

REPORT OF EXAMINATION
OF THE
GEOVERA INSURANCE COMPANY
AS OF
DECEMBER 31, 2022

A handwritten signature in blue ink, appearing to read 'D. DeLa...' with a stylized flourish at the end.

Filed on February 21, 2024

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Oakland, California
February 8, 2024

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

GEOVERA INSURANCE COMPANY

(hereinafter also referred to as the Company). The Company's home office is located at 4605 Business Center Drive, Suite 300, Fairfield, California 94534.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2018. This examination covered the period from January 1, 2019 through December 31, 2022.

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 includes 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 an adjustment was identified during the course of the

examination, the impact of such adjustment would 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 whereby California was the lead state of the GeoVera Holdings Inc. Group (the Group). The examination was conducted concurrently with Coastal Select Insurance Company (California) and GeoVera Specialty Insurance Company (Delaware) in the GeoVera holding company system. The Delaware Department of Insurance participated on this coordinated examination.

COMPANY HISTORY

Capitalization

The Company is authorized to issue 100,000 shares of common stock with a par value of \$100 per share. As of December 31, 2022, there were 50,000 shares issued and outstanding.

Dividends

The Company paid the following ordinary cash dividends to its parent, GeoVera Holdings, Inc.:

Distribution Date	Amount of Dividend
April 5, 2019	\$2,115,360
March 21, 2022	\$2,396,814
December 22, 2023	\$8,941,095

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system of which private equity investor Flexpoint Fund II (Cayman), L.P. is the ultimate controlling entity. The following abridged organizational chart depicts the Company's interrelationship within the holding company system at December 31, 2022 (all ownership is 100% unless otherwise indicated):

- Flexpoint Fund II, (Cayman) L.P. (Cayman Islands) [75.0%]
- New Capital Partners II – GV, L.P. (Cayman Islands) [9.5%]
- AXA XL Reinsurance, Ltd. (Bermuda) [9.5%]
- Members of GeoVera Insurance Holdings, Ltd. Senior Management [6.0%]
 - GeoVera Investment Group, Ltd. (Cayman Islands)
 - GeoVera Insurance Holdings, Ltd. (Bermuda)
 - GeoVera UK Holdings, Ltd. (United Kingdom)
 - GeoVera (Bermuda) Holdings, Ltd. (Bermuda)
 - GeoVera Reinsurance, Ltd. (Cayman Islands)
 - GeoVera Holdings, Inc. (Delaware)
 - GeoVera Advantage Insurance Services, Inc. (Delaware)
 - GeoVera Specialty Insurance Company (Delaware)
 - GeoVera Insurance Company (California)**
 - Coastal Select Insurance Company (California)
 - 1455 Oliver Road LLC (California)

Management and control of the Company is currently vested in a four-member board of directors, elected annually. As of December 31, 2022, the directors and principal officers were as follows:

Board of Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Lori A. Gomez Rohnert Park, California	Vice President Customer Care GeoVera Specialty Insurance Company, GeoVera Insurance Company, and Coastal Select Insurance Company

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Robert B. Hagedorn Davis, California	Vice President, General Counsel, and Assistant Secretary GeoVera Specialty Insurance Company, GeoVera Insurance Company, and Coastal Select Insurance Company
Vida D. Loya Fairfield, California	Accounting Director GeoVera Specialty Insurance Company, GeoVera Insurance Company, and Coastal Select Insurance Company
Deepak Menon* Sonoma, California	Chief Operating Officer GeoVera Specialty Insurance Company, GeoVera Insurance Company, Coastal Select Insurance Company

Principal Officers

<u>Name</u>	<u>Title</u>
John L. Forney Brain T. Sheekey	President and Chief Executive Officer Senior Vice President and Chief Financial Officer
Robert B. Hagedorn	Vice President, General Counsel, and Secretary
Nesrin I. Basoz	Chief Underwriting Officer and Chief Risk Management Officer
Deepak Menon*	Chief Operating Officer

*On August 18, 2023, Deepak Menon separated from the Company and there is currently no plan to fill the Chief Operating Officer position. Effective October 20, 2023, Christopher Sanders was elected to the board of directors.

Management Agreements

Services Agreement: Effective November 1, 2005, the Company entered into a Services Agreement with its parent, GeoVera Holdings, Inc. (GHI), which was approved by the California Department of Insurance (CDI) on October 31, 2005 pursuant to California Insurance Code (CIC) Section 1215.5(b)(4). Under the terms of this Agreement, GHI provides financial reporting, tax compliance, treasury services, budget and cost

accounting, human resources, payroll, electronic fund transfer, investments, legal, office services, actuarial services, computer services, policy administration including claims administration, marketing and corporate affairs services, graphic arts, and other additional services to the Company as needed. As compensation for these services, the Company reimburses GHI at cost for all direct and allocable expenses and overhead expenses paid by GHI on behalf of the Company. The total fees incurred by the Company for services under this Agreement in 2019, 2020, 2021, and 2022 were \$15,858,666, \$15,172,740, \$11,029,786, and \$22,574,065, respectively.

Tax Sharing Agreement: The Company's federal income tax return is filed on a consolidated basis with its parent company, GHI, and the affiliates, Coastal Select Insurance Company (CSIC), GeoVera Specialty Insurance Company (GVSIC), and GeoVera Advantage Insurance Services, Inc. pursuant to a Tax Sharing Agreement, effective November 1, 2005, which was approved by the CDI on October 28, 2005 pursuant to CIC Section 1215.5(b)(4). Under this Agreement, GHI will prepare and file a consolidated federal income tax return on behalf of the participants. The annual tax liability of the participants to the Agreement is based on the participants' separate taxable income with credits for operating losses or other items used in the consolidated return. Each participant is required to pay its share of the consolidated tax liability to GHI no later than 40 days after the filing date of the consolidated federal income tax return. In the case of a refund, GHI shall make payment to each participant for its share of the refund within 10 days after the refund is received. The federal income tax paid by the Company in 2019, 2020, 2021, and 2022 were \$1,231,332, \$200,380, \$519,839, and \$1,167,145, respectively.

Operating Agreement: On January 31, 2014, 1455 Oliver Road LLC (a California limited liability company) was formed as a joint venture between the Company, CSIC, and GVSIC (hereinafter "the Companies") for the purpose of purchasing the office building located at 1455 Oliver Road, Fairfield, California as the Companies' new corporate headquarters. In conjunction with this transaction, the Companies also entered into an Operating Agreement on February 28, 2014, whereby CSIC is the manager of 1455 Oliver Road LLC. Effective March 21, 2014, the Companies entered into a Second Amended

Operating Agreement (Second Agreement) to reflect a revision to the ultimate purchase price of the property. This Second Agreement was approved by the CDI on May 6, 2015 pursuant to CIC Section 1215.5(b)(4). On August 5, 2015, an Addendum No. 1 was added to update the total capital contribution for the purchase and remodel of 1499 Oliver Road, Fairfield, California. On July 1, 2016, an Addendum No. 2 was added to reflect the transfer of GVIC and GSIC's membership interests in 1455 Oliver Road LLC to CSIC, thereby making CSIC the sole owner of the 1455 Oliver Road LLC. Addendum 1 and Addendum 2 was approved by the CDI on February 3, 2016 and September 22, 2016, respectively, pursuant to CIC Section 1215.5(b)(4). Subsequent to the examination period, on July 17, 2023, the Companies moved their corporate headquarters to a leased office space at 4605 Business Center Drive, Suite 300, Fairfield, CA 94534. As a result, the office building at 1455 Oliver Road, Fairfield, California is currently held for the production of rental income.

Services Agreement: Effective December 1, 2019, the Company entered into a Services Agreement with its affiliate, GeoVera Advantage Insurance Services, Inc. (GVAIS). Under the terms of this Agreement, GVAIS provides financial reporting, tax compliance, treasury services, budget and cost accounting, human resources, payroll, electronic fund transfer, legal, office services, actuarial services, computer services, policy administration including claims administration, marking and corporate affairs services, graphic arts, and other additional services to the Company as needed. As consideration for the services, the Company reimburses GVAIS the amount determined in accordance with appropriate time studies, activity counts, expense sharing, or other appropriate methods of allocation. The CDI issued a non-objected letter on March 11, 2020 pursuant to CIC Section 1215.5(b)(4). Starting 2021, the Company stopped writing business in Hawaii; therefore, no expense was incurred in 2022. The total fees incurred by the Company for services under this Agreement in 2019, 2020, and 2021, were \$61,850, \$253,600, and \$8,150, respectively.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2022, the Company is licensed to transact property and casualty insurance business in the District of Columbia and the following forty-two states:

Alabama	Alaska	Arizona	Arkansas
California	Colorado	Delaware	Hawaii
Idaho	Illinois	Indiana	Iowa
Kansas	Kentucky	Louisiana	Maine
Maryland	Massachusetts	Michigan	Minnesota
Mississippi	Missouri	Montana	Nebraska
Nevada	New Jersey	New Mexico	North Dakota
Oklahoma	Oregon	Pennsylvania	Rhode Island
South Carolina	South Dakota	Texas	Utah
Vermont	Virginia	Washington	West Virginia
Wisconsin	Wyoming		

During 2022, the Company primarily wrote earthquake line of business on an admitted basis with direct premiums written of \$95.3 million. The business was written in California (71.7%), Washington (22.4%), and Oregon (5.9%). The Company's business is distributed primarily through a network of independent brokers and agents with a small amount of business sold directly to individual policyholders through its customer service call center and website.

The Company has no employees. Its day-to-day operations are managed by GeoVera Holdings, Inc. and its employees in accordance with a services agreement. The Company's home office is located in Fairfield, California. There is a claims office in Jacksonville, Florida, and an office in Sheboygan, Wisconsin that provides information systems and programming support.

REINSURANCE

Intercompany Reinsurance Pooling Agreement

Effective December 31, 2017, the Company entered into a Third Amended and Restated Intercompany Pooling Agreement (Third Amended Pooling Agreement), with its affiliates,

Coastal Select Insurance Company (CSIC) and GeoVera Specialty Insurance Company (GVSIC). The Company is the pool leader. This Third Amended Pooling Agreement was approved by the California Department of Insurance (CDI) on December 27, 2017, pursuant to California Insurance Code (CIC) Section 1215.5(b)(3). Effective October 1, 2020, an Addendum No. 1 was added to the Third Amended Pooling Agreement to modify Article VII (Accounts: Disbursements) to be consistent with settlement provisions in a quota share agreement entered into with an affiliate located in Cayman Islands, GeoVera Reinsurance Ltd (GVR). The CDI approved the Addendum No. 1 on December 15, 2020 pursuant to the CIC Section 1011(c).

Under the terms of this Third Amended Pooling Agreement, CSIC and GVSIC cede 100% of their net retained liabilities to the Company after giving effect to the external reinsurance agreements and the quota share agreement with GVR. The Company then retrocedes to the participants a quota share of the adjusted net combined liability equal to their respective pool participation percentages as follows:

<u>Pool Member</u>	<u>State of Domicile</u>	<u>Pooling Percentage</u>
GeoVera Insurance Company (Pool Leader)	CA	36.5%
Coastal Select Insurance Company	CA	46.5%
GeoVera Specialty Insurance Company	DE	17.0%
		<u>100.0%</u>

Quota Share Reinsurance Agreement

The Company entered into a Quota Share Reinsurance Agreement (Agreement) with GeoVera Re Ltd. (GeoVera Bermuda) dated November 1, 2005. On March 1, 2014, the Agreement with GeoVera Bermuda was novated to an affiliate, GVR. In conjunction with the novation, the Company also entered into a Trust Agreement with Brown Brothers Harriman Trust Company, LLC (BBH Trust Company) as Trustees to secure the obligations of GVR with respect to the Agreement. Under the terms of the Agreement, the Company ceded a 60% quota share of its pre-pool business (net of external reinsurance) to GVR, and received a 32.75% ceding commission on the ceded business. The

Agreement and Trust Agreement were approved by the CDI on February 28, 2014 pursuant to CIC Section 1215.5(b)(3).

Effective January 23, 2019, GVR changed the method for securing its obligations under the Agreement from the trust account to funds held. The fair value of assets equal to the GVR's obligations as of December 31, 2018 was transferred to the funds held account of the Company. On May 14, 2019, the Trust Agreement entered into with GVR and BBH Trust Company was terminated.

Effective March 1, 2019, the Agreement was amended to increase the ceding commission from 32.75% to 34.0%. The amended Agreement was approved by the CDI on September 3, 2019 pursuant to CIC Section 1215.5(b)(3).

In addition, effective October 1, 2020, an Addendum No. 2 was added to the Agreement to decrease GVR's quota share participation from 60% to 50%. The CDI approved the Addendum No. 2 on December 15, 2020, pursuant to CIC Section 1011(c). Effective August 1, 2021, an Addendum No. 3 was added to the Agreement to amend Paragraph (g) of Article XXI – Exclusions of each agreement to accommodate terms in assumed treaty reinsurance contracts by deleting the 100% reinsurance percentage limitation, and thus removing any ambiguities in the current Agreement. The CDI issued a consent letter to the filed Addendum on June 29, 2022.

Assumed

The following is a summary of the Company's assumed reinsurance agreements as of December 31, 2022:

Type of Contract	Ceding Company	Ceding Company's Retention	Company's Limits
Commercial Earthquake Difference in Conditions Quota Share Reinsurance Contract	Palomar Excess and Surplus Insurance Company	None	100% of liability under the AHDIC Program and Agreement

Type of Contract	Ceding Company	Ceding Company's Retention	Company's Limits
Earthquake Quota Share Reinsurance Contract	Pacific Specialty Insurance Company, Pacific Specialty Property and Casualty Company, and its affiliated insurance companies	50% residential earthquake policies	50% residential earthquake policies
Earthquake Quota Share Reinsurance Contract	American Family Mutual Insurance Company, S.I. and its affiliated insurance companies: Homesite Insurance Company of California, Homesite Insurance Company of the Midwest, American Family Connect Property and Casualty Insurance Company, and American Family Connect Insurance Company	Coverage Section A – MGA Homesite: 70% of net liability Coverage Section B – MGA Connect: 70% of net liability Coverage Section C – MGA HUM: 25% of net liability	Coverage Section A – MGA Homesite: 30% of net liability Coverage Section B – MGA Connect: 30% of net liability Coverage Section C – MGA HUM: 75% of net liability
Hawaii Hurricane Quota Share Reinsurance Contract	Palomar Specialty Insurance Company	90% of liability under the Hawaii Hurricane Program of each loss occurrence	10% of liability under the Hawaii Hurricane Program of each loss occurrence
Earthquake Quota Share Reinsurance Agreement *	Continental Indemnity Company	55% of earthquake gross liability	45% of earthquake gross liability

*Effective August 1, 2021, the Company entered into the Earthquake Quota Share Reinsurance Agreement with Continental Indemnity Company (Continental). This agreement was placed in run-off after the Company was informed that Continental's rate filing was not approved by the California Department of Insurance. As a result, the Company stopped assuming business from Continental, effective January 2022. This Agreement expired on January 1, 2023.

Ceded

The following is a summary of the principal ceded reinsurance agreements in-force after the pooling as of December 31, 2022:

Type of Contract	Line(s) of Business	Reinsurer(s) and Participation	Company's Retention	Reinsurer's Limits
Catastrophe Excess of Loss (Earthquake only) First Layer	Personal lines (including risks modeled as residential property), property portion of commercial lines, and earthquake coverage	<u>Authorized:</u> Lloyd's Underwriters – Various (43.0%) Other reinsurers (9.0%) <u>Certified:</u> Arch Reinsurance Ltd. (25.0%) Hiscox Insurance Company (Bermuda) Limited (10.5%) <u>Unauthorized:</u> Chaucer Insurance Company DAC (Bermuda Branch) (5.0%) MS Amlin AG Bermuda Branch (7.5%)	\$5 million ultimate net loss each loss occurrence	\$20 million excess of \$5 million ultimate net loss each loss occurrence \$20 million in aggregate
Catastrophe Excess of Loss Second Layer (A)	Personal lines (including risks modeled as residential property), property portion of commercial lines, and earthquake coverage	<u>Authorized:</u> Markel Bermuda Limited (35.0%) Everest Reinsurance Company (10.0%) Lloyd's of London – Various (3.5%) Other reinsurers (8.75%) <u>Unauthorized:</u> Aeolus Re. Ltd. (42.0%) MS Amlin AG Bermuda Branch (1.5%)	\$25 million ultimate net loss each loss occurrence	\$25 million excess of \$25 million ultimate net loss each loss occurrence \$50 million in aggregate
Catastrophe Excess of Loss Second Layer (B)	Personal lines (including risks modeled as residential property), property portion of commercial lines, and earthquake coverage	<u>Authorized:</u> Markel Bermuda Limited (8.0%) Everest Reinsurance Company (10.0%) Hannover Rueck SE (10.0%) AXA XL Reinsurance Ltd. (10.0%) Lloyd's of London – Various (12.5%) Other reinsurers (15.0%) <u>Certified:</u> Chubb Tempest Reinsurance Ltd. (3.0%) DaVinci Reinsurance Ltd. (9.0%) Renaissance Reinsurance Ltd. (6.0%) <u>Unauthorized:</u> Aeolus Re. Ltd. (8.0%) Other reinsurers (8.5%)	\$50 million ultimate net loss each loss occurrence	\$75 million excess of \$50 million ultimate net loss each loss occurrence \$150 million in aggregate

Type of Contract	Line(s) of Business	Reinsurer(s) and Participation	Company's Retention	Reinsurer's Limits
Catastrophe Excess of Loss Third Layer	Personal lines (including risks modeled as residential property), property portion of commercial lines, and earthquake coverage	<u>Authorized:</u> Markel Bermuda Limited (5.0%) AXA XL Reinsurance Ltd. (10.0%) Hannover Rueck SE (10.0%) Lloyd's of London – Various (24.5%) Other reinsurers (18.25%) <u>Certified:</u> DaVinci Reinsurance Ltd. (6.60%) Renaissance Reinsurance Ltd. (4.40%) Chubb Tempest Reinsurance Ltd. (3.0%) Hiscox Insurance Company (Bermuda) Limited (3.0%) <u>Unauthorized:</u> MS Amlin AG Bermuda Branch (6.50%) Other reinsurers (8.75%)	\$125 million ultimate net loss each loss occurrence	\$175 million excess of \$125 million ultimate net loss each loss occurrence \$350 million in aggregate
Catastrophe Excess of Loss Third Layer – Additional Coverage	Personal lines (including risks modeled as residential property), property portion of commercial lines, and earthquake coverage	<u>Authorized:</u> Ariel Syndicate No. 1910 (100.0%)	\$175 million ultimate net loss each loss occurrence	\$5 million excess of \$175 million ultimate net loss each loss occurrence \$5 million in aggregate
Catastrophe Excess of Loss Fourth Layer	Personal lines (including risks modeled as residential property), property portion of commercial lines, and earthquake coverage	<u>Authorized:</u> Allianz Risk Transfer AG (Bermuda Branch) (10.0%) Transatlantic Reinsurance Company (5.880%) Swiss Reinsurance America Corporation (5.50%) AXA XL Reinsurance Ltd. (5.0%) Lloyd's of London – Various (28.0%) Other reinsurers (20.25%) <u>Certified:</u> Hiscox Insurance Company (Bermuda) Limited (3.0%) Other Reinsurers (2.50%) <u>Unauthorized:</u> MS Amlin AG Bermuda Branch (7.50%) Peak Reinsurance Company Limited (3.50%) Other reinsurers (8.87%)	\$300 million ultimate net loss each loss occurrence	\$200 million excess of \$300 million ultimate net loss each loss occurrence \$400 million in aggregate

Type of Contract	Line(s) of Business	Reinsurer(s) and Participation	Company's Retention	Reinsurer's Limits
Catastrophe Excess of Loss Fifth Layer	Personal lines (including risks modeled as residential property), property portion of commercial lines, and earthquake coverage	<u>Authorized:</u> Allianz Risk Transfer AG (Bermuda Branch) (5.0%) Everest Reinsurance Company (5.0%) Markel Bermuda Limited (10.0%) Transatlantic Reinsurance Company (9.875%) Lloyd's of London – Various (34.215%) Other reinsurers (20.910%) <u>Certified:</u> Hiscox Insurance Company (Bermuda) Limited (3.0%) DaVinci Reinsurance Ltd. (3.0%) Renaissance Reinsurance Ltd. (2.0%) <u>Unauthorized:</u> Korean Reinsurance Company (3.0%) Qatar Reinsurance Company (3.0%) Other reinsurers (1.0%)	\$25 million ultimate net loss each loss occurrence	\$50 million excess of \$25 million ultimate net loss each loss occurrence \$100 million in aggregate
Catastrophe Excess of Loss Sixth Layer	Personal lines (including risks modeled as residential property), property portion of commercial lines, and earthquake coverage	<u>Authorized:</u> Allianz Risk Transfer AG (Bermuda Branch) (5.0%) AXA XL Reinsurance Ltd. (5.0%) Everest Reinsurance Company (5.0%) Transatlantic Reinsurance Company (18.845%) Lloyd's of London – Various (24.715%) Other reinsurers (20.25%) <u>Certified:</u> Hiscox Insurance Company (Bermuda) Limited (3.0%) DaVinci Reinsurance Ltd. (1.5%) Renaissance Reinsurance Ltd. (1.0%) <u>Unauthorized:</u> MS Amlin AG Bermuda Branch (6.0%) Vermeer Reinsurance Ltd. (5.0%) Korean Reinsurance Company (2.19%) Other reinsurers (2.50%)	\$25 million ultimate net loss each loss occurrence	\$125 million excess of \$25 million ultimate net loss each loss occurrence \$125 million in aggregate

Type of Contract	Line(s) of Business	Reinsurer(s) and Participation	Company's Retention	Reinsurer's Limits
Catastrophe Excess of Loss (Earthquake only) Seventh Layer	Personal lines (including risks modeled as residential property), property portion of commercial lines, and earthquake coverage	<u>Authorized:</u> Everest Reinsurance Company (5.0%) Munich Reinsurance America, Inc. (12.0%) Markel Bermuda Limited (3.77%) Lloyd's of London – Various (34.21%) Other reinsurers (10.25%) <u>Certified:</u> Convex Re Limited. (3.77%) Fidelis Insurance Bermuda Limited (6.0%) Other reinsurers (9.0%) <u>Unauthorized:</u> Chaucer Insurance Company DAC (Bermuda Branch) (3.0%) MS Amlin AG Bermuda Branch (3.50%) Vermeer Reinsurance Ltd. (9.50%)	\$25 million ultimate net loss each loss occurrence	\$265 million excess of \$25 million ultimate net loss each loss occurrence \$265 million in aggregate
Catastrophe Excess of Loss (Earthquake only) Eighth Layer	Personal lines (including risks modeled as residential property), property portion of commercial lines, and earthquake coverage	<u>Authorized:</u> Lancashire Insurance Company Limited (83.0%) Lloyd's of London (17.0%)	\$25 million ultimate net loss each loss occurrence	\$60 million excess of \$25 million ultimate net loss each loss occurrence \$60 million in aggregate
Catastrophe Excess of Loss (Earthquake only) Ninth Layer	Personal lines (including risks modeled as residential property), property portion of commercial lines, and earthquake coverage	<u>Certified:</u> DaVinci Reinsurance Ltd. (13.50%) Renaissance Reinsurance Ltd. (9.0%) <u>Unauthorized:</u> Vermeer Reinsurance Ltd. (77.50%)	\$25 million ultimate net loss each loss occurrence	\$75 million excess of \$25 million ultimate net loss each loss occurrence \$75 million in aggregate

Type of Contract	Line(s) of Business	Reinsurer(s) and Participation	Company's Retention	Reinsurer's Limits
Catastrophe Excess of Loss (Earthquake only)	Personal lines (including risks modeled as residential property), property portion of commercial lines, and earthquake coverage	<u>Authorized:</u> Partner Reinsurance Company Ltd. (6.50%) Swiss Reinsurance America Corporation (12.50%) The Cincinnati Insurance Company (5.00%) Lloyd's of London – Various (17.16%) Other reinsurers (12.50%) <u>Certified:</u> Arch Reinsurance Ltd. (6.66%) Fidelis Insurance Bermuda Limited (3.69%) Other reinsurers (6.66%) <u>Unauthorized:</u> American Agricultural Insurance Company (1.0%) Chaucer Insurance Company DAC (Bermuda Branch) (3.33%)	\$75 million ultimate net loss each loss occurrence	\$150 million excess of \$75 million ultimate net loss each loss occurrence \$150 million in aggregate
Automatic Facultative per Risk	Property portion of commercial lines business	<u>Authorized:</u> Arch Reinsurance Company (100%)	\$5 million ultimate net loss one risk each loss occurrence	\$5 million excess of \$5 million ultimate net loss one risk each loss occurrence \$10 million as respects all risks involved in any one loss occurrence

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the California Department of Insurance for the period ending December 31, 2022. The accompanying comments to the amounts in the annual statements should be considered an integral part of the financial statements. No adjustments were made to the financial statements as a result of the examination.

Statement of Financial Condition as of December 31, 2022

Underwriting and Investment Exhibit for the Year Ended December 31, 2022

Reconciliation of Surplus as Regards Policyholders from December 31, 2018 through December 31, 2022

Statement of Financial Condition
as of December 31, 2022

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 57,244,399	\$	\$ 57,244,399	
Cash, cash equivalents, and short-term investments	48,239,350		48,239,350	
Receivables for securities	22,948		22,948	
Investment income due and accrued	233,921		233,921	
Uncollected premiums and agents' balances in the course of collection	6,730,806	410	6,730,396	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	16,171,225		16,171,225	
Amounts recoverable from reinsurers	1,672,818		1,672,818	
Current federal and foreign income tax recoverable and interest thereon	97,659		97,659	
Net deferred tax asset	2,950,537		2,950,537	
Electronic data processing equipment and software	496,522	508	496,014	
Furniture and equipment, including health care delivery assets	257,630	257,630	0	
Receivables from parent, subsidiaries and affiliates	8,349,623		8,349,623	
Aggregate write-ins for other than invested assets	93,236	60,363	32,873	
Total assets	\$ 142,560,674	\$ 318,911	\$ 142,241,763	

Liabilities, Surplus, and Other Funds

				<u>Notes</u>
Losses			\$ 10,496,697	(1)
Reinsurance payable on paid loss and loss adjustment expenses			2,806,748	
Loss adjustment expenses			4,001,670	(1)
Commissions payable, contingent commissions and other similar charges			2,616,076	
Other expenses			103,817	
Taxes, licenses and fees			51,262	
Unearned premiums			32,339,132	
Advance premiums			2,028,638	
Ceded reinsurance premiums payable			18,400,956	
Funds held by company under reinsurance treaties			26,125,987	
Remittances and items not allocated			622	
Payable to parent, subsidiaries and affiliates			1,517,515	
Aggregate write-ins for liabilities			4,346,177	
Total liabilities			104,835,297	
Common capital stock		\$ 5,000,000		
Gross paid-in and contributed surplus		10,000,000		
Unassigned funds (surplus)		22,406,466		
Surplus as regards policyholders			37,406,466	
Total liabilities, surplus, and other funds			\$ 142,241,763	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2022

Statement of Income

Underwriting Income

Premiums earned		\$ 42,678,794
Deductions:		
Losses incurred	\$ 10,534,067	
Loss adjustment expenses incurred	3,461,184	
Other underwriting expenses incurred	18,434,290	
		<hr/>
Total underwriting deductions		32,429,541
Net underwriting gain		10,249,253

Investment Income

Net investment income earned	\$ 844,033	
Net realized capital losses	(565,549)	
		<hr/>
Net investment gain		278,484

Other Income

Net loss from agents' or premium balances charged off	\$ (66,867)	
Finance and service charges not included in premiums	22,675	
Aggregate write-ins for miscellaneous income	537,018	
		<hr/>
Total other income		492,826
Net income after dividends to policyholders, after capital gains tax, and before all other federal and foreign income taxes		11,020,563
Federal and foreign income taxes incurred		<hr/> 2,079,468
Net income		<hr/> <u>\$ 8,941,095</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2021		\$ 30,988,352
Net income	\$ 8,941,095	
Change in net unrealized capital losses	(716)	
Change in net deferred income tax	(165,690)	
Change in nonadmitted assets	40,239	
Dividends to stockholders	(2,396,814)	
		<hr/>
Change in surplus as regards policyholders for the year		6,418,114
Surplus as regards policyholders, December 31, 2022		<hr/> <u>\$ 37,406,466</u>

Reconciliation of Surplus as Regards Policyholders
from December 31, 2018 through December 31, 2022

Surplus as regards policyholders, December 31, 2018			\$ 26,288,564
	<u>Gain in Surplus</u>	<u>Loss in Surplus</u>	
Net income	\$ 15,979,902	\$	
Change in net unrealized capital losses		222	
Change in net deferred income tax		73,720	
Change in nonadmitted assets		275,884	
Dividends to stockholders		4,512,174	
Total gains and losses	<u>\$ 15,979,902</u>	<u>\$ 4,862,000</u>	
Net increase in surplus as regards policyholders			<u>11,117,902</u>
Surplus as regards policyholders, December 31, 2022			<u><u>\$ 37,406,466</u></u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Losses and Loss Adjustment Expenses

A Casualty Actuary from the California Department of Insurance reviewed the Actuarial Report as of December 31, 2022 prepared by the Company's independent actuary and concurred with the actuary's conclusion that the Company's loss and loss adjustment expense reserves as of December 31, 2022 were reasonable and have been accepted for purposes of this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

None.

Previous Report of Examination

None.

ACKNOWLEDGMENT

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

Respectfully submitted,

Mei Gu, CFE
Examiner-In-Charge
Senior Insurance Examiner, Specialist
Department of Insurance
State of California

Li Lim, CFE
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California