STATE OF ALABAMA
DEPARTMENT OF INSURANCE
MONTGOMERY, ALABAMA

REPORT OF EXAMINATION

QUALITY CASUALTY INSURANCE COMPANY, INC.
NEW ORLEANS, LOUISIANA

AS OF
DECEMBER 31, 2018
# TABLE OF CONTENTS

EXAMINER’S AFFIDAVIT........................................................................................................... iii

SALUTATION................................................................................................................................. 1

SCOPE OF EXAMINATION.......................................................................................................... 2

ORGANIZATION AND HISTORY............................................................................................... 3

MANAGEMENT AND CONTROL ............................................................................................... 4
  Stockholders .......................................................................................................................... 4
  Board of Directors ............................................................................................................... 4
  Officers ................................................................................................................................. 5
  Audit Committee ................................................................................................................ 5
  Conflict of Interest .............................................................................................................. 5

CORPORATE RECORDS............................................................................................................ 5

HOLDING COMPANY AND AFFILIATE MATTERS................................................................... 6
  Holding Company Registration .......................................................................................... 6
  Dividends to Stockholders ............................................................................................... 6
  Organizational Chart ......................................................................................................... 7
  Management and Service Agreements ............................................................................. 8

COMPLIANCE WITH 18 U.S.C. § 1033................................................................................... 9

SCHEDULE OF SPECIAL DEPOSITS...................................................................................... 10

FINANCIAL CONDITION / GROWTH OF THE COMPANY..................................................... 10

MARKET CONDUCT ACTIVITIES............................................................................................... 10
  Plan of Operation.................................................................................................................. 10
  Territory .............................................................................................................................. 11
  Advertising and Marketing .............................................................................................. 11
  Claims Handling ................................................................................................................ 11
  Dividends to Policyholders .............................................................................................. 11
  Policyholders’ Complaints ............................................................................................... 11
  Producers’ Licensing Requirements ................................................................................ 11
  Policy Forms and Underwriting ....................................................................................... 11
  Privacy ............................................................................................................................... 11

REINSURANCE ........................................................................................................................... 11
  Reinsurance Assumed ....................................................................................................... 11
  Reinsurance Ceded ............................................................................................................ 11

ACCOUNTS AND RECORDS....................................................................................................... 13
FINANCIAL STATEMENT INDEX......................................................... 15
NOTES TO FINANCIAL STATEMENTS........................................ 18
CONTINGENT LIABILITIES AND PENDING LITIGATION.............. 18
SUBSEQUENT EVENTS.................................................................. 18
COMPLIANCE WITH PREVIOUS RECOMMENDATIONS.................. 18
COMMENTS AND RECOMMENDATIONS................................. 19
CONCLUSION........................................................................ 20
EXAMINER'S AFFIDAVIT

STATE OF ALABAMA
COUNTY OF MONTGOMERY

Agnes D. Riggins being duly sworn, states as follows:

1. I have authority to represent Alabama in the examination of Quality Casualty Insurance Company, Inc.
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 Quality Casualty Insurance Company, Inc. was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.

Agnes D. Riggins
Examiner-in-Charge

Subscribed and sworn before me by Agnes D. Riggins on this 22th day of November 2019.

(SEAL)

Rosalyn J. Pitt
(Signature of Notary Public)

My commission expires 3/18/21
November 22, 2019

Jim L. Ridling, Commissioner
State of Alabama
Department of Insurance
201 Monroe Street, Suite 502
Montgomery, Alabama 36104

Dear Commissioner Ridling:

Pursuant to your authorization and in compliance with the statutory requirements of the State of Alabama and resolutions adopted by the National Association of Insurance Commissioners (NAIC), an examination has been made of the affairs and financial condition of

Quality Casualty Insurance Company, Inc.
New Orleans, Louisiana

as of December 31, 2018 at its home office located at 400 Poydras Street Suite 1150, New Orleans, Louisiana 70130. The report of examination is submitted herewith.

Where the description “the Company” appears herein, without qualification, it will be understood to indicate Quality Casualty Insurance Company, Inc.
SCOPE OF EXAMINATION

We have performed an examination of Quality Casualty Insurance Company, Inc., a single state insurance company. The last examination covered the period of January 1, 2009 through December 31, 2013. The current examination covers the period of January 1, 2014 through December 31, 2018.

The examination was conducted in accordance with applicable statutory requirements of the Code of Alabama, 1975, as amended, the Alabama Insurance Department 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 we 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.
A market conduct examination was performed concurrently with the financial examination. The examination included reviews of the Company’s territory, plan of operation, claims handling, advertising and marketing, policy forms and underwriting, policyholders’ complaints, producers’ licensing requirements, and privacy standards.

Postlethwaite & Netterville was the Company’s certified public accountant (CPA) for all years under examination. The examiners reviewed the CPA workpapers, copies of which were incorporated into the examination as deemed appropriate.

A signed letter of representation was obtained at the conclusion of the examination. In this letter, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2018.

ORGANIZATION AND HISTORY

The information contained in this section of the examination report was excerpted from the prior examination report as of December 31, 2013, and updated as appropriate.

The Company was incorporated on February 28, 2001, under the laws of the State of Alabama. The Articles of Incorporation were filed for record with the Judge of Probate, in Jefferson County, Alabama.

Article II of the Company’s Articles of Incorporation lists the purpose or purposes for which the organization was incorporated. The primary purpose of incorporation was “(a) To engage in the business of selling casualty insurance (b) To engage in the transaction of any or all lawful business for which corporations may be incorporated under the laws of Alabama.”

Article III of the Company’s Articles of Incorporation authorized 500,000 shares of common stock with a par value of $1 per share, with an aggregate value of $500,000.

Effective August 1, 2013, the Company was purchased by Americas Insurance Company (AIC) a Louisiana domiciled company and a subsidiary of Assure Holding Corporation a Delaware domiciled company. AIC contributed paid in and contributed surplus of $309,793, increasing the surplus above the minimum statutory required amount of $600,000. Effective October 1, 2013, the Company started writing new business.
The Company adopted its amended and restated By-Laws effective March 27, 2014. August 1, 2016, the Company cancelled all of its MGA contracts and began voluntary run-off of their business.

At December 31, 2018, the Company reported Common capital stock of $500,000, Gross paid in and contributed surplus of $1,925,011, Unassigned funds (surplus) of ($1,683,373) and Surplus as regards policyholders as $741,638.

MANAGEMENT AND CONTROL

Stockholders
At December 31, 2018, the Company was wholly-owned by Americas Insurance Company, a Louisiana corporation and a wholly-owned subsidiary of Americas Sub Holding Corporation (ASHC). ASHC is a Louisiana corporation and a wholly owned subsidiary of ISG Acquisition II, LLC (ISGA). ISGA is a Delaware corporation and wholly owned by Assure Holding Corporation (Assure). Assure is a Delaware corporation and ultimate parent corporation in the insurance holding company system.

Board of Directors
The following directors were elected and serving at December 31, 2018:

Name and Residence       Principle Occupation
Ronald Rayburn Pate Jr.   Chief Executive Officer/President/
                          Board Chair
Anne Kail Missett         Executive Vice President/Chief
William Huitt Rabel       Operating Officer/Secretary
Tuscaloosa, Alabama       Director
Officers
The following officers were appointed and serving at December 31, 2018:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ronald Rayburn Pate Jr.</td>
<td>Chief Executive Officer/President</td>
</tr>
<tr>
<td></td>
<td>Board Chair</td>
</tr>
<tr>
<td>Anne Kail Missett</td>
<td>Executive Vice President/Chief</td>
</tr>
<tr>
<td></td>
<td>Operating Officer/Secretary</td>
</tr>
<tr>
<td>Ethan Charles Mowry</td>
<td>Executive Vice President/Chief</td>
</tr>
<tr>
<td></td>
<td>Chief Actuary</td>
</tr>
<tr>
<td>William Andrew Schreiner Jr.*</td>
<td>Executive Vice President/General Counsel</td>
</tr>
</tbody>
</table>

*Resigned December 31, 2018

Audit Committee
The Board of Directors of Assure Holding Company (AHC), (ultimate parent company) serves as the audit committee for AHC and Quality Casualty Insurance Company, Inc. Members of the Board who are management are not on the audit committee. The following were serving at December 31, 2018:

- Alexander Leslie Blondeau Jr. Chair
- John Paul McNamara
- John Joseph Gorman
- John Edward Duffy

Conflict of Interest
The Company adheres to the Code of Conduct Policy of Assure Holding Corporation (AHC), the Company’s ultimate parent. The AHC Code of Conduct Policy had an established procedure for the disclosure of conflict of interest by its directors and board members.

CORPORATE RECORDS
The Articles of Incorporation, By-Laws and related amendments were inspected during the course of the examination and were found to provide for the Company’s
operation in accordance with the usual corporate practices and applicable statutes and regulations.

Minutes of meetings of the Board of Directors and committees were reviewed for the period under examination. The minutes appeared to be complete and provided for the operation of the Company in accordance with usual corporate practices and applicable statutes and regulations.

HOLDING COMPANY AND AFFILIATE MATTERS

Holding Company Registration
The Company is subject to the Alabama Holding Company Regulatory Act as defined in ALA. CODE § 27-29-1 (1975). In connection therewith, the Company is registered with the Alabama Department of Insurance as registrant of an Insurance Holding Company System. The Company is responsible for the holding company registration and periodic filings in accordance with ALA. CODE § 27-29-4 (1975) and ALA. ADMIN. CODE 482-1-055 (1994). The appropriate filings as of December 31, 2018 were reviewed. The filings included the appropriate disclosures.

Dividends to Stockholders
There were no dividends paid to stockholders during the examination period.
Management and Service Agreements

Administrative Services Agreement
The Administrative Services Agreement (Agreement) was effective September 1, 2013, by and between the Company and Americas Insurance Company (AIC), a Louisiana domiciled insurance company. The Agreement was approved by the Alabama Department of Insurance on April 29, 2014.

Inter-Company Quota Share Reinsurance Agreement
See Reinsurance Ceded – Page 11 for the review of the Inter-Company Quota Share Reinsurance Agreement.

Tax Sharing Agreement
March 25, 2015, the Company received approval to enter into the Tax Sharing Agreement with Assure Holding Corporation (AHC), (“Parent”), Americas Insurance Company (AIC), Assure Management Group, Inc. (now known as Assure Re Intermediaries, Inc.), and Americas Underwriting Agency of Louisiana, LLC (now known as Assure Underwriting Agency, LLC) (each individually referred to as “Subsidiary” and collectively as “Subsidiaries”).

Recitals of the Agreement:
A. Each Subsidiary is a member of an “affiliated group” as defined in Section 1504 of the Internal Revenue Code (the “Code”), and the regulations thereunder of which Parent is common parent corporation;
B. Parent and each Subsidiary desire that each Subsidiary be included in the consolidated Federal income tax return of Parent;
C. A purpose of this Agreement is to set forth the obligations to be fulfilled by Subsidiary under the consolidated reporting rules of the Code, including without limitation the provisions of Treasury Regulations (Tres. Reg.) Section 1.1502-33(d)(2) and Section 1.1552-1(b)(2), and to provide for payment by each Subsidiary to Parent of all such tax liability properly allocated to such Subsidiary;
D. An additional purpose of the Agreement is to set forth the obligation of each Subsidiary to bear the full burden of its state tax liability, if any, unless that state requires a consolidated return in such instance that return will follow the federal criteria set forth herein; and
E. The disregarded entities (limited liability company) for federal tax purposes are
synonymous with subsidiaries for purposes of interpreting this agreement.

Payment of each party's tax liability should be made within forty-five (45) days of filing and returns made within ten (10) days after receipt of refund. The Agreement may be terminated by mutual written agreement, or if either party ceases to be a member of the Consolidated Group or if the affiliated group to which Parent and each Subsidiary belong elects not to file a consolidated federal return for any taxable year. However, notwithstanding termination, this Agreement shall continue to be affective with respect to any period during the tax year in which termination occurred for which the income of each Subsidiary is includable in such consolidated return.

COMPLIANCE WITH 18 U.S.C. § 1033

ALA. ADMIN. CODE 482-1-146-.11 (2009) 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 Section 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.

The Company had internal procedures in place for determining if applicants for employment had been convicted of a Section 1033 offense. The Company also had procedures in place to periodically ascertain if existing employees had been convicted of a Section 1033 offense after initial employment or contracting.
SCHEDULE OF SPECIAL DEPOSITS

Statutory Deposits
In order to comply with the statutory requirements for doing business in the State of Alabama, the Company had the following on deposit with the Alabama Department of Insurance as of December 31, 2018:

<table>
<thead>
<tr>
<th>Description</th>
<th>State</th>
<th>Book/Adjusted Carrying Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate of Deposit</td>
<td>Alabama</td>
<td>$390,899</td>
<td>$390,899</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$390,899</td>
<td>$390,899</td>
</tr>
</tbody>
</table>

FINANCIAL CONDITION / GROWTH OF THE COMPANY

The following table sets forth the significant items indicating the growth and financial condition of the Company for the period under review:

<table>
<thead>
<tr>
<th>Year</th>
<th>Admitted Assets</th>
<th>Liabilities</th>
<th>Capital &amp; Surplus</th>
<th>Premiums Earned</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$757,356</td>
<td>$15,718</td>
<td>$741,638</td>
<td>$0</td>
</tr>
<tr>
<td>2017</td>
<td>756,872</td>
<td>17,947</td>
<td>738,926</td>
<td>0</td>
</tr>
<tr>
<td>2016</td>
<td>873,781</td>
<td>80,191</td>
<td>793,590</td>
<td>0</td>
</tr>
<tr>
<td>2015</td>
<td>1,433,466</td>
<td>645,147</td>
<td>788,319</td>
<td>0</td>
</tr>
<tr>
<td>2014</td>
<td>949,363</td>
<td>163,614</td>
<td>785,749</td>
<td>0</td>
</tr>
</tbody>
</table>

MARKET CONDUCT ACTIVITIES

Plan of Operation
The Company is a property casualty insurance company. The Company was acquired by Americas Insurance Company on August 1, 2013. Effective October 1, 2013, the Company began writing private passenger automobile insurance policies in the state of Alabama. The Company is in voluntary run-off.
Territory
The Company was issued a perpetual certificate of authority effective December 12, 2001, for Miscellaneous Casualty, Surety excluding Official Surety Bonds, and Marine. The Company was only authorized to transit business in the state of Alabama.

Advertising and Marketing
The Company has no advertising and marketing program.

Claims Handling
The Company had eight paid claims from the period of January 1, 2018 through December 31, 2018. The examiners reviewed each claim. The claims were reviewed with regards to compliance with policy provisions, timeliness of payments and adequacy of documentation. No issues were noted.

Dividends to Policyholders
There were no dividends paid to policyholders during the examination period.

Policyholders’ Complaints
The Company maintained its complaint register in electronic format. The Company did not have any complaints during the examination period.

Producers’ Licensing Requirements
The Company is in voluntary run-off. The Company does not have any producers.

Policy Forms and Underwriting
There were no new policy forms filed during the examination period. There were no rate filings during the examination period.

Privacy
The Company is currently in voluntary run-off and is not actively writing any business.

REINSURANCE

Reinsurance Assumed
The Company did not assume any reinsurance during the examination period.

Reinsurance Ceded
Effective September 1, 2013, the Company entered in an Inter-Company Quota Share Reinsurance Agreement (Agreement) with Americas Insurance Company (AIC).
Pursuant to the contract the Company will cede and AIC will accept 100% share of the interest and liabilities under the contract.

Article 2 of this Agreement provides the termination provisions. The Agreement can be terminated by either party by giving the other party not less than thirty (30) days prior written notice. The Agreement can also be terminated under the following circumstances:

1. AIC has its financial condition impaired by a reduction in policy holder surplus of 25% or more in any 12-month or less period from the inception of the agreement.
2. AIC is declared insolvent or put into liquidation by any competent regulatory authority or court of competent jurisdiction.
3. AIC loses its operating license or has its operating license suspended in its state of domicile.
4. AIC fails to remit premiums or losses due under the terms of the Agreement within 120 days of any applicable due date and subject always to the provisions of the Reinsurance Premium Article.

Article 9 of this Agreement outlines the contractual obligations and loss in excess of policy limits. In the event the Company pays or is held liable to pay an amount of loss in excess of its Policy limit, but otherwise within the terms of its Policy ("Loss in Excess of Policy Limits") and/or any punitive, exemplary, compensatory or consequential damages, other than Loss in Excess of Policy Limits ("Extra Contractual Obligations") because of alleged or actual bad faith or negligence on its part in rejecting a settlement within Policy limits, or in discharging its duty to defend or prepare the defense in the trial of an action against its policyholder, or in discharging its duty to prepare or prosecute an appeal consequent upon such an action, or in otherwise handling a claim under a Policy subject to this Agreement, the Reinsurer shall reimburse the Company for its applicable quota share percentage of the sum thereof.

Article 14 of this Agreement permits the Company to have other reinsurance. The premium for any such reinsurance that inures to the benefit of this Agreement will not be included within the subject premium as stated in the Agreement.

Article 22 outlines insolvency procedures. In the event of the insolvency of the Company, reinsurance shall be payable on demand, with reasonable provision for verification, on the basis of claims allowed against the insolvent Company by any court of competent jurisdiction or by any liquidator, receiver, conservator, or
statutory successor of the Company having authority to allow such claims without diminution because of such insolvency or because such liquidator, receiver, conservator, or statutory successor has failed to pay all or a portion of any claims. Such payment by AIC shall be made directly to the Company or its liquidator, receiver, conservator, or statutory successor with some exceptions noted in the insolvency clause.

The Agreement was approved on April 29, 2014, after amendments were made to the Agreement to bring the agreement into compliance with Alabama laws and regulations.

January 11, 2016, the second amendment to the Agreement was approved. The second amendment effective date was February 1, 2016. The second amendment:

- Deleted and replaced I. ARTICLE 7 - DEFINITIONS. The term “Loss Advance” and definition as used in this Agreement was added.
- Deleted and replaced II. ARTICLE 11, SECTIONS A AND B. Loss Advance procedures and guidelines were added.
- Deleted and replace III. Interests and Liabilities Contract. The Interests and Liabilities section of this Agreement was deleted in its entirety and replaced. Effective December 1, 2015, the Subscribing Reinsurer subscribes a 30% share of the interests and liabilities of the Reinsurer as set forth in the Private Passenger Automobile Quota Share Reinsurance Agreement and the provisional commission shall be a minimum of 16.5% and a maximum of 26.0%.

ACCOUNTS AND RECORDS

The Company’s principal accounting records were maintained on electronic data processing equipment and personal computers. The Company’s business processing was outsourced to service providers. The majority of the Company’s significant processing (policy administration and claim processing) was performed by Engle Martin Claims Administrative Services.
Compliance with Escheat Laws

The Company was acquired by Americas Insurance Company (AIC) on August 1, 2013. The transfer of the accounts and records included the transfer of the liability in the amount of $9,599 for unclaimed properties. At the time of the acquisition, the Company was licensed in Alabama. The total amount of $9,599 in unclaimed properties was escheatable to the residents of the state of Alabama.

The review determined the Company did not escheat unclaimed properties to the state of Alabama as required by ALA. CODE § 35-12-72 (2013), which states:

Presumption of abandonment. (a) Property is presumed abandoned if it is unclaimed by the apparent owner during the time set forth below for the particular property....(18) All other property, three years after the owner’s right to demand the property or after the obligation to pay or distribute the property arises, whichever first occurs.

During the course of examination the Company complied with the previous escheat recommendation. November 20, 2019, the Company escheated the total amount of $9,599 in unclaimed properties to the state of Alabama.
FINANCIAL STATEMENT INDEX

The following financial statements are 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, 2018. The accompanying comments on the financial statement reflect any examination adjustments to the amount reported in the annual statement and should be an integral part of the financial statements.

Statement of Assets, Liabilities, Surplus and Other Funds...... 16
Summary of Operations and Surplus Account... 17
Quality Casualty Insurance Company, Inc.
Statement of Assets, Liabilities, Surplus & Other Funds
For the Year Ended December 31, 2018

<table>
<thead>
<tr>
<th>Assets</th>
<th>Nonadmitted Assets</th>
<th>Net Admitted Assets</th>
<th>Prior Year Net Admitted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash equivalents and short-term investment</td>
<td>$731,647</td>
<td>$ -0-</td>
<td>$731,647</td>
</tr>
<tr>
<td>Investment income due and accrued</td>
<td>728</td>
<td>728</td>
<td>356</td>
</tr>
<tr>
<td>Reinsurance: Amounts recoverable from reinsurers</td>
<td>2,379</td>
<td>2,379</td>
<td>6,371</td>
</tr>
<tr>
<td>Net deferred tax assets</td>
<td>42,551</td>
<td>37,550</td>
<td>5,001</td>
</tr>
<tr>
<td>Receivables from parent, subsidiaries and affiliates</td>
<td>17,601</td>
<td>-0-</td>
<td>17,601</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$794,906</strong></td>
<td><strong>$37,550</strong></td>
<td><strong>$757,356</strong></td>
</tr>
</tbody>
</table>

**LIABILITIES**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss adjustment expenses</td>
<td>$4,323</td>
</tr>
<tr>
<td>Taxes, licenses and fees</td>
<td>579</td>
</tr>
<tr>
<td>Ceded reinsurance premiums payable</td>
<td>1,217</td>
</tr>
<tr>
<td>Reserves for unclaimed property</td>
<td>9,599</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>$15,718</strong></td>
</tr>
</tbody>
</table>

**CAPITAL AND SURPLUS**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Common capital stocks</td>
<td>$500,000</td>
</tr>
<tr>
<td>Gross paid-in and contributed surplus</td>
<td>1,925,011</td>
</tr>
<tr>
<td>Unassigned funds (surplus)</td>
<td>-1,683,373</td>
</tr>
<tr>
<td>Surplus as regards policyholders</td>
<td>741,638</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES, CAPITAL &amp; SURPLUS</strong></td>
<td><strong>$757,356</strong></td>
</tr>
</tbody>
</table>

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTEGRAL PART THEREOF.
Quality Casualty Insurance Company, Inc.  
Summary of Operations and Surplus Account  
For the Years Ended December 31, 2018, 2017, 2016, 2015 and 2014

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Losses incurred</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ -4,071</td>
</tr>
<tr>
<td>Loss adjustment expenses</td>
<td>3,089</td>
<td>8,095</td>
<td>2,657</td>
<td>2,497</td>
<td>7462</td>
</tr>
<tr>
<td>Other underwriting expenses incurred</td>
<td>13,582</td>
<td>49,030</td>
<td>-12,051</td>
<td>-7,784</td>
<td>-53,486</td>
</tr>
<tr>
<td>Total underwriting deductions</td>
<td>$ 16,671</td>
<td>$ 57,125</td>
<td>-9,394</td>
<td>-5,287</td>
<td>-50,095</td>
</tr>
<tr>
<td>Net underwriting gain (-)loss</td>
<td>$ -16,671</td>
<td>$ -57,125</td>
<td>9,394</td>
<td>5,287</td>
<td>50,095</td>
</tr>
<tr>
<td>INVESTMENT INCOME</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment income earned</td>
<td>5,084</td>
<td>2,461</td>
<td>18</td>
<td>-717</td>
<td>-2,004</td>
</tr>
<tr>
<td>Net investment gains (-)loss</td>
<td>5,084</td>
<td>2,461</td>
<td>18</td>
<td>-717</td>
<td>-2,004</td>
</tr>
<tr>
<td>OTHER INCOME</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total other income</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
</tr>
<tr>
<td>Net income, after dividends to policyholders, after capital gains tax &amp; before all other federal &amp; foreign income taxes</td>
<td>-11,587</td>
<td>-54,665</td>
<td>9,413</td>
<td>4,570</td>
<td>48,091</td>
</tr>
<tr>
<td>Federal and foreign income taxes incurred</td>
<td>-14,300</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6,270</td>
</tr>
<tr>
<td>Net income</td>
<td>2,713</td>
<td>-54,665</td>
<td>9,413</td>
<td>4,570</td>
<td>42,021</td>
</tr>
</tbody>
</table>

CAPTIAL AND SURPLUS ACCOUNT
Surplus as regards policyholders, December 31, prior year | 738,924 | 793,589 | 788,319 | 785,746 | 732,697 |
| Net income | 2,713 | -54,665 | 9,413 | 4,570 | 42,021 |
| Change in net deferred income | -11,879 | 5,005 | -18,427 | -1,997 | -25,464 |
| Change in nonadmitted assets | 11,879 | -5005 | 14,284 | -0 | 36,492 |
| Change in surplus as regards policyholders | $ 2,713 | $ -54,665 | $ 5,270 | $ 2,573 | $ 53,049 |

Surplus as regards policyholders, December 31, current years | $ 741,637 | $ 738,924 | $ 793,589 | $ 788,319 | $ 785,746 |

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

Note 1 - Analysis of Changes to Surplus

No adjustments were made to surplus as a result of the examination.

CONTINGENT LIABILITIES AND PENDING LITIGATION

The review of contingent liabilities and pending litigation included a review of the statutory financial statement disclosures, minutes of the corporate governing bodies, examination of the accounts and unrecorded items; and obtaining a letter of representation from management. These reviews did not disclose any items that would have a material effect on the Company’s financial condition.

SUBSEQUENT EVENTS

A review of events subsequent to the December 31, 2018 examination date was completed. The review of subsequent events included an inspection of the general journal entries, minutes of meetings, interim financial statements and an inquiry of accounting matters. These reviews did not disclose any items that would have a material effect on the Company’s financial condition in the event of an adverse outcome.

During the course of examination the Company complied with the previous escheat recommendation. November 20, 2019, the Company escheated the total amount of $9,599 in unclaimed properties to the state of Alabama.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The Company complied with all of the previous examination report recommendations with the following exceptions:

Compliance with Escheat Laws – Page 14

It is recommended that the Company escheat unclaimed properties to the state of Alabama as required by ALA. CODE § 35-12-72 (2013), which states:
Presumption of abandonment. (a) Property is presumed abandoned if it is unclaimed by the apparent owner during the time set forth below for the particular property:...(18) All other property, three years after the owner’s right to demand the property or after the obligation to pay or distribute the property arises, whichever first occurs.

COMMENTS AND RECOMMENDATIONS

Compliance with Escheat Laws - Page 14
It is recommended that the Company escheat unclaimed properties to the state of Alabama as required by ALA. CODE § 35-12-72 (2013), which states:

Presumption of abandonment. (a) Property is presumed abandoned if it is unclaimed by the apparent owner during the time set forth below for the particular property:...(18) All other property, three years after the owner’s right to demand the property or after the obligation to pay or distribute the property arises, whichever first occurs.
CONCLUSION

Acknowledgment is hereby made of the courtesy and cooperation extended by the management and employees of Quality Casualty Insurance Company, Inc. during this examination.

The customary insurance examination procedures, as recommended by the National Association of Insurance Commissioners, 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, Brent M. Sallay, FCAS, MAAA, all representing the Alabama Department of Insurance, participated in certain phases of this examination.

Respectfully submitted,

[Signature]
Agnes D. Riggins
Examiner-in-Charge
State of Alabama Department of Insurance