

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
MONTGOMERY, ALABAMA

REPORT OF
EXAMINATION

OF

SURYA INSURANCE COMPANY, INC. RRG

MONTGOMERY, ALABAMA

AS OF DECEMBER 31, 2021

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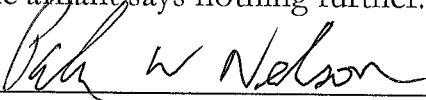
EXAMINER'S AFFIDAVIT

**STATE OF ALABAMA
COUNTY OF MONTGOMERY**

Palmer W. Nelson, CFE, CIE, MCM being duly sworn, states as follows:

1. I have the authority to represent Alabama in the examination of Surya Insurance Company, Inc. RRG.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of Surya Insurance Company, Inc. RRG was performed in a manner consistent with the standards and procedures required by the State of Alabama.

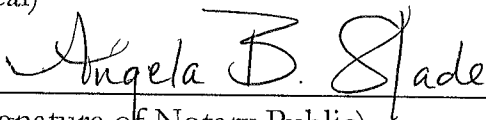
The affiant says nothing further.



Palmer W. Nelson, CFE, CIE, MCM

Subscribed and sworn before me by Palmer W. Nelson on the 7th day of October, 2022

(Seal)



(Signature of Notary Public)

My commission expires 08/17/2024



KAY IVEY
GOVERNOR

MARK FOWLER
ACTING COMMISSIONER

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STATE FIRE MARSHAL
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GENERAL COUNSEL
REYN NORMAN

October 7, 2022

Honorable Mark Fowler
Commissioner of Insurance
Alabama Department of Insurance
201 Monroe Street, Suite 502
Montgomery, AL 36104

Dear Commissioner Fowler:

Pursuant to your instructions and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners, a full scope financial and market conduct examination as of December 31, 2021, has been made of

Surya Insurance Company, Inc. RRG
Montgomery, Alabama

and was conducted remotely with support from Company management located in Montgomery, Alabama. The Company's statutory address is located at 5151 Hampstead High Street, Suite 200, Montgomery, AL 36116. The report of examination is submitted herewith. Where the description "The Company" appears herein, without qualification, it will be understood to indicate Surya Insurance Company, Inc. RRG.

SCOPE OF EXAMINATION

An examination has been performed of Surya Insurance Company, Inc. RRG, a multi-state company. The examination is the first examination of the Company. The examination period began January 8, 2019, the date that the Company received a Certificate of Authority, and ran through December 31, 2021.

The examination was conducted in accordance with applicable statutory requirements of the Code of Alabama, 1975, as amended, the Alabama Department of Insurance regulations, bulletins and directives, and in accordance with the procedures and guidelines promulgated by the NAIC, as deemed appropriate, and in accordance with generally accepted examination standards and practices.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook*. The Handbook requires that the examiners plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, 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 significant findings of fact, as mentioned in the Code of Alabama, 1975, as amended and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company's annual statements for each year under examination were compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company's information technology systems (IT) was conducted concurrently with the financial examination. The IT examination included a review of management and organizational controls, logical and physical security

controls, changes in applications controls, system and program development controls, contingency planning controls, service provide controls, operations controls, processing controls, e-commerce controls, and network and internet controls.

RH CPAs, PLLC was the Company's certified public accountants (CPAs) in 2021. The Company received an exemption from the audit requirement for the 2020 calendar year. Johnson Lambert, LLP conducted the 2019 audit. The examiners reviewed the CPAs' workpapers, copies of which were incorporated into the examination as deemed appropriate.

A signed certificate of representation was obtained during the course of the examination. In this certificate, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2021.

ORGANIZATION AND HISTORY

The Company was formed January 8, 2019, and received its Certificate of Authority January 8, 2019, as a captive risk retention group. The Company was originally capitalized by two surplus notes issued by Surya Insurance Services, LLC of \$800,000 and \$1,200,000. The Company is owned by its insureds. The Company began writing commercial public livery auto liability and general liability insurance in 2019. The Company is licensed in Alabama and registered to conduct business in Arizona, California, Connecticut, Indiana, New Jersey, Ohio, Oregon, Pennsylvania, Texas, and Virginia. As of December 31, 2021, the Company reported capital and surplus was \$2,339,169, consisting of Surplus Notes of \$2,000,000, Gross paid in and contributed surplus of \$745,804, and Unassigned funds of \$(406,635).

MANAGEMENT AND CONTROL

Stockholders

The Company's regulatory filings reflect that the Company is 100% owned by its policyholders. However, no common stock has been issued.

The Company is required to issue common stock by the Shareholders Agreement and for the necessary rights and duties of the shareholders as provided for in the Company's By-laws. The Shareholders Agreement is a unilateral agreement that all policyholders are required to sign. The agreement contains rights and duties of the parties to the agreement. The parties to the agreement are the Company and its policyholder shareholders. The agreement provides for the shareholders to have restricted ownership of the Company. The agreement indicates that the shareholders

cannot assign, sell, or exchange its shares of the Company. The shareholders have rights to dividends that may be declared at the discretion of the Board of Directors. The shareholders have redemption rights. If the shares have been owned for a period in excess of four years, the shareholder may sell the shares back to the Company at a price determined at the discretion of the Board of Directors. All shareholders must sell their shares back to the Company when they are no longer a policyholder of the Company. Shareholders that have not owned their shares for four years do not have redemption rights.

The Company has not issued any common stock since it commenced writing business through the December 31, 2021 examination date. The failure to do so is in conflict with the Shareholders Agreement which states: "In order to be an insured of the Company, the Shareholder is required to purchase common stock of the Company, par value Two Dollars (\$2.00), in such quantity and for such price as are set forth below."

No shareholder meetings were conducted during the examination period. The omission of the shareholder meetings was not in compliance with the Company's By-laws which state: "The Annual Meeting of Shareholders shall be on such date as may be set by the Board of Directors for the election of the Directors and the transaction of any business that may properly come before such meeting." ALA. CODE § 10A-2A-7.01 (2019) states:

- (a) Unless directors are elected by written consent in lieu of an annual meeting as permitted by Section 10A-2A-7.04, a corporation shall hold a meeting of stockholders annually at a time stated in or fixed in accordance with the certificate of incorporation or bylaws at which directors shall be elected.
- (b) Unless the board of directors determines to hold the meeting solely by means of remote communication in accordance with Section 10A-2A-7.09(c), annual meetings may be held (i) in or out of this state at the place stated in or fixed in accordance with the certificate of incorporation or bylaws or (ii) if no place is stated in or fixed in accordance with the certificate of incorporation or bylaws, at the corporation's principal office.
- (c) The failure to hold an annual meeting at the time stated in or fixed in accordance with a corporation's certificate of incorporation or bylaws does not affect the validity of any corporate action.

On October 5, 2022 the Company filed an amended financial statement. The changes in the amended filing were to increase the Common capital stock from \$0 to \$587,623. Gross paid in and contributed surplus was reduced from \$745,804 to \$158,181. The changes had no impact on the total capital and surplus. The changes

were necessary to report the common capital stock that the Company has issued since the Company's inception.

Board of Directors

The Company's By-Laws stipulate that its business shall be managed and controlled by a Board of Directors who shall be elected by the stockholders. The number of directors shall not be less than three or more than fifteen directors, with at least one director being an Alabama resident.

The following directors were serving on December 31, 2021.

<u>Director and Place of Residence</u>	<u>Principal Occupation and Employer</u>
Janak Praful Dave Syosset, New York	President and Principal of Surya Capital, LLC, President of Surya Insurance Services, LLC, President of Prominent International, Inc.
Venkata Rao Maddineni Syosset, New York	Anesthesiologist, Good Samaritan Medical Center
Doranne Newton Montgomery, Alabama	Underwriting Manager, Alabama Municipal Insurance Company
Jitendra Somabhai Patel Dix Hills, New York	Pharmacist, Bay Village Drug & Surgical
Siraj Kumarpal Shah Closter, New Jersey	Jeweler/Manufacturer, President, Jay Gems, Inc.
Roopang Kanukumar Shukla Flushing, New York	Director, Surya Capital, LLC

The Board of Directors accepted the resignation of the former President, Peter Foley, and appointed his successor, Janak Dave, effective June 1, 2019, in a board action without a meeting. The document was signed by Mr. Foley and Mr. Dave on May 16, 2019. Mr. Dave was the only board member that signed the unanimous written consent as five other board members did not sign. The Company's By-laws state: "Action without a meeting. Any action required or permitted to be taken by the Board of Directors or any committee thereof at any meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all Directors."

The Company did not include the full names of the officers and directors in the 2021 Annual Statement jurat page as is required by the NAIC Annual Statement

Instructions, which state: “Officers, Directors, and Trustees ...Show full name (initials not acceptable) and title...”

Committees

The Company’s Board of Directors has not authorized any board committees.

Officers

The Company’s By-Laws provide that its officers shall consist of a President, a Treasurer, and a Secretary, and such other officers, including Chairman of the Board, Vice Presidents, Assistant Secretaries, or Assistant Treasurers, as the Board of Directors may elect or appoint. Officers serving on December 31, 2021 were as follows.

<u>Name</u>	<u>Title</u>
Janak Praful Dave	President & Treasurer
Roopang Kanukumar Shukla	Secretary

Conflicts of Interest

The Company’s conflict of interest policy and the conflict of interest statements filed by the officers and directors of the Company were reviewed for this examination period. No items of disclosure were noted in the filed disclosures. Two directors had direct ownership interest in the Program Administrator, Surya Insurance Services, LLC, and one of those directors had additional indirect economic interest in the Program Administrator by way of ownership in the parent company of the Program Administrator. The potential conflicts that existed were not disclosed. The Company’s conflict of interest policy requires: “disclosure of actual or potential conflicts.”

One of the directors did not file a conflict of interest disclosure in 2019 or 2020. The failure for the director to file a conflict of interest statement was in violation of the Company’s conflict of interest policy which states: “This policy shall be reviewed annually by each member of the Board of Directors. Any changes to the policy shall be communicated immediately to all responsible persons.”

CORPORATE RECORDS

The Company's Articles of Incorporation, By-Laws, and amendments thereto were inspected and found to provide for the operation of the Company in accordance with Alabama statutes and regulations and with accepted corporate practices.

The documented minutes of the meetings of the Stockholder and Board of Directors were reviewed for the period under examination. The minutes were not complete to evidence compliance with the requirements of the Company's By-laws and the Alabama Code. See report sections "Stockholders", Page 3, "Board of Directors", Page 5, and "Conflicts of Interest", Page 6 and the examination finding immediately below.

The Company's Board of Directors minutes did not reflect that the board authorized the Company's custodial agreement. ALA. ADMIN CODE 482-1-.077-.04(2) (2003) states: "The agreement shall be in writing and shall be authorized by a resolution of the board of directors of the insurance company or of an authorized committee of the board..."

The Company did not have evidence of the Commissioner's written approval of its custodial agreement that stated terms for the housing and safekeeping of the Company's securities. ALA. ADMIN. CODE 482-1-077-.04(2)(q) (2003) states: "The custody agreement is of no force and effect until the Commissioner approves, in writing, the custody agreement."

HOLDING COMPANY AND AFFILIATE MATTERS

As of December 31, 2021, the Company was subject to the Alabama Insurance Company Regulatory Act of 1973 as defined in ALA. CODE § 27-29-1 (1975). The review of the holding company filings made during the examination period indicated that appropriate disclosures were made in 2020 and 2021 regarding the Company. The Company received its Certificate of Authority January 8, 2019 and no filings were made during 2019.

Dividends to Stockholders

No dividends have been paid to stockholders since the Company's inception in 2019.

Administrative Service Agreements

The following administrative management service agreements were in effect during the examination period.

Affiliated Agreements

Program Administrator Agreement with Surya Insurance Services, LLC

The Company entered into an agreement with Surya Insurance Services, LLC (SIS) to administer the Company's business. The agreement was signed by the Company's current President and the President of SIS on December 4, 2018 and by the President of the Company serving at the time of signing, Peter Foley, on December 3, 2018. The corporation that is the Company was not formed until January 8, 2019. The examination determined that the Program Administrator Agreement is not a valid enforceable agreement because it was not executed by one authorized to act on the Company's behalf. Each party has been enforcing the agreement and fulfilling their obligations and duties which are detailed below.

The agreement states that the effective date of the agreement is the date of licensure of the Company. The Company appointed SIS as its sole administrator of its business. However, the one that signed the agreement was not authorized to bind the Company by contract on the date of signing. The terms of the agreement are that the Administrator shall issue and process the commercial automobile policies and perform other administrative duties for a fee of 12.5% of the gross written premiums. In addition, the Administrator shall be paid a fee of up to 6% of the gross written premiums for overseeing the claims administration function. The agreement has been enforced with each party fulfilling their duties and responsibilities regardless of the fact that the agreement was entered into before the Company's existence.

Unaffiliated Agreements

Program Management Agreement with Quantum Risk Solutions, LLC

The agreement is between the Company and Quantum Risk Solutions, LLC (QRS). The parties signed the agreement August 28, 2019. The effective date of the agreement was September 1, 2019. The Company designated QRS as the Program Manager of the Company's taxi and livery commercial business.

Under the terms of the agreement each party agreed that the Program Manager would administer the Company's taxi and livery business and perform the necessary functions including:

- To evaluate applications for insurance and determine insurance premiums in accordance with the Program guidelines;
- Rate, quote, and bind commercial insurance in accordance with the Company's guidelines;
- To issue, cancel, and reinstate various state and federal filings;
- To make endorsements, changes assignments, transfers, and modifications to in-force policies and to issue certificates of coverage in accordance with the Program guidelines;
- To effect cancellations and non-renewals of policies in accordance with the Program guidelines;
- To collect premiums on behalf of the Company;
- To enter into agreements with insurance producers;
- To order and implement loss control.

The Company pays QRS a commission and profit sharing for the services. The Program Manager is entitled to a fee of 15% of the entire premium produced and underwritten by the Program Manager. As a consulting underwriter, the Program Manager is entitled to a fee of 3% of gross written premium on policies that the Program Manager and/or its sub producers that are not the agent of record but which the Program Manager has reviewed and approved the applications for binding in accordance with the Company's guidelines. The agreement indicates there will be incentive bonuses, but does not specify specific terms for the incentive bonuses. Incentive bonuses shall be calculated on each contract anniversary date and will be due two years thereafter.

All premiums net of fees received by the Program Manager shall be held in a fiduciary capacity by the Program Manager in the operation of the Company's business.

The Program Manager is required to maintain errors and omissions insurance, fidelity insurance, and general liability insurance with agreed upon insurance limits per the agreement.

The agreement can be terminated at any time by mutual consent or by either party by giving the other 120 days advance written notice.

The Program Manger's rights under the agreement are assignable.

Claims Administration Agreement with McCord & Associates, Inc.

The Company entered into a claims administration agreement with McCord & Associates, Inc. (McCord). The agreement became effective May 1, 2019, and is for a three year term. The agreement will automatically renew for a successive three-year term unless either party ends the agreement by providing a 60 days' notice prior to the expiration date. The agreement may be terminated by either party for any reason and without cause by either party giving the other a 90 days' notice of termination.

McCord agreed to provide claims administration and management services including managing and settling claims, recommend loss reserves on claims, pursue salvage and subrogation, and provide a monthly claim report of all activity. Claim funds will be provided by the Company for payment of claims and claim related expense on its behalf by McCord. McCord can settle claims up to \$25,000 and claims exceeding the limit require approval by the Company.

The Company pays a fee of \$750 for each claim occurrence reported, regardless of the number of individual claims involved. The fee is invoiced 50% upon the initial receipt of the claim and 50% when the claim is closed or one year after the initial receipt of the claim. The fee is for handling the claim for up to two years. After two years, there is a \$500 annual fee for handling the claim. There is also a flat fee for attending trials, depositions, and mediation of \$500 daily.

Management Agreement with Arsenal Insurance Management, LLC

The Company entered into a management agreement with Arsenal Insurance Management, LLC (Arsenal) that became effective on June 1, 2019, for a five-year term. Thereafter, the agreement is to continue until either party provides the other a 90 days' notice of termination. The Company appointed Arsenal as its manager and the agreement provisions state Arsenal's duties which include:

- Maintaining a home office for the Company;
- Assist the Company in complying with the rules regulations and requirements of the domicile's insurance department;
- Assist in the maintenance of the books and records;
- Assist in the maintenance of the Company's bank accounts, if required;
- Prepare and file all necessary registration materials and changes to the Business Plan;

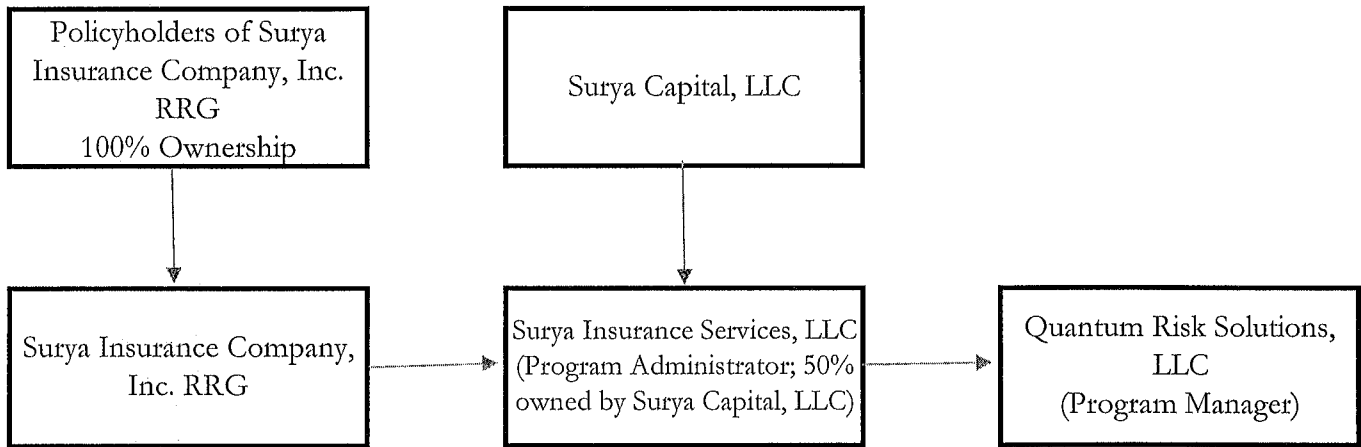
- Coordinate the activities and provide assistance and information to various persons and entities selected by the Company to provide legal, audit, actuarial, claims adjustment, loss reserve analysis and other common services;
- Provide continuing advice on the captive insurance industry customs, practices, and technical matters;
- Prepare or provide assistance in preparing quarterly and annual financial and other reports;
- Provide assistance in the preparation of tax statements and returns as respects premium taxes;
- Provide facilities and services to assist in the Company's response to regulatory inquiries, investigations, and examinations.

The Company pays a minimum of \$80,000 annually to the manager for the services provided. The annual fee is subject to adjustment if the Company expands into additional states.

ORGANIZATIONAL CHART

The chart on the following page presents the relationships of the Company and its affiliates as of December 31, 2021.

Organizational Chart



FIDELITY BONDS AND OTHER INSURANCE

The Company does not have a fidelity bond or any other insurance policies. The Company's risk exposures are limited due to the Company not having physical assets or employees. The Company does not have any insurance for crime or dishonesty or commercial liability exposures. The Program Manager is required by the Program Management Agreement to carry insurance for exposures related to crime or dishonest acts of its employees. The current declaration page was provided to and reviewed by the examiners. The Program Manager is the named insured under the policy. The Company did not have fidelity coverage for its officers and directors in an amount that exceeded the minimum amount of acceptable coverage by the Examiners Handbook Exhibit R.

EMPLOYEE AND AGENT WELFARE

The Company used independent agents to market its business. The Company does not have any employees, other than the President/Treasurer and the Secretary. Both served as officers of the Company in an uncompensated capacity. The Company's activities were conducted by an unaffiliated Program Manager, Quantum Risk Solutions, LLC, the Company's unaffiliated claims administrator, McCord and Associates, the Company's unaffiliated Manager, Arsenal Insurance Management, LLC, and the affiliated Program Administrator, Surya Insurance Services, LLC.

Compliance with 18 U.S.C § 1033

The examiners reviewed the Company's internal procedures to determine if prospective and current employees or employees of affiliates conducting the Company's activities were in compliance with 18 U.S.C. § 1033, which prohibits persons with certain felony offences from participating in conducting the business of insurance. The Company has an established procedure for conducting criminal background checks of new hires. The Company's only employees were the officers of the Company and each of the officers are directors. All functions of the Company are performed by either affiliated service providers or third-party unaffiliated service providers.

The Company does have a periodic procedure in place to determine whether existing employees have been convicted of a felony, including officers and directors. The review indicated that all directors filed the required attestations annually with the exception of one director. One director did not file an attestation in 2019 or 2020. The failure for all directors to file an attestation was not in compliance with the Company's policy which states: "Annually, the Company will require each employee,

contractor, officer, and director to complete a questionnaire and attest that they have not had a felony conviction for a Section 1033 Offense.” The Company’s established procedure was not applied properly as required by ALA. ADMIN. CODE 482-1-146-.11(2009), which states:

1. A Section 1033 insurer subject to the Commissioner’s examination authority shall have and apply the following:
 - a. An internal procedure for determining, by means of background checks or investigations or otherwise, whether applicants for employment or individuals with whom the insurer intends to contract for activities in the business of insurance, whether or not in a capacity requiring a license, have a felony conviction for a 1033 offense.
 - b. An internal procedure after initial employment or contracting, applied on a periodic basis, to ascertain the existence of a felony conviction for a Section 1033 offense.
 - c. An internal procedure for assuring that affected employees or individual contractors have obtained and hold any required Section 1033 consent during the period of employment or contracting.
2. Such procedures shall be maintained in a format capable of being furnished to the Department as part of the examination process or otherwise as requested by the Department.
3. As part of an examination or otherwise, the Department may determine the existence of such procedures, whether and how they are being followed, and the effectiveness of the procedures.

As respects contractors of the Company’s affiliated Administrator that conducted the Company’s activities, the examination found that background checks or investigations of applicants were not conducted before hiring them. ALA. ADMIN. CODE 482-1-146-.11(1)(2009) states:

A Section 1033 insurer subject to the Commissioner’s examination authority shall have and apply the following: (a) an internal procedure for determining, by means of background checks or investigations or otherwise, whether applicants for employment or individuals with whom the insurer intends to contract for activities in the business of insurance, whether or not in a capacity requiring a license, have a felony conviction for a Section 1033 offense...

TERRITORY

The Company is licensed in Alabama and registered to write business in ten other states: Arizona, California, Connecticut, Indiana, New Jersey, Ohio, Oregon,

Pennsylvania, Texas, and Virginia. In 2021, the Company wrote business in Alabama and eight of the ten states that it was registered in. No business was written in Indiana and Ohio. New Jersey was the Company's largest state for written premium in 2021 and it comprised 69% of the 2021 written premiums.

PLAN OF OPERATION

The Company received its Certificate of Authority as a captive RRG January 8, 2019. The Company began writing commercial public livery liability insurance in 2019 and it is the Company's only line of business. During the examination period the Company contracted with third party administrators to perform the claims administration and underwriting and rating functions. The Company had an excess of loss reinsurance with a \$100,000 retention. The Company also utilized facultative reinsurance to offer policies that have limits higher than those that are acceptable for the excess of loss reinsurance agreement. The Company utilized independent agents to distribute its policies to its customers.

SPECIAL DEPOSITS

As of December 31, 2021, the Company did not have any deposits pledged to statutory authorities.

FINANCIAL CONDITION AND GROWTH OF THE COMPANY

The exhibit below exhibits the financial condition and growth of the Company and is based on the Company's filed financial statements.

	2021	2020	2019
Admitted Assets	\$6,279,521	\$3,279,219	\$2,526,793
Liabilities	\$3,940,352	\$1,478,922	\$605,548
Surplus Notes	\$2,000,000	\$2,000,000	\$2,000,000
Common Capital Stock	\$587,623		
Paid in and Contributed Surplus	\$158,181	\$235,245	\$77,497
Unassigned Funds	\$(406,635)	\$(434,948)	\$(156,252)
Premiums Earned	\$2,484,272	\$676,821	\$317,223
Losses Incurred	\$1,006,158	\$480,880	\$231,288
Loss Adjustment Expenses Incurred	\$465,631	\$133,045	\$66,140
Net Income	\$28,687	\$(286,070)	\$(149,252)

REINSURANCE

Reinsurance Assumed

The Company has not engaged in any assumed reinsurance through December 31, 2021.

Reinsurance Ceded

Excess of Loss Reinsurance Agreement

As of December 31, 2021, the Company had excess of loss reinsurance consisting of two layers, Part A and Part B. The agreement term was from February 15, 2019 to August 15, 2022. The agreement contained three annual periods. The first annual period was extended to include odd time. The reinsurance under Part A provided \$400,000 excess of \$100,000, each risk, each loss occurrence. The reinsurance under Part B provided \$700,000 excess of \$300,000, each loss occurrence. The reinsurance under Part A inures to the benefit of the reinsurance provided under Part B. The reinsurance intermediary is Equinox Insurance Intermediaries. The participating reinsurers change per each agreement year. The participating reinsurers for the 2021 renewal and participating as of December 31, 2021 were Lloyds Syndicates 0435 (35%), 4444 (15%), 4472 (17.5%), 1955 (17.5%), and 2987 (15%).

Facultative Reinsurance Agreement

The Company also utilized General Reinsurance Corporation for facultative reinsurance placements related to insureds that desired higher limits of insurance and the underlying policies did not meet the criteria for the Excess of Loss Reinsurance Agreement due to the increased limits of insurance.

The Company did not provide evidence that either of the reinsurance agreements were signed. See the note related to Losses, Loss adjustment expenses, and Unearned premiums in the Notes to Financial Statements because no evidence of the signed agreements were provided by the Company.

ACCOUNTS AND RECORDS

The Company's principal accounting, premiums, and claims records were maintained in electronic format and stored by third-party cloud service providers. RH CPAs, PLLC conducted the 2021 annual audit and Johnson Lambert conducted the 2019 annual audit. The Company received an exemption from the annual audit

requirement for the 2020 year. Solomon Frazier, FCAS, FSA, MAAA of Taylor Walker & Associates, Midvale, Utah, prepared the 2021 Actuarial Reports and 2021 Statement of Actuarial Opinion.

The Company has obtained a permitted practice that allows it to report its financial statements using Generally Accepted Accounting Principles.

The Company did not file its 2021 audited financial report before the deadline allowed, despite having received a thirty-day extension to file the report after the June 1 deadline. ALA. ADMIN. CODE 482-1-141-.04 (2019) states:

(1) All insurers shall have an annual audit by an independent certified public accountant and shall file an audited financial report with the Commissioner on or before June 1 for the year ended December 31 immediately preceding. The Commissioner may require an insurer to file an audited financial report earlier than June 1 with ninety (90) days advance notice to the insurer. (2) Extensions of the June 1 filing date may be granted by the Commissioner for thirty-day periods upon a showing by the insurer and its independent certified public accountant of the reasons for requesting an extension and determination by the Commissioner of good cause for the extension. The request for extension must be submitted in writing and received by the Department not less than ten (10) days prior to the due date in sufficient detail to permit the Commissioner to make an informed decision with respect to the requested extension.

The Company did not respond to all information requests within ten business days or obtain an extension of time for responses that took more time to provide. ALA. ADMIN. CODE 481-1-118-.06 (1999) states:

The insurer shall provide within ten (10) working days, any record or response requested in writing by any duly appointed deputy, assistant employee or examiner of the commissioner. When the record or response is not produced or cannot be produced by the insurer within ten working days, the nonproduction shall be deemed a violation of this rule, unless the Commissioner or duly appointed person making the request grants an extension in writing or the insurer can demonstrate to the satisfaction of the Commissioner that there is a reasonable justification for the delay.

The examiners obtained the 2021 paid losses detail as a part of the reserves data testing. The Company did not provide sound records as audit evidence. The first file provided was a file of cumulative paid losses since inception prepared by the Company's TPA and the file did not include a paid date and the paid losses could not

be isolated by year. The second file provided came from the Company's check register records and the payments that were for losses could not be distinguished from the payments for loss adjustment expenses. It is necessary to distinguish the incurred date, paid date, and whether the payment was for loss or LAE to accurately prepare or tests Schedule P. This critical information should be captured and evident in one data file that can be provided as audit evidence. ALA. CODE § 27-27-29(a)(1975) states: "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted."

FINANCIAL STATEMENT INDEX

The financial statements included in this report were based on the statutory financial statements filed by the Company with the Alabama Department of Insurance and present the financial condition of the Company for the period ending December 31, 2021. The accompanying comments on the financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

Statement of Assets	Page 20
Statement of Liabilities, Surplus and Other Funds	Page 21
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SURYA INSURANCE COMPANY, INC. RISK RETENTION GROUP
STATEMENT OF ASSETS
For the Year Ended December 31, 2021

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
ASSETS			
Common stocks	\$ 383,426		\$ 383,426
Cash, cash equivalents & short-term investments (Note 1)	<u>3,278,151</u>		<u>3,278,151</u>
Subtotals, cash, and invested assets	\$3,661,557		\$3,661,557
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection (Note 2)	105,755		105,755
Deferred premiums, agents balances and installments booked but deferred and not yet due (Note 3)	1,341,424		1,341,424
Reinsurance:			
Amounts recoverable from reinsurers	516		516
Net deferred tax asset	137,313		137,313
Deferred Acquisition Costs	867,695		867,695
Capital contributions receivable	154,401		154,401
Prepaid expenses	5,587		5,587
Receivable from claims administrator	1,413		1,413
Installment fees receivable:	<u>3,840</u>		<u>3,840</u>
TOTALS	<u>\$6,279,521</u>		<u>\$6,279,521</u>

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTEGRAL PART THEREOF.

SURYA INSURANCE COMPANY, INC. RISK RETENTION GROUP
STATEMENT OF LIABILITIES, SURPLUS, AND OTHER FUNDS
For the Year Ended December 31, 2021

LIABILITIES	
Losses (Note 4)	\$1,113,154
Loss adjustment expenses (Note 4)	131,284
Other expenses	489,454
Taxes, license, and fees	207,003
Unearned premiums (Note 4)	1,976,268
Ceded reinsurance premiums payable	23,189
Provision for reinsurance	81,000
GAAP adjustment for reinsurance provision	(81,000)
Total Liabilities	<u>\$3,940,352</u>
CAPITAL AND SURPLUS	
Surplus notes	\$2,000,000
Common capital stock	587,623
Gross paid in and contributed surplus	158,181
Unassigned funds	(406,635)
Surplus as regards policyholders	<u>\$2,339,169</u>
Totals	<u>\$6,729,521</u>

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN
THIS REPORT ARE AN INTEGRAL PART THEREOF.

**SURYA INSURANCE COMPANY, INC. RISK RETENTION GROUP
SUMMARY OF OPERATIONS**

For the Years Ended December 31, 2021, 2020, and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
UNDERWRITING INCOME			
Premiums earned	\$2,484,272	\$676,821	\$317,223
DEDUCTIONS			
Losses incurred	1,006,158	480,880	231,288
Loss adjustment expenses incurred	465,631	133,045	66,140
Other underwriting expense incurred	1,051,455	410,785	237,798
Total underwriting deductions	<u>\$2,523,244</u>	<u>\$1,024,710</u>	<u>\$535,226</u>
Net underwriting gain (loss)	\$ (38,972)	\$(347,889)	\$(218,003)
INVESTMENT INCOME			
Net investment income earned	\$15,941	\$13,822	\$19,558
Net investment gain	<u>\$15,941</u>	<u>\$13,822</u>	<u>\$19,558</u>
OTHER INCOME			
Increase in deferred taxes	10,975	620	49,193
Total other income	<u>10,975</u>	<u>620</u>	<u>49,193</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(12,056)	(333,447)	(149,252)
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(12,056)	(333,447)	(149,252)
Federal and foreign income taxes incurred	<u>(40,743)</u>	<u>(47,377)</u>	
Net Income	<u>\$28,687</u>	<u>\$(286,070)</u>	<u>\$(149,252)</u>

**THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN
THIS REPORT ARE AN INTEGRAL PART THEREOF.**

SURYA INSURANCE COMPANY, INC. RISK RETENTION GROUP
STATEMENT OF CHANGES IN CAPITAL AND SURPLUS
For the Years Ended December 31, 2021, 2020, and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capital and surplus, December 31, prior year	<u>\$1,800,297</u>	<u>\$1,921,245</u>	<u>\$ 0</u>
Net income	28,687	(286,070)	(149,252)
Change in net unrealized capital gains or less capital gains tax	3,531	374	
Change in provision for reinsurance	(70,000)	(4,000)	(7,000)
Change in surplus notes			2,000,000
Surplus adjustments:			
Paid in	510,559	157,748	77,497
GAAP adjustment for reinsurance provision	70,000	11,000	
GAAP adjustment for unrealized gain	(13,905)		
Net change in capital and surplus for the year	<u>\$538,872</u>	<u>\$(120,948)</u>	<u>\$1,921,245</u>
Capital and surplus, December 31, current year	<u>\$2,339,169</u>	<u>\$1,800,297</u>	<u>\$1,921,245</u>

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN
THIS REPORT ARE AN INTEGRAL PART THEREOF.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Cash, cash equivalents and short-term investments **\$2,273,840**

The captioned amount for Cash and short-term investments is \$1,004,311 less than the \$3,278,151 reported by the Company in the 2021 Annual Statement and is reflected in *Note 5 – Analysis of Changes to Surplus*.

The Company's bank account balance with Synovus Bank at December 31, 2021 was \$2,554,608. The balance was \$1,004,311 greater than the maximum amount allowed for any single investment in accordance with ALA. CODE § 27-41-6(a) (1977) which states:

An insurer shall not have at any one time any single investment or combination of investments in or loans upon the security of the obligations, property, or securities of any one person aggregating in cost to the insurer in excess of the greater of 10 percent of such insurer's assets or the total of its capital and surplus, as shown in the latest annual report of the insurer filed pursuant to subsection (a) of Section 27-3-26 of the Alabama Insurance Code, less the minimum capital and surplus required of said insurer for authority to transact insurance by Sections 27-3-7 and 27-3-8 of the Alabama Insurance Code.

Note 2 - Uncollected premiums and agent' balances **\$ 0**
the course of collection

The captioned amount is \$105,755 less than the \$105,755 reported by the Company in its 2021 Annual Statement and is reflected in *Note 5 – Analysis of Changes to Surplus*.

The Company did not identify and provide the policy level detail of the referenced account. Therefore, the balances comprising the account balance could not be tested to verify the accuracy and validity of the policy balances comprising the account balance. The Company determined the account balance by analysis in which the total premiums collected from the Company's premium administration system was subtracted from the total written premiums billed to determine the premiums that were due the Company (premiums due). The Company had detailed records of the Deferred premiums, agents' balances and installments booked but deferred and not yet due (Deferred premiums). The Company determined that the referenced account balance was determined by identifying the premiums due that exceeded the Deferred premiums balance. Because no supporting detail of the account balance was provided this asset was not allowed by this examination. The detail of the account is necessary

to support the validity of the account balance. ALA. CODE § 27-27-29(a) (1975) states: “Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.”

<u>Note 3 – Deferred premiums, agents’ balances and</u>	<u>\$1,220,549</u>
<u>installments booked but deferred and not yet due</u>	
<u>Advance premiums</u>	<u>\$ 37,366</u>

The above captioned amount Deferred premiums, agents’ balances and installments booked but deferred and not yet due asset is \$120,875 less than the \$1,341,424 reported and the Advance premiums liability is \$37,366 more than the \$0 reported in the Company’s December 31, 2021 Annual Statement. The following was noted:

Description	Amount	Amount
Deferred Premiums, agents’ balances and installments booked but deferred and not yet due		\$1,341,424
<u>Less: (Finding 1)</u>		
• Capital contributions receivable	\$154,401	
• Installment fees receivable	<u>3,840</u>	
Sub-Total	<u>\$158,241</u>	
<u>Add: (Finding 2)</u>		
• Advance premiums	<u>\$37,366</u>	
Sub-Total	<u>\$37,366</u>	<u>\$ (120,875)</u>
TOTAL		<u>\$1,220,549</u>

Finding 1.

The Company erroneously included the capital contributions receivable and the installment fees receivable in its determination of the receivable for deferred premiums. These two assets had already been included as assets in the 2021 Annual Statement balance sheet. Consequently, the asset was overstated by \$158,241, the sum of the capital contributions receivable asset of \$154,401 and the installment fees receivable asset of \$3,840. The changes associated with this finding are reflected in *Note 5 – Analysis of Changes to Surplus.*

Finding 2.

The Company included negative receivables in its detailed run of the Deferred premiums receivable. These negative receivables were connected to policyholders that had paid beyond the policy expiry date and were intended to be applied to the next policy period. The negative balances summed to \$(37,366). The negative balances should have been reported as Advance premiums in accordance with the NAIC *Annual Statement Instructions* which state: "Advance premiums. Include: Premiums received prior to the effective date of the contract."

This was a misclassification that had no impact on the capital and surplus reported by the Company in its December 31, 2021, Annual Statement. No change was made for this finding that had no impact on capital and surplus.

<u>Note 4 - Losses</u>	<u>\$1,205,733</u>
<u>Loss adjustment expenses</u>	<u>\$137,368</u>
<u>Unearned premiums</u>	<u>\$2,415,290</u>

The above captioned amount for Losses is \$92,579 more than the \$1,113,154 reported by the Company in the 2021 Annual Statement. The captioned amount for Loss adjustment expenses is \$6,084 more than the \$131,284 reported by the Company in the 2021 Annual Statement. The captioned amount for Unearned premiums is \$439,022 more than the \$1,976,268 reported by the Company in the 2021 Annual Statement. These changes are reflected in *Note 5 – Analysis to Changes in Surplus*.

Neither of the Company's two reinsurance agreements that were in effect on the examination date were signed by an authorized signor on behalf of the Company to document agreement to the contract terms and the date of execution of the contract. Also, one of the agreements had several addenda and the addenda were not signed by each party to document the agreement and date of agreement. ALA. ADMIN. CODE 482-1-138-.10 (2022) states:

Reinsurance. Any captive reinsurance company authorized to do business in this state may take credit for reserves on risks ceded to a reinsurer subject to the following limitations: ... (b) ... Reinsurance under this section shall be affected by a written agreement of reinsurance setting forth the terms, provisions and conditions governing such reinsurance. The Commissioner in his discretion may require that complete copies of all reinsurance treaties and contracts be filed and/or approved by him.

Note 5 - Analysis of Changes to Surplus**\$ 533,177**

The captioned amount is \$1,805,992 less than the \$2,339,169 reported by the Company on its December 31, 2021 Annual Statement. See the table below showing changes to surplus.

Analysis of Changes to Surplus			
	Increase	Decrease	
Capital and Surplus at Dec. 31, 2021 per Annual Financial Statement			\$2,339,169
Cash, cash equivalents and short-term investments (Note 1)		\$1,004,311	
Uncollected premiums and agents' balances in the course of collection (Note 2)		105,755	
Deferred premiums, agents' balances and installments booked but deferred and not yet due (Note 3)		158,241	
Losses (Note 4)		92,579	
Loss adjustment expenses (Note 4)		6,084	
Unearned premiums (Note 4)		<u>439,022</u>	
Net increase (or decrease)	\$0	\$1,805,992	<u>\$(1,805,992)</u>
Capital and Surplus at Dec. 31, 2021 after adjustments			<u>\$533,177</u>

COMMENTS AND RECOMMENDATIONS**Stockholders – Page 3**

It is recommended that the Company comply with the terms of its Shareholder Agreement with its policyholders and issue common stock to its policyholders in accordance with the agreement which states: “In order to be an insured of the Company, the Shareholder is required to purchase common stock of the Company, par value Two Dollars (\$2.00), in such quantity and for such price as are set forth below.”

It is recommended that the Company hold an annual Shareholders meeting for the election of the Directors and other business in accordance with the Company's By-laws which state: “The Annual Meeting of Shareholders shall be on such date as may

be set by the Board of Directors for the election of the Directors and the transaction of any business that may properly come before such meeting.” It is further recommended that the Company hold the annual meeting of shareholders to comply with ALA. CODE § 10A-2A-7.01 (2019) which states:

- (a) Unless directors are elected by written consent in lieu of an annual meeting as permitted by Section 10A-2A-7.04, a corporation shall hold a meeting of stockholders annually at a time stated in or fixed in accordance with the certificate of incorporation or bylaws at which directors shall be elected.
- (b) Unless the board of directors determines to hold the meeting solely by means of remote communication in accordance with Section 10A-2A-7.09(c), annual meetings may be held (i) in or out of this state at the place stated in or fixed in accordance with the certificate of incorporation or bylaws or (ii) if no place is stated in or fixed in accordance with the certificate of incorporation or bylaws, at the corporation’s principal office.
- (c) The failure to hold an annual meeting at the time stated in or fixed in accordance with a corporation’s certificate of incorporation or bylaws does not affect the validity of any corporate action.

Board of Directors – Page 5

It is recommended that the Company not conduct any actions by unanimous written consent of the board without the unanimous written consent of all board members in accordance with the Company’s By-laws which state: “Action without a meeting. Any action required or permitted to be taken by the Board of Directors or any committee thereof at any meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all Directors.”

It is recommended that the Company complete the Annual Statement jurat page to include the full names of each officer and director in accordance with the NAIC Annual Statement Instructions which state: “Officers, Directors, and Trustees ...Show full name (initials not acceptable) and title...”

Conflicts of Interest – Page 6

It is recommended that the Company take steps to ensure that all directors report all potential conflicts that may exist between the Company’s interest and the economic interest of the directors in accordance with the Company’s conflict of interest policy which requires: “disclosure of actual or potential conflicts of interest.”

It is recommended that the Company take steps to ensure that all directors file a conflict of interest disclosure annually in accordance with the Company's conflict of interest policy which states: "This policy shall be reviewed annually by each member of the Board of Directors. Any changes to the policy shall be communicated immediately to all responsible persons."

Corporate Records – Page 7

It is recommended that the Company's Board of Directors authorize the Company's custodial agreement in accordance with ALA. ADMIN. CODE 482-1-077-.04(2) (2003) which states: "The agreement shall be in writing and shall be authorized by a resolution of the board of directors of the insurance company or of an authorized committee of the board..."

It is recommended that the Company obtain the Commissioner's written approval of its custodial agreement in accordance with ALA. ADMIN. CODE 482-1-077-.04(2)(q) (2003) which states: "The custody agreement is of no force and effect until the Commissioner approves, in writing, the custody agreement."

Administrative Service Agreements – Page 8

It is recommended that the Company fulfill its obligations and duties and enforce its rights only under valid enforceable agreements. The Program Administrator Agreement with Surya Insurance Services, LLC was not a valid enforceable agreement because the one that executed the agreement on behalf of the Company did so before the Company's status as a corporation was formed January 8, 2019.

Fidelity Bonds and Other Insurance – Page 13

It is recommended that the Company obtain fidelity coverage for dishonest acts of its officers and directors with limits that equal or exceed the minimum amount of fidelity coverage suggested by the Examiners Handbook Exhibit R.

Compliance with 18 U.S.C § 1033 – Page 13

It is recommended that the Company ensure that all employees, officers, and directors sign an attestation annually to reveal any potential felony conviction to comply with the Company's established policy to ensure compliance with 18 U.S.C. § 1033. The Company's policy states "Annually, the Company will require each employee, contractor, officer, and director to complete a questionnaire and attest that they have not had a felony conviction for a Section 1033 Offense." The Company's

procedure is to be applied properly to comply with ALA. ADMIN. CODE 482-1-146-.11 (2009), which states:

1. A Section 1033 insurer subject to the Commissioner's examination authority shall have and apply the following:
 - a. an internal procedure for determining, by means of background checks or investigations or otherwise, whether applicants for employment or individuals with whom the insurer intends to contract for activities in the business of insurance, whether or not in a capacity requiring a license, have a felony conviction for a 1033 offense.
 - b. An internal procedure after initial employment or contracting, applied on a periodic basis, to ascertain the existence of a felony conviction for a Section 1033 offense.
 - c. An internal procedure for assuring that affected employees or individual contractors have obtained and hold any required Section 1033 consent during the period of employment or contracting.
2. Such procedures shall be maintained in a format capable of being furnished to the Department as part of the examination process or otherwise as requested by the Department.
3. As part of an examination or otherwise, the Department may determine the existence of such procedures, whether and how they are being followed, and the effectiveness of the procedures.

It is recommended that the Company conduct background checks, investigations, or otherwise to determine whether employees and contractors had a felony conviction before engaging either to conduct the activities in the business of insurance in accordance with ALA. ADMIN. CODE 482-1-146-.11(1) (2009) which states:

A Section 1033 insurer subject to the Commissioner's examination authority shall have and apply the following: (a) an internal procedure for determining, by means of background checks or investigations or otherwise, whether applicants for employment or individuals with whom the insurer intends to contract for activities in the business of insurance, whether or not in a capacity requiring a license, have a felony conviction for a Section 1033 offense...

Accounts and Records – Page 16

It is recommended that the Company promptly file its annual audited financial report on time in accordance with ALA. ADMIN. CODE 482-1-141-.04 (2019) which states:

(1) All insurers shall have an annual audit by an independent certified public accountant and shall file an audited financial report with the Commissioner on or before June 1 for the year ended December 31 immediately preceding. The Commissioner may require an insurer to file an audited financial report earlier than June 1 with ninety (90) days advance notice to the insurer. (2) Extensions of the June 1 filing date may be granted by the Commissioner for thirty-day periods upon a showing by the insurer and its independent certified public accountant of the reasons for requesting an extension and determination by the Commissioner of good cause for the extension. The request for extension must be submitted in writing and received by the Department not less than ten (10) days prior to the due date in sufficient detail to permit the Commissioner to make an informed decision with respect to the requested extension.

It is recommended that the Company provide responses to examination requests within ten working days or obtain a written extension of time to provide the information for any requests that an extension is warranted in accordance with ALA. ADMIN. CODE 481-1-118-.06 (1999) which states:

The insurer shall provide within ten (10) working days, any record or response requested in writing by any duly appointed deputy, assistant employee or examiner of the commissioner. When the record or response is not produced or cannot be produced by the insurer within ten working days, the nonproduction shall be deemed a violation of this rule, unless the Commissioner or duly appointed person making the request grants an extension in writing or the insurer can demonstrate to the satisfaction of the Commissioner that there is a reasonable justification for the delay.

It is recommended that the Company ensure that the paid losses and loss adjustment expense records are captured and retained to the extent that one file can be provided as audit evidence that exhibits the claim incurred date, the amount paid, the paid date, and whether the payment was for loss or loss adjustment expense, in accordance with ALA. CODE § 27-27-29(a) (1975) which states: "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted."

Notes to Financial Statements – Page 24

It is recommended that the Company properly apply its investments to the Alabama Investment Limitation Law and not admit all balances in any single investment that exceed the law in accordance with ALA. CODE § 27-41-6(a) (1977) which states:

An insurer shall not have at any one time any single investment or combination of investments in or loans upon the security of the obligations, property, or securities of any one person aggregating in cost to the insurer in excess of the greater of 10 percent of such insurer's assets or the total of its capital and surplus, as shown in the latest annual report of the insurer filed pursuant to subsection (a) of Section 27-3-26 of the Alabama Insurance Code, less the minimum capital and surplus required of said insurer for authority to transact insurance by Sections 27-3-7 and 27-3-8 of the Alabama Insurance Code.

It is recommended that the Company retain as audit evidence the detail of the individual policy balances that comprise the account balance of Uncollected premiums and agents' balances in the course of collection, as required by ALA. CODE § 27-27-29(a) (1975) which states: "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted."

It is recommended that the Company properly identify its Deferred premiums, agents' balances and installments booked but deferred and not yet due and particularly exclude balances associated with capital contributions receivable and installment fees receivable that were already reported as assets on their own account.

It is recommended that the Company properly classify payments received for policy premiums in connection with policies that have effective dates subsequent to the financial reporting date as Advance premiums in accordance with the NAIC Annual Statement Instructions which state: Advance premiums. Include: Premiums received prior to the effective date of the contract."

It is recommended that the Company only take credit for ceded reinsurance in accordance with ALA. ADMIN. CODE 482-1-138-.10 (2022) which states:

Reinsurance. Any captive reinsurance company authorized to do business in this state may take credit for reserves on risks ceded to a reinsurer subject to the following limitations: ... (b) ... Reinsurance under this section shall be

affected by a written agreement of reinsurance setting forth the terms, provisions and conditions governing such reinsurance. The Commissioner in his discretion may require that complete copies of all reinsurance treaties and contracts be filed and/or approved by him.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The examination being reported on in this report is the first examination of the Company. It was not necessary to perform a review related to previous examination recommendations.

CONTINGENT LIABILITIES AND PENDING LITIGATION

The review of contingent liabilities and pending litigation included an inspection of representations made by the Company's managers, a review of the Company's records and files for the period under examination, and a review of the records subsequent to the examination date. The reviews performed did not identify any items that would have a material effect on the Company's financial condition in the event of an adverse outcome.

SUBSEQUENT EVENTS

The general ledger and cash transactions occurring subsequent to the examination date were reviewed. Additionally, the examiners inquired of management regarding any significant subsequent events.

The Company renewed its excess of loss reinsurance agreement for an additional three-year term August 15, 2022. The Company increased its retention from the previous \$100,000 per risk, per event to \$200,000 per risk, per event in the agreement that became effective August 15, 2022.

This report includes an examination finding because the Company's custodial agreement was not approved by the Commissioner as required by ALA. ADMIN. CODE 482-1-077-.04(2)(q) (2003). The Commissioner approved the Company's custodial agreement September 16, 2022.

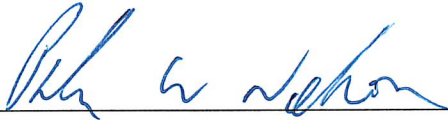
CONCLUSION

Acknowledgement is hereby made of the courteous cooperation extended by the officers and employees of the Company during the course of this examination.

The customary insurance examination procedures, as recommended by the NAIC have been followed to the extent appropriate in connection with the verification and valuation of assets and determination of liabilities set forth in this report.

In addition to the undersigned, Charles Hale, ACAS, MAAA represented the Alabama Department of Insurance and participated in the examination of the Company.

Respectfully submitted,



Palmer W. Nelson, CFE, CIE, MCM
Examiner-in-Charge
Alabama Department of Insurance