REPORT OF EXAMINATION

OF THE

STILLWATER INSURANCE COMPANY

AS OF

DECEMBER 31, 2019

Filed on January 6, 2021

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Los Angeles, California

November 5, 2020

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

STILLWATER INSURANCE COMPANY

(hereinafter also referred to as the Company). Its administrative office is located at 4905 Belfort Road, Suite 110, Jacksonville, Florida 32232. The Company's statutory home office is located at 5385 Hollister Avenue, Santa Barbara, California 93111.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was as of Dcember 31, 2015. This examination covered the period from January 1, 2016 through December 31, 2019.

This examination was conducted in accordance with the National Association of Insurance Commissioners *Fianncial 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. The examination also included identifying and evaluating significant risks that could cause the Company'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 with participation from New York, and was conducted concurrently with the Company's wholly-owned subsidiary, Stillwater Property Insurance Company. California served as the lead state.

COMPANY HISTORY

The Company was formerly named Anza Insurance Company (Anza). Anza was incorporated in California on April 26, 1990. In June 2001, the Company's name was changed to Fidelity National Insurance Company. Effective October 1, 2013, the Company's name was again changed to Stillwater Insurance Company. In addition, on the same date, its subsidiary Fidelity National Property and Casualty Insurance Company changed its name to Stillwater Property and Casualty Insurance Company (SPAC).

On January 31, 2014, the Company and WTJ, an upstream parent company, acquired a combined 50% membership interest in EU Holdings, LLC (EU). EU owns 50% membership interest in Evergreen/UNI, LLC (the Agency) which writes specialty surety bonds for Evergreen National Indemnity Company (ENIC), an affiliated Ohio domiciled insurer. The California Department of Insurance (CDI) approved this transaction on January 29, 2014. On January 6, 2017, EU purchased the remaining 50% interest in the Agency, which resulted in the Company owning 87.5% of EU.

In August 2014, the Company purchased a 90.0% interest in ProAlliance Corporation (ProAlliance), an Ohio corporation that controls approximately 30.0% of ENIC, which resulted in the Company effectively owning 27.0% of ENIC. A Form A filing for this transaction was approved by the Ohio Department of Insurance on July 29, 2014.

Effective August 31, 2015, WBL, an upstream affiliate, divested shares of WTH, resulting in WBL owning 8.3% of WTH and no longer being a controlling entity of Duval. A Form A Exemption filing for the transaction was approved by the CDI on October 14, 2015.

The Company was a wholly-owned subsidiary of Duval Holdings, Inc. (Duval) until June 16, 2016, which was 84.3% owned by WTJ Holdings, Inc. (WTJ), 15% by Fidelity National Financial Ventures, LLC (FNFV), and 0.7% by management. WTJ is 75% owned by WT Holdings, Inc. (WTH), a Tennessee corporation, and 25% by Thaynes Capital Insurance, LLC (Thaynes), a Delaware limited liability company. WTH in turn is 10% owned by WBL Partners, LLC (WBL), a Tennessee limited liability company and 90% by various individual investors, without any one individual owning more than 10% of WTH. FNFV is a wholly-owned subsidiary of Fidelity National Financial, Inc.

Effective June 16, 2016, WTH purchased Thaynes' 25% interest in WTJ and FNFV's 15% interest of Duval. Concurrently, WTJ merged into WTH, resulting in WTH having a majority ownership of 99.3% of Duval. A Form A Exemption filing for this transaction was approved by the CDI on June 9, 2016.

Capitalization

The Company is authorized to issue 1,000,000 shares of common stock with a par value of $50 per share. As of December 31, 2019, there were 65,000 shares issued and outstanding.

Dividends Paid

The Company paid an ordinary cash dividend of $5,000,000 to its immediate parent, Duval Holdings, Inc., in 2017 and in 2019.

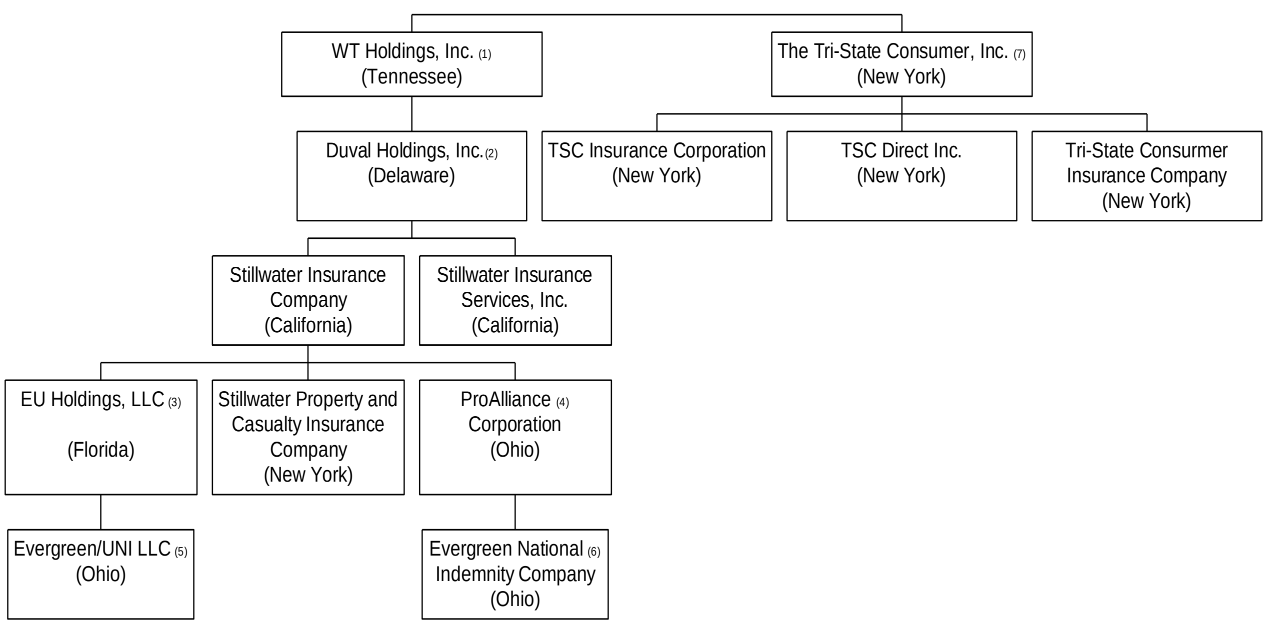
Dividends Received

The Company received ordinary cash dividends from its subsidiary, ProAlliance Corporation, in the amount of $612,000, $639,000, $621,000, and $639,000 in 2016, 2017, 2018, and 2019 respectively.

The Company received an ordinary cash dividend and an extraordinary cash dividend from its subsidiary, Stillwater Property and Casualty Insurance Company, in 2018 and 2019 in the amount of $13,680,404 and $36,441,753, respectively.

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system, of which WT Holdings, Inc. (WTH) is the ultimate controlling entity. WTH is incorporated in the State of Tennessee. The following abridged organizational chart depicts the inter-relationship of the companies as of December 31, 2019 (all ownership is 100% unless otherwise noted).



(1) WT Holdings, Inc. owns 99.3% of Duval Holdings, Inc. and the remaining 0.7% is owned by Mark Davey, President and Chief Executive Officer of the Company.
(2) Duval Holdings, Inc., owns 100% of the Company and the Company owns 100% of Stillwater Property and Casualty Insurance Company. Duval Holdings, Inc. also owns 100% of Stillwater Insurance Services.

[3] The Company owns 87.5% membership interest of EU Holdings, LLC. WT Holdings, Inc. owns 10% membership interest and the remaining 2.5% membership interest is held by the Company management.
[4] The Company owned 90% of ProAlliance Corporation and various individual investors own the remaining 10%.
[5] EU Holdings, LLC, owns 100% of Evergreen/UNI LLC.
[6] ProAlliance owned approximately 30.35% of Evergreen National Indemnity Company and various investors owns the remaining 69.65%.
[7] The Tri-State Consumer, Inc. owns 100% of TSC Insurance Corporation, TSC Direct Inc., and Tri-State Consumer Insurance Company.

The ten members of the board of directors, who are elected annually, oversee the business and affairs of the Company. Following are members of the board and principal officers of the Company serving at December 31, 2019.

Directors

Name and Location	Principal Business Affiliation
Mark O. Davey Jacksonville, Florida	President and Chief Executive Officer Stillwater Insurance Company
W. Blair Farinholt Atlanta, Georgia	Managing Director Stephens, Inc.
John D. Ferguson Nashville, Tennessee	Retired
Emmel B. Golden III Memphis, Tennessee	Partner NFC Investments, LLC
Patrick M. Kerney Riverside, Connecticut	Principal NFC Investments, LLC
James D. Lackie Memphis, Tennessee	Managing Partner River Street Management, LLC
Charles K. Slatery Memphis Tennessee	Managing Partner NFC Investments, LLC
David W. Smith Locust Valley, New York	Retired
William V. Thompson III Memphis, Tennessee	Partner NFC Investments, LLC
Henri L. Wedell Memphis, Tennessee	Retired

Principal Officers

Name	Title
Mark Davey	President and Chief Executive Officer
Julia Edmonston	Chief Financial Officer
Tommye Frost	Regulatory and Compliance Counsel Corporate Secretary
Mike Whatley	Vice President, Chief Actuary
Todd McGrath	Vice President, Claims
Daniel Merrigan	Vice President, Claims-Auto
Mark Kleine	Vice President, Claims-Property
Eric Neely	Vice President, Commercial Lines
Larry Mortensen	Vice President, Home Product Development
Marc Crawford	Vice President, National Accounts
Bill Guthrie	Vice President, Operations
Kevin Karl	Vice President, Auto Product Development
Daniel Duffy	Chief Information Officer

Management Agreements

General Agency Agreement: On August 9, 2010, the Company entered into a general agency agreement with its affiliate, Stillwater Insurance Services, Inc. (SIS) (formerly Fidelity National Insurance Services, Inc.). SIS is authorized to solicit and bind policies on behalf of the Company. The Company pays SIS a commission of 25% of net written premiums less any cancellations. SIS underwrites and issues 100% of the Company's insurance business. In January 2015, an amendment was approved by the California Department of Insurance (CDI) to: 1) reflect current names, 2) inclusion of reimbursement of legitimate expenses paid by SIS on behalf of the Company, and 3) °clarification on payment of collected premium.

On July 11, 2016, the agreement was amended to authorize SIS to act as general agent for all the Company's Non-Wind Programs. The Company pays SIS a 25% commission of net written premiums and a fee of 97.5% of net written premium fees less any cancellation. The amendment also included a Wind Bearing Homeowners Program offered only in the State of Florida with a 35% commission of net written premium excluding wind and 6% of net written wind premium, and a fee of 97.5% of net written premium fees less any cancellations. For 2016, 2017, 2018, and 2019, the Company paid $42,216,261. $48,628,880, $51,536,604, and $50,010,142 respectively to SIS.

Tax Sharing Agreement: Effective May 1, 2012, the Company entered into a Tax Sharing agreement with WTJ Holdings, Inc. (WTJ) (lead company in consolidated filing), Duval Holdings, Inc. (Duval), Stillwater Insurance Services, Inc. (SIS), and Stillwater Property and Casualty Insurance Company (SPAC). In January 2015, the CDI approved an amendment to reflect name changes for the Company, SPAC, and SIS. On January °5, °2016, an amendment to include the Company's 90% owned affiliate, ProAlliance Corporation, was approved by the CDI.

On June 16, 2016, the agreement was again amended to replace the current Tax Sharing Agreement, which provides for WT Holdings, Inc. (WTH), instead of WTJ, to prepare and file the consolidated federal tax return. The Company and other affiliates reimburse WTH for their tax amounts determined in accordance with the provision of U.S. Treasury Regulations. The tax payable by each service beneficiary under the agreement shall not exceed the amount that such member would pay had it filed a separate federal income tax return. Allocation, reporting, and remittances shall be completed within 30 after the receipt of funds or credits by WTH with the service beneficiary's obligation to compensate WTH for actual cost without a profit factor built into cost. The agreement was filed and approved on May 24, 2016, by the CDI. For 2016, 2017, 2018, and 2019, the Company paid/(recovered) federal income taxes of $1,600,000, $0, ($8,260,221), and $4,925,508, respectively.

Investment Advisory Services Agreement: Effective May 1, 2012, the Company entered into an Investment Advisory Services Agreement with a then affiliate, NFC Investments, LLC (NFC). NFC was no longer an affiliate after the August 2015 reorganization, discussed in the “Company History” section. NFC provides investment advisory and/or consulting services for the Company’s Investment Security Portfolio (ISP) pursuant to written investment guidelines provided by the Company’s board of directors. Fees are calculated as 1.0% of equities and 0.25% of fixed income securities held within the ISP Effective February 10, 2015, the agreement was amended to revise fees to 0.20% per annum for all categories. For 2016, 2017, 2018, and 2019, the Company paid $613,494, $372,565, $364,091, and $437,142 to NFC, respectively.

Corporate Records

A review of the Company’s Board of Directors minutes indicated that the Company is not in compliance with its Bylaws Section Article II Section 2.2, Article III Section 3.2, and Article IV Section 4.2 to hold annual meetings to elect the directs and offers of the Company. It is recommended that the Company comply with its Bylaws, and hold annual meetings to elect the Company’s directors and officers.

TERRITORY AND PLAN OF OPERATION

The Company’s operations are conducted jointly with its subsidiary, Stillwater Property and Casualty Insurance Company (SPAC), at its administrative office in Jacksonville, Florida. As of December 31, 2019, the companies are principally engaged in writing personal lines insurance, including homeowners and renters insurance, dwelling fire, private passenger automobile insurance, personal umbrella and small commercial multi-peril and business owner policies.

Both companies generate business through a general agency agreement with Stillwater Insurance Services, Inc., an affiliate. As previously discussed in the “Management Agreements” section. The Company and SPAC are both licensed in all 50 states and the District of Columbia. The companies distribute their personal lines products through a combination of independent agents, affiliated agents, and direct offerings. The Company distributes greater than 90% of its tradional personal line business through 4,500 independent agencies and brokers.

For the year ending December 31, 2019, the Company wrote $178.9 million in direct premium. Of this amount, $58.9 million (32.9%) was written in the State of California, $33.2 million (18.6%) was written in the State of Arizona, $9.6 million (5.4%) was written in the State of Washington, and $9.4 million (5.3%) was written in the State of New York. Nationwide the Company wrote $128.1 million (71.6%) in homeowners multiple peril. The second largest line of direct business was allied lines with $12.9 million (7.2%) written by the Company in 2019.

REINSURANCE

Assumed

Since August 25, 2003, the Company has been party to a 100% Quota Share Reinsurance Agreement with its subsidiary, Stillwater Property and Casualty Insurance Company (SPAC). All lines of insurance that SPAC was authorized to write were covered under this agreement, except for flood business written through the National Flood Insurance Program (NFIP) with the Federal Emergency Management Agency (FEMA). The agreement was replaced by a similar 100% Quota Share Reinsurance Agreement effective February 10, 2015, to reflect current name changes. The agreement was approved by the California Department of Insurance (CDI) on January 28, 2015. In July °2019, the agreement was amended at the stipulation of the New York Department of Financial Services that in the event that SPAC's reinsurance recoverable exceeds 250% of SPAC's policyholder surplus, the Company shall establish a trust account and deposit funds into the account that exceed the threshold. The agreement was approved by the CDI on July °24, °2019.

Effective July 1, 2019, the Company also assumes 2.5% of SPAC's commercial business written by its affiliate insurer Gramercy Indemnity Company.

Since August 1, 2005, the Company was party to a 100% Quota Share Reinsurance Agreement with a former subsidiary, Fidelity National Indemnity Insurance Company (FNIIC). Under the agreement, the Company assumed FNIIC's homeowners, automobile and umbrella business, other than the flood insurance business that FNIIC writes through its participation in the NFIP with FEMA and the New York Contractors business written through Gramercy Indemnity Company (GIC). The agreement was replaced by a similar 100% Quota Share Reinsurance Agreement with FNIIC effective November 1, 2011, due to the sale of FNIIC and its flood business. This agreement completed run-off in 2017 and there is no further activity.

Ceded

The Company and its subsidiary, SPAC, are parties to a 100% Quota Share Reinsurance Agreement with a former subsidiary, FNIIC, effective November 1, 2011. The subject line of business is excess flood insurance policies only, defined as "providing insurance coverage excess over, and under terms following the form of, any policy of flood insurance written through the National Flood Insurance Program." This agreement completed run-off in 2017 and there is no further activity.

The Company, as required by Florida statute, participates in the Florida Hurricane Catastrophe Fund, at the elected 90% participation level, which provides reimbursement to the Company under certain circumstances in the event of covered losses incurred due to a hurricane.

In addition to the ceding agreements described above, the Company's ceded reinsurance program principally consisted of multi-layer property, catastrophe excess of loss, and facultative coverage with various reinsurers. The following is a summary of the principal ceded reinsurance treaties in force as of December 31, 2019:

Line of Business and Type of Contract	Reinsurer's Name	Exchange's Retention	Reinsurer's Limit
Personal Umbrella Quota Share	Odyssey Reinsurance Company – 30% authorized	50% of amounts up to $5 million in any one risk	50% of $5 million in any one risk
Multiple line XOL High Value Homeowners	Hannover Ruck SE 35% authorized Odyssey Reinsurance Co – 30% authorized Partner Reinsurance Co – 15% authorized Renaissance Reinsurance – 12.5% authorized Allied World Assurance Co – 7.5% authorized	$350 thousand of the first $2 million	$1.65 million of the first $2 million and $6.5 million of the excess over $2.0 million up to $8.5 million
Florida Windstorm Quota Share	Allianz Risk Transfer AG unauthorized	10%	90% of all losses covered but shall not exceed lesser of 1) $20 million or 2) the 1 in 100-year AEP modeled at the time of loss
100% Quota Share – Indemnity Fraud Coverage	Virginia Surety Company, Inc.- authorized	0%	Limited to a maximum of 300,000 (contract) coverages during the term of the treaty
100% Quota Share – Multiple Line Reinsurance Agreement	Hartford Steam Boiler Inspection and Insurance Company – authorized	0%	100%, limited to a maximums based on coverage type. No policies written with coverage in excess of maximums
Property Catastrophe Excess of Loss First Layer	Multiple authorized and unauthorized reinsurers	$12.5 million	$7.5 million x $12.5 million loss/losses/one event. Reinsurers maximum liability for all occurrences $15 million per contract year
Second Layer	Multiple authorized and unauthorized reinsurers		$20 million x $20 million loss/losses/one event. Reinsurers maximum liability for all occurrences $40 million per contract year

Line of Business and Type of Contract	Reinsurer's Name	Exchange's Retention	Reinsurer's Limit
Third layer	Multiple authorized and unauthorized reinsurers		$45 million x $40 million loss/losses/one event. Reinsurers maximum liability for all occurrences $90 million per contract year
Fourth layer	Multiple authorized and unauthorized reinsurers		$20 million x $85 million loss/losses/one event. Reinsurers maximum liability for all occurrences $40 million per contract
Fifth layer	Multiple authorized and unauthorized reinsurers		$20 million x $105 million loss/losses/one event. Reinsurers maximum liability for all occurrences $40 million per contract year
Sixth layer	Multiple authorized and unauthorized reinsurers		$20 million x $125 million loss/losses/one event. Reinsurers maximum liability for all occurrences $40 million per contract year

ACCOUNTS AND RECORDS

Pursuant to the National Association of Insurance Commissioners (NAIC) Annual Statements Instructions, Note to Financial Statements, 14D, Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits, the Company shall disclose the dollar amount paid (for the extra contractual and bad faith portion of the total claim amount) for claims related extra contractual obligations and bad faith losses stemming from lawsuits, in the current reporting period on a direct basis. The Company's 2019 Annual Statement Notes in Financial 14D was not prepared in accordance to the NAIC's Annual Statement instructions and did not disclose the potential risk and/or uncertainties related to lawsuits in the manner or format required by the NAIC. The Company should compile its bad faith/extra contractual litigation settlements arising from claims and disclose it annually in the Notes to Financial Statements 14D. It is recommended that the Company implement procedures to ensure compliance with the NAIC Annual Statement Instructions.

FINANCIAL STATEMENTS

The following 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, 2019. 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 statutory financial statements reported by the Company.

Statement of Financial Condition as of December 31, 2019

Underwriting and Investment Exhibit for the Year Ended December 31, 2019

Reconciliation of Surplus as Regards Policyholders from December 31, 2015 through December 31, 2019

Statement of Financial Condition
as of December 31, 2018

Assets	Ledger and Nonledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$ 127,500,129	$	$ 127,500,129	
Preferred stocks	28,490,936		28,490,936	
Common stocks	181,826,012		181,826,012	
Cash and short-term investments	8,908,970		8,908,970	
Other invested assets	63,817,353		63,817,353	(1)
Investment income due and accrued	1,541,213		1,541,213	
Premiums and agents' balances in course of collection	5,410,602		5,410,602	
Premiums, agents' balances and installments booked but deferred and not yet due (including $0 earned but unbilled premiums)	8,236,295		8,236,295	
Amount recoverable from reinsurers	367,328		367,328	
Net deferred tax asset	5,436,896		5,436,896	
Electronic data processing equipment and software	480,000	480,000	0	
Furniture and equipment	71,024	71,024	0	
Receivable from parents	2,229,688		2,229,688	
Aggregate write-ins for other than invested assets	299,856	253,750	46,106	
Total assets	$ 434,616,301	$ 804,774	$ 433,811,526	

Liabilities, Surplus, and Other Funds			Notes
Losses		$ 74,607,735	(2)
Reinsurance payable on paid loss and loss adjustment expenses		3,241,828	
Loss adjustment expenses		5,802,125	(2)
Commissions payable, contingent commissions and other similar charges		281,062	
Other expenses		2,447,380	
Taxes, licenses and fees		1,079,074	
Current federal and foreign income taxes		1,610,090	
Unearned premiums		124,063,170	
Ceded reinsurance premiums payable		(1,787,094)	
Payable to parent, subsidiaries and affiliates		9,464	
Total liabilities		211,354,834	
Common capital stock	$ 3,250,000		
Gross paid-in and contributed surplus	61,993,824		
Unassigned funds (surplus)	157,212,867		
Surplus as regards policyholders		$ 222,456,691	
Total liabilities, surplus, and other funds		$ 433,811,526	

Underwriting and Investment Exhibit
for the Year Ended Dcember 31, 2019

Underwriting Income		
Premium earned		$ 255,485,100
Deductions:		
Losses incurred	$ 128,586,158	
Loss adjustment expenses incurred	22,432,686	
Other underwriting expenses incurred	85,597,849	
Total underwriting deductions		236,616,693
Net underwriting gain		18,868,407
Investment Income		
Net investment income earned	$ 50,102,449	
Net realized capital gains	2,008,837	
Net investment gain		52,111,286
Other income		
Aggregate write-ins for miscellaneous income	68,667	
Total other income		68,667
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		71,048,360
Federal and foreign income taxes incurred		6,172,238
Net income		$ 64,876,122

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2018		$ 171,092,857
Net income	$ 64,876,122	
Change in net unrealized capital losses	(7,390,186)	
Change in net deferred income tax	(652,397)	
Change in nonadmitted assets	(469,704)	
Dividend to stockholders	(5,000,000)	
Change in surplus as regards policyholders for the year		51,363,835
Surplus as regards policyholders, December 31, 2019		$ 222,456,692

Reconciliation of Surplus as Regards Policyholders
from December 31, 2015 through December 31, 2019

	Gain in Surplus	Loss in Surplus	
Surplus as regards policyholders, December 31, 2015			$ 162,097,959
Net income	$ 41,760,868	$	
Change in unrealized capital gains or losses	29,066,972		
Change in net deferred income tax		932,735	
Change in nonadmitted assets	463,682		
Dividends to stockholders		10,000,000	
Total gains and losses	$ 71,291,468	$ 10,932,735	
Net increase in surplus as regards policyholders			60,358,733
Surplus as regards policyholders, December 31, 2019			$ 222,456,692

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Other Invested Assets

Pursuant to the NAIC's Statement of Standard Accounting Principles (SSAP) No 48 Paragraph 6, investments in joint ventures, partnerships and limited liability companies, except for joint ventures, partnerships and liability companies with a minor ownership interest, shall be reported using an equity method as defined in SSAP No. 97 paragraphs 8.b.i. through 8.b.ii, these investments shall be recorded on the audited US GAAP equity of the investees.

In addition, pursuant to SSAP 48 paragraphs 8 and 9, for investments in joint venture, partnerships and limited liability companies with a minor interest (defined in Paragraph 15 and 16, i.e. less than 10% ownerships or lacks of control) shall be recorded based on the audited US GAAP equity of the investees. If the audited US GAAP basis financial statements are not available, then the investments may be recorded based on the US tax basis equity. During the course of the examination, it was noted that two of the Company's Schedule BA assets were valued using IRS Form Schedule K-1, instead of audited financial statements. The total value of the two assets was considered immaterial for examination purposes, therefore was no examination adjustment. It is recommended that the Company implement procedures to ensure compliance with SSAP No 48, Paragraph 6, 8, and 9.

(2) Losses and Loss Adjustment Expenses

Based on an analysis by a Casualty Actuary for the California Department of Insurance, the Company's loss and loss adjustment expense reserves as of December 31, 2019 were found to be reasonably stated and have been accepted for the purpose of this examination.

SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared coronavirus disease (COVID-19) a pandemic. The pandemic has triggered unprecedented government mandates and health and safety measures which have significantly impacted the insurance industry and economy. During the exam we reviewed COVID-19's impact on the Company's business operations with no immediate solvency concerns noted. As of the date of this report, significant uncertainty remains on the effect that the pandemic will have on the insurance industry, economy, and the Company at large. The California Department of Insurance continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Corporate Records (Page 8): It is recommended that the Company comply with its Bylaws and hold annual meetings to elect the Company's directors.

Accounts and Records, Annual Statement Instructions (Page 12): It is recommended that the Company implement procedures to ensure compliance with the National Association of Insurance Commissioner's (NAIC) Annual Statement Instructions.

Other Invested Assets (Page 17): It is recommended that the Company implement procedures to ensure compliance with NAIC's Statement of Statutory Accounting Principles No 48, Paragraphs 6, 8, and 9.

Previous Report of Examination

Management and Control, Corporate Records (Page 8): It was recommended that the Company implement procedures to ensure future compliance with California Insurance Code Section 735. The Company has complied with this recommendation.

<u>ACKNOWLEDGMENT</u>

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

Respectfully submitted,

___/S/________________________

Bridget Lopez, CFE
Examiner-In-Charge
Associate Insurance Examiner
Department of Insurance
State of California

___/S/________________________

Anjanette Briggs, CFE
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California