

REPORT OF EXAMINATION  
OF THE  
AMT HOME PROTECTION COMPANY  
AS OF  
DECEMBER 31, 2024

*Insurance Commissioner*

A handwritten signature in blue ink, appearing to read "P. Della", is positioned over a faint, light blue rectangular stamp.

Filed on December 4, 2025

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Los Angeles, California  
October 30, 2025

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

**AMT HOME PROTECTION COMPANY**

(hereinafter also referred to as the Company). The Company's statutory home office is located at 5901 W. Century Blvd., Suite 750, Los Angeles, CA 90292. Its administrative office is located at 59 Maiden Lane, 43rd Floor, New York, New York 10038.

**SCOPE OF EXAMINATION**

We have performed a full-scope financial examination of the Company that covers the period from January 1, 2019 through December 31, 2024.

**SIGNIFICANT FINDINGS**

California Insurance Code Section 12753(a) states, "a home protection company shall maintain a reserve for unearned premiums in an amount not less than 40 percent of the aggregate premiums charged on its contracts currently in force. Where the contract is for a period of more than 12 months, the reserve for unearned premiums for the period beyond 12 months shall be 100 percent of the pro rata portion of the contract fee attributable to the period of coverage in excess of 12 months". The Company reported a balance of \$34,374,318 of the unearned home protection contract fees on the 2024 Annual Statement, which represents 40% of all contracts, regardless of the in-force period. The Company underwrites contracts longer than 12 months; however, the

calculation of unearned contract fees did not take the in-force period into consideration. As a result of the miscalculation of the home protection contracts longer than 12 months, the unearned home contract fees were understated by \$2,377,803, which resulted an understatement of the unearned premiums maintained under reimbursement insurance policy by the same amount, as the contracts are covered 100% under the referenced policy. The understatement increased both the total unearned home protection contract fees to \$36,752,121, and the unearned premium maintained under the reimbursement insurance policy to \$ (28,898,396); thus, there was no financial impact on the surplus as regards contract holders.

### COMPANY HISTORY

The Company was incorporated under the laws of the state of California on March 12, 2012, for the purpose of transacting home protection business, and received its license to issue home protection contracts on October 17, 2013.

On January 23, 2018, the Company filed with the Secretary of State of California its Certificate of Amendment of Articles of Incorporation for the increase in the par value of each share of common stock from \$2 to \$20. The Company has a total of 1,000 shares of common stock authorized and outstanding.

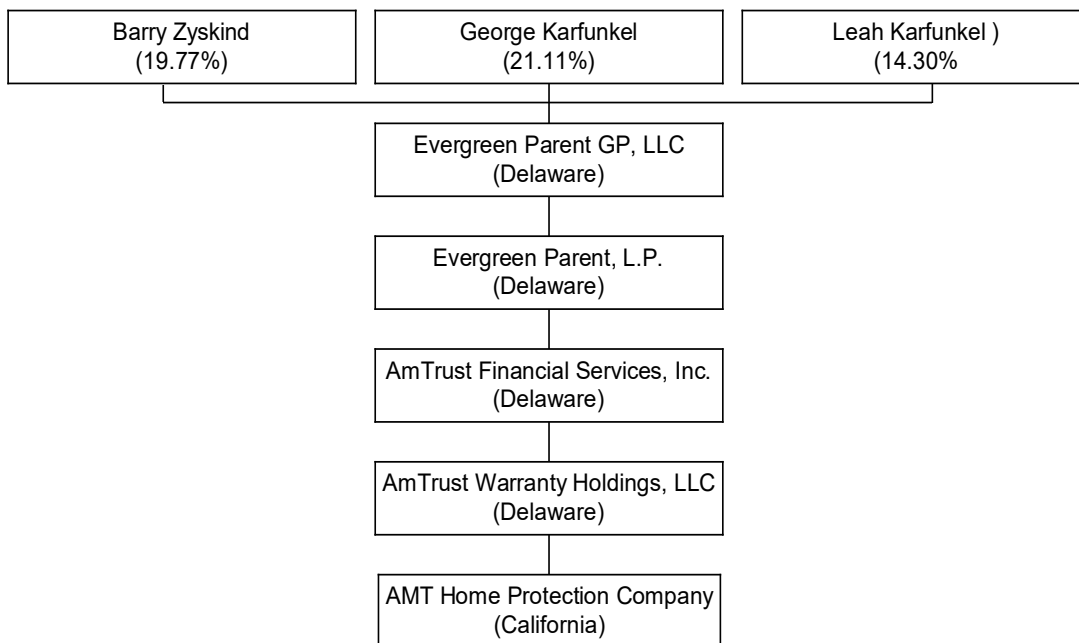
On February 28, 2018, AmTrust Financial Services, Inc. closed on the transfer of a 51% equity interest of AMT Warranty Corporation, the owner of 100% of the Company's shares. As a result of the transfer, 100% of the issued and outstanding shares of the Company were assigned to AmTrust Warranty Holdings LLC, a wholly-owned entity of AmTrust Financial Services, Inc.

### MANAGEMENT AND CONTROL

The Company is wholly-owned by AmTrust Warranty Holdings LLC, a Delaware corporation, which is ultimately controlled by the beneficial owners of the common stock

of the parent company, AmTrust Financial Services, Inc. (AmTrust), a Delaware corporation. Individuals who own more than 10% of the common stock are George Karfunkel, Leah Karfunkel, and Barry Zyskind.

The following abridged organizational chart shows the Company's relationship within the holding company system as of December 31, 2024. All ownership is 100% unless noted otherwise:



Management of the Company is vested in a two-member Board of Directors who are elected annually and oversee the business and affairs of the Company. The following is the list of Board members and principal officers serving as of December 31, 2024:

#### Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Evan Greenstein Jericho, New York	Senior Vice President, Commercial Lines AmTrust Financial Services, Inc.
Stephen Ungar North Hills, New York	Executive Vice President, General Counsel AmTrust Financial Services, Inc.

#### Principal Officers

<u>Name</u>	<u>Title</u>
Jeffrey Fenster	President
Justin Caulfield	Treasurer
Stephen Ungar	Secretary

#### Service Contract Reimbursement Insurance Policy

Effective June 15, 2012, the Company entered into a Service Contract Reimbursement Insurance Policy – First Dollar (also known as Contractual Liability Insurance Policy (CLIP)) with an affiliate, Wesco Insurance Company (Wesco). The Company's claims obligations are reimbursed under the CLIP issued by Wesco. Pursuant to the CLIP, in consideration of the payment of premiums, Wesco may reimburse the Company for payments made or services rendered to the contract holder, or Wesco may itself pay or service the contract holder on the Company's behalf. Although the Company is obligated to service the contract holder, under the CLIP's, if the contract holder does not timely receive their covered service, Wesco will fulfill the Company's obligations. Pursuant to the policies, Wesco will reimburse the Company, or pay on the Company's behalf, for net costs, losses, and obligor fee's related to the designated contracts. Total paid losses reimbursed under the CLIP policies to the Company were \$14,140,552, \$13,315,937, \$16,736,675, \$14,417,349, \$10,003,824, and \$1,080,345, in 2019, 2020,

2021, 2022, 2023, and 2024, respectively.

Effective January 1, 2023, the Company entered into a Service Contract Reimbursement Insurance Policy – Excess of Loss (XOL CLIP) with Wesco. The Company's claims obligations are reimbursed under the CLIP issued by Wesco. Pursuant to the XOL CLIP, in consideration of the payment of premiums, Wesco may reimburse the Company for payments made or services rendered to the contract holder when aggregate losses occurring in excess of the aggregate unearned reserves retained by the Company. There were no losses reimbursed by Wesco in 2023 and 2024.

### Management Agreements

Intercompany Management Agreement: Effective October 17, 2013, the Company entered into an Intercompany Management Agreement (the Agreement) with its ultimate parent, AmTrust Financial Services, Inc. (AmTrust). Under the terms of the Agreement, AmTrust will provide services that include legal, financial, and other professional services necessary to establish the Company's internal office procedures, as well as its accounting and financial reporting operations, which include the preparation and filing of the Company's federal tax return as part of a consolidated group tax filing in accordance with Internal Revenue Service Regulations. The Company's tax liability is calculated on a separate return basis. The services are to be provided by employees of AmTrust, as the Company does not currently have employees. As compensation for these services, the Company shall reimburse AmTrust for all direct and directly allocable expenses determined to be attributable to the Company by AmTrust and settled within 45 days of the end of each calendar quarter. The Agreement was reviewed and approved by the California Department of Insurance (CDI) as part of the Company's application for a Certificate of Authority.

Administrative Services Agreement: Effective October 17, 2013, the Company entered into an Administrative Services Agreement (the Agreement) with an affiliate, AmTrust North America, Inc. (AmTrust NA). Under the terms of the Agreement, AmTrust NA will perform certain processing functions pertaining to the administration of certain warranty contracts. Services provided in the Agreement include regulatory, claims review, and

underwriting. The Company will have the ultimate and final authority regarding underwriting and determining whether to pay or reject claims payments. As compensation for these services, the Company shall reimburse AmTrust NA for all direct and directly allocable expenses determined to be attributable to the Company by AmTrust NA, and settled within 45 days of the end of each calendar quarter. The Agreement was reviewed and approved by the CDI as part of the Company's application for a Certificate of Authority.

General Agency Agreement: Effective October 17, 2013, the Company entered into a General Agency Agreement (the Agreement) with an affiliate, AmTrust North America, Inc. (AmTrust NA). Under the terms of the Agreement, AmTrust NA will provide or arrange for the provision of certain processing functions pertaining to the administration of certain warranty contracts. The Company will reimburse AmTrust NA for all direct and directly allocable expenses determined to be attributable to the Company. As compensation for these services, the Company shall reimburse AmTrust NA for all direct and directly allocable expenses determined to be attributable to the Company by AmTrust NA, and settled within 45 days of the end of each calendar quarter. The Agreement was reviewed and approved by the CDI as part of the Company's application for a Certificate of Authority.

It was noted that prior to the settling of intercompany balances in December, 2024, no settlements had been performed and were continuously rolled-over period over period; thus, violating the conditions of the intercompany agreements. The Company confirmed the settlement conditions within the intercompany agreements and stated they have been in compliance with the settlement clause, as contained in the agreements, since settling in December, 2024.

#### TERRITORY AND PLAN OF OPERATION

The Company's home protection business provides service contracts that cover residential systems in California. The Company delegates the responsibility to various managing general agencies to sell and administer each service contract in compliance



with all applicable laws. The Company offers its products to California homeowners through utility partners, affinity groups, and through other strategic relationships. During 2024, 1,030,037 home warranty contracts were issued, totaling \$85.9 million in contract fees.

## ACCOUNTS AND RECORDS

### Insurance Holding Company System Annual Registration Statement

California Insurance Code (CIC) Section 1215.4(b) requires the insurer to file a registration statement (Form B). The instruction of Form B requires a disclosure of affiliated transactions. The description shall include at least the following: the nature and purpose of the transaction, the nature and amounts of any payments or transfers of assets between the parties, the identity of all parties to the transaction, and the relationship of the affiliated parties to the insurer.

A review of the Company's Form B filings for the examination period, January 1, 2019, to December 31, 2024, noted that the disclosure of affiliate transactions did not include amounts paid to and received from affiliates under each listed agreement pursuant to the CIC Section 1215.4(b). It is recommended that the Company ensure all information is presented completely and properly in its Form B filing to comply with the CIC Section 1215.4(b).

## FINANCIAL STATEMENTS

The following financial statements are based on the annual 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, 2024. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2024

Statement of Income for the Year Ended December 31, 2024

Reconciliation of Surplus as Regards Contract Holders from January 1, 2019,  
through December 31, 2024

Analysis of Changes to Surplus as of December 31, 2024

Statement of Financial Condition  
as of December 31, 2024

<u>Assets</u>	<u>Per Company</u>	<u>Per Exam</u>	<u>Notes</u>
Cash, cash equivalents, and short-term investments	\$ 3,651,400	\$ 3,651,400	
Receivables from parent, subsidiaries, and affiliates	<u>10,478,094</u>	<u>10,478,094</u>	
Total assets	<u>\$ 14,129,494</u>	<u>\$ 14,129,494</u>	
<u>Liabilities, Surplus, and Other Funds</u>			
Claims adjusted and unpaid or in process of adjustment	\$ 671,431	671,431	
Other expenses	671,847	671,847	
Taxes, licenses, and fees	109,735	109,735	
Unearned home protection contract fees	34,374,318	36,752,121	(1)
All Other Liabilities:			
Loss reserves maintained under reimbursement insurance policy	(326,339)	(326,339)	(2)
Unearned premium maintained under reimbursement insurance policy	<u>(26,520,593)</u>	<u>(28,898,396)</u>	(1)(2)
Total liabilities	\$ 8,980,399	\$ 8,980,399	
Common capital stock	20,000	20,000	
Gross paid in and contributed surplus	1,890,000	1,890,000	
Unassigned funds (surplus)	<u>3,239,095</u>	<u>3,239,095</u>	
Total surplus as regards contract holders	<u>5,149,095</u>	<u>5,149,095</u>	
Total liabilities and surplus	<u>\$ 14,129,494</u>	<u>\$ 14,129,494</u>	

Underwriting and Investment Exhibit  
for the Year Ended December 31, 2024

Statement of Income

Underwriting Income

Home protection contract fees earned	\$ 81,690,121
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Deductions:

Claims incurred	\$ 13,651,494	
Other underwriting expenses incurred	60,070,488	
Service contract reimbursement insurance policy expense	<u>9,248,997</u>	
Total deductions		<u>(82,970,979)</u>

Net underwriting gain	(1,280,858)
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Investment Income

Net investment income earned	\$ <u>100,581</u>
Net investment gain	100,581

Other Income

Claim reimbursement made under reimbursement insurance policy	\$ 1,080,345	
Reserve increase maintained under reimbursement insurance policy	<u>3,455,926</u>	
Total other income		<u>4,536,271</u>

Net income, before federal income taxes	3,355,994
Federal income taxes incurred	<u>704,759</u>

Net income	<u>\$ 2,651,235</u>
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Capital and Surplus Account

Surplus as regards contract holders, December 31, 2023	\$ 1,896,818
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Net income	\$ 2,651,235	
Change in non-admitted assets	<u>601,042</u>	

Change in surplus as regards contract holders for the year	<u>874,474</u>
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Surplus as regards contract holders, December 31, 2024	<u>\$ 5,149,095</u>
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Reconciliation of Surplus as Regards Contract Holders  
from December 31, 2019 through December 31, 2024

Surplus as regards contract holders, December 31, 2019			\$ 2,451,010
	<u>Gain in Surplus</u>	<u>Loss in Surplus</u>	
Net income, per examination	\$ 2,698,085	\$ 0	
Total gains and losses	<u>\$ 2,698,085</u>	<u>\$ 0</u>	
Change in surplus as regards contract holders			<u>2,698,085</u>
Surplus as regards contract holders, December 31, 2024, per examination			<u>\$ 5,149,095</u>

### Analysis of Changes to Surplus as of December 31, 2024

As a result of the examination, the following adjustments were made to the Company's reported balance sheet items. The understatement increased the total unearned home protection contract fees to \$36,752,121, and the unearned premium maintained under the reimbursement insurance policy to \$ (28,898,396); thus, there was no financial impact on the surplus as regards contract holders.

Surplus as regards contract holders, December 31, 2024, per Annual Statement		\$ 5,149,095
	<u>Decrease</u>	<u>Increase</u>
<u>Liabilities</u>		
Unearned home protection contract fees	<u>(2,377,803)</u>	
Unearned premium maintained under reimbursement insurance policy		<u>2,377,803</u>
Net Decrease		<u>0</u>
Surplus as regards contract holders, December 31, 2024, after adjustment		<u>\$ 5,149,095</u>

### COMMENTS ON FINANCIAL STATEMENT ITEMS

- (1) Unearned Home Protection Contract Fees
- (1) Unearned Premiums Maintained Under Reimbursement Insurance Policy

As previously noted under the "SIGNIFICANT FINDINGS" section, the Company understated its unearned home contract fees and unearned premiums maintained under reimbursement insurance policy by \$2,377,803 due to the miscalculation. It was recommended that the Company amend its 2024 annual statement to reflect the correct unearned home contract fees and unearned premiums maintained under reimbursement insurance policy. It is also recommended that the Company implement the proper procedure to ensure future compliance with the California Insurance Code (CIC) Section 12753(a). Upon notification by the California Department of Insurance (CDI), the Company filed the amended 2024 annual statement with the CDI on 09/08/2025.

- (2) Loss Reserves Maintained Under Reimbursement Insurance Policy
- (2) Unearned Premiums Maintained Under Reimbursement Insurance Policy

Pursuant to the above-mentioned Service Contract Reimbursement Insurance Policy under the “Management and Control” section, the Company’s claims and unearned contract obligations are reimbursed and offset by the obligations established under Wesco Insurance Company (Wesco). Therefore, the Company reported \$326,339 in loss reserves maintained under reimbursement insurance policy and \$28,898,396 in unearned premiums maintained under reimbursement insurance policy to offset the established claims and unearned contract obligations from Wesco.

### SUMMARY OF COMMENTS AND RECOMMENDATIONS

#### Current Report of Examination

Accounts and Records – Insurance Holding Company System Annual Registration Statement (page 6): It is recommended that the Company ensure all information is presented completely and properly in its Insurance Holding Company System Annual Registration Statement filing to comply with the California Insurance Code (CIC) Section 1215.4(b).

Comments on Financial Statement Items – Unearned Home Protection Contract Fees, Unearned Premiums Maintained Under Reimbursement Insurance Policy (page 12): It was recommended that the Company amend its 2024 annual statement to reflect the correct unearned home contract fees and unearned premiums maintained under reimbursement insurance policy. Upon notification by the California Department of Insurance (CDI), the Company filed the amended 2024 annual statement with the CDI on September 8, 2025. It is also recommended that the Company implement the proper procedure to ensure future compliance with the CIC Section 12753(a).

#### Previous Report of Examination

None.

## ACKNOWLEDGMENT

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

Respectfully submitted,

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Victor Villegas  
Examiner-In-Charge  
Associate Insurance Examiner  
Department of Insurance  
State of California

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Vivien Fan, CFE  
Bureau Chief  
Department of Insurance  
State of California