

REPORT OF EXAMINATION
OF THE
QUALITAS INSURANCE COMPANY
AS OF
DECEMBER 31, 2024

Commissioners Signature

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

Filed on June 18, 2026

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Los Angeles, California
May 22, 2026

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

QUALITAS INSURANCE COMPANY

(hereinafter also referred to as the Company). Its statutory home office and primary location of its books and records is located at 4545 Murphy Canyon Road, Suite 300, San Diego, California 92123.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2021. This examination covered the period from January 1, 2022 through December 31, 2024.

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. An examination also includes identifying and evaluating significant risks that could cause an insurer'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 may include 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, during the course of the examination, 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 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.

COMPANY HISTORY

The Company was incorporated on November 10, 1982, under the laws of California, and commenced transacting property and casualty business on January 1, 1984. In June 1999, the Company was acquired by Trinity Universal Insurance Company. In March 2014, the Company was then acquired by Qualitas Financial Services, Inc. (QFS), a Delaware company, a wholly owned subsidiary of Qualitas Controladora, S.A.B de C.V. (QC), a public-traded stock company on the Mexican Stock Exchange. On March 25, 2014, the California Department of Insurance (CDI) approved the Company's name change from Valley Insurance Company to Qualitas Insurance Company.

Surplus Note

On October 1, 2018, the Company issued a surplus note to its parent company, QFS, in exchange for \$6,000,000 in cash. The note has a 10-year term and accrues interest on the unpaid principal at an annual rate of 3.5%. The note requires the approval of the CDI before payment of any interest and principal. Interest can be paid out of earned (unassigned) surplus only. Since inception, the Company has made no principal payments on the note. Interest payments of \$52,500, \$210,000, and \$210,000 were made in 2019, 2020, and 2021 respectively. There were no interest payments made during the examination period.

Capitalization

The parent company, QFS, made the following capital cash contributions during the examination period:

Year	Type	Capital Contribution
2022	Cash	\$ 43,000,000
2023	Cash	\$75,000,000
2024	Cash	\$55,000,000
2025*	Cash	\$28,000,000

*Subsequent period

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system of which Qualitas Controladora, S.A.B. de C.V. is the ultimate controlling entity based in Mexico. The following organizational chart depicts the Company's relationship within the holding company system at December 31, 2024. All ownership is 100%.

Qualitas Controladora, S.A.B de C.V. (Qualitas Holding Company)

Qualitas Compañía de Seguros, S.A de C.V. (Qualitas Insurance - Mexico)

Qualitas Financial Services, Inc. (Delaware)

Qualitas Insurance Company (California)

Qualitas Insurance Services, Inc. (Delaware)

The six members of the board of directors, who are elected annually, manage the business and affairs of the Company. Following are members of the board and principal officers of the Company serving on December 31, 2024:

Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Joaquin B. Dominguez Mexico D.F., Mexico	Director of Service Offices Qualitas Compañía de Seguros, S.A. de C.V.
Jose A.C. Etchegaray Mexico D.F., Mexico	Chairman of the Board Qualitas Compañía de Seguros, S.A. de C.V.
Roberto A. B. Galindo San Diego, California	President and Chief Executive Officer Qualitas Insurance Company
Mary E. Queen San Diego, California	Chief Financial Officer and Secretary Qualitas Insurance Company
Bernardo E.R. Salas Mexico D.F., Mexico	Chief Executive Officer and Vice Chairman of the Board Qualitas Compañía de Seguros, S.A. de C.V.
Eliane B. I. Sevilla Mexico D.F., Mexico	Operations Director Qualitas Compañía de Seguros, S.A. de C.V.

Principal Officers

<u>Name</u>	<u>Title</u>
Roberto A.B. Galindo ^(a)	President and Chief Executive Officer
Gustavo G. Guadalupe	Chief Information Officer
Mary E. Queen ^(a)	Chief Financial Officer and Secretary
Alfonso Montemayor ^(c)	Chief Service Officer
Jacobo A. Moreno ^(b)	Vice President of Claims
Alberto A. G. Romero	Director of Human Resources
Darby M. Wallis	Chief Actuary

The following changes in management occurred subsequent to the examination date:

- (a) Mary E. Queen replaced Roberto Galindo as President and Chief Executive Officer, effective January 1, 2026.
- (b) Kelly L. Yates replaced Jacobo Moreno as Vice President of Claims, effective July 1, 2025. Kelly L. Yates resigned from the Company, effective May 6, 2026.
- (c) Alfonso Montemayor was appointed as Chief Operating Officer on April 21, 2025.

In addition to the previously noted management changes, Roberto A. Balderas, Chief

Financial Officer of Qualitas Compañía de Seguros, S.A. de C.V. was elected to the Board on April 21, 2025.

Management Agreements

Intercompany Affiliated Service Agreement: Effective September 2, 2016, the Company and Qualitas Compañía de Seguros, S.A. de C.V. (Qualitas Insurance - Mexico) entered into an Intercompany Affiliated Service Agreement. Under the terms of the Agreement, the Company agrees to make its facilities available and provide certain services to Qualitas Insurance - Mexico, including but not limited to data processing, equipment, business property, office space, communication equipment, and payroll. Compensation for providing services shall be limited to the actual cost incurred. This Agreement was approved by the California Department of Insurance (CDI) on January 31, 2017, pursuant to California Insurance Code (CIC) Section 1215.5(b)(4). On February 1, 2018, two amendments were made to the agreement. Amendment A added claims processing to the list of services the Company provides to Qualitas Insurance - Mexico. Amendment B allows Qualitas Insurance - Mexico to provide claims processing to the Company for claims that occur in Mexico. On May 7, 2026, the CDI approved Amendments A and B, pursuant to CIC Section 1215.5(b)(4). The Company received payments of \$23,083, \$24,731, and \$21,949 from Qualitas Insurance - Mexico under this agreement for the years 2022, 2023, and 2024, respectively.

General Agency Agreement: Effective May 25, 2017, the Company and Qualitas Premier Insurance Services, Inc. (QPI) entered into a General Agency Agreement. The Company appoints QPI for lines of insurance listed within the product line authority, to countersign and deliver policies and binders of insurance, and to cancel insurance policies insured through the Company. QPI will collect all premiums due and will transmit premiums to the Company. Under the commercial automobile line, QPI markets the Company's programs in California, Arizona, and Texas and receives commissions of 25% on coverage limited to commercial zone transport and 20% on U.S. Department of Transportation regulated long-haul and hazmat coverage in Texas only. QPI receives an 18% commission for the domestic-only trucking program in these states. For personal automobile coverage, QPI

receives an 18% commission on California vehicles garaged in Mexico and a 19% commission on Texas vehicles garaged in Mexico. QPI also receives a 40% commission on coverage for non-US vehicles on short or extended-stay visits in the United States. The CDI approved this Agreement on July 3, 2018, pursuant to CIC Section 1215.5(b)(4). Over the years, the Agreement has been amended several times to adjust rates, introduce new programs, and revise maximum premium limits. The subsequent amendments to the original Agreement were not filed with nor approved by the CDI. It is recommended that the Company file amendments with the CDI in accordance with CIC 1215.5(b). The Company paid commissions to QPI of \$6,999,370, \$6,623,740, and \$5,242,196 for the years 2022, 2023, and 2024 respectively.

Intercompany Affiliated Service Agreement: Effective April 1, 2018, the Company and QPI entered into an Intercompany Affiliated Service Agreement. Under the terms of the Agreement, the Company agrees to make its facilities available and provide certain services to QPI, including but not limited to data processing, equipment, business property, office space, and communication equipment. Compensation for providing services shall be limited to the actual cost incurred without a profit factor built in. This Agreement was approved by the CDI on February 23, 2018, pursuant to CIC Section 1215.5(b)(4). The Company received \$146,463, \$325,313, and \$727,503 from QPI for the years 2022, 2023, and 2024, respectively.

Federal and State Income Tax Sharing Agreement: Effective September 1, 2019, the Company entered into a Federal and State Income Tax Sharing Agreement with Qualitas Financial Services, Inc. (QFS), and QPI. Under the terms of the Agreement, QFS prepares and files all consolidated federal and state income tax returns. The Company pays QFS the amount of income tax it would owe to the taxing authority or receives from QFS any refund it would otherwise be entitled to, as if each entity filed separate tax returns. The CDI approved the Agreement on March 5, 2020, pursuant to CIC Section 1215.5(b)(4). Under the terms of the Agreement, the Company recovered federal income tax of (\$338,915), (\$82,333), and (\$8,226) for the years 2022, 2023, and 2024, respectively.

Intercompany Rental Agreement: Effective October 1, 2024, the Company and QFS entered into a rental agreement. Under the terms of the Agreement, the Company pays QFS \$15,000 rent per month for office space. The Company paid rent of \$180,000 to QFS for each year under examination (2022 – 2024). The Agreement was not filed nor approved by the CDI. It is recommended that the Company file the Agreement with CDI to obtain approval in accordance with CIC Section 1215.5(b)(4).

Related Party Transactions

Statements of Statutory Accounting Principles (SSAP) No. 25, paragraph 9, provides that transactions between related parties shall be evidenced by a written agreement. In addition, CIC Section 1215.5(b)(4) requires that intercompany agreements be submitted to the CDI for review and approval. During the examination, the following transaction was observed for which a written agreement was not executed:

- In 2023, salary expenses of \$573,707 were allocated from the Company to QFS, and in 2024 salary expenses of \$65,077 were allocated from QFS to the Company.

It is recommended that the Company adhere to SSAP 25, paragraph 9, which requires that all related party transactions be in the form of a written agreement. It is also recommended that the Company submit all agreements subject to CIC 1215.5(b)(4) to the CDI for review and approval.

TERRITORY AND PLAN OF OPERATION

The Company's headquarters is located in San Diego, California. It is licensed in the following fourteen states: Arizona, California, Colorado, Idaho, Kansas, Maine, Montana, Nevada, Oklahoma, Oregon, Texas, Utah, Washington, and Wyoming.

During the examination period, the Company's primary focus was providing commercial lines coverage for trucks entering the United States from Mexico. This business is referred to as "cross-border business" and provides liability coverage related to "post-border" domestic-side trucking and logistics operations that occur after freight crosses from Mexico into the United States under the rules and regulations mandated by the North

American Free Trade Agreement. The Company offered domestic-only programs for commercial trucking, but in 2023, the Company began to exit that market and completed a full exit by the end of 2025. Due to the Company's withdrawal from the commercial lines, its operations are presently limited to providing personal automobile coverage for vehicles operated in both the United States and Mexico.

In 2024, the Company wrote \$89.5 million in direct premiums. Commercial automobile liability accounted for 58.0%, and private passenger automobile liability accounted for 42.0%. Of the total direct premiums written, \$46.4 million (51.8%) was written in California, \$24.6 million (27.5%) was written in Mexico, \$15.5 million (17.3%) was written in Texas, and \$3.0 million (3.4.%) was written in Arizona. The Company's business is generated through both affiliated and non-affiliated general agencies.

LOSS EXPERIENCE

The Company incurred losses and loss adjustment expenses, net underwriting losses, and net losses under the examination are as follows:

<u>Year</u>	<u>Gross Premium Earned</u>	<u>Incurred Loss and Loss Adjustment Expense</u>	<u>Net Underwriting Losses</u>	<u>Net Losses</u>
2022	\$91,763,060	\$109,038,245	\$(48,281,480)	\$(42,955,996)
2023	99,658,666	116,143,526	(50,329,737)	(40,638,996)
2024	100,806,306	128,018,937	(57,130,245)	(42,240,274)
2025*	80,978,831	97,002,316	(43,984,801)	(28,407,521)

*Subsequent period

The Company has struggled to determine and obtain adequate pricing for its commercial lines of business. In addition, due to limited historical data, estimating loss and loss adjustment expense reserves has been challenging, which has contributed to continued adverse loss development. Loss and loss adjustment expenses increased by \$26.0 million in 2024 versus 2023, which included \$30.4 million in adverse loss development for prior accident years. Most of the adverse development was attributed to the commercial automobile line of business.

REINSURANCE

Assumed and Ceded

As of the examination date, the Company did not have any reinsurance agreements in force but reported premiums, losses, and ceding commissions related to open claims that occurred during the periods covered under the original agreements.

California Insurance Code (CIC) 1781.4 requires, in part, that transactions between a reinsurance intermediary-broker and the insurer it represents be conducted only pursuant to a written authorization that clearly specifies the responsibilities of each party. The Intermediary Clause of original agreements recognizes Summa Intermediario de Reaseguro, S.A.P.I. de C.V. (Summa) as the intermediary responsible for negotiating the contract for all business conducted hereunder. All communications, including but not limited to, notices, statements, premiums, return premiums, commissions, taxes, losses, loss adjustment expenses, salvages and loss settlements, are transmitted to the Company or the reinsurers through Summa. However, the Company does not have a written intermediary agreement with Summa and the underlying reinsurance agreements do not include provisions sufficient to meet the requirements of CIC 1781.4. It is recommended that the Company execute a written intermediary agreement with Summa that complies with CIC Section 1781.4.

ACCOUNTS AND RECORDS

Annual Information Statement

California Insurance Code (CIC) Section 700(c) requires that, after receiving a certificate of authority, an insurer must continue to comply with all applicable California laws governing its business. To establish the Company's continuing qualification to hold a California Certificate of Authority, the insurer must file an Annual Information Statement (AIS) by April 1st of the present calendar year covering the period from the past calendar year. The Company failed to file the required AIS during the exam period 2022-2024. It is recommended that the Company implement procedures to ensure future timely filing of

its AIS with the California Department of Insurance (CDI), in accordance with the requirements of CIC Section 700(c).

Review of Report of Examination by the Board

CIC Section 735 requires that a designated officer of the Company inform the board of directors regarding the receipt of the report of examination and that the fact that such officer did so inform the members present be entered in the minutes of such meeting. The Company was not in compliance with CIC Section 735 because no entry was made in the meeting minutes of the board of directors indicating that the members were informed about the receipt of the prior report of examination. It is recommended that the Company implement procedures to ensure future compliance with CIC Section 735.

Timely Filing of Group Capital Calculation

CIC Section 1215.4(a) provides that an insurer that is required to register as part of an insurance holding company system must file the Group Capital Calculation (GCC) annually by April 30 for the previous calendar year. Additionally, CIC Section 1215.4(n) requires, that the ultimate controlling person of an insurer subject to registration shall concurrently file with the registration an annual GCC as directed by the lead state commissioner. The Company failed to file its 2023 and 2024 GCCs on time. It is recommended that the Company implement procedures to ensure compliance with CIC Section 1215.4(n).

Annual Registration Statement (Form B) Filing

CIC Section 1215.4(b) requires, in part, that every insurer subject to registration file an Annual Registration Statement with the commissioner on a form and in a format prescribed by the NAIC. The Annual Registration Statement (Form B), Item 5 – Transactions and Agreements, provides that the description of the agreements in force shall include, among other things, the nature and amounts of payments between related parties. Based on a review of the Company's Form B filed with the CDI, the Company did not report the amount of payments between related parties as required by CIC Section

1215.4(b). It is recommended that the Company comply with CIC Section 1215.4(b) in future Form B filings and report the amount of payments between related parties.

Notice of Escheat

California Code of Civil Procedures (CCP) Section 1513.5 requires banking or financial organizations to issue a Notice of Escheat within one of the following timeframes: (1) no less than two years and no more than two and one-half years after the last activity or communication on the account; or (2) between six and twelve months before the account becomes reportable to the State Controller's Office. A review of the 2023 due diligence letters issued by the Company showed that all notices were dated June 6, 2023, which was thirty-seven days outside the required statutory timeframe. It is recommended that the Company implement procedures to ensure future compliance with CCP Section 1513.5.

FINANCIAL STATEMENTS

The following financial 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, 2024. The accompanying comments to the amounts in 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, 2024

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

Reconciliation of Surplus as Regards Policyholders from December 31, 2021 through December 31, 2024

Statement of Financial Condition
as of December 31, 2024

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 303,895,923	\$	\$ 303,895,923	
Cash and short-term investments	21,698,020		21,698,020	
Investment income due and accrued	1,836,813		1,836,813	
Uncollected premiums and agent's balances in course of collection	15,068,696		15,068,696	
Amount recoverable from reinsurers	2,262,782		2,262,782	
Current federal and foreign income tax recoverable and interest there on	90,559		90,559	
Net deferred tax asset	32,437,082	32,437,082	0	
Guaranty funds receivable or on deposit	46,006	46,006	0	
Electronic data processing equipment and software	1,757,112	1,757,112	0	
Furniture and equipment	333,912	333,912	0	
Receivable from parent, subsidiaries and affiliates	112,117		112,117	
Aggregate write-ins for other than invested assets	736,622	736,622	0	
Total assets	<u>\$ 380,275,643</u>	<u>\$ 35,310,733</u>	<u>\$ 344,964,910</u>	
 <u>Liabilities, Surplus and Other Funds</u>			 <u>Current Year</u>	 <u>Notes</u>
Losses			\$ 148,171,837	(1)
Loss adjustment expenses			50,185,729	(1)
Commissions payable, contingent commissions and other similar charges			9,582,734	
Other expenses			2,438,487	
Taxes, licenses and fees			(438,614)	
Unearned premiums			32,333,258	
Ceded reinsurance premiums payable			(309,192)	
Amounts withheld or retained by company for account of others			4,173,258	
Provision for reinsurance			1,382,166	
Payable for parent, subsidiaries and affiliates			350,944	
Aggregate write-ins for liabilities			<u>382,074</u>	
Total liabilities			248,252,680	
 Common capital stock		 \$ 3,000,000		
Surplus Notes		6,000,000		
Gross paid-in and contributed surplus		255,433,549		
Unassigned funds (surplus)		(167,721,319)		
Surplus as regards policyholders			<u>96,712,230</u>	
Total liabilities, Surplus, and other funds			<u>\$ 344,964,910</u>	

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

Statement of Income

	<u>Underwriting Income</u>	<u>Current Year</u>
Premium earned		\$ 100,806,306
Deduction:		
Losses incurred		\$ 104,649,383
Loss adjustment expenses incurred		23,369,554
Other underwriting expenses incurred		29,535,539
Aggregate write-ins for underwriting deductions		<u>382,074</u>
Total underwriting deductions		<u>157,936,551</u>
Net underwriting loss		(57,130,245)
	<u>Investment Income</u>	
Net investment income earned		\$ 13,365,564
Net realized capital loss		<u>(15,187)</u>
Net investment gain		13,350,376
	<u>Other Income</u>	
Finance and services charges not included in premiums		\$ 1,535,756
Aggregate write-ins for miscellaneous income		<u>(4,388)</u>
Total other income		<u>1,531,368</u>
Net loss before dividends to policyholders, after capital gains tax and before federal and foreign income taxes		(42,248,500)
Federal and foreign income taxes incurred		<u>(8,226)</u>
Net loss		<u>\$ (42,240,274)</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2023		\$ 76,840,354
Net loss	\$ (42,240,274)	
Change in net deferred income tax	8,026,666	
Change in nonadmitted assets	(7,277,203)	
Change in provision for reinsurance	6,362,672	
Surplus adjustments: Paid-in	<u>55,000,000</u>	
Change in surplus as regards policyholders for the year		<u>19,871,860</u>
Surplus as regards policyholders, December 31, 2024		<u>\$ 96,712,230</u>

Reconciliation of Surplus as Regards to Policyholders
from December 31, 2021 through December 31, 2024

Surplus as regards policyholders, December 31, 2021			\$ 48,721,140
	Gain in <u>Surplus</u>	Loss in <u>Surplus</u>	
Net loss	\$	\$	125,835,266
Net unrealized capital gains			432,048
Change in net deferred income tax	26,573,528		
Change in nonadmitted assets		27,978,912	
Change in provision for reinsurance	2,663,781		
Surplus adjustment: Paid-in	<u>173,000,000</u>		
Total gains and losses	<u>\$ 202,237,309</u>	<u>\$ 154,246,226</u>	
Net increase in surplus as regards policyholders			<u>47,991,083</u>
Surplus as regards policyholders, December 31, 2024			<u>\$ 96,712,230</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Losses and Loss Adjustment Expenses

The December 31, 2024 loss and loss adjustment expense reserves were evaluated by a Senior Casualty Actuary from the California Department of Insurance. Based on the analysis performed, the Company's loss and loss adjustment expense reserves were found to be reasonably stated and have been accepted for purposes of this examination.

SUBSEQUENT EVENTS

In October 2025, the Company announced that it intends to substantially withdraw from the United States commercial automobile market. Beginning January 1, 2026, the Company stopped renewing its current in force policies in its cross-border commercial automobile liability program (Cross Border Trucking Program). The Company will continue renewing policies in the Texas counties that were declared disaster zones in July 2025 due to flooding.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Management Agreements – General Agency Agreement (Page 5): It is recommended that the Company files amendments to the General Agency Agreement with the California Department of Insurance (CDI) to obtain approval in accordance with California Insurance Code (CIC) 1215.5(b)(4).

Management Agreements – Intercompany Rental Agreement (Page 7): It is recommended that the Company file the Agreement with CDI to obtain approval in accordance with CIC Section 1215(b)(4).

Management Agreements – Related Party Transactions (Page 7): It is recommended that the Company adhere to SSAP 25, paragraph 9, which requires that all related party transactions be in the form of a written agreement. It is also recommended that the Company submit all agreements subject to CIC 1215.5(b)(4) to the CDI for review and

approval.

Reinsurance – Reinsurance Assumed and Ceded (Page 9): It is recommended that the Company execute a written intermediary agreement with Summa Intermediario de Reaseguro, S.A.P.I. de C.V. that complies with CIC Section 1781.4.

Accounts and Records – Annual Information Statement (Page 9): It is recommended that the Company implement procedures to ensure future timely filing of its Annual Information Statement with the CDI, in accordance with the requirements of CIC Section 700(c).

Accounts and Records – Review of Report of Examination by the Board (Page 10): It is recommended that the Company implement procedures to ensure future compliance with CIC Section 735.

Accounts and Records – Timely Filing of Group Capital Calculation (Page 10): It is recommended that the Company implement procedures to ensure compliance with CIC Section 1215.4(n).

Accounts and Records – Annual Registration Statement (Form B) Filing (Page 10): It is recommended that the Company comply with CIC Section 1215.4(b) in future Form B filings and report the amount of payments between related parties.

Accounts and Records – Notice of Escheat (Page 11): It is recommended that the Company implement procedures to ensure future compliance with California Code of Civil Procedures Section 1513.5

Previous Report of Examination

Management Agreements – Intercompany Affiliated Service Agreement (Page 5): It was recommended that the Company file Amendment A and B with the CDI to obtain approval, in accordance with CIC Section 1215.5(b)(4) for all management agreements. The Company submitted Form D for Amendment A and B to the CDI and the amendments were approved.

Comments on Financial Statement – Loss and Loss Adjustment Expense (Page 14): It was recommended that the Company increase its carried reserves to be more aligned to the actuarial mid-point estimate to allow for additional development. The Company is now in compliance.

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,

Tracy Gates, CISA, CFE
Examiner-In-Charge
Contract Examiner
Department of Insurance
State of California

Cuauhtemoc Beltrán, CFE
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California