

REPORT OF EXAMINATION
OF THE
CSE SAFEGUARD INSURANCE COMPANY
AS OF
DECEMBER 31, 2023

A handwritten signature in blue ink, appearing to be 'D. Defa', is positioned above the filing date.

Filed on May 22, 2025

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Sacramento, California
May 19, 2025

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

CSE SAFEGUARD INSURANCE COMPANY

(hereinafter also referred to as the Company). The Company's statutory home office is located at 330 North Brand Boulevard, Suite 700, Glendale, California 91203.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was made as of December 31, 2018. This examination covered the period from January 1, 2019 through December 31, 2023.

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. The examination also includes 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 is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes findings of fact and general information about the Company and its financial condition. There may 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 the Company.

The examination was conducted concurrently with Civil Service Employees Insurance Company (California) in the CSE holding company system.

COMPANY HISTORY

Corporate Reorganization

On May 1, 2021, all 850 shares of the Company's issued and outstanding common stock owned by its direct parent, Civil Service Employees Insurance Company (CSEICO), was transferred to its indirect parent, GMF Financial Services Corporation (GMFFSC). The transfer of stock at a transaction value of \$31,676,287 was part of a corporate reorganization of the CSE Insurance Group and was approved on April 30, 2021 by the California Department of Insurance pursuant to California Insurance Code Sections 1152 and 1215.5(g).

Capitalization

The Company is authorized to issue 3,000 shares of common stock with a par value of \$4 thousand per share. As of December 31, 2023, there were 850 shares issued and outstanding.

The Company received cash capital contributions from CSEICO in the amount of \$3.5 million in 2020. The Company accounted for this contribution as additional paid-in-capital on its balance sheet.

The Company received cash capital contributions from its parent GMFFSC in the amount of \$400 thousand in 2023. The Company accounted for this contribution as additional paid-in-capital on its balance sheet.

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system (CSE Insurance Group), of which Covéa Coopérations is the ultimate controlling entity. The following abridged organizational chart depicts the inter-relationship of the companies as of December 31, 2023 (all ownership is 100% unless otherwise noted):

Covéa Coopérations (Le Mans, France)
GMF Financial Services Corporation* (Delaware)
Civil Service Employees Insurance Company (California)
CSE Safeguard Insurance Company (California)
CSE Insurance Services, Inc. (California)
CSE Group Services Company** (California)

** On April 1, 2025, the California Department of Insurance approved the sale of GMF Financial Services Corporation and all its subsidiaries to Compré Holdings USA Corporation. Refer to the Subsequent Events section of the report for further details.*

*** On February 1, 2024, GMF Financial Services Corporation was renamed to CSE Financial Services Corporation.*

**** On July 18, 2024, the Board of Directors of CSE Group Services Company passed a resolution for a corporate dissolution of CSE Group Services Company.*

The seven members of the board of directors, who are elected annually, oversee the business and affairs of the Company. The following are members of the board and principal officers of the Company at December 31, 2023:

Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
David Brinker Tucson, Arizona	Retired Executive Vice President CSE Insurance Group
Francois Bucchini Paris, France	Chief International and Commercial Lines Officer Covéa Coopérations
Alexandre Coyas Paris, France	Managing Director of International Division Covéa Coopérations
Reuben Jeffery Palm Beach, Florida	Retired Chief Executive Officer Rockefeller & Co.

Directors (continued)

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Marcus H. Linden El Dorado Hills, California	President and Chief Executive Officer CSE Insurance Group
Nicolas Moreau Paris, France	Director of International Division Covéa Coopérations
Michael Walker Paris, France	Group Chief Financial Officer Covéa Coopérations

Principal Officers

<u>Name</u>	<u>Title</u>
Marcus H. Linden Matthew Snedeker	President and Chief Executive Officer Senior Vice President, Chief Financial Officer, and Treasurer
Patrick Wong	Senior Vice President, General Counsel, and Corporate Secretary

Subsequent to the examination date, the Company was acquired by Compre Holdings USA Corporation and a new board was elected effective April 2, 2025. The five board of directors elected were Will Bridger, Marcus Linden, Harsh Mittal, Mike Terelmes, and Patrick Wong. Effective April 18, 2025, Mike Terelmes resigned and Bill Bouvier was appointed to fill the vacated position. There were no changes to the three principal officers after the acquisition.

Management Agreements

Service Agreement: Effective January 1, 2018, the Company entered into a Cost Sharing Agreement with Civil Service Employees Insurance Company (CSEICO). Following a corporate reorganization, effective May 1, 2021, the Company, CSEICO, GMF Financial Services Corporation (GMFFSC), CSE Insurance Services Inc. (CSEIS) dba CSE Diversified Insurance Services, and CSE Group Services Company (CSE Services) entered into a Services Agreement (Agreement) which replaced the Cost Sharing Agreement. Pursuant to the Agreement, CSEIS will provide services including underwriting and policy services, accounting services, purchasing, payroll, and employee

relations services. Effective March 19, 2023, the Company, CSEICO, GMFFSC, CSEIS, and CSE Services entered into a new Agreement to reflect CSEIS taking over the services previously provided by CSE Services. The Agreement was approved on February 27, 2023 by the California Department of Insurance (CDI) pursuant to California Insurance Code (CIC) Section 1215.5(b)(4). The amounts paid by the Company under the Agreement for 2019, 2020, 2021, 2022, and 2023 were \$11.5 million, \$5.9 million, \$6.2 million, \$11.6 million, and \$19.4 million, respectively.

Tax Allocation Agreement: Effective May 1, 2021, the Company, CSEICO, GMFFSC, CSEIS, and CSE Services entered into an Amended Tax Allocation Agreement (Agreement). Under the Agreement, the Company files federal income taxes on a consolidated basis with its parent, GMFFSC, and other affiliates. Effective August 15, 2024, a new tax allocation agreement was entered into to reflect the corporate name change of GMFFSC to CSE Financial Services Corporation and the dissolution of CSE Services such that CSE Services is removed from the Agreement. The Agreement was approved on October 7, 2024 by the CDI pursuant to CIC Section 1215.5(b)(4). Taxes paid by the Company under the Agreement were \$0 for all years under examination due to annual losses and prior unused net operating losses to offset any taxable income.

TERRITORY AND PLAN OF OPERATION

The Company's operations are conducted jointly with its affiliate, Civil Service Employees Insurance Company, at its statutory home office in Glendale, California. As of December 31, 2023, the Company was licensed to write private passenger automobile liability and physical damage, homeowners multiple peril, and commercial multiple peril insurance in the following states: Arizona, California, Colorado, Idaho, Nevada, Oregon, Utah, and Washington.

Of the Company's 2023 direct premiums written of \$95.7 million, 71.0% was written in California and 29.0% in Utah.

Effective October 1, 2023, the Company's ultimate parent, Covéa Coopérations, made the decision to place the Company into runoff. The Company ceased writing new

business and renewed its last policy on January 1, 2024. As of January 2, 2025, the Company has no policies in force.

REINSURANCE

Intercompany Pooling Agreement

Effective January 1, 2018, the Company and Civil Service Employees Insurance Company (CSEICO) are parties to an Amendment to the Restated Reinsurance Pooling Contract wherein, 100% of both companies' net written premium and net liabilities under policies, contracts and binders of insurance or reinsurance are pooled. The pooled business is then allocated back to each entity with the CSEICO being allocated two-thirds (66.7%) and the Company being allocated one-third (33.3%). On November 3, 2020, the CDI non-objects the Contract pursuant to CIC Section 1215.5(b)(3).

Assumed

The Company has no assumed reinsurance.

Ceded

The following is a summary of the principal ceded reinsurance treaty in-force as of December 31, 2023:

Line of Business and Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Limit
<u>Multi Line Reinsurance</u>			
Property Excess of Loss (Per Risk)	<u>Authorized</u>	\$500 thousand	\$5 million with aggregate limit of \$20.0 million.
	Allied World Insurance Company (15.0%)		
	Hannover Rück SE (32.0%)		
	Mapfre Re, Compañía De Reaseguros, S.A. (5.0%)		
	MS Amlin AG Bermuda Branch (10.0%)		
	The Toa Reinsurance Company of America (10.0%)		
	Transatlantic Reinsurance Company (18.0%)		
	<u>Unauthorized</u>		
	American Agricultural Insurance Company (10.0%)		

Line of Business and Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Limit
Property Excess of Loss (Aggregate)*	<u>Authorized</u> Allied World Insurance Company (15.0%) Hannover Rück SE (32.0%) Mapfre Re, Compañía De Reaseguros, S.A. (5.0%) The Toa Reinsurance Company of America (10.0%)	\$7.5 million	\$15 million with \$500 thousand Franchise Deductible.
	<u>Unauthorized</u> American Agricultural Insurance Company (10.0%)		
Casualty (Per Event)	<u>Authorized</u> Allied World Insurance Company (15.0%) Hannover Rück SE (32.0%) Mapfre Re, Compañía De Reaseguros, S.A. (5.0%) MS Amlin AG Bermuda Branch (10.0%) The Toa Reinsurance Company of America (10.0%) Transatlantic Reinsurance Company (18.0%)	\$500 thousand per event	\$6.5 million with annual aggregate limit of \$20 million.
	<u>Unauthorized</u> American Agricultural Insurance Company (10.0%)		
Basket Retention	<u>Authorized</u> Allied World Insurance Company (15.0%) Hannover Rück SE (32.0%) Mapfre Re, Compañía De Reaseguros, S.A. (5.0%) MS Amlin AG Bermuda Branch (10.0%) The Toa Reinsurance Company of America (10.0%) Transatlantic Reinsurance Company (18.0%)	\$500 thousand	\$500 thousand excess of \$500 thousand
	<u>Unauthorized</u> American Agricultural Insurance Company (10.0%)		
Property Catastrophe Excess of Loss			
First layer*	<u>Authorized</u> Hannover Re (Bermuda), Ltd. (12.5%) MS Amlin AG (5.0%) Hannover Rueck SE (18.75%) Syndicate No. 2001 (11.0%) Syndicate No. 2791 (5.25%) Syndicate No. 2791 (2.25%) Syndicate 1910 (10.25%)	\$5 million	\$15 million excess of \$5 million
	<u>Unauthorized</u> American Agricultural Insurance Company (10.0%) Shelter Mutual Insurance Company (1.0%) International General Insurance Company Limited (1.0%) Lansforsakringar AB (2.0%)		
Second layer	<u>Authorized</u> Allianz Risk Transfer (Bermuda) Limited (2.5%) Hannover Re (Bermuda), Ltd. (12.5%) Mapfre Re, Compania de Reaseguros, S.A. (10.0%) MS Amlin AG, Switzerland, Bermuda Branch (5.0%) Hannover Rueck SE (15.0%) Syndicate No. 2001 (10.5%) R + V Versicherung AG (15.0%) Partner Reinsurance Company Limited (6.0%) Syndicate No. 2791 (7.0%) Syndicate No. 2791 (3.0%) Syndicate No. 1910 (4.5%)	\$20 million	\$20 million excess of \$20 million
	<u>Unauthorized</u> American Agricultural Insurance Company (5.0%) Shelter Mutual Insurance Company (1.0%) International General Insurance Company Limited (1.0%) Lansforsakringar AB (2.0%)		

Line of Business and Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Limit
Third layer	<u>Authorized</u> Allianz Risk Transfer (Bermuda) Limited (5.0%) Hannover Re (Bermuda), Ltd. (22.0%) Mapfre Re, Compania de Reaseguros, S.A. (10.0%) MS Amlin AG, Switzerland, Bermuda Branch (5.0%) Hannover Rueck SE (10.0%) Syndicate No. 2001 (10.5%) R + V Versicherung AG (15.0%) Partner Reinsurance Company Limited (6.0%) Syndicate No. 2791 (5.25%) Syndicate No. 2791 (2.25%) Syndicate No. 1910 (1.0%) <u>Unauthorized</u> American Agricultural Insurance Company (4.0%) Shelter Mutual Insurance Company (1.0%) International General Insurance Company Limited (1.0%) Lansforsakringar AB (2.0%)	\$40 million	\$40 million excess of \$40 million
Fourth Layer	<u>Authorized</u> Allianz Risk Transfer (Bermuda) Limited (5.0%) Hannover Re (Bermuda), Ltd. (22.0%) Mapfre Re, Compania de Reaseguros, S.A. (10.0%) MS Amlin AG, Switzerland, Bermuda Branch (5.0%) Odyssey Reinsurance Company (5.0%) Syndicate No. 2001 (10.5%) R + V Versicherung AG (15.0%) Syndicate No. 2623 (0.54%) Syndicate No. 0623 (2.46%) Syndicate No. 2791 (5.25%) Syndicate No. 2791 (2.25%) Partner Reinsurance Company Limited (6.0%) <u>Unauthorized</u> American Agricultural Insurance Company (4.0%) Shelter Mutual Insurance Company (4.0%) International General Insurance Company Limited (1.0%) Lansforsakringar AB (2.0%)	\$80 million	\$40 million excess of \$80 million
Fifth Layer	<u>Authorized</u> Houston Casualty Company (100%)	\$120 million	\$20 million excess of \$120 million

* The Company did not have full placement for these reinsurance layers. As such, the Company retained the exposure for the unfilled placements.

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, 2023. 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, 2023

Underwriting and Investment Exhibit for the Year Ended December 31, 2023

Reconciliation of Surplus as Regards Policyholders from December 31, 2018
through December 31, 2023

Statement of Financial Condition
as of December 31, 2023

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 32,334,396	\$	\$ 32,334,396	
Cash and short-term investments	7,226,820		7,226,820	
Investment income due and accrued	270,009		270,009	
Uncollected Premiums and agents' balances in course of collection	1,383,244	331,813	1,051,431	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	2,119,478		2,119,478	
Amount recoverable from reinsurers	55,257		55,257	
Receivables from parent, subsidiaries and affiliates	6,637,132		6,637,132	
Aggregate write-ins for other than invested assets	2,353,503	422,092	1,931,411	
Total assets	<u>\$ 52,379,839</u>	<u>\$ 753,905</u>	<u>\$ 51,625,934</u>	

<u>Liabilities, Surplus and Other Funds</u>			<u>Notes</u>
Losses		\$ 21,072,973	(1)
Loss adjustment expenses		4,565,631	(1)
Commissions payable, contingent commissions and other similar charges		(566,281)	
Other expenses		630,183	
Taxes, licenses and fees		(102,840)	
Unearned premiums		16,922,414	
Advance premiums		698,629	
Ceded reinsurance premiums payable		227,194	
Funds held by company under reinsurance treaties		412,470	
Provision for reinsurance		62,400	
Aggregate write-ins for liabilities		<u>(2,973,905)</u>	
Total liabilities		40,948,868	
Common capital stock	\$ 3,400,000		
Gross paid-in and contributed surplus	28,893,333		
Unassigned funds (surplus)	<u>(21,616,267)</u>		
Surplus as regards policyholders		<u>\$ 10,677,066</u>	
Total liabilities, surplus and other funds		<u>\$ 51,625,934</u>	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2023

Underwriting Income

Premiums earned		\$ 38,176,854
Deductions:		
Losses incurred	\$ 34,098,976	
Loss adjustment expenses incurred	6,500,997	
Other underwriting expenses incurred	<u>13,774,059</u>	
Total underwriting deductions		<u>54,374,032</u>
Net underwriting loss		(16,197,178)

Investment Income

Net investment income earned	\$ 1,728,151	
Net realized capital losses	<u>(5,218,383)</u>	
Net investment loss		(3,490,232)

Other income

Net gain from agent's or premium balances charged off	\$ 41,534	
Finance and service charges not included in premiums	170,538	
Aggregate write-ins for miscellaneous income	<u>515,471</u>	
Total other income		<u>727,543</u>
Net income after dividends to policyholders, after capital gains tax and before federal and foreign income taxes		<u>(18,959,867)</u>
Net loss		<u>\$ (18,959,867)</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2022		\$ 31,429,709
Net loss	\$ (18,959,867)	
Change in net deferred income tax	(7,735,526)	
Change in nonadmitted assets	5,605,146	
Change in provision for reinsurance	(62,400)	
Surplus adjustments: Paid-in	<u>400,000</u>	
Change in surplus as regards policyholders for the year		<u>(20,752,647)</u>
Surplus as regards policyholders, December 31, 2023		<u>\$ 10,677,066</u>

Reconciliation of Surplus as Regards Policyholders
from December 31, 2018 through December 31, 2023

Surplus as regards policyholders, December 31, 2018			\$ 34,660,405
	Gain in Surplus	Loss in Surplus	
Net loss	\$	\$	23,914,750
Change in net unrealized capital gains	36,337		
Change in net deferred income tax		4,883,163	
Change in nonadmitted assets	2,572,366		
Change in provision in reinsurance		62,738	
Surplus adjustments: Paid-in	3,900,000		
Aggregate write-ins for losses in surplus		1,631,391	
Total gains and losses in surplus	\$ 6,508,703	\$ 30,492,042	
Net decrease in surplus as regards policyholders			(23,983,339)
Surplus as regards policyholders, December 31, 2023			<u>\$ 10,677,066</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Losses and Loss Adjustment Expense

Based on an analysis by a Senior Casualty Actuary from the California Department of Insurance, the Company's loss and loss adjustment expense reserves as of December 31, 2023 were found to be reasonably stated and have been accepted for the purpose of this examination.

SUBSEQUENT EVENTS

Fair Plan Assessment

In January 2025, catastrophic wildfires impacted Southern California. The Company had no direct exposure as there were no in-force policies at the time of the wildfires. However, through its participation in the California FAIR Plan (CFP), the Company is subject to CFP assessments whenever CFP incurs losses that exceed its capital and reinsurance coverage. On February 12, 2025, the Company and its sister company, Civil Service Employees Insurance Company (CSEICO), were assessed by CFP in the amounts of \$3,892,622 and \$1,609,753, respectively. On February 27, 2025, the Company paid these amounts whilst reserving its right to seek an exemption and the return of these funds. The payments were recognized as a reduction to surplus in 2025. On April 2, 2025, the Company issued a letter to the CFP requesting an exemption from the assessments and from future CFP assessments. The Company is currently awaiting a response from the CFP.

Form A Acquisition

On October 16, 2024, Compre Holdings USA Corporation (Compre), a Delaware holding company, filed a Form A application with the California Department of Insurance (CDI) in connection with its proposed acquisition of CSE Financial Services Corporation (CSEFSC), the parent company of Civil Service Employees Insurance Company and CSE Safeguard Insurance Company (collectively referred to as CSE Insurance Group). The Form A was approved by the CDI on April 1, 2025 pursuant to California Insurance Code

Section 1215.2. The final purchase price is currently pending. Under the new ownership, the Company would continue with its current runoff plan. At the closing of the sale of CSE Insurance Group to Compre, an additional \$18 million in capital was provided by Covéa Coopérations to the CSE Insurance Group to support future capital and surplus requirements of the group. On March 28, 2025, \$2.5 million of the \$18 million was contributed to the Company, with the remaining \$15.5 million contributed to CSEFSC.

On April 25, 2025, an additional \$3 million and \$2 million was contributed by CSEFSC to CSEICO and the Company, respectively.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

None.

Previous Report of Examination

Management Agreements – Cost Sharing Agreement (Page 5): It was recommended that the Company file its Cost Sharing Agreement with the California Department of Insurance (CDI) pursuant to California Insurance Code (CIC) Section 1215.5(b)(4). The Company has complied with this recommendation.

Reinsurance – Intercompany (Page 7): It was recommended that the Company file all intercompany reinsurance agreements with the CDI pursuant to CIC Section 1215.5(b)(3). The Company has complied with this recommendation.

Accounts and Records – Unclaimed Property (Page 10): It was recommended that the Company escheat unclaimed property to the State Controller's Office (SCO) and implement procedures to ensure compliance with California Code of Civil Procedure Sections 1530 and 1532. The Company has complied with this recommendation.

ACKNOWLEDGMENT

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

Respectfully submitted,

Allen Lau, 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