

REPORT OF EXAMINATION  
OF THE  
COMMERCE WEST INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2023

A handwritten signature in blue ink, appearing to read "D. DeLa", is positioned above the filing date.

Filed on June 10, 2025

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Oakland, California  
May 22, 2025

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

COMMERCE WEST INSURANCE COMPANY

(hereinafter also referred to as the Company). The Company's statutory home office is located at 2633 Camino Ramon, Suite 300, San Ramon, California 94583.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2018. This examination covered the period of 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 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 of the MAPFRE Group with Massachusetts as the lead state. California, Florida, New Jersey, and Ohio participated in this coordinated examination.

### COMPANY HISTORY

The Company was incorporated in California on March 19, 1948, under the law of the state of California and commenced transacting business on October 18, 1949. The Company's immediate parent, ACIC Holding Company, Inc. (ACIC Holding), is a wholly-owned subsidiary of MAPFRE U.S.A. Corporation (MAPFRE USA), which is a privately held insurance holding company incorporated in Massachusetts. FUNDACION MAPFRE is the ultimate parent of MAPFRE USA.

### Capitalization

The Company is authorized to issue 100,000 shares of common stock with a par value of \$50 per share. As of December 31, 2023, there were 66,667 shares issued and outstanding.

## Dividends

During the examination period, the Company paid the following ordinary cash dividends to its parent, ACIC Holding Company Inc. and provided proper notification to the California Department of Insurance in regards to the dividend payments in accordance with California Insurance Code (CIC) Section 1215.4(f): \$5,400,000 in 2019, \$9,000,000 in 2020, and \$8,900,000 in 2021.

## MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system , of which the ultimate controlling entity is FUNDACION MAPFRE, a Spanish insurance foundation based in Madrid, Spain. The following abridged organizational chart depicts the relationship of the insurance companies within the holding company system (all ownership is 100% unless otherwise noted):

FUNDACION MAPFRE (Spain)

    Cartera MAPFRE, S.L. (Spain)

        MAPFRE S.A. (Spain) (69.8%)

            MAPFRE Internacional. S.A. (Spain)

                MAPFRE U.S.A. Corporation (Massachusetts)

                    Citation Insurance Company (Massachusetts)

                    The Commerce Insurance Company (Massachusetts)

                        MAPFRE Insurance Company (New Jersey)

                        MAPFRE Insurance Company of Florida (Florida)

            ACIC Holding Company, Inc.

                American Commerce Insurance Company (Ohio)

**Commerce West Insurance Company (California)**

            Verti Insurance Company (Ohio)

            Auto Club MAPFRE Insurance Company (Ohio) (65%)

The three 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, 2023:

#### Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Jesus A. Carrillo Webster, Massachusetts	Executive Vice President and Chief Financial Officer MAPFRE U.S.A. Corporation
Daniel P. Olohan Webster, Massachusetts	Executive Vice President, General Counsel, and Secretary MAPFRE U.S.A. Corporation
Jaime Tamayo Webster, Massachusetts	President and Chief Executive Officer MAPFRE U.S.A. Corporation

#### Principal Officers

<u>Name</u>	<u>Title</u>
Jaime Tamayo	President and Chief Executive Officer
Jesus Carrillo	Chief Financial Officer and Executive Vice President
Michael S. Sher	Secretary, Deputy General Counsel, and Senior Vice President
John M. Meciak Jr.	Treasurer, Chief Accounting Officer, and Senior Vice President

## Management Agreements

Sixth Amended and Restated Tax Allocation Agreement: The Company is a party to a Sixth Amended and Restated Tax Allocation Agreement between the MAPFRE U.S.A. Corporation and its affiliates, effective November 1, 2022. Under the agreement, tax liability and credits are to be apportioned on a separate return basis, and settlements between the companies are to be settled within thirty days of filing the return. The California Department of Insurance (CDI) issued a non-disapproval letter to the Company for this agreement on October 17, 2022 pursuant to California Insurance Code Section 1215.5(b)(4). Total federal income taxes incurred by the Company in 2019, 2020, 2021, 2022, and 2023 were \$334,211, \$2,315,767, \$1,461,998, \$408,060, and \$81,715, respectively.

Seventh Amended and Restated Management Cost Allocation Agreement: The Company and its affiliates (the Companies) are participants in a Seventh Amended and Restated Management Cost Allocation Agreement, effective January 1, 2019. Under the agreement, any of the companies may provide the following management services to the other parties for a fee: quarterly review and analysis of company performance, budgeting, tax advice, support, calculation and filing, legal advice and support, insurance consulting, review of corporate contracts, SEC filings, operational services, investment management services, and investment recordkeeping services. The agreement states that non-investment related services shall be reimbursed at the actual cost borne by the party providing the services. Investment related services are reimbursed using an "Investment Services Formula" that is calculated as the product of the number of basis points multiplied by the quarter end balance of investments and cash divided by four. The reimbursement is limited to the actual costs and expenses incurred by the party providing the services. The CDI approved the agreement on September 26, 2018. The total fees incurred for services for 2019, 2020, 2021, 2022, and 2023 were \$14,515,511, \$11,975,246, \$13,133,625, \$15,177,735, and \$12,975,948, respectively.

## TERRITORY AND PLAN OF OPERATION

As of December 31, 2023, the Company was licensed to transact private passenger automobile liability, commercial automobile liability, automobile physical damage, homeowners multiple peril, and general liability insurance in the states of Arizona, California, Colorado, Nevada, Oregon, Utah, and Washington. Direct premiums written during 2023 totaled \$78.5 million. Of the direct premiums written, \$55.0 million (70.1%) was written in California, \$16.8 million (21.4%) was written in Washington, and \$6.7 million (8.5%) was written in Oregon.

In 2023, the private passenger automobile liability (51.8%), private passenger automobile physical damage (37.1%), and homeowners multiple peril (11.1%) lines accounted for all of the direct writings of the Company. The Company's business is distributed and marketed through multi-distribution networks which include independent agents, retail outlets, digital platforms, and direct-to-consumers sales.

## REINSURANCE

### Tenth Amended and Restated Reinsurance Pooling Agreement

Effective January 1, 2022, the Company entered into a Tenth Amended and Restated Reinsurance Pooling Agreement (the Agreement) with The Commerce Insurance Company (Commerce) and its three affiliates. Commerce is the lead company in the pool. Under the terms of the pooling agreement, each participant cedes 100% of its direct business to Commerce. After applying external reinsurance, Commerce retrocedes to each participant its prorated share of the pooled business based on the participation percentages. The California Department of Insurance (CDI) issued a non-disapproval letter for the Agreement on May 23, 2022. As of December 31, 2023, the intercompany pooling participation percentages were as follows:



<u>Company</u>	<u>Participation</u>
The Commerce Insurance Company	70.8%
American Commerce Insurance Company	12.4%
Citation Insurance Company	7.4%
Commerce West Insurance Company	6.5%
MAPFRE Insurance Company	2.9%
Total	<u>100%</u>

#### Assumed

The Company did not assume any reinsurance during the examination period other than from the intercompany pool pursuant to the intercompany pooling agreement detailed above.

#### Ceded

The Company did not cede any reinsurance during the examination period other than to the intercompany pool pursuant to the pooling agreement detailed above.

## 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, 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 statutory financial statements reported by the Company.

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	\$ 143,186,314	\$	\$ 143,186,314	
Cash	6,772,595		6,772,595	
Investment income due and accrued	1,055,890		1,055,890	
Uncollected premiums and agents' balances in course of collection	11,572,674		11,572,674	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	7,857,901		7,857,901	
Amount recoverable from reinsurers	4,951,218		4,951,218	
Current federal and foreign income tax recoverable and interest thereon				
Net deferred tax asset	2,952,207		2,952,207	
Electronic data processing equipment and software				
Furniture and equipment, including health care delivery assets	49,272	49,272	0	
Aggregate write-ins for other than invested assets	735,637	90,212	645,425	
Total assets	<u>\$ 179,133,708</u>	<u>\$ 139,484</u>	<u>\$ 178,994,224</u>	

Liabilities, Surplus, and Other Funds

				<u>Notes</u>
Losses			\$ 49,166,453	(1)
Reinsurance payable on paid losses and loss adjustment expenses			4,046,824	
Loss adjustment expenses			5,596,767	(1)
Commissions payable, contingent commissions and other similar charges			531,455	
Other expenses			312,372	
Current federal and foreign income taxes			119,203	
Unearned premiums			58,662,213	
Advance premium			646,967	
Ceded reinsurance premiums payable			3,797,704	
Payable to parent, subsidiaries and affiliates			1,184,875	
Aggregate write-ins for liabilities			813,638	
Total liabilities			124,878,471	
Common capital stock	\$ 3,333,350			
Gross paid-in and contributed surplus	10,480,965			
Unassigned funds (surplus)	40,301,438			
Surplus as regards policyholders			54,115,753	
Total liabilities, surplus, and other funds			<u>\$ 178,994,224</u>	

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

Underwriting Income

Premiums earned		\$ 105,044,742
Deductions:		
Losses incurred	\$ 71,076,241	
Loss expenses incurred	13,511,853	
Other underwriting expenses incurred	<u>30,479,373</u>	
Total underwriting deductions		<u>115,067,467</u>
Net underwriting loss		(10,022,725)

Investment Income

Net investment income earned	\$ 4,201,295	
Net realized capital gains	<u>11,618</u>	
Net investment gain		4,212,913

Other income

Finance and service charges not included in premiums	5,223,950	
Aggregate write-ins for miscellaneous income	<u>9,208</u>	
Total other income		<u>5,233,158</u>
Net loss after dividends to policyholders, after capital gains tax and before federal and foreign income taxes		(576,654)
Federal and foreign income taxes incurred		<u>81,715</u>
Net loss		<u>\$ (658,369)</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2022		\$ 54,496,400
Net loss	\$ (658,369)	
Change in unrealized capital losses	(6)	
Change in net deferred income tax	201,763	
Change in nonadmitted assets	61,701	
Aggregate write-ins for gains in surplus	<u>14,264</u>	
Change in surplus as regards policyholders for the year		<u>(380,647)</u>
Surplus as regards policyholders, December 31, 2023		<u>\$ 54,115,753</u>

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

Surplus as regards policyholders, December 31, 2018			\$ 54,116,828
	Gain in Surplus	Loss in Surplus	
Net income	\$ 27,424,856	\$	
Change in unrealized capital losses		825	
Change in net deferred income tax		1,816,338	
Change in nonadmitted assets	988,183		
Dividends to stockholders		23,300,000	
Aggregate write-ins for gains in surplus		3,296,951	
Total gains and losses	\$ 28,413,039	\$ 28,414,114	
Net decrease in surplus as regards policyholders			(1,075)
Surplus as regards policyholders, December 31, 2023			\$ 54,115,753

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### (1) Losses and Loss Adjustment Expenses

An analysis of the intercompany pooled loss and loss adjustment expense reserves as of December 31, 2023 was performed by a consulting actuary engaged by the Massachusetts Division of Insurance. Based on the analysis, the consulting actuary determined that 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.

A casualty actuary from the California Department of Insurance reviewed the work performed by the consulting actuary and concurred with the conclusion.

## SUMMARY OF COMMENTS AND RECOMMENDATIONS

### Current Report of Examination

None.

### Previous Report of Examination

Corporate Records (Page 4): It was recommended that the Company implement procedures to ensure future compliance with California Insurance Code Section 735. The Company has complied with the 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,

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

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