REPORT OF EXAMINATION

OF THE

PACIFIC PROPERTY AND CASUALTY COMPANY

AS OF

DECEMBER 31, 2020

Insurance Commissioner

FILED on June 13, 2022

TABLE OF CONTENTS

Los Angeles, California
May 10, 2022

Honorable Ricardo Lara
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

PACIFIC PROPERTY AND CASUALTY COMPANY

(hereinafter also referred to as the Company). The Company's statutory home office is located at 818 West Seventh Street, Suite 930, Los Angeles, California 90017. The Company's main administrative office is located at 1949 East Sunshine, Springfield, Missouri 65899.

SCOPE OF EXAMINATION

We have performed our single-state examination of the Company. The previous examination of the Company was as of December 31, 2015. This examination covered the period from January 1, 2016 through December 31, 2020.

The examination was conducted in accordance with the National Association of Insurance Commissioners *Financial Condition Examiners Handbook (Handbook)*. The Handbook requires the planning and performance of the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks, 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 findings of fact and general information about the Company and its financial condition. There might be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), were not included within the examination report but separately communicated to other regulators and/or the Company.

This was a coordinated examination with Texas as the lead state of the American National Financial Group. It was conducted concurrently with other insurance entities in the holding company group. The following states participated on the examination: Missouri (as the facilitating state of the property and casualty subgroup), Louisiana, New York, and Texas.

COMPANY HISTORY

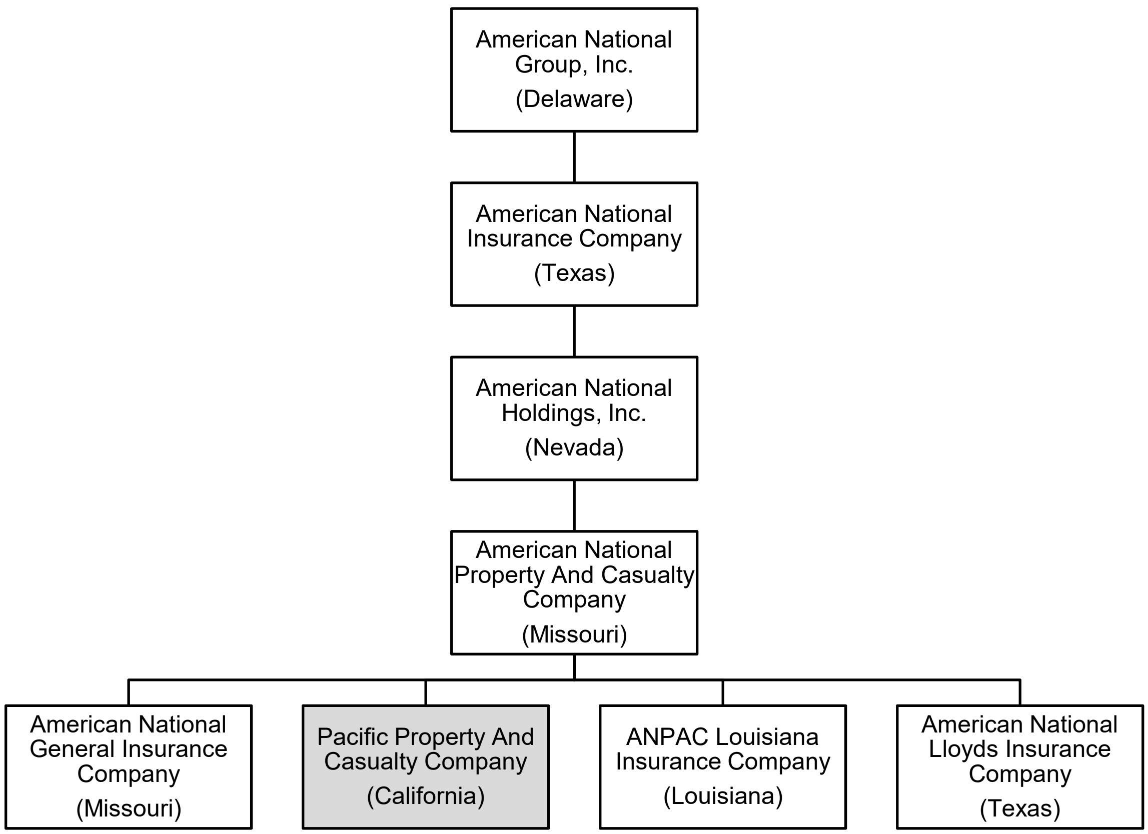
The Company was incorporated in California on December 28, 1995 for the purpose of writing California property and casualty business. It commenced business on October 1, 2000.

Capitalization

As of December 31, 2020, the Company had common stock of 25,000 shares authorized, issued and outstanding with a par value of $104 per share. All outstanding shares of the Company are owned by American National Property and Casualty Company.

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system of which the ultimate controlling entity is American National Group, Inc., a Delaware domiciled corporation. The Company is a wholly-owned subsidiary of American National Property And Casualty Company, a Missouri domiciled insurance company. Following is an abridged organizational chart. All ownership is 100%.



The ten members of the board of directors, who are elected annually, manage the business and affairs of the Company. Following are members of the board and principal officers of the Company serving at December 31, 2020:

Directors

Name and Location	Principal Business Affiliation
Michele M. Bartkowski East Greenbush, New York	Senior Vice President, Finance American National Property and Casualty Company (ANPAC) and its insurance subsidiaries
James L. Flinn Springfield, Missouri	Senior Vice President and Chief Risk Officer, Property and Casualty (P&C) Actuarial ANPAC and its insurance subsidiaries
John Y. McCaskill Nixa, Missouri	Senior Vice President, P&C Underwriting ANPAC and its insurance subsidiaries
Melissa G. McGrath Berne, New York	Vice President, P&C Compliance ANPAC and its insurance subsidiaries
Jeffrey A. Mills Springfield, Missouri	Executive Vice President, Chief P&C Claims Officer ANPAC and its insurance subsidiaries
Matthew R. Ostiguy East Greenbush, New York	Executive Vice President, P&C Chief Operating Officer ANPAC and its insurance subsidiaries
Stuart M. Paulson Nixa, Missouri	Senior Vice President, P&C Claims ANPAC and its insurance subsidiaries
John F. Simon League City, Texas	Executive Vice President and Chief Life and Annuity Actuary American National Insurance Company and its insurance subsidiaries
Shannon L. Smith Springfield, Missouri	Executive Vice President, Chief Agencies Officer, Multiple Line ANPAC and its insurance subsidiaries
Timothy A. Walsh Friendswood, Texas	President and Chief Executive Officer ANPAC and its insurance subsidiaries

Principal Officers

Name	Title
Timothy A. Walsh	Chairman, President, and Chief Executive Officer
Johnny D. Johnson	Executive Vice President, Corporate Business Process Officer, and Chief Information Officer
Jeffery A. Mills	Executive Vice President and Chief P&C Claims Officer
Mathew R. Ostiguy	Executive Vice President and P&C Chief Operating Officer
James W. Pangburn	Executive Vice President, Specialty Markets Sales and Marketing
Shannon L. Smith	Executive Vice President and Chief Agencies Officer, Multiple Line
James P. Stelling	Executive Vice President, Health and Specialty Markets Operations
Dwain A. Akins	Senior Vice President and Chief Corporate Compliance Officer
Michele M. Bartkowski	Senior Vice President, Finance
Scott F. Brast	Senior Vice President and Chief Mortgage Loan and Real Estate Investment Officer
Brian N. Bright	Senior Vice President, Computing Services
Scott C. Campbell	Senior Vice President and Chief Client Officer
James L. Flinn	Senior Vice President and Chief Risk Officer, P&C Actuarial
Bernard S. Gerwel	Senior Vice President and Chief Innovation Officer
Joseph S. Highbarger	Senior Vice President, P&C Actuarial
Deborah K. Janson	Senior Vice President, Corporate Office and Chief Business Planning Officer
Anne M. LeMire	Senior Vice President and Chief Securities Investment Officer
Bruce M. LePard	Senior Vice President and Chief Human Resources Officer
John Y. McCaskill	Senior Vice President, P&C Underwriting
Meredith M. Mitchell	Senior Vice President and Deputy Chief Information Officer
Michael S. Nimmons	Senior Vice President, Internal Audit Services
Stuart M. Paulson	Senior Vice President, P&C Claims

Name	Title
Patrick A. Smith	Senior Vice President, Multiple Line Agencies Field Operations
John M. Flippin	Vice President and Corporate Secretary
Michelle A. Gage	Vice President, Controller and Chief Financial Officer

Management Agreements

Service Agreement: Effective January 31, 1996, and amended on April 20, 1999 and January 31, 2001, the Company is a party to a Service Agreement with its parent, American National Property and Casualty Company (ANPAC). Under the terms of the agreement, ANPAC provides a broad range of services and the use of the facilities. The reimbursement for accounting services is on actual cost, while reimbursement for all other facilities and services is on a cost allocation basis. Amounts due to ANPAC are within thirty days of the end of each quarter. This agreement, as amended, was approved by the California Department of Insurance (CDI) on September 27, 2005. For 2016, 2017, 2018, 2019, and 2020 fees paid by the Company under this agreement were $7,029,837, $7,837,612, $6,572,443, $14,037,493, and $15,309,856, respectively.

Cash Management Agreement: Effective January 1, 2016, and amended on July 1, 2016, the Company is a party to a Cash Management Agreement with ANPAC and Farm Family Casualty Insurance Company (FFCIC). The purpose of the agreement is to centralize cash management for efficiency and timely processing of each participant's respective premium receipts and refunds, and is managed by ANPAC and FFCIC. Each participant's share of the charges is paid at cost within thirty days after month-end. This agreement was approved by the CDI on February 2, 2016, and the amendment was approved on September 14, 2016. The amounts paid by the Company for 2016, 2017, 2018, 2019, and 2020 were $11,269, $13,851, $14,035, $12,742, and $0, respectively.

Services and Expense Sharing Agreement: Effective April 4, 2018, the Company entered into a Services and Expense Sharing Agreement with its ultimate parent, American National Insurance Company (ANICO). ANICO provides general policy administration services, information technology services, accounting services, actuarial services, and other services. The services are provided either directly by ANICO or by third parties, affiliated and unaffiliated. The Company reimburses ANICO on a cost allocation basis within thirty days of the end of each month. This agreement was approved by the CDI on February 2, 2018. The amounts paid by the Company for 2018, 2019, and 2020 were $30,715, $2,204,289, and $1,939,965, respectively.

Assignment and Assumption of Tax Sharing Agreement: Effective January 1, 2020, the Company is a party to an Assignment and Assumption of Tax Sharing Agreement with the ultimate parent, American National Group, Inc. Allocation of taxes is based upon separate return calculations, with intercompany tax balances payable or receivable being settled in the amounts equal to the amounts which would be due to or from federal taxing authorities as if separate returns were filed. All payments due are settled no later than September 30th of each calendar year. This agreement was approved by the CDI on November 9, 2020. The Federal Income Tax paid/(recovered) by the Company for 2016, 2017, 2018, 2019, and 2020 were $565,668, ($209,602), ($28,829), ($654,597), and ($181,452), respectively.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2020, the Company was licensed to transact multiple lines of property and casualty insurance in California. In 2020, the Company wrote $68.0 million of direct premiums. The principal lines of business written were private and commercial automobile liability at $23.9 million (35.1%), automobile physical damage at $17.6 million (25.9%), and homeowners and commercial multiple peril at $19.5 million (28.6%). The remainder of direct premiums written totaled $7.0 million (10.3%), and was composed of allied lines, other liability, fire, inland marine, earthquake, and products liability. The Company offers its products and services through the American National Financial Group’s distribution force, using exclusive and/or independent agents.

REINSURANCE

Assumed

The Company has no reinsurance assumed.

Ceded

The following is a summary of the principal ceded reinsurance treaties in-force as of December 31, 2020 with coverages that only apply to the Company for its lines of business written:

Line of Business and Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Limit
Builders Risk Quota Share Reinsruance Contract			
Quota Share	Lloyd's Syndicate (100.0%)	No retention	100% of the loss under policies issued by WNC Insurance Services, Inc. and classified as Construction All Risk business
Excess Multiple Line Reinsurance Contract			
Excess of loss - First Layer	Various authorized reinsurers led by Swiss Reinsurance America Corporation (100.0%)	Coverage A – Property Business: $1.5 million Coverage B – Casualty Business: $1.5 million Coverage C – Pollution Liability Business: $1.5 million Coverage D – Any combination of two or more coverages above: $1.5 million	Coverage A: $4.5 million in excess $1.5 million, not to exceed $9 million, per occurrence Coverage B: $4.5 million in excess of $1.5 million, not to exceed $ 5.5 million, per occurrence Coverage C: $4.5 million in excess of $1.5 million per policy per occurrence Coverage D: $4.5 million in excess of $1.5 million, not to exceed $ 5.5 million, per occurrence Toxic Mold: $4.5 million maximum

Line of Business and Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Limit
Excess Casualty Reinsurance Contract			
Excess of Loss - First Layer	Various authorized, certified, and unauthorized reinsurers led by Lloyd's Syndicate (100.0%)	$6 million of ultimate net loss on casualty and pollution liability business	$6 million in excess of $6 million per occurrence, not to exceed $12 million per term of the contract
Excess of Loss - Second Layer	Various authorized, certified, and unauthorized reinsurers led by Lloyd's Syndicate (100.0%)	$12 million of ultimate net loss on casualty and pollution liability business	$13 million in excess of $12 million per occurrence, not to exceed $26 million per term of the contract
Excess of Loss - Third Layer	Various authorized, certified, and unauthorized reinsurers led by Lloyd's Syndicate (100.0%)	$25 million of ultimate net loss on casualty and pollution liability business	$20 million in excess of $25 million per occurrence, not to exceed $40 million per term of the contract
Excess of Loss - Fourth Layer	Various authorized, certified, and unauthorized reinsurers led by Lloyd's Syndicate (100.0%)	$45 million of ultimate net loss on casualty and pollution liability business	$15 million in excess of $45 million per occurrence, not to exceed $30 million per term of the contract
Excess Per Risk Reinsurance Contract			
Excess of loss	Various authorized and unauthorized reinsurers led by Lloyd's Syndicate (100.0%)	$6 million of ultimate net loss on property business	$14 million in excess of $6 million per loss occurrence, or $49 million aggregate limit, and $14 million limit from the losses arising from acts of terrorism and toxic mold
Property Catastrophe Excess Reinsurance Contract *			
Excess of Loss	Various authorized, certified, and unauthorized reinsurers led by Lloyd's Syndicate (20.0%)	$17.5 million of ultimate net loss on property business	$482.5 million in excess of $17.5 million per loss occurrence, with $482.5 million limit per occurrence

Line of Business and Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Limit
Excess of Loss	Various authorized, certified, and unauthorized reinsurers led by Lloyd's Syndicate (37.5%)	$35 million of ultimate net loss on property business	$465 million in excess of $35 million per loss occurrence, with $465 million limit per occurrence
Excess of Loss - First Layer	Various authorized, certified, and unauthorized reinsurers led by Lloyd's Syndicate (80.0%)	$25 million of ultimate net loss on property business	$10 million in excess of $25 million per occurrence, not to exceed $20 million per term of the contract
Excess of Loss - Second Layer	Various authorized, certified, and unauthorized reinsurers led by Lloyd's Syndicate (37.5%)	$35 million of ultimate net loss on property business	$65 million in excess of $35 million per occurrence, not to exceed $130 million per term of the contract
Excess of Loss - Third Layer	Various authorized, certified, and unauthorized reinsurers led by Lloyd's Syndicate (37.5%)	$100 million of ultimate net loss on property business	$100 million in excess of $100 million per occurrence, not to exceed $200 million per term of the contract
Excess of Loss - Fourth Layer	Various authorized, certified, and unauthorized reinsurers led by Lloyd's Syndicate (37.5%)	$200 million of ultimate net loss on property business	$300 million in excess of $200 million per occurrence, not to exceed $600 million per term of the contract
Aggregate Property Catastrophe Excess Reinsurance Contract *			
Excess of Loss	Various authorized and unauthorized reinsurers led by Lloyd's Syndicate (100.0%)	$104 million of ultimate net loss on property business	$30 million in excess of $104 million per occurrence, not to exceed $30 million per term of the contract
Second and Third Event Property Catastrophe Excess Reinsurance Contract *			

Line of Business and Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Limit
Excess of Loss	Various authorized and unauthorized reinsurers led by Allied World Assurance Company, Ltd (100.0%)	$10 million of ultimate net loss on property business	$15 million in excess of $10 million per occurrence and in excess of $13.5 million aggregate retention, not to exceed $15 million per term of the contract

*The Company, together with some of its affiliates, purchases external reinsurance to manage catastrophe and other exposures on a combined basis, whereby the participating companies share limits and retentions. The reinsurance program is placed through reinsurance intermediary, Aon Benfield, Inc.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the California Department of Insurance and present the financial condition of the Company for the period ending December 31, 2020. The accompanying comments on the amounts reported in the annual statements and should be considered an integral part of the financial statements. There were no adjustments made to the financial statements as a result of the examination.

Statement of Financial Condition as of December 31, 2020

Underwriting and Investment Exhibit for the Year Ended December 31, 2020

Reconciliation of Surplus as Regards Policyholders from December 31, 2015 through December 31, 2020

Statement of Financial Condition
as of December 31, 2020

Assets	Ledger and Nonledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$ 81,218,810	$	$ 81,218,810	
Cash and cash equivalents	16,719,454		16,719,454	
Investment income due and accrued	921,810		921,810	
Uncollected premiums and agents' balances in the course of collection	38,820	19	38,801	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	10,837,998		10,837,998	
Amounts recoverable from reinsurers	16,448		16,448	
Current federal and foreign income tax recoverable and interest thereon	199,124	199,124		
Receivables from parent, subsidiaries and affiliates	60,316		60,316	
Aggregate write-ins for other than invested assets	285,357		285,357	
Total assets	$ 110,298,136	$ 199,143	$ 110,098,993	

Liabilities, Surplus and Other Funds			Notes
Losses		$ 31,079,573	(1)
Loss adjustment expenses		6,843,322	(1)
Commissions payable, contingent commissions and other similar charges		897,945	
Other expenses		17,933	
Taxes, licenses and fees		140,481	
Unearned premiums (after deducting unearned premiums for ceded reinsurance of $81,857)		25,190,598	
Advance premiums		683,310	
Ceded reinsurance premiums payable		8,880	
Remittances and items not allocated		33,908	
Payable to parent, subsidiaries and affiliates		1,811,193	
Aggregate write-ins for liabilities		428,396	
Total liabilities		67,135,540	
Common capital stock	$ 2,600,000		
Gross paid-in and contributed surplus	7,400,000		
Unassigned funds (surplus)	32,963,453		
Surplus as regards policyholders		42,963,453	
Total liabilities, surplus and other funds		$ 110,098,993	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2020

Statement of Income

Underwriting Income		
Premiums earned		$ 64,642,919
Deductions:		
Losses incurred	$ 43,115,559	
Loss adjustment expenses incurred	$ 5,723,863	
Other underwriting expenses incurred	15,670,378	
Total underwriting deductions		64,509,800
Net underwriting gain		133,118
Investment Income		
Net investment income earned	$ 2,924,573	
Net realized capital loss less capital gain tax of $27,768	(16,453)	
Net investment gain		2,908,120
Other Income		
Net loss from agents' or premium balances charged off (amount recovered $44,618 amount charged off $141,902)	$ (97,284)	
Finance and service charges not included in premiums	30,295	
Total other loss		(66,989)
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		2,974,250
Federal and foreign income taxes incurred		578,460
Net income		$ 2,395,790

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2019		40,846,480
Net income	$ 2,395,790	
Change in net unrealized capital losses	(79,674)	
Change in nonadmitted assets	(199,143)	
Change in surplus as regards policyholders for the year		2,116,973
Surplus as regards policyholders, December 31, 2020		$ 42,963,453

Reconciliation of Surplus as Regards Policyholders from December 31, 2015 through December 31, 2020

	Gain in Surplus	Loss in Surplus	
Surplus as regards policyholders, December 31, 2015			$ 43,182,638
Net income	$ 1,390,737	$	
Change in net unrealized capital losses		79,674	
Change in net deferred income tax		1,331,313	
Change in nonadmitted assets		198,822	
Aggregate write-ins for gains and losses in surplus		113	
Total gains and losses	$ 1,390,737	$ 1,609,922	
Net decrease in surplus as regards policyholders			(219,185)
Surplus as regards policyholders, December 31, 2020			$ 42,963,453

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Losses and Loss Adjustment Expenses

Based on an analysis by a Casualty Actuary from the California Department of Insurance, the Company's loss and loss adjustment expense reserves as of December 31, 2020 were found to be reasonably stated and have been accepted for purposes of this examination.

SUBSEQUENT EVENTS

On August 6, 2021, Freestone Merger Sub Inc. (Freestone), an indirect wholly-owned subsidiary of Brookfield Asset Management Reinsurance Partners Ltd. (BAM Re), entered into an Agreement and Plan of Merger (Merger) with American National Group, Inc. (AN Group). Pursuant to this agreement, Freestone will merge with and into AN Group, with AN Group being the surviving entity. Following the consummation of the Merger, BAM Re will indirectly own 100% of the issued and outstanding shares of capital stock of AN Group and its subsidiaries, including the Company.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

None.

Previous Report of Examination

Management and Control – Management Agreement (Page 6): It was recommended that the Company enter into a service agreement with American National Insurance Company and submit it to the California Department of insurance for approval in accordance with California Insurance Code Section 1215.5(b)(4). The Company complied with the recommendation.

ACKNOWLEDGMENT

Acknowledgment is made of the cooperation and assistance extended by the Company's officers and employees during the course of this examination.

Respectfully submitted,

Coria, Eric Digitally signed by Coria, Eric
Date: 2022.06.09 11:08:14 -07'00'

Eric Coria
Examiner-In-Charge
Associate Insurance Examiner
Department of Insurance
State of California

Asuncion, Grace Digitally signed by Asuncion, Grace
Date: 2022.06.09 12:07:06 -07'00'

Grace Asuncion, CFE
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California