ordinary dividend totaling \$22,458,270 and an extraordinary dividend totaling \$7,541,730 on December 28, 2020.
- (4) The Company paid an ordinary dividend totaling \$32,000,000 on December 28, 2021.

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

### Committees

Article III of the amended bylaws states that the Board may appoint from among its members an Executive Committee, an Investment Committee, an Audit Committee and any Other Committees that the Board deems desirable.

As of December 31, 2022, the Company had not established a separate Executive, Investment, Audit or Other Committee; however, the Board had designated the Executive, Investment, Audit and other committees of Assurant as the committees of the Company.

### 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 ASIC, with the ultimate parent in the insurance holding company system being Assurant, Inc.

An abbreviated organizational chart for SGIC 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%
<b>Standard Guaranty Insurance Company</b>	<b>Delaware</b>	<b>100%</b>
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 <sup>(1)</sup>	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 July 1, 2018, the Company entered an ISPIA with ASIC and TRacksure Insurance Agency, Inc. (TRacksure).
- Effective August 1, 2018, the Company entered an ISPIA with ASIC, Assurant New Ventures, Inc., I.Q. Data International, Inc., TS Holdings., and Shipsurance Insurance Services, Inc.
- Effective June 1, 2021, the Company entered an ISPIA with ASIC, Hyla Mobile, Inc., Hyla Technology Solutions, LLC, ERV, LLC, Lorica LLC and Flipswap, LLC.
- Effective June 1, 2022, the Company entered an ISPIA with American Bankers Insurance Group.

Pursuant to the terms of the agreement, 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, the Tax Allocation Agreement was amended and restated a fourth time 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 \$12,371,068 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 ASIC.
- Affiliate Services Agreement dated December 31, 2007, between the Company, RLIC, VIIC and ASIC.
- General Agency Agreement dated May 1, 2006, between the Company, VIIC, TRacksure and ASIC.
- General Agency Agreement dated December 31, 2008, between the Company and Insureco Agency.
- General Agency Agreement dated October 1, 2008, between the Company and Signal LP.
- Intermediary Agreement dated January 1, 2008, between the Company and ABIC.
- Intermediary Agreement dated December 31, 2008, between the Company and ABLAC.
- Allocation Agreement dated January 1, 2008, between the Company and ASIC.
- Affiliate Services Agreement dated January 1, 2010, between the Company and ASIC.
- ISPIA dated February 1, 2017, between the Company and ASIC and Assurant Insurance Agency, Inc. (formerly Green Tree Insurance Agency Inc.).

Net amounts due to parent and affiliates under the above agreements during 2022 were \$10,439,684, and net amounts receivable from parent and affiliates were \$46,061,606.

**TERRITORY AND PLAN OF OPERATION**

Territory

As of December 31, 2022, the Company is licensed and/or authorized to transact business in forty-three states, the District of Columbia and is eligible to write Surplus Lines in the State of Texas.

For the year ended December 31, 2022, the Company wrote approximately 28.32% of its business in the jurisdictions of Georgia (8.25%), Illinois (7.41%), North Carolina (7.05%) and Michigan (5.61%). The Company's top three (3) lines of business in 2022, in terms of direct premiums written, were allied lines (63.00%), dire (31.64%) and warranty (3.49%).

## 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. SGIC operates within both business segments. Within the Global Lifestyle segment, SGIC 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, SGIC 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 59 corporate distributors and 3626 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 the reinsurance activities:

#### Assumed

The Company reported no assumed reinsurance activities in Schedule F in its 2022 Annual Statement.

#### Ceded (Other than Catastrophe)

The following schedule demonstrates the extent of the Company's ceded reinsurance activities:

	Reinsurance			
	Premiums		Ceded Loss	Net Amount
	Ceded	Paid Losses	Reserves	Recoverable
Affiliates – Authorized	\$156,942,000	\$5,567,000	\$32,234,000	\$113,072,000
Affiliates - Unauthorized	-	-	-	-
Unaffiliated – Authorized (including mandatory pools)	2,786,000	16,000	488,000	35,000
Unaffiliated – Unauthorized	2,035,000	36,000	441,000	70,000
Certified	820,000	9,000	166,000	8,000
<b>Total</b>	<b>\$162,583,000</b>	<b>\$5,628,000</b>	<b>\$33,329,000</b>	<b>\$113,185,000</b>

Most of the Company's ceded reinsurance is related to its intercompany cession to its affiliate, ASIC. In addition, other than its catastrophe program, the Company's ceded business

was related to agreements to reinsure premiums generated by certain clients' exposure back to those clients' own captive insurance companies, or to reinsurance subsidiaries in which they have an ownership interest. This is accomplished with 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.

#### Catastrophe Reinsurance – Assurant, Inc.

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 Assurant 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, to a lesser degree in the Global Lifestyle business segment and some minor exposures are covered in other segments. 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 <sup>(1)</sup> \$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 12/31/22



For 2022, the Group's property catastrophe reinsurance program includes U.S. per-occurrence catastrophe coverage providing \$1.16 billion of protection in 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 in 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, in 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 and Liabilities  
As of December 31, 2022

	Assets	Assets Nonadmitted	Net Admitted Assets
Bonds	\$ 256,337,244	\$ -	\$ 256,337,244
Stocks			
Preferred stocks	11,536,424		11,536,424
Common stocks	221,774		221,774
Mortgage loans on real estate			
First liens	30,542,146		30,542,146
Cash, cash equivalents, short-term investments	21,836,747		21,836,747
Other invested assets	22,637,919		22,637,919
Receivables for securities	14,544		14,544
Subtotals, cash and invested assets	<u>\$ 343,126,798</u>	<u>\$ -</u>	<u>\$ 343,126,798</u>
Investment income due and accrued	2,646,450		2,646,450
Reinsurance			
Amounts recoverable from reinsurers	5,628,235		5,628,235
Net deferred tax asset	5,256,655		5,256,655
Receivables from parent, subsidiaries and affiliates	46,061,606		46,061,606
Aggregate write-ins for other than invested assets	195,185		195,185
Total	<u>\$ 402,914,929</u>	<u>\$ -</u>	<u>\$ 402,914,929</u>

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

		<u>Note</u>
Losses	\$ 49,999,384	1
Loss adjustment expense	5,216,862	1
Commissions payable, contingent commissions and other similar charges	1,513,642	
Other expenses	44,447	
Taxes, licenses and fees	4,068,075	
Current federal and foreign income taxes	1,835,441	
Unearned premiums	129,255,914	
Ceded reinsurance premiums payable	13,078,664	
Funds held by company under reinsurance treaties	12,366	
Remittances and items not allocated	61,485	
Provision for reinsurance	26,000	
Payable to parent, subsidiaries and affiliates	10,439,684	
Aggregate write-ins for other liabilities	<u>7,692,219</u>	
Total liabilities	<u>\$ 223,244,183</u>	
Common capital stock	\$ 3,547,500	
Gross paid-in and contributed surplus	33,339,575	
Unassigned funds (surplus)	<u>142,783,671</u>	
Surplus as regards policyholders	<u>\$ 179,670,746</u>	
Totals	<u><u>\$ 402,914,929</u></u>	

Statement of Income  
For the Year Ended December 31, 2022

Premiums earned	<u>\$ 222,800,196</u>
Losses incurred	\$ 81,371,011
Loss adjustment expenses incurred	9,283,262
Other underwriting expenses incurred	89,754,371
Total underwriting deductions	<u>\$ 180,408,644</u>
Net underwriting gain (loss)	<u>\$ 42,391,552</u>
Net investment income earned	\$ 13,191,965
Net realized capital gains or (losses)	(909,325)
Net investment gain (loss)	<u>\$ 12,282,640</u>
Finance and service charges not included in premiums	\$ 4,603
Aggregate write-ins for miscellaneous income	2,759,387
Total other income	<u>\$ 2,763,990</u>
Net income before dividends to policyholders, after capital gains and before all other federal and foreign income taxes	\$ 57,438,182
Dividends to policyholders	-
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 57,438,182
Federal and foreign income taxes incurred	12,371,068
Net income	<u>\$ 45,067,114</u>
Surplus as regards policyholders, December 31, 2021	\$ 137,304,082
Net income (losses)	45,067,114
Change in net unrealized capital gains (losses)	(3,804,550)
Change in net deferred income tax	974,051
Change in non-admitted assets	111,049
Change in provision for reinsurance	19,000
Surplus adjustment: Paid in	-
Dividends to stockholders	-
Change in surplus as regards policyholders for the year	<u>\$ 42,366,664</u>
Surplus as regards policyholders, December 31, 2022	<u>\$ 179,670,746</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	\$ 3,547,500	\$ 33,339,575	\$ 92,875,913	\$ 129,762,988	
12/31/2018			324,341	324,341	1
12/31/2019			1,652,980	1,652,980	2
12/31/2020			(1,862,564)	(1,862,564)	3
12/31/2021			7,426,337	7,426,337	4
12/31/2022			42,366,664	42,366,664	5
	<u>\$ 3,547,500</u>	<u>\$ 33,339,575</u>	<u>\$ 142,783,671</u>	<u>\$ 179,670,746</u>	

(1) Represents:

Net income	\$ 5,537,412
Change in unrealized capital gains (losses)	1,705,389
Change in net deferred income tax	55,010
Change in non-admitted assets	(1,470)
Change in provision for reinsurance	28,000
Dividends to stockholders	(7,000,000)
Net Change in Surplus	<u>\$ 324,341</u>

(2) Represents:

Net income	\$ 23,096,092
Change in unrealized capital gains (losses)	3,658,359
Change in net deferred income tax	(61,925)
Change in non-admitted assets	(20,546)
Change in asset valuation reserve	(19,000)
Dividends to stockholders	(25,000,000)
Net Change in Surplus	<u>\$ 1,652,980</u>

(3) Represents:

Net income	\$ 32,941,541
Change in unrealized capital gains (losses)	(3,648,168)
Change in net deferred income tax	(941,711)
Change in non-admitted assets	27,111
Change in asset valuation reserve	(4,000)
Dividends to stockholders	(30,000,000)
Aggregate write ins for gains and losses in surplus	(237,337)
Net Change in Surplus	<u>\$ (1,862,564)</u>

Standard Guaranty Insurance Company

(4) Represents:

Net income	\$	38,160,578
Change in unrealized capital gains (losses)		1,341,555
Change in net deferred income tax		56,950
Change in non-admitted assets		(110,746)
Change in asset valuation reserve		(22,000)
Dividends to stockholders		(32,000,000)
Net Change in Surplus	\$	<u>7,426,337</u>

(5) Represents:

Net income	\$	45,067,114
Change in unrealized capital gains (losses)		(3,804,550)
Change in net deferred income tax		974,051
Change in non-admitted assets		111,049
Change in asset valuation reserve		19,000
Net Change in Surplus	\$	<u>42,366,664</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	\$49,999,384
Loss Adjustment Expenses (LAE)	\$ 5,216,862

The examination liability for the aforementioned captioned items of \$49,999,384 and \$5,216,862 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.

On May 31, 2023, the Company paid an ordinary dividend in the amount of \$20,000,000 to its Parent. The Department approved the dividend payment on May 24, 2023.

**SUMMARY OF RECOMMENDATIONS**

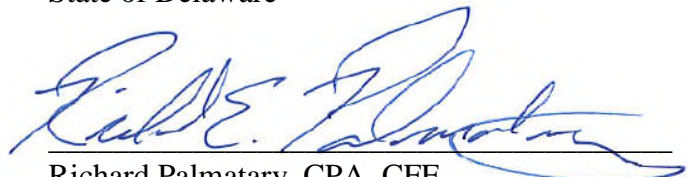
There were no examination report findings or recommendations as a result of this examination.

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,

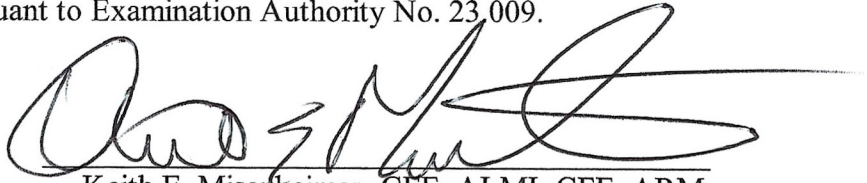


Keith E. Misenheimer, CFE, ALMI, CFE, ARM  
Examiner-In-Charge  
State of Delaware



Richard Palmatary, CPA, CFE  
Supervising Examiner  
State of Delaware

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. 23.009.



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