Report of the Examination of

Southern Guaranty Insurance Company

Clearwater, Florida

As of December 31, 2020

TABLE OF CONTENTS

April 11, 2022

Honorable Nathan D. Houdek
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

SOUTHERN GUARANTY INSURANCE COMPANY
Clearwater, Florida

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Southern Guaranty Insurance Company (the company or SGIC) was conducted in 2018 as of December 31, 2017. The current examination covered the intervening period ending December 31, 2020, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

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, annual statement instructions, and Wisconsin laws and regulations. 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 at the end of the “Financial Data” section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation concerning the alternative or additional examination steps performed during the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance (OCI). The actuary reviewed the adequacy of the company’s loss and loss adjustment expense reserves. The actuary’s results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary’s conclusion.

Investment Review

The Capital Markets Bureau of the NAIC was engaged by OCI to perform a review of the company’s invested assets portfolio as of December 31, 2020. The results of that review were reported to the examiner-in-charge.

II. HISTORY AND PLAN OF OPERATION

Southern Guaranty Insurance Company was incorporated as a property and casualty insurer under the laws of Alabama on July 19, 1963, as the United Security Fire Insurance Company. In 1967, the company was acquired to act as the vehicle for the transfer of the corporate domicile of Southern Guaranty Insurance Company from Mississippi to Alabama (from 1968 to 1980, the Alabama Farm Bureau Mutual Casualty Insurance Company, Inc. owned a substantial financial interest in the company). Below is an abbreviated history of the company since its inception:

- On October 1, 1980, Fireman's Fund Insurance Company purchased 100% of the company's outstanding common stock. On July 1, 1988, the company was purchased by Winterthur U.S. Holdings, Inc., a subsidiary of Winterthur Swiss Insurance Company (Switzerland).

- In 1995, SGIC acquired 100% control of Southern Fire & Casualty Company (Southern Fire) and Southern Pilot Insurance Company (Southern Pilot).

- In 1996, the Winterthur Swiss Group merged with the Credit Suisse Group (Switzerland).

- In 2005, SGIC, Southern Fire, and Southern Pilot redomiciled to Wisconsin. Also, that year, General Casualty Company of Wisconsin acquired direct control of SGIC and, consequently, indirect control of Southern Fire and Southern Pilot.

- In 2006, the Credit Suisse Group finalized the sale of Winterthur Swiss Insurance Company and its subsidiaries to AXA (France).

- In 2007, AXA sold Winterthur U.S. Holdings, Inc. and its subsidiaries to QBE Holdings, Inc. a subsidiary of QBE Insurance Group Limited (Australia). Winterthur U.S. Holdings, Inc. was subsequently renamed QBE Regional Companies (N.A.), Inc.

- On March 1, 2017, the company was sold by General Casualty Company of Wisconsin (GCW) to a Florida-domiciled, privately owned business, Premier Servicing, LLC. [Effective January 1, 2017, pursuant to the sale of SGIC to Premier Servicing, LLC, GCW and SGIC entered into a loss portfolio transfer and 100% quota share arrangement, whereby GCW reinsures all policy liabilities relating to all business written prior to the effective date (including loss reserves, losses, and unearned premium reserves).]

Currently, SGIC has paid-up capital of $2,500,000 consisting of 2,500,000 shares of common stock with a $1.00 par value. The company has 5,000,000 shares authorized.

In 2020, SGIC wrote direct premium in the following states:

Texas	$6,846,253	15.9%
North Carolina	4,191,889	9.7
South Carolina	3,768,391	8.7
Pennsylvania	3,568,473	8.3
Maryland	3,147,138	7.3
Tennessee	2,659,943	6.2
Wisconsin	2,629,774	6.1
Oklahoma	2,623,199	6.1
Kentucky	2,214,655	5.1
Alabama	2,025,741	4.7
All others	9,475,841	21.9
Total	$43,151,297	100.0%

The company is currently licensed in 28 states.

The major products marketed by SGIC include limited indemnity medical, and short-term medical insurance. The company previously marketed Medicare Supplement starting in 2018 until the block was closed to new business in May of 2021. The major products are marketed through unaffiliated managing general agents (MGAs).

The following table is a summary of the net insurance premiums written by the company in 2020. The growth of the company is discussed in the "Financial Data" section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Other accident and health	$43,151,376	$87,431	$34,894,164	$8,344,643
Total All Lines	$43,151,376	$87,431	$34,894,164	$8,344,643

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of five members. Directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company system. The board members currently receive no compensation for serving on the board.

Currently, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Michael V. Barton Tampa, Florida	Financial Planner, Wealth Strategist Bayshore Capital	2023
Dr. Barbara L. Freeman Gulfport, Florida	Chief Medical Officer Community Health Solutions and Southern Guaranty Insurance Company	2022
Louis Marinaccio Lakewood Ranch, Florida	Managing Partner Parkstone Growth Partners	2023
Bryan K. Schmidt St. Petersburg, Florida	Director of Operations Southern Guaranty Insurance Company	2022
Dale F. Schmidt St. Thomas, U.S. Virgin Islands	Owner of the Premier Group	2023

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office
Dale F. Schmidt	Chief Executive Officer and Chief Financial Officer
Bryan K. Schmidt	Secretary
Elizabeth A. Barry	Executive Vice President of Operations

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The board of directors acts as the audit committee. The committees at the time of the examination are listed below:

ERM Committee

Michael V. Barton, Chair
Dale F. Schmidt
Bryan K. Schmidt
Louis Marinaccio
Dr. Barbara L. Freeman
Shane Crawford

Investment Committee

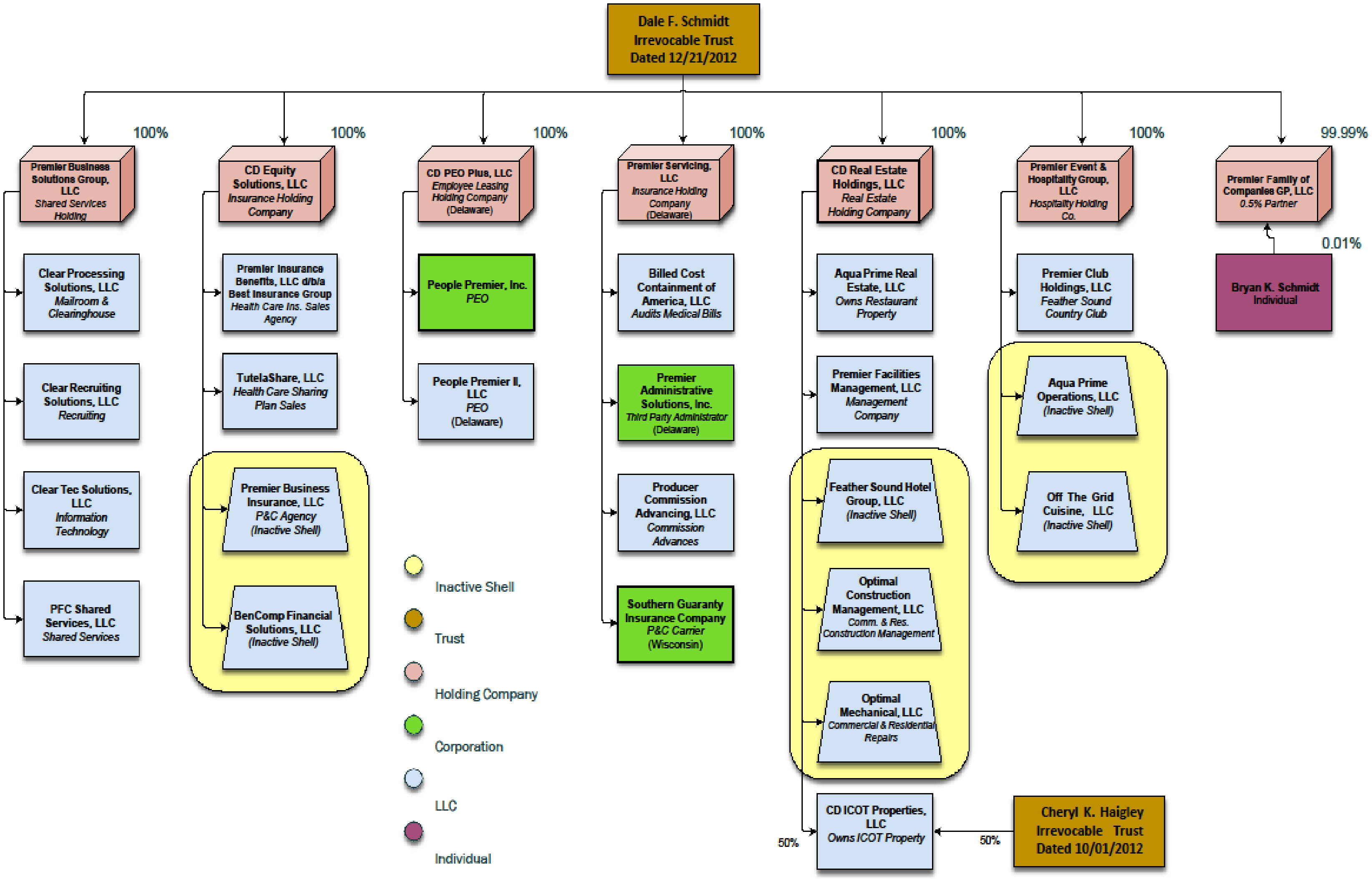
Michael V. Barton, Chair
Dale F. Schmidt
Bryan K. Schmidt
Louis Marinaccio
Shane Crawford

IV. AFFILIATED COMPANIES

Southern Guaranty Insurance Company is a member of a complex holding company system under the control of Dale F. Schmidt (the ultimate controlling person). Companies include real estate holdings and construction entities (under CD Real Estate Holdings, LLC), healthcare services (under CD Health Solutions, LLC), employee leasing (under CD PEO Plus, LLC), hospitality services (under Premier Event & Hospitality Group, LLC), financial services (under CD Equity Solutions, LLC), and IT services (under Premier Business Solutions Group, LLC), in addition to insurance and third-party administrative services (under Premier Servicing, LLC (the Premier Group)).

The abbreviated organizational chart on the following page depicts the relationships among the principal U.S.-based affiliates within the holding company system. A brief description of the significant affiliates follows the organizational chart.

Premier Family of Companies
US Entities as of December 31, 2021



Dale F. Schmidt Irrevocable Trust and Dale F. Schmidt

The Dale F. Schmidt Irrevocable Trust (the Trust), established December 22, 2012, wholly owns all other entities within the holding company system. Dale F. Schmidt (an individual) is the Trust's grantor and is therefore considered to be the ultimate controlling person of the holding company system.

Premier Servicing, LLC (Premier Servicing)

Premier Servicing is the holding company for the companies that comprise the Premier Group and is the direct parent company of SGIC. As of December 31, 2020, the unaudited financial statements of Premier Servicing reported assets of $30 million, liabilities of $3 million, and total equity of $27 million. Operations for 2020 produced a net gain of $56,000. Premier Servicing, LLC shares costs with SGIC as well as other Premier Group affiliates, including the Dale F. Schmidt Irrevocable Trust, through a Cost Sharing Agreement (discussed below).

Premier Administrative Solutions, Inc. (PAS)

PAS is a third-party administrator serving SGIC and outside parties. PAS has a Master Services Agreement with SGIC (discussed below).

CD Health Solutions, LLC

CD Health Solutions, LLC is a health care holding company that owns Community Health Solutions entities and KG Health Partners Inc., a podiatry clinic. The Community Health Solutions companies are health care, physician service, and management service organizations.

CD PEO Plus, LLC

CD PEO Plus, LLC is an employee leasing holding company that owns both People Premier companies. Both People Premier entities are employee leasing companies.

CD Equity Solutions, LLC

CD Equity Solutions, LLC is a financial services holding company. Companies include a health care insurance sales agency and a health care sharing plan sales company.

Premier Business Solutions Group, LLC

Premier Business Solutions Group, LLC is a shared services holding company. This group has a shared services company, an information technology company, a recruiting firm, and a mailroom and clearinghouse company

Premier Events and Hospitality Group

Premier Events and Hospitality Group, LLC is a hospitality holding company. This group owns multiple companies, one of which includes a country club consisting of a golf course, tennis courts, and clubhouse where it holds numerous events such as weddings, corporate special recognitions, and personal celebrations.

Agreements with Affiliates

Master Services Agreement

Effective December 1, 2017, SGIC entered into a Master Services Agreement with Premier Administrative Solutions, Inc. Pursuant to this agreement, PAS provides various administrative services pertaining to underwriting and policy issuance, premium billing, and collection, claims and commission processing, policy maintenance, and various reporting and support services, in exchange for a fee intended to reflect current market rates charged by PAS to its non-affiliated customers. For the year ended December 31, 2020, the company incurred expenses totaling $971,000 under this agreement.

Cost Sharing Agreement

Effective December 1, 2017, SGIC entered into a Cost Sharing Agreement with Premier Servicing, LLC, Premier Insurance Benefits, LLC, Premier Business Insurance, LLC, Premier Administrative Solutions, Inc., and the Dale F. Schmidt Irrevocable Trust. Pursuant to this agreement, all parties share certain personnel, office space, facilities, furniture, equipment, and computer hardware and software, the cost of which shall be allocated to each party in accordance with generally accepted cost accounting principles. For the year ended December 31, 2020, the company incurred expenses totaling $174,000 under this agreement.

Aqua Prime Real Estate, LLC

Effective April 1, 2020, SGIC entered into a Property Management Services Agreement with Aqua Prime Real Estate, LLC (APRE), an affiliate. Pursuant to this agreement, APRE performs rent collection, sales tax payments, and real property report filings for any real properties owned by SGIC. For the year ended December 31, 2020, the company incurred expenses totaling $26,000 under this agreement. This $26,000 was 100% offset by rental income which was also booked by SGIC on December 31, 2020, and collected by APRE.

General Casualty Company of Wisconsin

Effective January 1, 2017, SGIC entered into an Administrative Services Agreement with General Casualty of Wisconsin, its former parent. Pursuant to this agreement, GCW assumed all administrative duties as applicable to all policies in force at the time of the closing of the sale of SGIC to Premier Servicing, LLC. This agreement terminated as of December 31, 2017, with no in-force policies left to be serviced.

V. REINSURANCE

The company's reinsurance portfolio and strategy at the time of the examination are described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts contained proper insolvency provisions.

Unaffiliated Ceding Contracts

1. Type: Medical Quota Share and Excess of Loss

Reinsurer: Axis Insurance Company

Limits and Retention Quota Share:

The company shall retain a 50% quota share participation, and cede to the reinsurer a 50% quota share participation. The reinsurer's maximum liability for any Extra-Contractual Obligations shall not exceed $2,000,000 in the aggregate per Agreement Year with respect to all covered persons during the Agreement Year.

Limits and Retention Excess of Loss:

Layer 1: Reinsurer shall be liable for 100% of the Net Loss per Covered Person, Per Policy in excess of the first $1,000,000, never exceed $1,000,000 Net Loss any one Covered Person, any one Policy.

Layer 2: Reinsurer shall be liable for 100% of the Net Loss per Covered Person, Per Policy in excess of the first $2,000,000, never exceed $3,000,000 Net Loss any one Covered Person, any one Policy.

Layer 3: Reinsurer shall be liable for 100% of the Net Loss per Covered Person, Per Policy in excess of the first $5,000,000, never exceed $5,000,000 Net Loss any one Covered Person, any one Policy.

Coverage: Short Term Medical

Commissions: Carrier Fee: 4.00%. TPA Fee:10.50%. Marketing Fee: Actual up to 25.00%. Premium Tax: 2.5%.

Effective date: January 1, 2021

Termination: The agreement shall remain in force until canceled in accordance with the terms of this agreement.

2. Type: Medicare Supplement Coinsurance

Reinsurer: Aetna Life Insurance Company
Coverage: Medicare Supplement

Coverage: Medicare Supplement

Underwriting Allowance: $90 for each issued underwritten policy, $40 non-underwritten, $20 for each application declined or withdrawn

Administrative Allowance: $7.50 per member per month

	Marketing Allowance	$80 for each underwritten policy, $20 for each non-underwritten policy
	Effective date:	April 6, 2018
	Termination:	The agreement shall remain in force until canceled in accordance with the terms of this agreement.[1]

Loss Portfolio Transfer Agreement

1.	Type:	Loss Portfolio Transfer and Quota Share Agreement
	Reinsurer:	General Casualty Company of Wisconsin
	Coverage:	All lines prior to the sale
	Effective date:	January 1, 2017
	Termination:	None

[1] The Medicare Supplement block of business was closed to new business by Aetna Life Insurance Company effective May 1, 2021, in accordance with the terms of the coinsurance agreement.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2020, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation.

Southern Guaranty Insurance Company
Assets
As of December 31, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 5,915,174	$	$ 5,915,174
Mortgage loans on real estate:			
First liens	4,335,332		4,335,332
Real estate:			
Properties held for the production of income	3,978,032		3,978,032
Cash, cash equivalents, and short-term investments	6,998,138		6,998,138
Other invested assets	7,176,456		7,176,456
Investment income due and accrued	1,668,596		1,668,596
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	597,303		597,303
Reinsurance:			
Amounts recoverable from reinsurers	217,071		217,071
Other amounts receivable under reinsurance contracts	441,460		441,460
Net deferred tax asset	157,883	95,110	62,773
Receivable from parent, subsidiaries, and affiliates	6,318,885		6,318,885
Health care and other amounts receivable	5,380		5,380
Write-ins for other than invested assets:			
iCan Receivable	94,589		94,589
Prepaid Expenses	41,365	41,365	
Total Assets	$37,945,664	$136,475	$37,809,189

Southern Guaranty Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2020

Losses		$ 1,181,211
Loss adjustment expenses		38,078
Commissions payable, contingent commissions, and other similar charges		25,674
Other expenses (excluding taxes, licenses, and fees)		269,617
Taxes, licenses, and fees (excluding federal and foreign income taxes)		521,822
Current federal and foreign income taxes		384,795
Unearned premiums		242,943
Advance premium		105,757
Ceded reinsurance premiums payable (net of ceding commissions)		660,583
Funds held by company under reinsurance treaties		499,919
Payable for securities		1,000,485
Total Liabilities		4,930,884
Common capital stock	$ 2,500,00	
Gross paid in and contributed surplus	27,430,571	
Unassigned funds (surplus)	2,947,735	
Surplus as Regards Policyholders		32,878,306
Total Liabilities and Surplus		$37,809,190

Southern Guaranty Insurance Company
Summary of Operations
For the Year 2020

Underwriting Income		
Premiums earned		$8,172,379
Deductions:		
Losses incurred	$3,781,310	
Loss adjustment expenses incurred	52,975	
Other underwriting expenses incurred	2,645,796	
Total underwriting deductions		6,480,081
Net underwriting gain (loss)		1,692,298
Investment Income		
Net investment income earned	2,126,332	
Net realized capital gains (losses)	(601,613)	
Net investment gain (loss)		1,524,719
Other Income		
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		3,217,017
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		3,217,017
Federal and foreign income taxes incurred		769,796
Net Income (Loss)		$2,447,221

Southern Guaranty Insurance Company
Cash Flow
For the Year 2020

Premiums collected net of reinsurance			$8,682,582
Net investment income			574,431
Total			9,257,013
Benefit- and loss-related payments		$3,321,743	
Commissions, expenses paid, and aggregate write-ins for deductions		2,649,904	
Federal and foreign income taxes paid (recovered)		310,000	
Total deductions			6,281,647
Net cash from operations			2,975,366
Proceeds from investments sold, matured, or repaid:			
Bonds	$3,232,468		
Stocks	3,039,139		
Mortgage loans	180,566		
Other invested assets	274,253		
Total investment proceeds		6,726,426	
Cost of investments acquired (long-term only):			
Bonds	1,618,176		
Stocks	3,800,710		
Total investments acquired		5,418,886	
Net cash from investments			1,307,540
Cash from financing and miscellaneous sources:			
Other cash provided (applied)		(5,728,679)	
Net cash from financing and miscellaneous sources			(5,728,679)
Reconciliation:			
Net Change in Cash, Cash Equivalents, and Short-Term Investments			(1,445,773)
Cash, cash equivalents, and short-term investments:			
Beginning of year			8,443,911
End of Year			$6,998,138

Southern Guaranty Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2020

Assets			$37,809,189
Less:			
Liabilities			4,930,884
Examination Adjustments*			5,123,631
Adjusted surplus			27,754,674
Annual premium:			
Individual accident and health	$8,344,643		
Factor	15%		
Total		$1,251,696	
Compulsory surplus (subject to a minimum of $2 million)			2,000,000
Compulsory Surplus Excess (Deficit)			$25,754,674
Adjusted surplus (from above)			$27,754,674
Security surplus (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum factor of 110%)			2,800,000
Security Surplus Excess (Deficit)			$24,954,674

*Refer to the Reconciliation of Surplus per Examination section for details

Southern Guaranty Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2020

The following schedule details items affecting surplus during the period under examination as reported by the company in its filed annual statements:

	2020	**2019**	**2018**	**2017**	**2016**
Surplus, beginning of year	$30,431,287	$25,713,516	$29,691,723	$4,478,844	$22,773,397
Net income	2,447,221	1,620,044	(704,506)	(444,257)	2,234,398
Change in net unrealized capital gains/losses	(457)	637,573	(684,744)	47,146	
Change in net deferred income tax	1,558	(934,434)	820,025	270,638	7,185
Change in nonadmitted assets	(1,307)	3,394,588	(3,408,982)	(120,774)	726,161
Change in provision for reinsurance				56,000	14,200
Surplus adjustments:					
Paid in				27,430,570	(21,740,000)
Write-ins for gains and (losses) in surplus:					
QBE prior parent NI prior to acquisition				46,025	
Fair Value of Investments at acquisition				8,400	
Correction of errors					614,923
Surplus in SGIC at Acquisition not reflected in line 33				(500,000)	
QBE prior parent distribution				(1,580,869)	
Special surplus-retroactive reinsurance movement					(151,420)
Surplus, End of Year	$32,878,302	$30,431,287	$25,713,516	$29,691,723	$ 4,478,844

Southern Guaranty Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2020

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below.

	Ratio	2020	2019	2018	2017	2016
#1	Gross Premium to Surplus	132%	64%	6%	0%	0%
#2	Net Premium to Surplus	25	9	2	0	0
#3	Change in Net Premiums Written	214*	457*	999*	0	-136*
#4	Surplus Aid to Surplus	0	0	0	0	0
#5	Two-Year Overall Operating Ratio	62	118*	352*	999*	117*
#6	Investment Yield	7.5*	3.5	2.4	0.9*	1.2*
#7	Gross Change in Surplus	8	18	-13*	563*	-80*
#8	Change in Adjusted Surplus	8	18	-13*	-50*	15
#9	Liabilities to Liquid Assets	34	11	5	2	70
#10	Agents' Balances to Surplus	2	1	1	0	0
#11	One-Year Reserve Development to Surplus	-0	-0	0	0	0
#12	Two-Year Reserve Development to Surplus	-0	0	0	0	0
#13	Estimated Current Reserve Deficiency to Surplus	0	0	0	0	0

GCW sold SGIC on March 1, 2017. The unusual IRIS ratios in 2016 and 2017 are direct results of the sale. The company remained inactive in 2017 until the company resumed writing business in April 2018. The unusual IRIS ratios in 2018 and 2019 are the result of the company commencing business and its first full year of operations. The unusual IRIS ratio results for #3 Change in Net Premiums Written in 2020 reflect the company's continued rapid growth in writings. IRIS ratio #6 Investment Yield is driven by the company's investments in affiliated mortgage loans and other invested assets, which carry a higher rate of interest.

Growth of Southern Guaranty Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2020	$37,809,189	$4,930,884	$32,878,306	$2,447,221
2019	32,147,562	1,716,275	30,431,287	1,620,044
2018	26,817,769	1,104,253	25,713,516	(704,506)
2017	30,347,180	655,457	29,691,723	(444,257)
2016	13,163,968	8,685,124	4,478,844	2,234,398

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2020	$43,238,807	$8,344,643	$8,172,379	46.9%	31.7%	78.6%
2019	19,411,466	2,654,013	2,633,891	68.7	57.7	126.4
2018	1,474,410	476,495	439,273	78.3	332.0	410.3
2017	(1,271)	0	0	0	0	0
2016	(10,967,076)	(10,982,675)	0	0	0	0

The company entered into runoff starting in 2016. The 2017 premiums were ceded 100% to the prior parent company, GCW. All the activity through 2016 reflects SGIC's results under its prior ownership and management. It should also be noted that the company primarily wrote a mix of personal and commercial property and casualty business prior to the company's acquisition from GCW on March 1, 2017. Beginning in April 2018, the company's business mix has focused exclusively on accident and health business. In addition, the company rapidly expanded its writing territory from 13 authorized states (2017) to 28 authorized states (2019).

The expense ratio and trend from 2018 through 2020 are reflective of a start-up company and have trended lower as the company continued to expand. Loss and LAE ratios have continued to trend lower as the company added new business.

Reconciliation of Surplus per Examination

The following schedule is a reconciliation of surplus as regards policyholders between that reported by the company and as determined by this examination. Changes shown on this page are discussed in the "Summary of Examination Results" section of this report.

Surplus December 31, 2020, per annual statement			$32,878,306
	Increase	**Decrease**	
Nonadmitted Mortgage Loans, First liens	$0	$ (554,413)	
Real Estate Properties Held for Production of Income		(3,978,032)	
Losses		(591,186)	
Net increase or (decrease)	$0	$(5,123,631)	(5,123,631)
Surplus December 31, 2020, per Examination			$27,754,675

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were five specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Succession Plan—It is recommended that the company develop a formal board-approved succession plan in the event of a departure of one or more of its senior executives.

   Action—Noncompliance, see comments in the "Summary of Current Examination Results."

2. Holding Company Reporting—It is recommended that the company provide to OCI a complete organizational chart showing all affiliates whose total assets are equal to or greater than 0.5% of the total assets of the ultimate controlling person in future Form B – Insurance Holding Company System Annual Registration Statement and Annual Statement filings, in accordance with s. Ins 40.20, Wis. Adm. Code (Form B filing requirements) and the NAIC *Annual Statement Instructions—Property/Casualty*.

   It is further recommended that the company submit to OCI in future Form B – Insurance Company Holding System Annual Registration Statement filings, the financial statements of the ultimate controlling person for the most recently completed fiscal year accompanied by a certified Standard Audit Report, or, in the case of personal financial statements, a Standard Review Report issued by an independent public accountant, in accordance with s. Ins 40.20, Wis. Adm. Code (Form B filing requirements).

   Action—Compliance.

3. Reinsurance Intermediary—It is recommended that:

   - The company take action to ensure that its reinsurance intermediary-brokers meet the necessary licensing requirements prescribed by s. Ins 47.02, Wis. Adm. Code (or enter into new agreements with reinsurance intermediary-brokers that do comply with the prescribed licensing requirements); and

   - The company execute an agreement with its reinsurance intermediary that complies with the requirements set forth in s. Ins 47.03, Wis. Adm. Code; and

   - The company annually obtain a copy of the statement of the financial conditions of each reinsurance intermediary-broker with which it transacts business, in accordance with s. Ins 47.05 (3), Wis. Adm. Code.

   Action—Partial compliance, see comments in the "Summary of Current Examination Results."

4. Business Continuity Plan—It is recommended that the company develop a Business Continuity Plan (BCP) based on a Business Impact Analysis or Risk Assessment that identifies all critical business functions and supporting systems. The BCP should consider the business disruptions from third parties (if the company outsources critical operations to third parties). The BCP should include a step-by-step framework that is easily accessible and executable in an emergency situation.

   Action—Noncompliance, see comments in the "Summary of Current Examination Results."

5. Conflict of Interest—It is recommended that the company take steps to preclude or prevent persons who have a conflict of interest from serving on the Investment Committee, in accordance with s. 611.60, Wis. Stat.

   Action—Noncompliance, see comments in the “Summary of Current Examination Results.”

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Information Technology

During the course of the examination, a review was made of the company's general controls over its information systems. The review resulted in certain findings, which were presented in a letter to management dated April 11, 2022. It is recommended that the company strengthen its information system controls in accordance with the recommendations made in the letter to management dated April 11, 2022.

Business Continuity Plan

During the Business Continuity Plan review, it was noted that the company has not performed the Business Impact Analysis or Risk Assessment.

It is again recommended that the company develop a Business Continuity Plan (BCP) based on a Business Impact Analysis or Risk Assessment that identifies all critical business functions and supporting systems. The BCP should consider the business disruptions from third parties (if the company outsources critical operations to third parties). The BCP should include a step-by-step framework that is easily accessible and executable in an emergency situation.

Investment Limitations – All Securities of a Single Issuer and its Affiliates

The examination conducted a review of the company's investment holdings for the period under examination to verify compliance with investment limitations governed by Wisconsin law. As of December 31, 2020, the company reported first lien mortgage loans on real estate with affiliate Caribbean Off the Grid Plaza of $4,335,332 (which represents 11.47% of admitted assets of $37,809,189). Per s. 620.23 (2) (b) Wis. Stat., all securities of a single issuer and its affiliates are limited to 10% of assets. An adjustment to reduce surplus as of December 31, 2020, by $554,413 is made as a result of the examination.

It is recommended the company properly report all securities of a single issuer and its affiliates in excess of 10% of admitted assets as nonadmitted in future statutory financial statements.

Real Estate Investments

The examination conducted a review of real estate investments during the period of the examination to verify compliance with investment limitations under Wisconsin law and applicable Stipulations and Orders. The review identified numerous real estate transactions that were in violation of a Stipulation and Order. These findings were presented in a letter to management dated April 11, 2022. It is recommended that the company review the Stipulation and Order and take corrective action to ensure compliance with the Stipulation and Order going forward, in accordance with the recommendations made in the letter to management dated April 11, 2022.

Real Estate Investments (Statutory Accounting Principles)

On December 31, 2019, the company entered into a Contract for Purchase and Sale Agreement (Purchase Agreement) with its affiliate APRE in which the company acquired five listed properties reported as Properties Held for the Production of Income, as defined under s. 620.22 (5) Wis. Stat. The company reported the total cost of the properties and improvements acquired as $1,871,565 on its 2020 Schedule A Part 1. On March 15, 2020, the company entered into two more Contract for Purchase and Sale Agreements (Purchase Agreements) with related parties in which the company acquired two properties reported as Properties Held for the Production of Income, as defined under s. 620.22 (5) Wis. Stat. The company reported the total cost of the properties and improvements acquired as $2,200,000 on its 2020 Schedule A Part 1.

The three Purchase Agreements each contained an option to repurchase the property. Further, each Purchase Agreement stated, “as a result of the option official title will not be transferred until the expiration of the option term.”

Statement of Statutory Accounting Principles (SSAP) 40R paragraph 2 defines real estate investments as “directly owned real estate properties.” Because official title was not transferred, the property would not be considered directly owned. Moreover, because the property was not directly owned, it would not meet the three essential characteristics of an asset per SSAP 4, paragraph 2. An adjustment to reduce surplus as of December 31, 2020, by $3,978,032 is made as a result of the examination. The amount of the adjustment represents the Book/Adjusted Carrying Value for the

Properties Held for the Production of Income acquired under the Purchase Agreements described above, as reported on the company's 2020 Schedule A, Part 1.

It is recommended the company comply with SSAP 40R paragraph 2, which requires that only directly owned real estate (for which the company holds title) be reported as real estate investments in the statutory financial statements. It is further recommended that, for any remaining properties relating to the Purchase Agreements reported in the June 30, 2022, statutory financial statements, the company correct this error via a prior period adjustment (correction of an error) in the September 30, 2022, statutory financial statements (to remove those properties from SGIC's financial statement) and include an explanation of the prior period adjustment in Note 2.

Investment Policy

The examination reviewed the company's Investment Policy and discovered that the policy neither requires compliance with, nor incorporates (whether explicitly or by reference), the investment limitations prescribed by s. 620.23, Wis. Stat. as well as the permitted investments and other requirements prescribed under Stipulation and Order.

It is recommended the company revise its Investment Policy to require compliance with the investment limitations prescribed by s. 620.23, Wis. Stat., as well as the requirements of the Stipulation and Order, and incorporate both documents (either explicitly or by reference).

IBNR Reserve

As of December 31, 2020, the company reported loss reserves of $1,181,211 including $1,036,927 of IBNR reserves. During the examination, it was determined that the company understated IBNR reserves by $591,186. An adjustment to reduce surplus as of December 31, 2020, by $591,186 is made as a result of the examination. It is recommended that the company properly report its IBNR reserves in accordance with actuarial standards.

Conflict of Interest

In accordance with a directive of the Commissioner of Insurance, each company is required to establish a procedure for the disclosure to its board of directors of any material interest or affiliation on the part of its officers, directors, or key employees that conflicts with, or is likely to conflict with, the official duties of such person. A part of this procedure is the annual completion of a conflict-of-interest questionnaire by the appropriate persons. The company has adopted such a procedure for disclosing potential conflicts of interest. Conflict of interest questionnaires were reviewed for the period under examination with an apparent conflict of interest noted.

A conflict of interest is a situation that has the potential to undermine the impartiality of a person because of the possibility of a clash between the person's self-interest and professional or public interest. Industry best practices, as well as s. 611.60, Wis. Stat., advocate that persons who have a conflict of interest recuse themselves from decisions or votes on any matters in which they have a conflict of interest (or the appearance thereof).

During the examination, it was discovered that the Chairman of the Investment Committee, Michael Barton, is also employed as a Wealth Manager by one of the company's investment advisors (Bayshore Advisors). As the Investment Committee is charged with overseeing the company's investment transactions and actions taken by the company's investment advisors, a conflict of interest is created between oversight of the investment advisor and employment by the investment advisor.

It is again recommended that the company take steps to preclude or prevent persons who have a conflict of interest from serving on the Investment Committee, in accordance with s. 611.60, Wis. Stat.

Succession Plan

It is the usual and customary expectation that insurers should develop formalized succession plans in the event of expected and unexpected departures of their senior executives. History has shown that insurers that fail to plan for the succession of their senior executives often see a significant disruption in their operations, which could impair achievement of the company's strategic objectives, or place the company into a financially hazardous condition.

The examination discovered that the company currently does not have a formal written board approved succession for its senior executives. It is again recommended that the company develop a formal written board approved succession plan in the event of a departure of one or more of its senior executives, and submit a copy of the board approved succession plan to OCI.

Underwriting Policy

According to IRMI (the International Risk Management Institute, Inc.), underwriting guidelines include a set of rules and requirements that an insurer provides for its agents and underwriters to make decisions regarding the acceptance, modification, or rejection of a prospective insured. These guidelines should be formalized in a board approved policy, which can be enforced by the company.

The examination discovered the company does not have a formal written board approved underwriting policy. The company's affiliate, PAS, performs underwriting on behalf of the company in accordance with the Management Services Agreement (as previously discussed). Although this agreement outlines the underwriting services to be provided by PAS, it does not constitute a formal board approved underwriting policy of SGIC.

It is recommended the company develop a formal written board approved underwriting policy.

Reinsurance Intermediary

Chapter Ins 47, Wis. Adm. Code, sets forth the regulatory requirements for reinsurance intermediaries. Specifically, s. Ins 47.02, Wis. Adm. Code, sets forth the licensing requirements for reinsurance intermediaries. The examination determined that the reinsurance intermediary, Ethix Reinsurance Intermediaries LLC, managed by Timothy J. Pawlik, is not licensed in Wisconsin.

It is again recommended the company take action to ensure that its reinsurance intermediary-brokers meet the necessary licensing requirements prescribed by s. Ins 47.02, Wis. Adm. Code (or enter into new agreements with reinsurance intermediary-brokers that do comply with the prescribed licensing requirements).

Managing General Agents

Chapter Ins 42, Wis. Adm. Code, sets forth the regulatory requirements for managing general agents (MGAs). Specifically, s. Ins 42.05, Wis. Adm. Code, sets forth the Duties of Insurers to oversee their MGAs.

The examination reviewed the company's procedures for overseeing its MGAs. The examination determined that the company does not have any written procedures or documentation requirements to evidence the company's compliance with s. Ins 42.05 Wis. Adm. Code.

It is recommended the company develop formal written procedures pertaining to the oversight of its MGAs (including documentation requirements) to evidence the company's compliance with the requirements prescribed by s. Ins. 42.05 Wis. Adm. Code.

Affiliated Loans

During the examination, it was discovered the company entered into a series of affiliated loans during 2021 (ranging from $2,286,236 to $4,811,619). These loans would have constituted reportable transactions (subject to 30 days' prior notice and disapproval) under s. Ins 40.04 (2) (a), Wis. Adm. Code. The company did not report these transactions to the commissioner in writing at least 30 days before the company entered the transactions (as required). Further, the company incorrectly reported these loans on the Assets page of its 2021 quarterly statutory financial statements as "Receivable from parent, subsidiaries, and affiliates". Per the NAIC *Annual Statement Instructions—Property/Casualty*, these affiliated loans should have been reported on the Assets page as "Other Invested Assets" with the details disclosed in Note 10 and Schedule Y – Part 2.

It is recommended the company report in writing to the commissioner all transactions subject to reporting and disapproval at least 30 days prior to entering any such transactions, in accordance with s. Ins. 40.04 (2) Wis. Adm. Code. It is further recommended the company properly report and disclose all affiliated loans that have been non-disapproved by the OCI in accordance with NAIC *Annual Statement Instructions—Property/Casualty*.

Affiliated Agreements

The examination reviewed affiliated agreements for compliance with s. Ins. 40.04 (2) (d), Wis. Adm. Code. The examination determined that the Master Services Agreement between the company and its affiliate PAS does not contain several provisions required under s. Ins. 40.04 (2) (d), Wis. Adm. Code.

It is recommended the company amend the Master Services Agreement with PAS to comply with s. Ins. 40.04 (2) (d) Wis. Adm. Code, and file the amended agreement for non-disapproval to OCI. It is further recommended that the company develop a process to ensure all current and future affiliated agreements comply with s. Ins. 40.04 (2) (d), Wis. Adm. Code.

Statutory Financial Statement Reporting

The examination noted several instances of non-compliance with the NAIC's *Annual/Quarterly Statement Instructions—Property/Casualty,* as noted below:

(1) Health Blank: The company did not complete the Health Test correctly in the General Interrogatories Part 2 (#2) of the 2020 Annual Statement in that it did not include the Premium Numerator in row 2.1 for either the Current Year or the Prior Year. The correct figures taken from the 2020 Risk-Based Capital Report Health Premiums PR019 should have been $8,172,378 for CY, and $2,633,890 for PY, which would have caused the Premium Ratios for CY and PY to be 100%. Since the Reserve Ratio was also 100%, the company passed the Health Test for both 2019 and 2020. Since 2020 was the second year in a row for passing the Health Test, the company should have reported on the health statement blank beginning in the first quarter of 2021.

(2) Related Party Transactions: Real estate purchases in 2020 from Mafolie Villas and FSCC Condo, and the subsequent sales in 2021, were with related parties. The company did not disclose these related party transactions (which were greater than 0.5% of admitted assets) as required in Note 10 B.

(3) Schedule A Real Estate: In the 2020 Annual Statement, Schedule A - Part 2, column 5 and Schedule A - Part 3 column 5, the Name of Vendor was listed as "Internal Transfer". The term "Internal transfer" is intended for property acquired or transferred from another category (such as joint ventures transferred from Schedule BA to Schedule A). The company should report the name of the entity in column 5 of Schedule A – Parts 2 and 3. Further, if the entity is a related party or an affiliate, the transaction should be disclosed in Note 10, and on Schedule Y Part 2.

(4) Affiliated Transactions: In the 2020 and 2021 Annual Statements, the company did not complete Schedule Y - Part 2 Transactions with Affiliates (including but not limited to transactions for management agreements and real estate transactions).

(5) Note 19 (MGA and TPA Disclosures): More than 5% of the company's direct premium is written by MGAs and TPAs. Note 19 requires a table (in a specified format) with information on each MGA and TPA, in addition to clarifying disclosures. The company did not provide the required table in its 2020 or 2021 Annual Statement, nor did it provide the required disclosures.

(6) Loss Adjustment Expense (LAE) Reserves: SSAP 55 establishes statutory accounting principles for recording liabilities for unpaid claims and claims adjustment expenses. Per SSAP 55, par.

6: Loss Adjustment Expenses include: “Expected payments for costs to be incurred in connection with the adjustment and recording of losses.” Per SSAP 55, par. 5: “The liability for unpaid LAE shall be established regardless of any payments made to third-party administrators, management companies or other entities.”

The examination determined that the company did not properly report loss adjusting expenses for expected payments for costs to be incurred in connection with the adjustment and recording of losses in its statutory financial statements. Specifically, in the 2019 and 2020 Annual Statements, the company did not report any reserves for LAE, and only reported minimal LAE reserves in 2020. [The company explained that these expenses were not recorded because loss adjusting is performed by SGIC’s affiliate, PAS, pursuant to the Master Services Agreement previously discussed.].

(7) Other Invested Assets: In the 2020 Annual Statement, the company reported $7,176,456 on Page 2, Line 8 (Other Invested Assets), but reported “None” on Schedule BA. Schedule BA should list the details of investments reported on Page 2, Line 8.

(8) Special Deposits: The company has securities on deposit with several states but did not complete Schedule E - Part 3 (Special Deposits).

(9) General Interrogatories - Part 1 (number 40.1): Expenditures in connection with matters before legislative bodies, officers, or departments of government were during the examination; however, the company did not report expenditures of this type in General Interrogatories Part 1 number 40.1.

(10) Actuarial Opinion - Schedule P Reconciliation: The appointed actuary did not include exhibits reconciling Schedule P as required in NAIC *Annual Statement Instructions—Property/Casualty*, Actuarial Opinion paragraph 7.

(11) Real Estate: It was noted during the examination, that the company reported the cost of Property Occupied by the Company at an estimated appraised value that exceeded the cost of the property in its second quarter 2021 and third quarter 2021 statutory financial statements. SSAP 40R requires Properties Occupied by the Company to be recorded at depreciated cost less encumbrances.

It is recommended the company complete its Quarterly and Annual Statutory Financial Statements in accordance with NAIC *Annual Statement Instructions—Property/Casualty* in all future statutory filings.

It is further recommended that the company file its financial statements on the Health Blank, for year-end 2022.

It is further recommended the company develop policies and procedures to ensure that LAE reserves are reasonably estimated in accordance with actuarial standards, and accurately reported in the statutory financial statements in accordance with SSAP 55 (regardless of any payments made to third-party administrators).

Compliance with Company Bylaws

During the examination, it was noted that no formal meeting minutes were maintained as evidence of the Annual Shareholders Meeting and election of directors as required by Company Bylaws Article I. Paragraph A., and Article VII. Paragraph A., Corporate Records. Further, it was noted that not all officer appointments were contained in the board minutes as required in the Bylaws Article IV, Paragraph A.

It is recommended that the company maintain written meeting minutes of its Annual Shareholders Meeting, which shall include the election of directors, in accordance with Article I, par. A and Article VII, par. A of its Bylaws.

It is further recommended that the company record all officer appointments in the board minutes, in accordance with Article IV, par. A of its Bylaws.

Agreement with Prosperitas Investment Management

During the examination, it was noted that the company has an investment management agreement with a related party, Prosperitas Investment Management, that was entered into in 2017. The agreement is automatically renewed annually (unless written notice of termination is provided). The company indicated that it no longer does business with Prosperitas; however, the company was unable to provide evidence that this agreement has been terminated.

It is recommended that the company terminate its investment management agreement with Prosperitas Investment Management and provide evidence of the termination to OCI.

VIII. CONCLUSION

The company was purchased by Premier Servicing, LLC on March 1, 2017. All premiums and loss reserves were ceded to its prior parent company, General Casualty Company of Wisconsin on January 1, 2017. The company started writing accident and health products on April 1, 2018. The major accident and health insurance products currently marketed by the company include limited indemnity medical, and short-term medical. Dale F. Schmidt is the ultimate controlling person, as the sole grantor of the Dale F. Schmidt Irrevocable Trust (dated December 21, 2012).

SGIC is party to multiple affiliated agreements with companies under the Dale F. Schmidt Irrevocable Trust, including a Master Services Agreement with Premier Administrative Solutions, Inc., whereby PAS performs certain administrative services on behalf of the company (including but not limited to underwriting, claims adjusting, and policy administration). The company also participates in a Cost Sharing Agreement with several Premier Group affiliates.

The examination resulted in eighteen recommendations (in addition to one recommendation noted below under "Subsequent Events"), which include non-compliance (or partial non-compliance) with four prior exam recommendations.

Adjustments to surplus as a result of the examination were a reduction to surplus as of December 31, 2020, in the amount of $5,123,631.

Subsequent Events

On May 21, 2021, the company purchased real estate reported as Properties Occupied by the Company as defined under s. 620.22 (4) Wis. Stat. This transaction was determined to be in violation of a Stipulation and Order, as discussed in a letter to management dated April 11, 2022. It is recommended that the Company review the Stipulation and Order and take corrective action to ensure compliance with the Stipulation and Order going forward, in accordance with the recommendations made in the letter to management dated April 11, 2022.

On September 1, 2021, the company reported the disposal of three Real Estate Properties Held for Production of Income that were subject to exam adjustments under Real Estate Investments (Statutory Accounting Principles). As a result of the subsequent disposal, a prior period adjustment amount of $2,155,925 (correction of an error) in the statutory financial statements related to these properties is not needed.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 25 - Information Technology—It is recommended that the company strengthen its information system controls in accordance with the recommendations made in the letter to management dated April 11, 2022.

2. Page 25 - Business Continuity Plan—It is again recommended that the company develop a Business Continuity Plan (BCP) based on a Business Impact Analysis or Risk Assessment that identifies all critical business functions and supporting systems. The BCP should consider the business disruptions from third parties (if the company outsources critical operations to third parties). The BCP should include a step-by-step framework that is easily accessible and executable in an emergency situation.

3. Page 25 - Investment Limitations – All Securities of a Single Issuer and its Affiliates—It is recommended the company properly report all securities of a single issuer and its affiliates in excess of 10% of admitted assets as nonadmitted in future statutory financial statements.

4. Page 26 - Real Estate Investments—It is recommended that the Company review the Stipulation and Order and take corrective action to ensure compliance with the Stipulation and Order going forward, in accordance with the recommendations made in the letter to management dated April 11, 2022.

5. Page 26 - Real Estate Investments (Statutory Accounting Principles)—It is recommended the company comply with SSAP 40R paragraph 2, which requires that only directly-owned real estate (for which the company holds title) be reported as real estate investments in the statutory financial statements.

   It is further recommended that, for any remaining properties relating to the Purchase Agreements reported in the June 30, 2022, statutory financial statements, the company correct this error via a prior period adjustment (correction of an error) in the September 30, 2022, statutory financial statements (to remove those properties from SGIC's financial statement) and include an explanation of the prior period adjustment in Note 2.

6. Page 27 - Investment Limitations Properties Held for the Production of Income—It is recommended the company properly report all Properties Held for the Production of Income in excess of 10% of admitted assets as nonadmitted in future statutory financial statements in accordance with s. 620.23 (1) (c), Wis. Stat.

7. Page 27 - Investment Policy—It is recommended the company revise its Investment Policy to require compliance with the investment limitations prescribed by s. 620.23, Wis. Stat., as well as the requirements of Stipulation and Order, and incorporate both documents (either explicitly or by reference).

8. Page 28 - IBNR Reserve—It is recommended that the company properly report its IBNR reserves in accordance with actuarial standards.

9. Page 28 - Conflict of Interest—It is again recommended that the company take steps to preclude or prevent persons who have a conflict of interest from serving on the Investment Committee, in accordance with s. 611.60, Wis. Stat.

10. Page 29 - Succession Plan—It is again recommended that the company develop a formal written board approved succession plan in the event of a departure of one or more of its senior executives and submit a copy of the board approved succession plan to the OCI.

11. Page 29 - Underwriting Policy—It is recommended the company develop a formal written board approved underwriting policy.

12. Page 29 - Reinsurance Intermediary—It is again recommended the company take action to ensure that its reinsurance intermediary-brokers meet the necessary licensing requirements prescribed by s. Ins 47.02, Wis. Adm. Code (or enter into new agreements with reinsurance intermediary-brokers that do comply with the prescribed licensing requirements).

13. Page 30 - Managing General Agents—It is recommended the company develop formal written procedures pertaining to the oversight of its MGAs (including documentation requirements) to evidence the company's compliance with the requirements prescribed by s. Ins. 42.05 Wis. Adm. Code.

14. Page 30 - Affiliated Loans—It is recommended the company report in writing to the commissioner all transactions subject to reporting and disapproval at least 30 days prior to entering any such transactions, in accordance with s. Ins. 40.04 (2) Wis. Adm. Code.

    It is further recommended the company properly report and disclose all affiliated loans that have been non-disapproved by the OCI in accordance with NAIC *Annual Statement Instructions—Property/Casualty*.

15. Page 30 - Affiliated Agreements—It is recommended the company amend the Master Services Agreement with PAS to comply with s. Ins. 40.04 (2) (d) Wis. Adm. Code and file the amended agreement for non-disapproval to OCI.

    It is further recommended that the company develop a process to ensure all current and future affiliated agreements comply with s. Ins. 40.04 (2) (d), Wis. Adm. Code.

16. Page 31 - Statutory Financial Statement Reporting—It is recommended the company complete its Quarterly and Annual Statutory Financial Statements in accordance with NAIC *Annual Statement Instructions—Property/Casualty* in all future statutory filings.

    It is further recommended that the company file its financial statements on the Health Blank, for year-end 2022.

    It is further recommended the company develop policies and procedures to ensure that LAE reserves are reasonably estimated in accordance with actuarial standards and accurately reported in the statutory financial statements, in accordance with SSAP 55 (regardless of any payments made to third-party administrators).

17. Page 31 - Compliance with Company Bylaws—It is recommended the company maintain written meeting minutes of its Annual Shareholders Meeting, which shall include the election of directors, in accordance with Article I, par. A and Article VII, par. A of its Bylaws. It is further recommended that the company record all officer appointments in the Board minutes, in accordance with Article IV, par. A of its Bylaws.

18. Page 31 - Agreement with Prosperitas Investment Management—It is recommended the company terminate its investment management agreement with Prosperitas Investment Management and provide evidence of termination to OCI.

19. Page 34 - Subsequent Event—It is recommended that the company review the Stipulation and Order and take corrective action to ensure compliance with the Stipulation and Order

going forward, in accordance with the recommendations made in the letter to management dated April 11, 2022.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
James Lindell	Insurance Financial Examiner
Kenton Harrison	Insurance Financial Examiner
Eleanor Lu, CISA	Insurance Financial Examiner IT Specialist
Karl Albert, CFE	Insurance Financial Examiner – Advanced Quality Control Specialist
Jerry DeArmond, CFE	Policy and Claim Reserve Specialist

Respectfully submitted,

Aaron Kenseth
Examiner-in-Charge