

**REPORT ON EXAMINATION AS TO THE CONDITION OF**

**AMERICAN MILLENNIUM INSURANCE COMPANY**

**1011 ROUTE 22 WEST, BRIDGEWATER, NJ 08807**

**AS OF DECEMBER 31, 2021**

**NAIC COMPANY CODE 26140**

**NAIC GROUP CODE 4912**

**Filed**

**June 27, 2023**

**Commissioner**

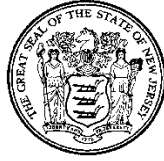
**Department of Banking &**

**Insurance**

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**PHIL MURPHY**  
*Governor*



**MARLENE  
CARIDE**  
*Commissioner*

**SHEILA OLIVER**  
*Lt. Governor*

**State of New Jersey  
DEPARTMENT OF BANKING AND INSURANCE  
OFFICE OF SOLVENCY REGULATION**

**PO Box 325  
TRENTON, NJ 08625-0325**

**TEL (609) 292-7272  
FAX (609) 292-6765**

May 26, 2023

Honorable Marlene Caride  
Commissioner of Banking and Insurance  
State of New Jersey  
20 West State Street  
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the provisions of N.J.S.A. 17:23-22, a financial examination has been made of the assets and liabilities, methods of conducting business and all other affairs of the:

**AMERICAN MILLENNIUM INSURANCE COMPANY  
1011 Route 22 West  
Bridgewater, NJ 08807**

A licensed property and casualty insurance company authorized to transact business in the State of New Jersey, and herein referred to in this report as "Company."

## **SCOPE OF EXAMINATION**

The New Jersey Commissioner of Banking and Insurance called this examination in compliance with the requirements of N.J.S.A. 17:23-22. The examination was a full-scope comprehensive examination and was conducted remotely.

The examination was conducted using the risk-focused examination approach and addressed the four-year period from December 31, 2017, the date of the last Financial Condition Examination through December 31, 2021. During this four-year period under examination, based on the prior examination report, the Company's net admitted assets decreased from \$ 34,357,751 to \$33,647,994, liabilities decreased from \$25,631,774 to \$21,851,087 and its surplus to policyholders increased from \$ 8,725,977 to \$11,796,907.

The conduct of the examination was governed in accordance with the procedures of the National Association of Insurance Commissioners ("NAIC") and followed regulatory procedures prescribed or permitted by the New Jersey Department of Banking and Insurance ("NJDOBI"). The scope of this examination was based upon the focus of certain specific key risk areas as determined by a risk assessment analysis. Risks were assessed based upon its impact to the Company's financial condition and its future results. An assessment of the Company's management, corporate governance and information systems was utilized to identify, control, assess and manage its business and financial reporting risks. The overall objectives of this examination are indicated below:

- Analyze business risk activities focusing on examination procedures in those areas deemed to have greater risk to the Company's overall operations identifying significant operating issues and/or deviations from statutory accounting practices that affect solvency assessment.
- Identify significant deviations from New Jersey insurance laws, regulations and department directives.
- To comply with the standards prescribed in the revised NAIC Financial Condition Examiners Handbook, NAIC accreditation/codification standards and procedures and NJDOBI Departmental policies and procedures.
- To identify and report significant operational and internal control deficiencies and assess the Company's risk management processes.
- Assess the quality and reliability of corporate governance to identify, assess and manage the risk environment facing the insurer to identify current or prospective risk areas.
- To assess the risks that the Company's surplus is not materially misstated.
- To provide a foundation for a profile of the Company's operations, risks and results to be utilized by regulatory authorities.
- Substantive procedures were completed on certain risks based upon the adequacy of controls, risk mitigation strategies and materiality of the risks. Additional substantive procedures were performed as required by the NJDOBI.

A review was made of the following matters to ascertain the Company's financial condition and its conformity with the insurance laws and incorporated as part of the written report and or made part of the examination work papers:

Compliance with Prior Examination Recommendations  
Company History  
Territory and Plan of Operation  
Treatment of Policyholders  
Holding Company System  
Intercompany Agreements  
Management and Control  
Corporate Records  
Policy on Conflicts of Interest

## Fidelity Bond and Other Insurance Coverages Reinsurance

Limited market conduct examination activities were undertaken during the examination period.

This report is confined to financial statements, assessment of risks and comments on matters that involve departures from law, regulations, rules or any other matters, which are deemed to require special explanation or description.

### **COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS**

It was recommended in the prior examination report that the position of Treasurer be filled in since it had been vacant for the time encompassed by the past two examinations. This is a violation of N.J.S.A. 14A:6-15 pertaining to the designation of officers; and Section 5.1 of the Company's by-laws.

The Company complied with this recommendation. Jack Ignatowitz was elected Treasurer of the Company at the December 10, 2018 Board of Directors meeting.

It was recommended in the prior examination report that the Company did not submit a Form D filing for an amendment made to the variable quota share reinsurance contract with Citadel Reinsurance Company, Ltd ("Citadel Re"), effective date April 1, 2012. The amendment was executed on November 16, 2016 and was the fifth modification made to the contract to date. Since the Company did not submit the Form D filing, for the amendment, it is not in compliance with the requirements of N.J.S.A. 17:27A-4a (2).

The contract was in runoff with no further premiums and minimal losses being ceded to Citadel Re, therefore, Form D filing was not required.

### **COMPANY HISTORY**

The Company is a specialty stock insurance Company focused on writing small, niche program business and other small risks, primarily focused on Commercial Automobile. The Company is authorized to write automobile liability, automobile physical damage, ocean marine, inland marine, aviation, general liability and workers compensation. The current volume consists primarily of commercial automobile liability.

The Company was incorporated on March 6, 1986, under the name "Motor Club Fire and Casualty Company" and commenced business operations on September 1, 1986. The Company assumed its current name on July 1, 1999. All authorized stock shares of the Company, issued and outstanding, are owned by Citadel Risk Holdings, Inc. ("CRH"), a Delaware holding company. The stock was acquired in 2011 and the purchase was approved by NJDOBI on October 20 of the same year. Citadel Re ultimately owns 96.25% of CRH. In December 2021, Newpoint Financial Corporation, Inc. ("Newpoint") acquired a 3.75% interest in CRH.

On September 25, 2013, the Company increased the number of shares outstanding from 120,000 to 250,000 at a par value of \$10 each, for a total capital stock value of \$2,500,000. The change was approved by the office of the NJ Deputy Attorney General on December 17, 2013. Subsequent to the 2011 acquisition, the Company has become a specialty writer focused on the commercial automobile market with an exclusive emphasis on Taxi, Limo, Short-haul and Intermediate trucking. As of October 30, 2001, the Company is subject to Consent Order #C01-113, which allows it to write automobile physical damage, workers' compensation and other business classes. The Consent Order is further covered under the report section 'Territory and Plan of Operation.'

The Company does not have employees and therefore does not provide retirement, deferred compensation and other such benefits. The Company receives administrative and management services through an intercompany agreement with Citadel Risk Management, Inc.

## **TERRITORY AND PLAN OPERATION**

The Company is authorized to transact business in New Jersey, Arizona, Florida, Maine, North Carolina, Pennsylvania, South Carolina, Texas, and Washington D.C. At December 31, 2021, the Company reported \$33,585,873 in premiums written. New Jersey accounted for 77% of written premiums, South Carolina 15%, North Carolina 7%, Pennsylvania 2%, and the remaining 1% from Maine.

The Company utilizes a network of brokers for securing its insurance products and services. There are approximately 103 brokers used. They have agreements delineating the commission to be paid for their services. The Company terminated all Managing General Agency (MGA) agreements during 2021.

The Company's primary sales base are the states of New Jersey, South Carolina, Pennsylvania, Maine and North Carolina. Brokers are vetted and selected throughout various geographical areas based on the composition of the book of business, and the likelihood that the Company's products will be marketed effectively to the targeted clients.

A Consent Order was effective October 10, 2001 which contained the following stipulations for writing insurance business:

- Maintain a minimum capital and surplus at \$2.7m or higher.
- Maintain a current Net Premium Written/Surplus not to exceed 2:1.
- Maintain a current Gross Premium Written/Surplus not to exceed 7:1.
- Net retention on any risk is not to exceed 4% of the Company's assets.

As of December 31, 2021 the Company was in compliance with these stipulations.

The Company's headquarters is located at 1011 Route 22 West, Bridgewater, New Jersey, 08807, which is the main statutory Home Office where all accounts and data are maintained. It is a full-service office providing customer service, underwriting, claims, and management functions. The Company derives employee services from its affiliate Citadel Risk Management, Inc., ("CRMI") which is located at 55 Lane Rd, Fairfield, New Jersey 07004. There is a third office located at 660 North Spence Ave., Goldsboro, NC 27534.

All accounting and administrative business is conducted from the Company's main administrative office in Bridgewater, NJ.

## **TREATMENT OF POLICYHOLDERS**

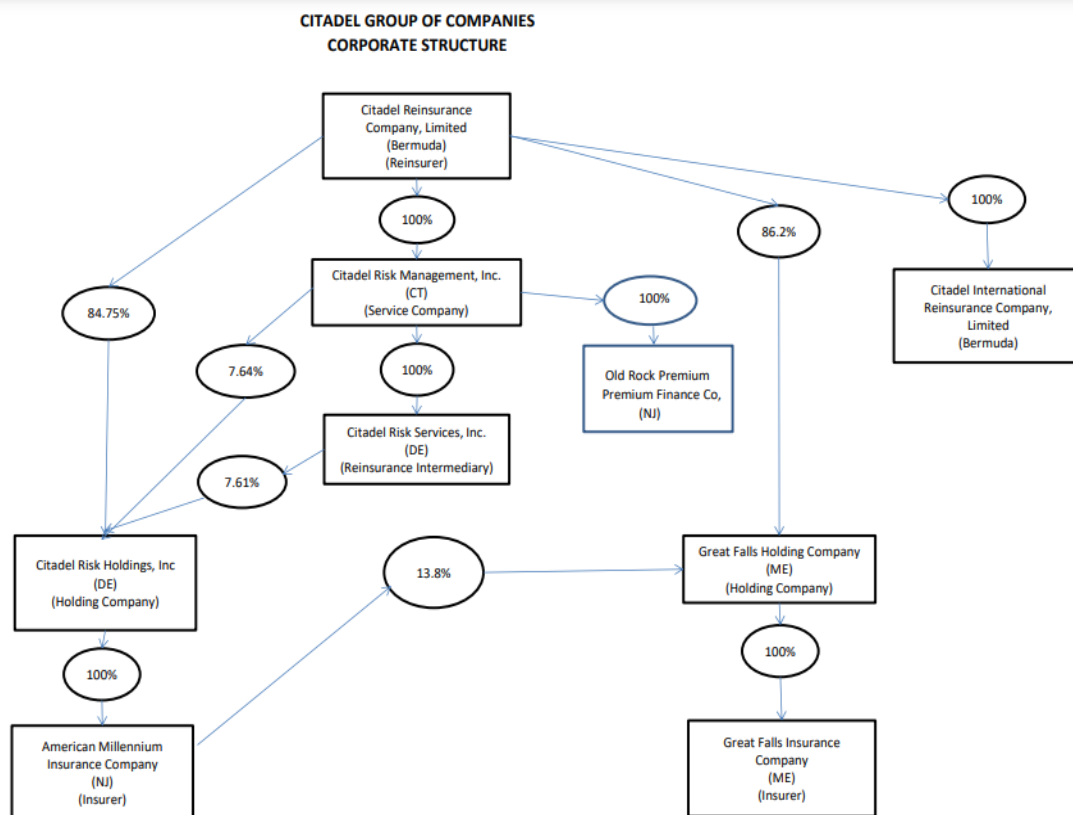
The review of the Company's complaint log indicated that the Company maintains its complaint log in accordance with N.J.S.A. 17:29B-4(10).

## **HOLDING COMPANY SYSTEM**

### Affiliated Parties

The Company is a wholly owned subsidiary of CRH, which in turn is 100% owned by Citadel Re, domiciled and doing business in Hamilton, Bermuda as of January 4, 1984, specializing in the underwriting of insurance and reinsurance. CRH was incorporated in August 15, 2011 to serve as Citadel's United States holding company subsidiary for purposes of acquiring and owning the capital stock of the Company. The Company, as a member of a holding company system defined under N.J.S.A. 17:27A-1, has filed a registration statement in the name of its ultimate parent in accordance with N.J.S.A. 17:27A-3.

The following chart illustrates the relationship of the companies within the holding company system as of December 31, 2021:



## INTER-COMPANY AGREEMENTS

The Company is a participant in the following inter-company agreements in effect as of December 31, 2021.

### **Expense Reimbursement Agreement:**

This agreement, dated November 23, 2011, is between the Company and CRMI and governs the apportionment of costs incurred by CRMI in connection with its business activities while rendering services to the Company, to include accounting, marketing, compliance, underwriting, policy servicing, and billing and collection. Office expenses are allocated on an actual cost basis. Labor and travel expenses or services provided by CRMI personnel are allocated on actual service performed. The Company is solely responsible for all its direct expenses such as allocated LAEs, premium taxes, third party professional fees, and litigation fees, costs, and expenses. Unallocated LAEs, including supervision of outside independent third-party workers' compensation claims administrators is to be included as part of the services provided by CRMI. The agreement was approved on the same date of its execution and continues on an annual basis unless appropriately terminated. The Company is owed \$498,288 and \$1,926,064 December 31, 2021 and December 31, 2020, respectively.

### **Affiliated Reinsurance Agreements:**

The Company has entered into nine reinsurance agreements with Citadel Re, its ultimate parent. The first is an Excess of Loss contract with an effective date of December 19, 2011. The second is a Quota Share contract with an original effective date of April 1, 2012. The third is a Stop Loss contract with an effective date of January 1, 2016. The fourth is Quota Share treaty with an effective date of January 1,

2017. In 2018, Citadel Re participated in a treaty covering business produced by the Paramount Agency. In 2018, Citadel Re participated in a treaty covering business produced by the Blue Ridge Specialty LLC. In 2020 Citadel Re participated in treaties covering general liability businesses produced by the Company. In 2020, It also issued a stop loss treaty on Core accident year 2020 business and accident year 2020 business produced by the Paramount Agency. In 2021 Citadel Re participated in treaties covering general liability businesses produced by the Company. These agreements have been approved by the NJDOBI and are further covered under the report section 'Reinsurance.'

## **MANAGEMENT & CONTROL**

The Company's By-Laws specify that the Board shall consist of variable members. One-third of the directorate is to be elected by the shareholders at each annual meeting. The office is held for three years until the election and qualification of a successor. The Board is to be divided into three classes with each class containing as nearly equal whole numbers as may be possible.

A review of the minutes disclosed that there was an annual Shareholder and Director meetings. In addition, other Directors' meetings were held during most examination years. Therefore, based upon the examination team's review of the Board Minutes, the Board appears to be involved in the oversight of the Company's affairs and management activities. The Board also seems capable of providing constructive guidance based upon the diverse experience of the Board in all facets of the Company's business.

N.J.S.A. 17:27A-4.d (3) states in part that "not less than (1/3) one-third of the directors of a domestic insurer shall be persons who are not officers or employees of the Company or any entity controlling, controlled by, or under common control with the Company and who are not beneficial owners of a controlling interest in the voting stock of the Company or any such entity" (i.e. "Outside Directors").

The Board is comprised of five directors, two of whom are outside Directors. The two outside Directors are James Clemons and Richard Kissel. Therefore, the Board is in compliance with the 1/3 legal requirement of N.J.S.A. 17:27A-4.d (3) since it is comprised of 40% outside Directors, who are not officers, employees, or owners of Company and its affiliates (exclusive of the Audit Committee).

The duly elected members of the Board serving at December 31, 2021, were as follows:

<u>Name</u>	<u>Principal Occupation</u>
Anthony B. Weller, Chairman*	Chief Executive Officer Citadel Reinsurance Company, Ltd.
Gary Hall	President American Millennium Insurance Company
James E. Clemons	Outside Director, Lawyer
Richard A. Kissel	Outside Director, Lawyer
John M. Ignatowitz	Executive VP and Secretary American Millennium Insurance Company

The elected officers of the Company serving at December 31, 2021, were as follows:

<u>Name</u>	<u>Title</u>
Anthony B. Weller*	Chairman of the Board of Directors
Gary Hall	President
John M. Ignatowitz	Executive Vice President, Secretary, Treasurer



Stephen T. List	Vice President, Chief Financial Officer
Susan Johansson	Vice President of Accounting and Human Relations
Roger Flores	Vice President of Underwriting and Operations
Howard Bryson	Vice President of Claims
Sagar Mehta	Vice President of Strategic Development

\*Effective April 5, 2023 Anthony Weller was replaced by Michael Palmer as Chairman of the Board of Directors.

### **CORPORATE RECORDS**

A review of the minutes of the Board meetings noted that all meetings were well attended. The Board minutes also indicated that the Company's overall transactions and events were adequately supported and approved.

### **FIDELITY BOND AND OTHER INSURANCE COVERAGES**

At December 31, 2021, the Company maintained an insurance program designed to protect its assets arising out of property and liability risks. Coverage includes property insurance, liability for employment practices, and directors' and officers' liability.

The Company maintained a fidelity bond in the amount of \$500,000.00. A review of the NAIC requirement guidelines for minimum amount of fidelity insurance indicated that the Company is adequately protected.

### **REINSURANCE**

#### **Assumed Reinsurance**

The Company does not have assumed reinsurance.

#### **Ceded Reinsurance**

The Company had the following reinsurance treaties in effect at December 31, 2021 nine of which were with Citadel Re, its ultimate parent.

The Company entered into an Excess of Loss contract with Citadel Re effective date of December 19, 2011.

The Company entered into a Quota Share contract with an effective date of April 1, 2012.

The Company entered into a Stop Loss contract with an effective date of January 1, 2016.

The Company entered into a variable Quota Share Reinsurance agreement effective January 1, 2017 with Citadel Re, its ultimate parent, where by the company will cede between 15.5% and 86.67% of all risks depending on the line of business on policies with liability of up to \$1,000,000.

In addition, effective January 1, 2017, the Company entered into a new variable quota share treaties with unaffiliated reinsurers, whereby the Company will cede between 22.5% to 64.5% of all risks depending on the line of business and policy limits to unaffiliated reinsurers. The two treaty was extended in 2019 with two additional reinsurers participating in the treaty.

The Company entered into a new treaty effective June 1, 2018, which provides the Company 100% quota share coverage on certain business written by a specific producer. The policy limit is a \$1,000,000 combined single limit. This treaty was still in effect in 2020 and 2019.

The Company entered into a treaty effective November 1, 2018 through October 31, 2019 which provides the Company 80% quota share coverage on certain business written by a specific producer. The policy limit is \$1,000,000 combined single limit.

Effective January 1, 2020 the Company entered into a reinsurance agreement with Citadel Re, which provides coverage on a quota share basis for general liability related to commercial auto policies. In exchange for 25% of premium, the reinsurers agree to cover 25% of the loss. Citadel's liability shall not exceed \$1,000,000 respects to any one occurrence and shall not exceed \$2,000,000 in aggregate for each insured.

Effective January 1, 2020 the Company entered into an aggregate stop loss reinsurance agreement with Citadel Re. This stop loss agreement covers certain policies written by the Company during the period January 1, 2019 through December 31, 2020 and covers 100% of the amount if any by which the Company's loss ratio as defined, in respect to the business covered, exceeds 27.5% subject to a maximum aggregate limit of liability of the reinsurer of \$1,750,000.

Effective January 1, 2021 through January 1, 2022, the Company entered into a Quota Share reinsurance agreement with Citadel Re, whereby Citadel Re will cover 35% of the Company gross liability for general liability policies written for commercial auto policies. Citadel Re's liability shall not exceed \$1,000,000 for individual risks and \$2,000,000 limit in the aggregate.

Effective January 1, 2019 through September 30, 2019, the Company entered into a reinsurance agreement with unaffiliated reinsurers which provides coverage on a quota share basis for commercial auto policies. In exchange for 70% of premium, the reinsurer agrees to cover 70% of the Loss. The reinsurer liability shall not exceed \$1,000,000 respects to any one occurrence. Additionally, the reinsurer liability for the ultimate net loss under the agreement shall not exceed 150% of the reinsurance premium ceded.

Effective October 1, 2019 through December 31, 2019 the Company entered into a reinsurance agreement with unaffiliated reinsurer, which provides coverage on a quota share basis for commercial auto policies. In exchange for 65% of premium, the reinsurer agrees to cover 65% of the loss. The reinsurer liability shall not exceed \$1,000,000 respects to any one occurrence. Additionally, the reinsurer liability for the ultimate net loss under this agreement shall not exceed 150% of the reinsurance premium ceded.

Effective January 1, 2020 through December 31, 2020, the Company entered into a reinsurance agreement for commercial auto policies. In exchange for 75% of premium, the reinsurers agree to cover 75% of the loss. The reinsurers liability shall not exceed \$1,000,000 respects to any one occurrence and shall not exceed \$2,000,000 in aggregate for each insured. Additionally, the reinsurer liability for the ultimate net loss under this agreement shall not exceed 200% of the reinsurance premium ceded.

Effective January 1, 2021 through December 31, 2021, the Company entered into a reinsurance agreement with unaffiliated reinsurers, which provides coverage on a quota share basis for commercial auto policies. In exchange for 80% of premium, the reinsurers agree to cover 80% of the loss. The reinsurers liability shall not exceed \$1,000,000 respects to any one occurrence and shall not exceed \$2,000,000 in aggregate for each insured.

Effective April 1, 2021, the Company entered into an aggregate stop loss reinsurance agreement with Newpoint Reinsurance Company Limited, a reinsurance company affiliated through common ownership. According to the terms of the agreement, Newpoint Reinsurance Company Limited will assume 100% of the Company's remaining net retention on and after the effective date for certain commercial automobile policies. The Company paid \$5,954,181 of premium, which was held in a custodial account to be used as collateral for future claims. (See Subsequent Events)

## **CONTINUITY OF OPERATIONS**

During the examination a review was conducted and determined that the Company has a Disaster Recovery/Business Contingency Plan in place. The plan maintains procedures and processes required to restore critical systems and functions in the event of a disaster to continue its business operations.

## **FINANCIAL STATEMENTS**

Financial statements as reported by the Company are listed below:

- Exhibit - A      Statement of Financial Position as of December 31, 2021
- Exhibit - B      Statement of Operating Results for the Four-Year Period Ended December 31, 2021
- Exhibit - C      Capital and Surplus Account for the Four-Year Period Ended December 31, 2021

## Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2021

### Exhibit A

<u>Assets</u>	Current Examination at 12/31/21	Balance per Company at 12/31/21	Examination Change	Note
Bonds	\$5,795,832	\$5,795,832	\$	1
Preferred Stocks	582,670	582,670		1
Common Stocks	204,995	204,995		1
Cash, Cash Equivalents and Short-term Investments	8,062,768	8,062,768		
Other Invested Assets	900,000	900,000		
Investment Income Due and Accrued	34,840	34,840		
Uncollected Premium and Agents' Balances in Course of Collection	1,236,262	1,236,262		
Amounts Recoverable from Reinsurance	13,516,589	13,516,589		
Other Amounts Receivable under Reinsurance Contracts	1,401,667	1,401,667		
Current Federal and Foreign Income Tax Recoverable with Interest Thereon	689,284	689,284		
Net Deferred Tax Asset	634,799	634,799		
Receivables from Parent, Subsidiaries and Affiliates	498,288	498,288		
Aggregate Write-ins for other than Invested Assets	<u>90,000</u>	<u>90,000</u>		
Total Admitted Assets	<u>\$33,647,994</u>	<u>\$33,647,994</u>	\$	
<b><u>Liabilities, Surplus and Other Funds</u></b>				
Losses	\$7,706,969	\$7,706,969	\$	2
Loss Adjustment Expenses	3,731,783	3,731,783		2
Commissions Payable, Contingent Commissions and other Similar Charges	635,771	635,771		
Other Expenses, Excluding Taxes, Licenses and Fees	93,262	93,262		
Taxes, Licenses and Fees, Excluding Federal and Foreign Income Taxes	198,806	198,806		
Unearned Premiums	3,310,517	3,310,517		
Ceded Reinsurance Premiums Payable	6,261,483	4,912,585	1,348,898	3
Funds Held by Company under Reinsurance Treaties	1,132,720	1,132,720		
Amounts Withheld for Account of Others	128,674	128,674		
Total Liabilities	<u>\$23,199,985</u>	<u>\$21,851,087</u>	\$ <u>1,348,898</u>	
<b><u>Surplus and Other Funds</u></b>				
Common Capital Stock	\$2,500,000	\$2,500,000	\$	
Gross Pain-in and Contributed Surplus	22,616,981	22,616,981		
Unassigned Funds (Surplus)	<u>(14,668,972)</u>	<u>(13,320,074)</u>	<u>(1,348,898)</u>	4
Surplus as Regards Policyholders	<u>10,448,009</u>	<u>11,796,907</u>	\$ <u>(1,348,898)</u>	4
Total Liabilities, Surplus and Other Funds	<u>33,647,994</u>	<u>33,647,994</u>	\$ <u>0</u>	

**Statement of Operating Results for the Four-Year Period Ended December 31, 2021**  
**Exhibit B**

<b><u>UNDERWRITING INCOME</u></b>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Premiums Earned	\$10,492,761	\$7,905,027	\$7,290,288	\$934,413
Deductions:				
Losses Incurred	7,145,183	9,299,121	8,676,499	1,225,121
Loss Adjustment Expenses Incurred	1,655,447	1,067,683	3,078,696	712,779
Other Underwriting Expenses Incurred	473,650	(738,364)	1,631,385	2,252,449
Total Underwriting Deductions	9,274,280	9,628,440	13,386,580	4,190,349
Net Underwriting Gain or (Loss)	<u>\$1,218,481</u>	<u>(\$1,723,413)</u>	<u>(\$6,096,292)</u>	<u>(\$3,255,936)</u>
<b><u>INVESTMENT INCOME</u></b>				
Net Investment Income Earned	468,119	397,308	312,196	168,930
Net Realized Capital Gains or (Losses)	(155,502)	60,814	70,470	47,363
Net Investment Gain or (Loss)	312,617	458,122	382,666	216,293
<b><u>OTHER INCOME</u></b>				
Net Gain/(Loss) from Agents' Balances Charged Off	(\$439,577)	\$80,532	(\$2,400)	0
Aggregate Write-Ins for Misc. Income	(259,662)	(50,311)	126,794	3,780
Total Other Income	(699,239)	30,221	124,394	3,780
Federal and Foreign Income Taxes Incurred	157,954	(355,282)	(166,952)	\$0
Net Income before Dividends to Policyholders	<u>831,853</u>	<u>(1,235,070)</u>	<u>(5,589,232)</u>	<u>(3,035,863)</u>
Net Income	<u>673,899</u>	<u>(879,788)</u>	<u>(5,422,280)</u>	<u>(3,035,863)</u>

**Capital and Surplus Account for the Four-Year Period Ended December 31, 2021**  
**Exhibit C**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Surplus as Regards Policyholders, December 31, Previous Year	8,725,977	9,330,451	9,033,867	5,461,935
Net Income or (Losses)	673,899	(879,788)	(5,422,280)	(3,035,863)
Change in Net Unrealized Capital Gains (Losses)	(130,215)	70,573	(76,073)	168,058
Change in Net Deferred Income Tax	54,908	31,684	(337,147)	634,799
Change in Non-admitted Assets	5,882	(19,053)	13,569	19,081
Paid-in Surplus	0	500,000	2,250,000	7,200,000
Change in Surplus as Regards Policyholders for the Year	<u>604,474</u>	<u>(296,584)</u>	<u>(3,571,931)</u>	<u>4,986,075</u>
Surplus as Regards Policyholders: December 31 Current Year	<u>9,330,451</u>	<u>9,033,867</u>	<u>5,461,935</u>	<u>10,448,009</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 1 – BONDS AND STOCKS**

At December 31, 2021, the Company reported bonds of \$5,795,832, Preferred stocks of \$582,670 and Common stocks of \$204,995.

### **NOTE 2 – LOSS AND LOSS ADJUSTMENT EXPENSES**

At December 31, 2021, the Company reported a net liability for Losses of \$7,706,969 and Loss Adjustment Expenses of \$3,731,783.

The Company's outside opining actuary reviewed the Company's loss reserves and actuarial liabilities and the examination actuarial consultants determined the recorded amounts were reasonably stated. The Property and Casualty Actuarial Division of the NJDOBI reviewed the final report regarding the actuarial examination of the Company's loss and loss adjustment expense reserves as of December 31, 2021 and accepted the reported reserves without adjustment.

### **NOTE 3 – CEDED REINSURANCE PREMIUMS PAYABLE**

The premium adjustments section of SSAP 62R states "If the reinsurance agreement incorporates an obligation on the part of the ceding entity to pay additional premium to the assuming entity based upon loss experience under the agreement, a liability in the amount of such additional premium shall be recognized by the ceding entity during the accounting period in which the loss event giving rise to the obligation to pay such additional premium occur(s)", therefore, a liability should be recognized on the annual statement in the year the Company becomes aware that a ceding commission adjustment is necessary.

It is recommended an examination adjustment of \$1,348,898 is established to account for ceding commissions that will need to be refunded to the reinsurers related to the Company's sliding scale commissions. Therefore, Ceded Reinsurance Premiums Payable as determined by this examination amounted to \$6,261,483 or \$1,328,898 more than determined by the Company in the amount of \$4,912,585. The Company agreed with this recommendation and examination change. Consideration is being given by the Department as to the appropriate reporting pursuant to SSAP 3.

### **NOTE 4 - SURPLUS AS REGARDS POLICYHOLDERS**

A summary of the Surplus as Regards Policyholders per examination is detailed below:

Common Capital Stock	\$2,500,000
Gross Paid in and Contributed Surplus	22,616,981
Unassigned Funds (surplus)	(14,668,972)
Total Surplus as Regards Policyholders	\$10,448,009

The Surplus as Regards Policyholders as determined by this examination amounted to \$10,448,009 or \$1,328,898 less than determined by the Company in the amount of \$11,796,907. The Surplus as Regards Policyholders per examination meets the minimum needed surplus requirement.

## **SUBSEQUENT EVENTS**

On December 7, 2021, Newpoint acquired a 3.75% shares of the Company's parent CRH for \$1 million with the option to purchase additional interest subject to regulatory approval. The transaction was rescinded by CRH and \$1 million was incorrectly returned by the Company to Newpoint on November 24, 2022 which was later returned to the Company by CRH on March 22, 2023.

Effective April 5, 2023, Anthony Weller was replaced by Michael Palmer as Chairman of the Board of Directors.

On May 4, 2023, AM Best downgraded the Financial Strength Rating (FSR) of the Company to D (Poor) from C- u (Weak) and the Long-Term Issuer Credit Rating (Long-Term ICR) to "c" from "cc u" of the Company. Since then, the Company withdrew from being rated by AM Best.

Prior to the completion of the examination, the Company's external auditor, PKF O'Connor Davies, had not yet completed its work nor state an opinion of the company's financial statements for the year ending December 31, 2022. The audited financials are due to be filed with the Department no later than June 1.

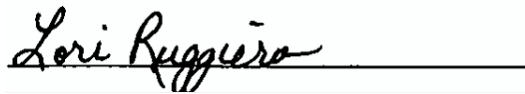


**CONCLUSION**

The examination of the Company as of December 31, 2021, was conducted under the supervision of the State of New Jersey, Department of Banking and Insurance, by the undersigned.

The examination was conducted remotely. The courteous assistance and cooperation of the Company's management is acknowledged.

Respectfully Submitted,



Lori Ruggiero, CFE, CIE, MCM  
Examiner-in-Charge  
The NOVO Consultant Group, LLC  
Representing the New Jersey Department of Banking and Insurance

Under the Supervision of,



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Nancy Lee Chice, CFE  
CFE Reviewer – Supervising Examiner  
New Jersey Department of Banking and Insurance

**AFFIDAVIT**

I, Lori Ruggiero, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2021, to the best of my information, knowledge, and belief and the examination was performed in a manner consistent with the standards and procedures required by the State of New Jersey.

*Lori Ruggiero*

\_\_\_\_\_  
Lori Ruggiero, CFE, CIE, MCM  
Examiner-in-Charge  
The NOVO Consultant Group  
Representing the New Jersey Department of  
Banking and Insurance

Under the Supervision of,

*Nancy Lee Chice*

\_\_\_\_\_  
Nancy Lee Chice, CFE  
CFE Reviewer – Supervising Examiner  
New Jersey Department of Banking and  
Insurance

State of New Jersey  
County of Mercer

Subscribed and sworn to before me, Sheila Tkacs, on  
this 23<sup>rd</sup> day of June, 2023

*Sheila M. Tkacs*

Notary Public of New Jersey

My commission expires: July 2025