REPORT OF EXAMINATION
OF THE
NORCAL MUTUAL INSURANCE COMPANY
AS OF
DECEMBER 31, 2020

Filed on January 12, 2022

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Oakland, California
December 1, 2021

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

NORCAL MUTUAL INSURANCE COMPANY

(hereinafter also referred to as the Company). The Company's home office is located at 575 Market Street, Suite 1000, San Francisco, California 94105.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2016. This examination covered the period from January 1, 2017 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, dring 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 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 and was conducted concurrently with the examinations of the following insurance entities in the NORCAL Group:

Company	State of Domicile
NORCAL Specialty Insurance Company	TX
Medicus Insurance Company	TX
FD Insurance Company	FL

COMPANY HISTORY

The Company was originally organized as a mutual insurer under the name NORCAL Mutual Insurance Company and was incorporated under the laws of California on September 18, 1975 and commenced business on November 11, 1975. Effective November 1, 2017, the Company relocated its home office from 560 Davis Street, Suite 200, San Francisco, California to 575 Market Street, Suite 1000, San Francisco, California.

Effective January 1, 2017, the Company acquired 100% of PPM Insurance Services, Inc. (PPMIS). PPMIS is a provider of insurance management services. Pursuant to a Management Agreement, PPMIS controls Preferred Physicians Medical Risk Retention Group, a Mutual Insurance Company (PPM RRG) domiciled in the state of Missouri. Since PPMIS is wholly-owned and controlled by the Company, PPM RRG is indirectly controlled by the Company. The purchase price of PPMIS was $46.1 million. The acquisition was approved by the Missouri Department of Insurance, Financial Institutions and Professional Registration (MO DIFP) on December 28, 2016. PPM RRG is the only anesthesia-specific medical professional liability insurance carrier in the nation.

Effective May 5, 2021, the Company was demutualized and was converted into a stock insurance company pursuant to California Insurance Code Section 4097. Upon conversion, the Company changed its name from NORCAL Mutual Insurance Company to NORCAL Insurance Company. The Company's Certificate of Authority was amended to reflect the change.

Effective May 5, 2021, PRA Professional Liability Group, Inc. (PRA Professional), a Delaware corporation, acquired control of the Company pursuant to the terms and conditions of the Acquisition Agreement dated February 20, 2020. PRA Professional is a wholly-owned subsidiary of ProAssurance Corporation, a Delaware corporation. The CDI approved the Form A application with condition on April 28, 2021. PRA Professional acquired over 98% of the stock of the Company. The base consideration for the transaction at closing was $440,716,088. After the Company's capital restructure, it had a total of 8,800,000 shares authorized at a par value of $0.54 per share of which 4,910,087 shares were issued and outstanding. PRA Professional owned 4,849,685 shares and minority shareholders owned 60,402 shares. During the third quarter of 2021, PRA Professional contributed $3,100,000 to the Company to acquire the remaining 2% of its common stock from the minority shareholders in a reverse stock split pursuant to a Securities Permit issued by the CDI on September 14, 2021, whereby every 4,000 shares of the Company's issued and outstanding shares of common stock, par value $0.54 per share was combined into 1 share of the Company's Common Stock, par value $2,160 per share. On September 16, 2021, the Company effected a reverse stock split. The Company issued a stock certificate to PRA Professional for 1,212 shares of its common stock, representing all of the outstanding stock of the Company after the reverse stock split.

Dividends

On June 27, 2017, Medicus Insurance Company (Medicus) paid an ordinary cash dividend of $3,500,000 to Medicus Insurance Holdings, Inc. for further distribution to the Company.

On December 4, 2017, FD Insurance Company paid an extraordinary cash dividend of $10,000,000 to Florida Doctors Holding Company, LLC for further distribution to the Company. The extraordinary dividend was approved by the Florida Office of Insurance Regulation on November 27, 2017.

On November 21, 2018, Medicus paid a $25,750,000 partially liquidating distribution to Medicus Insurance Holdings, Inc. for further distribution to the Company. This transaction was approved by the Texas Department of Insurance on November 14, 2018.

On December 20, 2019, Medicus paid an extraordinary cash dividend of $3,300,000 to Medicus Insurance Holdings, Inc. for further distribution to the Company. This transaction was approved by the Texas Department of Insurance on December 16, 2019.

MANAGEMENT AND CONTROL

As of December 31, 2020, the Company was the ultimate parent of the companies within the NORCAL Group. The following organizational chart depicts the relationship of the companies within the holding company system as of December 31, 2020. All ownership is 100% unless otherwise indicated:

NORCAL Mutual Insurance Company (California)*
Insurance Subsidiaries and their Affiliates
NORCAL Specialty Insurance Company (Texas)
Medicus Insurance Holdings, Inc. (Delaware)
  Medicus Insurance Company (Texas)
    Medicus Risk Purchasing Group, Inc. (Texas)
NORCAL Specialty Insurance Services, LLC (Delaware)
NORCAL Management Company (CA)
Florida Doctors Holding Company, LLC (Florida)
  FD Insurance Company (Florida)
  FLDIC Practices Solutions, LLC (Florida)
  Insurance Company Managers, LLC (Florida)
PPM Insurance Services, Inc. (Missouri)
  Preferred Physicians Medical Risk Retention Group, a Mutual Insurance Company (Missouri) (Zero ownership interest, the Company's affiliation is through management contract)

*Effective May 5, 2021, the Company changed its name from NORCAL Mutual Insurance Company to NORCAL Insurance Company.

As of December 31, 2020, management of the Company was overseen by a nine-member board of directors, elected annually. The directors and principal officers serving at December 31, 2020 were as follows:

Directors [(a)]

Name and Location	Principal Business Affiliation
Sandra Lynn Beretta, M.D. Hillsborough, California	Physician Sandra Beretta, MD, Inc. and Medical Arts Obstetrics & Gynecology
Fabiola Cobarrubias, M.D. San Francisco, California	Chief Executive Officer Pacific Inpatient Medical Group
Theodore Scott Diener Del Mar, California	President and Chief Executive Officer NORCAL Mutual Insurance Company
Alice Hardy Gannon San Antonio, Texas	Actuary (Retired)
Roger Mark Hayashi, M.D. Los Gatos, California	Physician (Retired)

Name and Location	Principal Business Affiliation
Mary Diane Koken Lancaster, Pennsylvania	Attorney and Consultant Nationwide Mutual Insurance Company
Steven Packer, M.D. Monterey, California	President and Chief Executive Officer Community Hospital of the Monterey Peninsula
Rebecca Jean Patchin, M.D. Clinton, Washington	Physician (Retired)
Scott Carter Syphax Elk Grove, California	Chief Executive Officer Syphax Strategic Solutions

Principal Officers [(b)]

Name	Title
Theodore Scott Diener	President and Chief Executive Officer
Mark David Johnson	Senior Vice President and Chief Financial Officer
Kellie Nicole Sorenson	Senior Vice President and Chief Legal Counsel
Ronald Carl Rumin	Senior Vice President and Chief Operating Officer

Upon acquisition by the PRA Professional Liability Group, Inc., all of the Company's board of directors and officers except for Kellie Nicole Sorenson, Senior Vice President and Chief Legal Counsel, were replaced by the following individuals in May 2021:

(a) Directors: Michael L. Boguski, Robert D. Francis, Dana S. Hendricks, Jeffrey P. Lisenby, and Edward L. Rand, Jr.

(b) Officers: Edward L. Rand, Jr., Chairman; Michael L. Boguski, President; Dana S. Hendricks, Treasurer; Kathryn A. Neville, Secretary; Jeffrey P. Lisenby, Assistant Treasurer and Assistant Secretary; Robert D. Francis, Executive Vice President; Lawrence K. Cochran, Vice President; Dennis A. Meisel, Vice President of Finance and Controller; and W. Johnathan Daniel, Vice President and Assistant Treasurer.

Management Agreements

Effective January 1, 2018, the Company and its affiliates, including NORCAL Specialty Insurance Company (NSIC), Medicus Insurance Company (Medicus), FD Insurance Company (FDIC), and Preferred Physicians Medical Risk Retention Group, a Mutual Insurance Company (PPM RRG), entered into a Second Amended and Restated Intercompany Affiliate Service Agreement (Service Agreement). Pursuant to the Service Agreement, the parties agreed to provide to each other accounting, tax and auditing, underwriting, claims, investment, advertising and sales, and functional support services and to make available their facilities and grant non-exclusive licenses to the use of their trademarks. The parties agreed that the compensation for providing the services and facilities is based on actual cost without a profit factor being built into that cost. The indirect and shared expenses are allocated in accordance with a method of cost allocation in conformity with Statements of Statutory Accounting Principles (SSAP) No. 70. The California Department of Insurance (CDI) issued a non-disapproval letter on December 14, 2017, pursuant to California Insurance Code (CIC) Section 1215.5(b)(4); the Texas Department of Insurance issued a no action letter dated December 4, 2017; the Florida Department of Financial Services, Office of Insurance Regulation issued a non-objection letter dated January 4, 2018; and the Missouri Department of Insurance issued a non-disapproval letter dated December 6, 2017. The total fees incurred to the Company for services rendered under this Agreement in 2018, 2019, and 2020 were $10,151,555, $8,206,131, and $7,013,563, respectively.

The Company submitted a Form D filing to the CDI on July 19, 2021 for an Amended and Restated Management Services Agreement effective October 1, 2021 among ProAssurance Corporation, the Company and its affiliates, and the other affiliated entities within the ProAssurance Group (Group). For the purpose of the agreement, ProAssurance Group Services Corporation (PRAGS) is responsible for providing the following management services to all parties involved: accounting services, financial statements, tax returns, underwriting, reinsurance, sales and service, claims administration, information systems, administrative and other services, human resources administration, risk management, operational services, and delegation of duties. Terms, charges, and services shall be fair and reasonable in conformity with SSAP No. 25. Expenses will be allocated on an equitable basis with customary insurance accounting principles applied consistently. This agreement replaces the prior Service Agreement between the Company and its affiliates. The CDI issued an approval letter on December 24, 2021, pursuant to CIC Section 1215.5(b)(4).

Effective July 1, 2018, the Company entered into Amendment No. 1 to the Amended & Restated Tax-Sharing Agreement with its affiliates (Amendment). The Amendment amends the existing tax-sharing agreement to document the change in domicile of NSIC and the inclusion of PPM RRG in the affiliated group for tax purposes. The CDI issued a non-disapproval letter dated July 25, 2018; the Texas Department of Insurance issued a no action letter dated May 31, 2018; the Florida Department of Financial Services, Office of Insurance Regulation issued a non-objection letter dated June 11, 2018; and the Missouri Department of Insurance issued a non-disapproval letter dated July 23, 2018. The total taxes incurred to the Company under the terms of the Agreement in 2018, 2019, and 2020 were $864,334, $597,979, and $462,988, respectively.

Effective September 1, 2021, the Company entered into a Consolidated Tax Allocation Agreement (Agreement) with ProAssurance Corporation, the ultimate parent, and the other affiliated entities within the ProAssurance Group (Group). The consolidated federal income tax liability for each taxable year shall be allocated among the members of the Group on the percentage that each member's positive separate company taxable income bears to the total positive separate company taxable incomes of all members. However, the amount allocable to any member shall in no event exceed the tax that would be incurred, including any benefit attributable to credits arising from that member, by such company if it were filing on a separate company basis. The costs of preparing the tax returns will be allocated among the members in a fair and reasonable method in conformity with customary insurance accounting practices and regulations promulgated by the Internal Revenue Service, and that method shall be consistently applied. The CDI issued an approval letter dated August 10, 2021.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2020, the Company was licensed in all states and the District of Columbia, except for New York. The Company provides medical professional liability insurance to individual physicians, medical groups, healthcare institutions, community clinics, allied health care facilities, and hospitals. Policies are primarily issued on a claims-made basis, with some occurrence policies offered in Pennsylvania, New Mexico, and New Jersey. The Company's business is written through independent agents and brokers except for a legacy book of direct business.

Direct premiums written during 2020 totaled $305.6 million, of which $253.9 million (83.1%) was for medical professional liability – claims made and $51.7 million (16.9%) was for medical professional liability – occurrence. Most of the direct premiums were written in California (32.2%), Florida (13.3%), Illinois (12.3%), Pennsylvania (11.1%), and Texas (5.1%). The Company has four offices which are located in San Francisco, California; Austin, Texas; Jacksonville, Florida; and Mechanicsburg, Pennsylvania.

REINSURANCE

Assumed

The Company assumes 100% of the ultimate net liability on policies by four of its affiliates under separate quota share reinsurance agreements. The following table is a summary of its assumed reinsurance agreements as of December 31, 2020:

Line of Business and Type of Contract	Ceding Company's Name	Ceding Company's Retention	Reinsurer's Limit
Medical Professional Liability:			
Quota Share Reinsurance Agreement	Medicus Insurance Company	0% of net liability	100% of net liability
Quota Share	NORCAL Specialty Insurance Company	0% of net liability	100% of net liability
Quota Share Reinsurance Agreement	FD Insurance Company	0% of net liability	100% of net liability
Quota Share Reinsurance Agreement	Preferred Physicians Medical Risk Retention Group, a Mutual Insurance Company	0% of net liability	100% of net liability

Loss Portfolio Transfer Agreement

In conjunction with the Company's purchase of Preferred Physicians Medical Risk Retention Group, a Mutual Insurance Company (PPM RRG), the Company entered into a Loss Portfolio Transfer Agreement (Agreement) with PPM RRG, effective January 1, 2017. Under this Agreement, the Company assumes 100% of PPM RRG's outstanding net loss and loss adjustment expense reserves (excluding Adjusting & Other) as of December 31, 2016, amounting to $64,426,000. The Agreement was settled in January 2017 and there were no gains or losses recognized by either company as a result of this transaction. The California Department of Insurance issued a non-disapproval letter to the Company for the filed Agreement on December 27, 2016, and the Missouri Department of Insurance, Financial Institutions and Professional Registration issued a non0disapproval letter dated December 27, 2016.

Ceded

The following is a summary of the Company's ceded reinsurance agreements in-force as of December 31, 2020:

Line of Business and Type of Contract	**Reinsurer(s) and Participation**	**Company's Retention**	**Reinsurer's Limit**
Medical Professional Liability: Excess Cessions and Loss Event Excess of Loss Reinsurance Contract	Authorized: Hannover Rueck SE (39.00%) Aspen Insurance UK Ltd. (12.50%) Partner Reinsurance Company of the U.S. (10.00%) Swiss Re America Corporation (10.00%) Various reinsurers (22%) Unauthorized: Peak Reinsurance Company Limited (6.5%)	Coverage A: $2 million per claim or occurrence. $3 million per policy Coverage B: $3 million per loss event	Coverage A: $10 million excess of $2 million per claim or occurrence. $11 million excess of $3 million per policy Coverage B: $7 million excess of $3 million per loss event. $28 million in aggregate for all loss events
Second Loss Event Excess of Loss Reinsurance Contract	Authorized: Lloyds Syndicates (25.25%) Hannover Rueck SE (24.50%) Partner Reinsurance Company of the U.S. (10.00%) Swiss Re America Corporation (10.00%) Various reinsurers (22.50%) Unauthorized: Peak Reinsurance Company Limited (6.5%) MS Amlin AG (Bermuda Branch) (1.25%)	$10 million per loss event	$20 million excess of $10 million per loss event. $40 million in aggregate for all loss events.
Awards Made Reinsurance Contract (For FDIC's runoff liabilities)	Authorized: Lloyds Syndicates (27.00%) Aspen Insurance UK Ltd. (20.00%) Various reinsurers (15.00%)	$3 million each award made	$5 million excess of $3 million each award made
Information & Network Security: Quota Share Reinsurance Contract	Authorized: Lloyds Syndicates (100.00%)	50% for primary limits 0% for excess limits	50% for primary limits ($100,000 each claim and up to $500,000 in the aggregate) 100% for excess limits (Up to $10 million each claim/aggregate)

ACCOUNTS AND RECORDS

Unclaimed Property

California Code of Civil Procedure (CCP) Part 3, Title 10, Chapter 7, Article 3, Sections 1530 and 1532 (Unclaimed Property Law) requires that all tangible personal property located in the State of California that is held or owing in the ordinary course of business and has remained unclaimed by the owner for more than three years after it became payable or distributable, is escheated to the California State Controller's Office (SCO).

During the review of the Company's unclaimed property filings, it was noted that the Company was late to file one unclaimed property notice report and one remittance report with payments to the SCO for the 2020 property reporting cycle. This is a repeat finding from the Previous Report of Examination. It is again recommended that the Company escheat unclaimed property to the SCO timely and implement procedures to ensure future compliance with CCP Sections 1530 and 1532.

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, 2020. The accompanying comments to the amounts in the financial 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, 2020

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

Reconciliation of Surplus as Regards Policyholders from December 31, 2016 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	$ 1,116,455,017	$	$ 1,116,455,017	
Preferred stocks	4,474,130		4,474,130	
Common stocks	363,452,691		363,452,691	
Cash and cash equivalents	46,302,516		46,302,516	
Other invested assets	26,709,123		26,709,123	
Aggregated write-ins for invested assets	9,371,494		9,371,494	
Investment income due and accrued	7,776,803		7,776,803	
Uncollected premiums and agents' balances in the course of collection	2,585,076	2,585,076	0	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	80,450,375		80,450,375	
Accrued retrospective premiums	1,857,083	351,183	1,505,900	
Amount recoverable from reinsurers	338,958		338,958	
Current federal and foreign income tax recoverable and interest thereon	690,225		690,225	
Electronic data processing equipment and software	4,582,489	4,015,178	567,311	
Furniture and equipment	3,572,528	3,572,528	0	
Receivables from parent, subsidiaries and affiliates	780,035		780,035	
Aggregate write-ins for other than invested assets	12,227,948	1,778,292	10,449,656	
Total assets	$ 1,681,626,491	$ 12,302,257	$ 1,669,324,234	

Liabilities, Surplus, and Other Funds			Notes
Losses		$ 619,231,283	(1)
Reinsurance payable on paid losses and loss adjustment expenses		1,451,142	
Loss adjustment expenses		286,819,226	(1)
Commissions payable, contingent commissions and other similar charges		1,870,811	
Other expenses		20,067,224	
Taxes, licenses and fees		1,354,851	
Unearned premiums		158,504,714	
Advance premiums		23,298,453	
Ceded reinsurance premiums payable		5,460,758	
Funds held by company under reinsurance treaties		(8,724,352)	
Amounts withheld or retained by company for account of others		19,663,707	
Remittances and items not allocated		732,249	
Provision for reinsurance		82,000	
Payable to parent, subsidiaries and affiliates		355,837	
Payable for securities		939	
Aggregate write-ins for liabilities		932,467	
Total liabilities		1,131,101,309	
Unassigned funds (surplus)	$ 538,222,925		
Surplus as regards policyholders		538,222,925	
Total liabilities, surplus, and other funds		$ 1,669,324,234	

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

State of Income

Underwriting Income		
Premiums earned		$ 354,654,768
Deductions:		
Losses incurred	$ 153,789,571	
Loss expenses incurred	221,099,573	
Other underwriting expenses incurred	92,468,828	
Aggregate write-ins for underwriting deductions	(17,284,500)	
Total underwriting deductions		450,073,472
Net underwriting loss		(95,418,704)
Investment Income		
Net investment income earned	$ 35,053,002	
Net realized capital gains	17,607,296	
Net investment gain		52,660,298
Other income		
Net loss from agents' or premium balances charged off	(300,353)	
Aggregate write-ins for miscellaneous income	(628,463)	
Total other income		(928,816)
Net income after dividends to policyholders, after capital gains tax and before federal and foreign income taxes		(43,687,222)
Federal and foreign income taxes incurred		(31,913,446)
Net income		$ (11,773,776)

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2019		$ 570,665,630
Net income	$ (11,773,776)	
Change in net unrealized capital gains	5,095,262	
Change in net deferred income tax	(24,565,706)	
Change in nonadmitted assets	1,915,485	
Change in provision for reinsurance	(39,000)	
Aggregate write-ins for gains and losses in surplus	(3,074,970)	
Change in surplus as regards policyholders for the year		(32,442,705)
Surplus as regards policyholders, December 31, 2020		$ 538,222,925

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

Surplus as regards policyholders, December 31, 2016			$ 705,105,158
	Gain in Surplus	Loss in Surplus	
Net loss	$	$ (122,383,011)	
Change in net unrealized capital gains		(14,827,421)	
Change in net deferred income tax		(38,282,332)	
Change in nonadmitted assets		(132,575)	
Change in provision in reinsurance	492,382		
Aggregate write-ins for gains and losses in surplus	8,250,724		
Total gains and losses	$ 8,743,106	$ (175,625,339)	
Net decrease in surplus as regards policyholders			(166,882,233)
Surplus as regards policyholders, December 31, 2020			$ 538,222,925

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, 2020 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, 2020 were reasonable and have been accepted for the purposes of this examination.

SUBSEQUENT EVENTS

A noval strain of coronavirus (COVID-19) was detected and reported to World Health Organization (WHO) in December 2019. Since then, it has spread around the world, resulting in business and social disruption.The outbreak was declared a Public Health Emergency of International Concern by the WHO on January 30, 2020. The pandemic has triggered unprecedented government mandates and health and safety measures which have significantly impacted the U.S. and global financial markets, in particular, U.S. publicly traded equity securities, and impacts on yields and interest rates in the U.S. bond market. As the pandemic still unfolds, it is too early to draw any definite conclusions as to its overall impact to the Company at this time.

On February 20, 2020, NORCAL Group announced the signing of a definitive agreement under which all the companies of the NORCAL Group would become a part of the ProAssurance Corporation following the demutualization of NORCAL Mutual Insurance Company into NORCAL. The demutualization and the acquisition were mutually contingent, and required and received regulatory and policyholder approvals. Effective May 5, 2021, PRA Professional Liability Group, Inc., a Delaware corporation, acquired control of the company. Refer to the Company History section on page 3 for detailed information.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Accounts and Records – Unclaimed Property (Page 12): It is again recommended that the Company escheat unclaimed property to the State Controller's Office timely and implement procedures to ensure future compliance with California Code of Civil Procedure (CCP) Sections 1530 and 1532.

Previous Report of Examination

Accounts and Records – Unclaimed Property (Page 11): It was recommended that the Company escheat unclaimed property to the State Controller's Office and implement procedures to ensure future compliance with CCP Sections 1530 and 1532. The Company has not complied with this recommendation.

ACKNOWLEDGMENT

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

Respectfully submitted,

___/S/______________________

Sam Chiu, CFE
Examiner-In-Charge
Senior Insurance Examiner
Department of Insurance
State of California

___/S/______________________

Kyo Chu, CFE
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California