

REPORT OF EXAMINATION
OF THE
PROPERTY ID HOME WARRANTY
AS OF
DECEMBER 31, 2023

Commissioners Signature

A handwritten signature in blue ink, appearing to be 'D. DeLa', is written over a horizontal line.

Filed on May 22, 2025

TABLE OF CONTENTS

	<u>PAGE</u>
SCOPE OF EXAMINATION	2
SUMMARY OF SIGNIFICANT FINDINGS	2
COMPANY HISTORY:	3
Capitalization	3
Capital Distribution.....	4
MANAGEMENT AND CONTROL.....	4
TERRITORY AND PLAN OF OPERATION.....	5
ACCOUNTS AND RECORDS:.....	6
Non-Compliance with California Insurance Code (CIC) Sections 900, 1215.4, and 12752	6
California Premium Tax Filings	8
Non-Compliance with CIC Section 733.....	8
FINANCIAL STATEMENTS:	9
Statement of Financial Condition as of December 31, 2023	10
Underwriting and Investment Exhibit for the Year Ended December 31, 2023	11
Reconciliation of Surplus as Regards Contract Holders from March 7, 2017 through December 31, 2023	12
Summary of Adjustments as of December 31, 2023.....	13
COMMENTS ON FINANCIAL STATEMENT ITEMS:.....	13
Common Capital Stocks and Unassigned Funds (Surplus)	13
Aggregate Write-Ins for Other Underwriting Deductions	13
SUMMARY OF COMMENTS AND RECOMMENDATIONS:	14
Current Report of Examination	14
Previous Report of Examination	14
ACKNOWLEDGMENT	15

Los Angeles, California
February 20, 2025

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

PROPERTY ID HOME WARRANTY

(hereinafter also referred to as the Company). The Company's main administrative office and the primary location of its books and records are located at 1001 Wilshire Boulevard, Los Angeles, California 90017.

SCOPE OF EXAMINATION

We have performed our single state examination of the Company. This is the first financial examination of the Company since its Qualifying Examination on March 7, 2017. This examination covered the period from March 8, 2017 through December 31, 2023.

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.

SUMMARY OF SIGNIFICANT FINDINGS

As a result of this examination, surplus as regards contract holders has been increased from \$0 to \$45,521 as of December 31, 2023. Adjustments were due to an increase of \$400,000 in Common Capital Stock, and decrease in Unassigned Capital (surplus) of \$354,479 pursuant to California Insurance Code (CIC) Section 900. The examination adjustment is discussed in greater detail in the "Summary of Adjustments" of the report.

In 2021, the Company returned \$300,000 of its initial paid-in capital to its sole shareholder without obtaining prior approval from the California Department of Insurance in accordance with CIC Section 1215.5(g).

The Company also failed to comply with filing requirements of the Annual Statement exhibiting its financial condition and Insurance Holding Company System Regulatory Act filings with the California Department of Insurance (CDI) for 2022 and 2023 calendar reporting years in accordance with the CIC Sections 900, 1215.4, 12750 and 12752 discussed in the “Accounts and Records” section of the report. The CDI has imposed late filing fees for the required missing filings and documents per CIC Section 924, and fees will continue to incur until the Company complies with the noted filing requirements.

Pursuant to CIC 700(c) after the issuance of a certificate of authority, the holder shall continue to comply with the requirements as to the business set forth in this code and the other laws of this state. Whenever an admitted insurer fails to take steps necessary to maintain the continuance of its certificate of authority as required, the CDI reserves the right to take regulatory actions against the Company’s license pursuant to CIC Section 1065.2. To avoid further action by the CDI including but not limited to cancellation or revocation of its certificate of authority requiring the Company to withdraw in accordance with CIC Section 1070.5, it is recommended that the Company take immediate action to comply with the CIC Sections 900, 1215.4, 12750, and 12752.

COMPANY HISTORY

The Company was incorporated on October 30, 2015 and licensed to write home protection contracts in the state of California on January 16, 2018. As of the examination date, the Company has not commenced operations.

Capitalization

The Company is authorized to issue 10,000 shares of common stock with a par value of \$40 per share. As of December 31, 2023, there were 10,000 shares outstanding, all owned by the sole owner, Mr. Carlos Sideman.

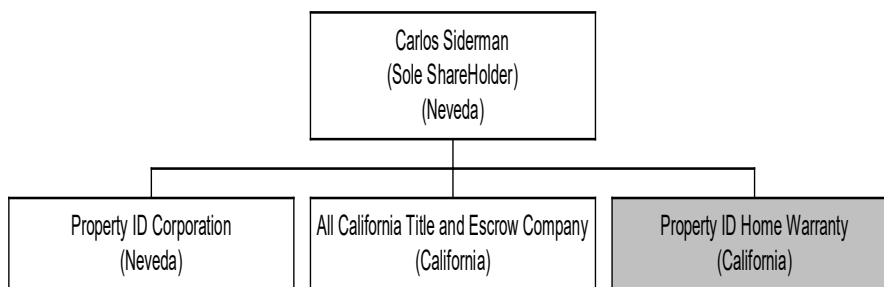
Capital Distribution

On February 17, 2017, the Company received an initial capitalization in the amount of \$400,000 from its stock issuance. In 2021, the Company made a return of capital distribution in the amount of \$300,000 to the Company's sole owner. Pursuant to California Insurance Code (CIC) Section 1215.5(g), a company subject to the requirement shall not make any dividends or distribution that exceeds the greater of (1) 10 percent of the company's surplus as of the preceding December 31, or (2) the net income from operations of the company for the previous year, without notifying and obtaining prior approval from the California Department of Insurance (CDI). The Company failed to notify the CDI of its distribution of the paid-in capital and record the transaction in its annual statement.

On November 5, 2024, the CDI advised the Company of the violation and requested immediate compliance with the reporting requirement. However, the Company has not taken action or provided any details regarding the distribution to the CDI. It is recommended that the Company take immediate action to comply with CIC Section 1215.5(g), to prevent further regulatory actions against the Company's license pursuant to CIC Section 1065.2.

MANAGEMENT AND CONTROL

The Company is wholly-owned by an individual, Mr. Carlos Siderman. The following organizational chart depicts the Company's relationship within the holding company system. All ownership is 100%:



Management of the Company is vested in a board of director consisting of the sole shareholder and principal officer, Carlos Siderman. The following tables show the makeup of the board and the principal officer of the Company serving at December 31, 2023:

Director

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Carlos Siderman Las Vegas, Nevada	President, Chief Executive Officer, Secretary, Treasurer, and Director Property ID Corporation

Principal Officer

<u>Name</u>	<u>Title</u>
Carlos Siderman	President, Secretary, and Treasurer

TERRITORY AND PLAN OF OPERATION

As of December 31, 2023, the Company is licensed to sell home protection contracts in California. However, the Company has not commenced operations since obtaining its license on January 16, 2018.

The Company plans to write home protection contracts for single-family homes, condominiums, townhomes, mobile homes, duplexes, triplexes, fourplexes, and new construction on a 12-month contract period. Under the standard residential home protection contracts, the Company will provide for the repair or replacement of household systems including plumbing, heating, electrical, air conditioning, water heaters, and appliances.

The Company intends to generate business through its affiliate, Property ID Corporation (PIC), a natural hazard disclosure company based in Los Angeles, California. PIC has

well-established existing business relationships with all sectors of the market, including real estate brokers and agents, institutional lenders, asset managers, and mortgage bankers and brokers.

ACCOUNTS AND RECORDS

Non-Compliance with California Insurance Code (CIC) Sections 900, 1215.4, and 12752

Pursuant to the California Insurance Code (CIC) Section 900, on or before March of each year, every insurer is required to file with the California Department of Insurance (CDI) statements exhibiting its financial condition and affairs as of the previous December 31. For calendar reporting years 2022 and 2023, the Company failed to file Annual Statements exhibiting its financial condition and affairs on or before March 1, resulting in direct violations of CIC Sections 900 and 12752.

Upon notification by the CDI, the Company filed the 2022 and 2023 Annual Statements and has amended them numerous times since the initial filings. The review of all filed Annual Statements, along with their subsequent amended statements, during the examination period, indicated that the information reported was either incomplete, incorrect, unreconcilable between schedules and exhibits, or omitted the supporting data. As a result, it was determined that the Company did not comply with the CDI Annual Statement Blank Filing Form in accordance with CIC Section 900(b). The examination adjustments and corrections were made to the 2023 Annual Statement as mentioned in the “Financial Statements” section of the report.

In addition, all insurers subject to the Insurance Holding Company System Regulatory Act are required to submit various filings to the CDI on an annual basis. The Company failed to file its Management Discussion and Analysis (MD&A), Holding Company Registration Statement (Form B), Summary of Registration Statement (Form C), and Enterprise Risk Report (Form F) for reporting years 2022 and 2023, in violation of CIC Section 1215.4.

On September 11, 2024, the CDI issued a Non-compliance and Late Filing Penalty Assessment (Assessment) to the Company in the amount of \$16,338. The Assessment imposed a Late Filing Penalty for its 2023 Annual Statements, plus a penalty for the

following items that have not yet been filed for the 2023 reporting year as of the date of the Assessment: California Affidavit – Declaration to Valuation of Property & Securities/Verification, MD&A, and Form B.

On October 29, 2024, the Company filed amended 2022 and 2023 Annual Statements. However, the information presented in the amended Annual Statements was still incomplete, incorrect, and unreconcilable between schedules and exhibits.

On December 19, 2024, the CDI issued a Notice of Non-compliance and Late Filing Penalty Assessment (Notice) to address the Company's continuous non-compliance with California statutory requirements as previously described. Pursuant to CIC Section 924, late filing fees will continue to be imposed until said filings are submitted. As of the date of the Notice, the MD&A, Form B, C, and F for the 2022 and 2023 reporting years have not been received by the CDI. Therefore, late filing fees will continue to accrue until the Company complies with the filing requirements.

The Company has requested a waiver of any and all potential late fee penalties including the Assessment and Notice. Once the Company has complied with filing requirements aforementioned, the CDI will consider the waiver for the Assessment and Notice.

It is recommended that the Company take immediate action to implement procedures to ensure all required filings and statements are submitted timely through the appropriate channel, Online Assistance System for Insurer Submittals, and accurately exhibiting its financial condition and affairs to comply with CIC Sections 900, 1215.4, and 12752.

California Premium Tax Filing

California Code of Regulations 2327.1(a) states that an insurer is required to pay taxes on all premiums received during the tax year. During the examination, it was noted that the Company had not filed any California premium tax returns for all years under the examination. Although, the Company has not commenced operations, it is still required to make the filing. It was recommended the Company implement procedures to ensure accurate filing of its California premium tax returns. Upon notification, the Company filed its 2020 through 2023 California premium tax returns on September 11, 2024 with the CDI.

Non-Compliance with CIC Section 733

Pursuant to CIC Section 730, the CDI is authorized to conduct an examination of the Company. In conducting the examination, CIC Section 733 provides, in part, that the commissioner shall have free access to all the books and papers of the company, shall thoroughly inspect and examine all its affairs, shall ascertain its condition and ability to fulfill its obligations, and shall ascertain if it has complied with all laws applicable to its insurance transactions.

As part of the examination process to confirm the existence of the admitted assets, the CDI requested bank information and authorization to obtain bank confirmations from the Company. The bank information was provided but the Company failed to provide authorization for bank confirmation. As a result, the CDI could not validate the existence of cash, the only admitted asset reported in its 2023 Annual Statement. The Company was found non-compliant with the CIC Section 733. It is recommended that the Company adhere to CIC Section 733 and provide access to the necessary information to allow for a completed examination pursuant to the CIC Section 733.

FINANCIAL STATEMENTS

The following financial statements are based on the examination adjustments for the period ending December 31, 2023. The accompanying comments on financial statements reflect examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements.

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 Contract Holders from March 7, 2017
through December 31, 2023

Summary of Adjustments as of December 31, 2023

Statement of Financial Condition
as of December 31, 2023

<u>Assets</u>			<u>Notes</u>
Cash		\$ 45,521	
Total assets		<u>\$ 45,521</u>	
 <u>Liabilities, Surplus, and Other Funds</u>			
Total liabilities		\$ 0	
Common capital stock	\$ 400,000		(1)
Unassigned funds (surplus)	<u>(354,479)</u>		(1)
Surplus as regards contract holders		<u>45,521</u>	
Total liabilities, surplus, and other funds		<u>\$ 45,521</u>	

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

Statement of Income

<u>Underwriting Income</u>			<u>Notes</u>
Home protection contract fees earned		\$ 0	
Aggregate write-ins for other underwriting deductions	\$ 3,386		(2)
Total underwriting deductions		<u>3,386</u>	
Net underwriting loss		(3,386)	
Net loss		<u><u>\$ (3,386)</u></u>	

Capital and Surplus Account

Surplus as regards contract holders, December 31, 2022		\$ 48,907
Net loss	\$ (3,386)	
Change in surplus as regards contract holders for the year		<u>(3,386)</u>
Surplus as regards contract holders, December 31, 2023		<u><u>\$ 45,521</u></u>

Reconciliation of Surplus as Regards Contract Holders
from March 7, 2017 through December 31, 2023

Surplus as regards contract holders, March 7, 2017			\$ 400,000
	<u>Gain in Surplus</u>	<u>Loss in Surplus</u>	
Net loss	\$	\$ 54,479	
Return of capital		300,000	
Total gains and losses	<u>\$ 0</u>	<u>\$ 354,479</u>	
Net decrease in surplus as regards contract holders			<u>(354,479)</u>
Surplus as regards contract holders, December 31, 2023			<u>\$ 45,521</u>

Summary of Adjustments as of December 31, 2023

As a result of the examination, the following adjustments were made to the Company's reported balance sheet items that have an impact on surplus. Common Capital Stock was increased due to the Company not properly and accurately reporting its 2023 Annual Statement filed with the California Department of Insurance. Unassigned Funds (Surplus) was decreased due to the return of capital distribution in the amount of \$300,000 the Company made to its sole owner, and \$54,479 in general expenses associated with maintaining its active business status. The sum of the effect on surplus is shown below:

<u>Annual Statement Line Item</u>	<u>Balance per Annual Statement</u>	<u>Increase</u>	<u>Decrease</u>	<u>Adjusted Balance</u>
Common Capital Stock		\$ 400,000		\$ 400,000
Unassigned Funds (Surplus)		\$	\$ (354,479)	\$ (354,479)
Surplus	\$ 0	\$ 45,521		\$ 45,521

COMMENTS ON FINANCIAL STATEMENT

(1) Common Capital Stocks and Unassigned Funds (Surplus)

As discussed in the "Summary of Adjustments", the Company filed incomplete and inaccurate statutory financial statements with the California Department of Insurance.

(2) Aggregate Write-Ins for Other Underwriting Deductions

As mentioned in the "Territory and Plan of Operations" above, the Company has not commenced operations since obtaining its license. The captioned line represents the general expenses associated with maintaining its active business status.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Summary of Significant Findings (Page 2): It is recommended that the Company take immediate action to comply with the CIC Sections 900, 1215.4, 12750, and 12752.

Company History – Capital Distribution (Page 4): It is recommended that the Company take immediate action to comply with CIC Section 1215.5(g), to prevent regulatory actions against the Company's license pursuant to CIC Section 1065.2.

Accounts and Records – Non-Compliance with CIC Sections 900, 1215.4, and 12752 (Page 6): It is recommended that the Company take immediate action to implement procedures to ensure all required filings and statements are submitted timely and accurately, exhibiting its financial condition and affairs to comply with CIC Sections 900, 1215.4, and 12752.

Accounts and Records – Non-Compliance with CIC Section 733 (Page 8): It is recommended that the Company adhere to CIC Section 733 and provide access to the necessary information to allow for a completed examination pursuant to the CIC Section 733.

Previous Report of Examination

None.

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,

Amy Voong, CFE
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Associate Insurance Examiner
Department of Insurance
State of California

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Senior Insurance Examiner, Supervisor
Department of Insurance
State of California