

EXAMINATION REPORT
OF
INSURANCE PLACEMENT FACILITY OF DELAWARE
AS OF
DECEMBER 31, 2023

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
INSURANCE PLACEMENT FACILITY OF DELAWARE
AS OF
DECEMBER 31, 2023

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 27th day of May, 2025

TABLE OF CONTENTS

SCOPE OF EXAMINATION..... 1

SUMMARY OF SIGNIFICANT FINDINGS 3

FACILITY HISTORY 3

MANAGEMENT AND CONTROL 4

 CORPORATE RECORDS 6

 INSURANCE HOLDING FACILITY SYSTEM..... 6

TERRITORY AND PLAN OF OPERATION 7

REINSURANCE..... 8

FINANCIAL STATEMENTS 9

STATEMENT OF ASSETS 10

LIABILITIES, SURPLUS AND OTHER FUNDS 11

SUMMARY OF INCOME..... 12

CAPITAL AND SURPLUS ACCOUNT 13

RECONCILIATION OF CAPITAL AND SURPLUS..... 14

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE
EXAMINATION 14

COMMENTS ON FINANCIAL STATEMENT ITEMS..... 15

SUBSEQUENT EVENTS 15

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS 15

SUMMARY OF RECOMMENDATIONS 15

CONCLUSION..... 16

May 21, 2025

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
1351 West North Street, Suite 101
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 24.041, dated November 18, 2024, an examination has been made of the affairs, financial condition and management of

INSURANCE PLACEMENT FACILITY OF DELAWARE

herein after referred to as the Facility or DE FAIR Plan. formed under the laws of the State of Delaware as an Association. The examination was conducted offsite. The main office of the Facility is located at 190 N Independence Mall W, Suite 301, Philadelphia, PA 19106. The report for this examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Delaware Department of Insurance (Department) performed a risk-focused financial examination of the Facility. The previous regulatory examination of the Facility covered the four-year period from January 1, 2015 through December 31, 2018. This examination covered the five-year period from January 1, 2019 through December 31, 2023, and encompasses a general review of transactions during the period, the Facility's business policies and practices as well as management and relevant corporate matters, with a determination of the financial condition of the

Facility as of December 31, 2023. Transactions subsequent to the examination date were reviewed where deemed necessary.

The examination is being coordinated with the Insurance Placement Facility of Pennsylvania (PA FAIR Plan). The Pennsylvania Department of Insurance (PDOI) called this examination in accordance with the Handbook's guidelines, through the NAIC's Financial Exam Electronic Tracking System (FEETS). The PA FAIR Plan and DE FAIR Plan are each single-state governmentally mandated insurers that are not part of a holding group.

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 Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Facility 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 Facility 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.

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 Facility.

During the course of this examination, consideration was given to work performed by the Facility's external accounting firm Mazars USA LLP (Mazars). Certain auditor work papers of the 2023 Mazars audit of the Facility have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination, and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in financial statements as a result of this examination.

FACILITY HISTORY

The DE FAIR Plan is an unincorporated association which commenced operations on October 28, 1968. The DE FAIR Plan was established by insurers in accordance with the provisions in the Delaware Fair Plan Act (56 Delaware Laws, Chapter 468 Section 2, effective November 1, 1969, as amended), now known as 18 *Del. C.* §4106, for the purpose of making basic property insurance available to those persons who have an insurable interest in real or tangible personal property located in the State of Delaware, and who have been unable to secure such insurance from the voluntary insurance market.

The Facility is organized as an unincorporated association. The association is made up of "Member Companies," which are all property and casualty insurers authorized or engaged in writing property insurance within the State of Delaware. Each of the member companies participates in the Facility writings, profits and losses in a particular year based upon the same

proportions that its respective premiums writings in the second preceding calendar year bear to the total premiums written by all members during said second preceding year.

Capitalization

As of December 31, 2023, the Facility reported \$942,426 in policyholder surplus. They are an assigned risk insurer which does not have a minimum capital and surplus requirement. If they need additional capital, DE FAIR Plan assesses Member Companies for amounts sufficient to meet its claim obligations and operating capital needs as determined by management, the Accounting Finance Committee and as approved by the DE FAIR Plan Board of Directors (Board).

The Facility is an association and has no formal stock certificate ownership. Voting ownership is determined by premium written in the state.

No dividends were paid. Members are assessed for losses. During the examination period, the Facility had assessed its members \$1,479,241 for losses in 2021 and \$447,650 for losses in 2019.

MANAGEMENT AND CONTROL

Pursuant to, and as implemented by the Facility's Constitution, all corporate powers and its business property and affairs are managed by, or under the direction of, its Board. The Board shall consist of eleven members. The Board as of December 31, 2023, was comprised of eleven members, each elected or appointed in accordance with the Facility's constitution. Each Director shall hold their office until his successor is elected and qualified, or until resignation or removal.

Directors

The Board is duly elected in accordance with the Facility's bylaws and a listing of members serving as of the period ending December 31, 2023 is as follows:

Director (Member Representative)

Insurance Carrier (Board Member)

Christine Knudson-Miner

Allstate Insurance Company

Brad A. Ryan

Nationwide Insurance Company

Jaynine Warner (Chair)

The Travelers Companies, Inc.,

Diana Matalka

American Modern Insurance Company

Nicole Sportiello

Liberty Mutual Insurance Company

Rebecca Basak

USAA, Residual Markets

Marcus W. Ferguson

The Hartford Financial Services Group, Inc.

Dave Sponic (Vice Chair)

Donegal Insurance Companies

Thomas Hyman

Chubb Group

Angela Clark

State Farm Insurance Company

Catherine B. Quinn

Farmers Insurance

The bylaws of the Facility state the principal officers shall be a President and such officers or assistant officers or agents for the Board may vary from time to time.

Officers

As of December 31, 2023, the Facility's principal officer and their respective titles are as follows:

<u>Name</u>	<u>Title</u>
Susan A. Erney-Gleason	President and Secretary
Joseph L. Budka	Accounting Manager
Marybeth Baxter	Director of Operations

Committees

The Board has five standing committees:

Executive/Finance/Audit
Accounting/Investment/Statistical
Claims
Underwriting
Nominating

Corporate Records

The minutes of the meetings of the Board, which were held during the period of the examination were reviewed and determined to be in accordance with the Facility's bylaws. The attendance at such meetings, the elections of directors and officers and the approval of general transactions and operations were reviewed and noted. In addition, review of Facility files indicated that written correspondence was submitted to the Department with regard to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

Inspection of the Facility's files indicated that the Conflict of Interest Statement and the Ethics Code were distributed, completed and returned during the examination period.

Insurance Holding Facility System

The Facility is not a member of an insurance holding company system as defined in 18 *Del. C.* §5001 (4) "Insurance Holding Company System".

The PA FAIR Plan and DE FAIR Plan are legally separated single-state governmentally mandated insurers that are considered related parties based on the provisions of Statements of Statutory Accounting Pronouncements (SSAP) 25, Sections 3-4, as they are considered to be affiliates since they are under common control and share the same personnel, who essentially operate under the same policies and procedures. The examiners noted that while there are shared

personnel who perform their respective duties for each FAIR Plan, there are times when they must follow the individual policies of each FAIR Plan.

Agreements with Affiliates

Service Agreement

The DE FAIR Plan has an administrative services agreement with the PA FAIR Plan. The agreement essentially states that the PA FAIR Plan is responsible for the operations of all three FAIR Plans and will distribute expenses as follows:

- Direct expenses incurred for the benefit of a particular state will be charged to the benefiting state.
- Unallocated claim costs will be divided among each FAIR Plan in the ratio in which the number of individual claims of each FAIR Plan bears to the total number of claims of all FAIR Plans.
- All other expenses will be apportioned among the FAIR Plans on a pro rata basis in which the total annual number of policies issued by all FAIR Plans are multiplied by the ratio of policies issued for each individual FAIR Plan by the total annual number of policies issued by all FAIR Plans.

TERRITORY AND PLAN OF OPERATION

The DE FAIR Plan writes basic property (fire) insurance with allied lines coverage (i.e., vandalism and malicious mischief for residential and commercial) that may be purchased in conjunction with a fire policy. The DE FAIR Plan is only licensed and allowed to write business in the State of Delaware. The DE FAIR Plan does not provide liability coverage. During the exam period Facilities maximum underwriting limits were \$500,000, for occupied dwelling properties. The maximum underwriting limits for commercial properties were \$750,000.

As of December 31, 2023, the Facility reported direct written premiums in the amount of \$535,739. All business is written in Delaware. Distributions by line of business were as follows:

<u>Lines of Business</u>	<u>Premiums</u>	<u>Percentage of Total</u>
Fire	\$ 272,354	50.8%
Allied lines	263,385	49.2%
Total	<u>\$ 535,739</u>	<u>100.0%</u>

Membership

Each insurer, which is authorized to write and is engaged in writing, within the State of Delaware on a direct basis, basic property insurance or any companies thereof contained in a multiple peril policy shall be a member of the Facility. Other insurers may become members, provided they are eligible insurers. During the exam period, the Facility approved assessments in 2019 and 2021 in the amounts of \$447,650 and \$1,479,241 respectively. These amounts have been charged directly to members' deficit. The assessment receivable from Member Companies was \$0 as of December 31, 2023.

REINSURANCE

The DE FAIR Plan has no reinsurance.

FINANCIAL STATEMENTS

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

- Statement of Assets and Liabilities as of December 31, 2023
- Statement of Operations for the year ended December 31, 2023
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2019 to December 31, 2023

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Statement of Assets
As of December 31, 2023

	<u>Ledger Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>	<u>Note</u>
Cash	\$ 319,761	\$ -	\$ 319,761	1
Cash equivalents	1,216,415	-	1,216,415	1
Uncollected premiums and agents' balances	3,975	789	3,186	
Prepaid Pension	112,095	112,095	-	
Aggregate write-ins for other invested assets	-	-	-	
Total Assets	<u>\$ 1,652,246</u>	<u>\$ 112,884</u>	<u>\$ 1,539,362</u>	

Liabilities, Surplus and Other Funds
As of December 31, 2023

		Note
Losses	\$ 12,500	2
Loss adjustment expense	3,840	
Other expenses	26,031	
Taxes, Licenses and Fees	1,469	
Unearned premium	275,972	
Advanced premium	20,328	
Amounts withheld or retained by company for account for others	10,547	
Drafts outstanding	4,095	
Aggregate write-ins for liabilities	242,154	
Total Liabilities excluding Separate Accounts business	\$ 596,936	
Total Liabilities	\$ 596,936	
Common capital stock	\$ -	
Gross paid in and contributed surplus	-	
Unassigned funds (surplus)	942,426	
Total Surplus	\$ 942,426	
Totals	942,426	
Totals of Liabilities & Surplus	\$ 1,539,362	

Summary of Income
For the Year Ended December 31, 2023

Premiums earned	\$	<u>496,333</u>
Losses incurred	\$	119,518
Loss adjustment expense incurred		68,102
Other underwriting expenses incurred		<u>353,054</u>
Total Underwriting deductions	\$	<u>540,674</u>
Net underwriting gain or (loss)	\$	<u>(44,341)</u>
Net investment income earned	\$	24,021
Net realized capital gains		<u>-</u>
Net investment gain (loss)	\$	<u>24,021</u>
Net gain (loss) from agents or premium balances charged off		-
Aggregate write-ins for miscellaneous income		<u>8</u>
Total other income	\$	<u>8</u>
Net income, before dividends to policyholder, after capital gains or before taxes	\$	(20,312)
Dividend to policyholders		<u>-</u>
Net income, before dividends to policyholder, after capital gains or before taxes	\$	(20,312)
Federal and foreign income taxes incurred		<u>-</u>
Net Income	\$	<u><u>(20,312)</u></u>

Capital and Surplus Account
As of December 31, 2023

Surplus as regards to policyholders; December 31, 2022	\$ 957,952
Net income	(20,312)
Change in nonadmitted assets	(112,704)
Aggregate write-ins for gain and losses in surplus	117,492
Change in surplus as regards to policyholders for the year	<u>\$ (15,524)</u>
Capital and surplus; December 31, 2023	<u><u>\$ 942,428</u></u>

Reconciliation of Capital and Surplus
For the Period from the Prior Examination
December 31, 2019 to December 31, 2023

	Operations	Member assesments	Refunds/ assessment chargoﬀs	Unassigned Funds
1/1/2019	\$ 78,760			\$ 78,760
12/31/2019 Operations (1)	(100,167)			(100,167)
12/31/2019 Assessments		447,650		447,650
12/31/2019 Refunds/assessment chargoﬀs			(619)	(619)
12/31/2020 Operations (1)	(565,151)			(565,151)
12/31/2020 Assesments				
12/31/2020 Refunds/assessment chargoﬀs				
12/31/2021 Operations (1)	(265,798)			(265,798)
12/31/2021 Assessments		1,479,241		1,479,241
12/31/2021 Refunds/assessment chargoﬀs			(271)	(271)
12/31/2022 Operations (1)	(115,696)			(115,696)
12/31/2022 Refunds/assessment chargoﬀs				
12/31/2022 Assessments				
12/31/2023 Operations (1)	(15,523)			(15,523)
12/31/2023 Refunds/assessment chargoﬀs				
12/31/2023 Assessments				
12/31/2023 Total	<u>\$ (983,575)</u>	<u>\$ 1,926,891</u>	<u>\$ (890)</u>	<u>\$ 942,426</u>

(1) - Defined as Net income or loss, Change in non admitted assets, Change in pension liability and Change in accounting principle.

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 – Cash	\$ 319,761
Cash Equivalent	\$1,216,415

All invested assets are maintained in cash or cash equivalent assets. As of December 31, 2023, cash was reported in the amount of \$319,761. Cash Equivalents was comprised of one money market fund in the amount of \$1,216,415.

Note 2 – Losses	\$ 12,500
Loss Adjustment Expense	\$ 3,840

The examination liabilities for the aforementioned captioned items are the same as those balances reported by the Facility as of December 31, 2023. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with General Accepted Actuarial Principles and Statutory Accounting Principles, including NAIC *Accounting Practices and Procedures Manual*, SSAP No. 55.

SUBSEQUENT EVENTS

There were no significant subsequent noted during the exam period.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no recommendations contained in the prior examination report issued by the Department as of December 31, 2023.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

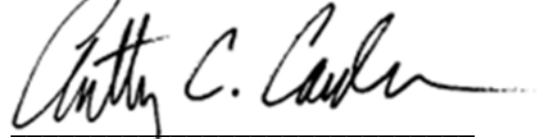
CONCLUSION

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the Facility's outside audit firm, Mazars, and the Facility's management and staff was appreciated and is acknowledged.

Respectfully submitted,



Albert M. Piccoli, Sr., CFE, ACI
Examiner In-Charge
State of Delaware



Anthony Cardone, CPA, CFE
Supervising Examiner
State of Delaware

Insurance Placement Facility of Delaware

I, Albert M. Piccoli, Sr., hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Certification No. 24.041.



Albert M. Piccoli, Sr., CFE