

Examination Warrant Number 20-02698-10724-A1
20-02698-11242-A1
20-02698-13019-A1

Report of Examination of
Eastern Alliance Insurance Company
Allied Eastern Indemnity Company
Eastern Advantage Assurance Company
Lancaster, Pennsylvania
As of December 31, 2020

For Informational Purposes Only

Eastern Alliance Insurance Group

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Harrisburg, Pennsylvania
April 19, 2022

Honorable Melissa L. Greiner
Deputy Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Harrisburg, Pennsylvania

Dear Madam:

In accordance with instructions contained in Examination Warrant Numbers 20-02698-10724-A1, 20-02698-11242-A1, and 20-02698-13019-A1, dated August 10, 2020, an examination was made of

Eastern Alliance Insurance Company, NAIC Code: 10724

Allied Eastern Indemnity Company, NAIC Code: 11242

Eastern Advantage Assurance Company, NAIC Code: 13019

Pennsylvania domiciled, multi-state insurance companies hereinafter referred to collectively as the “Eastern Alliance Insurance Group” or “Companies”. The Companies’ home office is located at 25 Race Avenue, Lancaster, Pennsylvania.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Department has performed an examination of the Companies, which were last examined as of December 31, 2016. This examination covered the four-year period from January 1, 2017 through December 31, 2020.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Department and the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”).

The Companies share the same key processes, systems, and management. The Handbook provides for a group examination of multiple insurers in an insurance holding company group that have similar key processes, systems, and/or management.

The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Companies, evaluate system controls and procedures used to mitigate those risks, and review subsequent events. 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 Companies 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 Companies' financial statements.

This examination report includes significant findings of fact, in accordance with 40 P.S. § 323.5(a), and general information about the Companies and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Companies.

For each year of the examination period, the certified public accounting firm of Ernst and Young ("CPA") provided an unmodified audit opinion on the combined year-end financial statement of the Companies based on statutory accounting principles. Relevant work performed by the CPA, during its annual audit of the Companies, was reviewed during the examination and incorporated into the examination workpapers.

For each year of the examination period, the Companies filed a combined annual statement upon being approved to file as such by the Department. The examination has determined that the Companies did not file the combined audited statements in compliance with 31 Pa. Code § 147.7(a), which states in part: "A columnar consolidating or combining worksheet, setting forth the amounts shown on the consolidated or combined audited financial report with a reconciliation of differences between the amounts shown in the individual insurer columns of the worksheet and comparable amounts shown on the annual statements of the insurer, shall be filed with the report. The reconciliation shall include explanations of consolidating and eliminating entries."

It is recommended that the Companies file combined audited statements that are in compliance with the requirements of 31 Pa. Code § 147.7(a).

HISTORY

Eastern Alliance Insurance Company ("EAIC") was incorporated on January 16, 1997, licensed by the Department on November 26, 1997, and commenced business on December 11, 1997.

EAIC is currently authorized to transact those classes of insurance described in 40 P.S. § 382, (b)(1) Property and Allied Lines, (b)(2) Inland Marine and Physical Damage, (c)(1) Fidelity and Surety, (c)(2) Accident and Health, (c)(3) Glass, (c)(4) Other Liability, (c)(5) Boiler and Machinery, (c)(6) Burglary and Theft, (c)(8) Water Damage (c)(9) Elevator, (c)(11) Auto Liability, (c)(12) Mine and Machinery, (c)(13) Personal Property Floater, and (c)(14) Workers Compensation.

Allied Eastern Indemnity Company ("AEIC") was incorporated on January 14, 2002, licensed by the Department on May 16, 2002, and commenced business on the same date.

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AEIC is currently authorized to transact those classes of insurance described in 40 P.S. § 382, (c)(4) Other Liability and (c)(14) Workers Compensation.

AEIC was granted authority to transact (c)(4) Other Liability effective June 5, 2017.

Eastern Advantage Assurance Company ("EAAC") was incorporated on February 23, 2007, licensed by the Department on November 16, 2007, and commenced business on December 31, 2007.

EAAC is currently authorized to transact those classes of insurance described in 40 P.S. § 382, (c)(4) Other Liability and (c)(14) Workers Compensation.

EAAC was granted authority to transact (c)(4) Other Liability effective June 5, 2017.

MANAGEMENT AND CONTROL

CAPITALIZATION

As of December 31, 2020, EAIC's total capital was \$113,052,400, consisting of 4,000 capital shares of issued and outstanding common stock with no par value and a stated value of \$1,050 per share amounting to \$4,200,000; \$27,960,920 in paid in and contributed surplus; and \$80,891,479 in unassigned funds (surplus).

During the examination period and as of December 31, 2020, EAIC's minimum capital and minimum surplus requirements for the types of business for which it is licensed, pursuant to 40 P.S. § 386, is \$2,100,000 in capital and \$1,050,000 in surplus. EAIC has met all governing requirements throughout the examination period.

As of December 31, 2020, AEIC total capital was \$19,877,275, consisting of 3,335 capital shares of issued and outstanding common stock with no par value and a stated value of \$750 per share amounting to \$2,501,250; \$758,750 in paid in and contributed surplus; and \$16,617,275 in unassigned funds (surplus).

Since June 5, 2017 and as of December 31, 2020, AEIC's minimum capital and minimum surplus requirements for the types of business for which it is licensed, pursuant to 40 P.S. § 386, is \$800,000 in capital and \$400,000 in surplus. Prior to June 5, 2017, AEIC's minimum capital and surplus requirements for the type of business for which it was licensed, pursuant to 40 P.S. § 386, was \$750,000 in capital and \$375,000 in surplus. AEIC has met all governing requirements throughout the examination period.

As of December 31, 2020, EAAC's total capital was \$18,539,721, consisting of 3,335 capital shares of issued and outstanding common stock with no par value and an a stated value of \$750 per share amounting to \$2,501,250; \$5,898,750 in paid in and contributed surplus; and \$10,139,721 in unassigned funds (surplus).

Since June 5, 2017 and as of December 31, 2020, EAAC's minimum capital and minimum surplus requirements for the types of business for which it is licensed, pursuant to 40 P.S. § 386, is \$800,000 in capital and \$400,000 in surplus. Prior to June 5, 2017, EAAC's minimum capital and minimum surplus requirements for the types of business for which it was

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licensed, pursuant to 40 P.S. § 386, was \$750,000 in capital and \$375,000 in surplus. EAAC has met all governing requirements throughout the examination period.

STOCKHOLDER

The Companies are each a direct, wholly-owned subsidiary of Eastern Insurance Holdings, Inc. (“EIHI”).

During the period of examination, the Companies paid the following dividends to the EIHI.

Year	Company	Amount	Dividend Type	Payment Method
2020	EAIC	\$16,087,973	Ordinary	Cash and securities
	AEIC	\$2,040,400	Ordinary	Cash
	EAAC	\$1,895,210	Ordinary	Cash
2019	EAIC	\$13,586,901	Ordinary	Cash
2018	EAIC	\$10,926,709	Ordinary	Cash and securities

There were no extraordinary dividends paid during the examination period. All ordinary dividends were authorized by the Companies’ Boards, properly reported to the Department, and paid within existing regulatory guidelines in accordance with the provisions of 40 P.S. § 991.1404(e) and 31 Pa. Code § 25.22.

INSURANCE HOLDING COMPANY SYSTEM

The Companies meet the requirements for filing an insurance holding company system annual registration statement pursuant to 40 P.S. § 991.1404. For each year of the examination, the Companies filed the required registration statement by March 31.

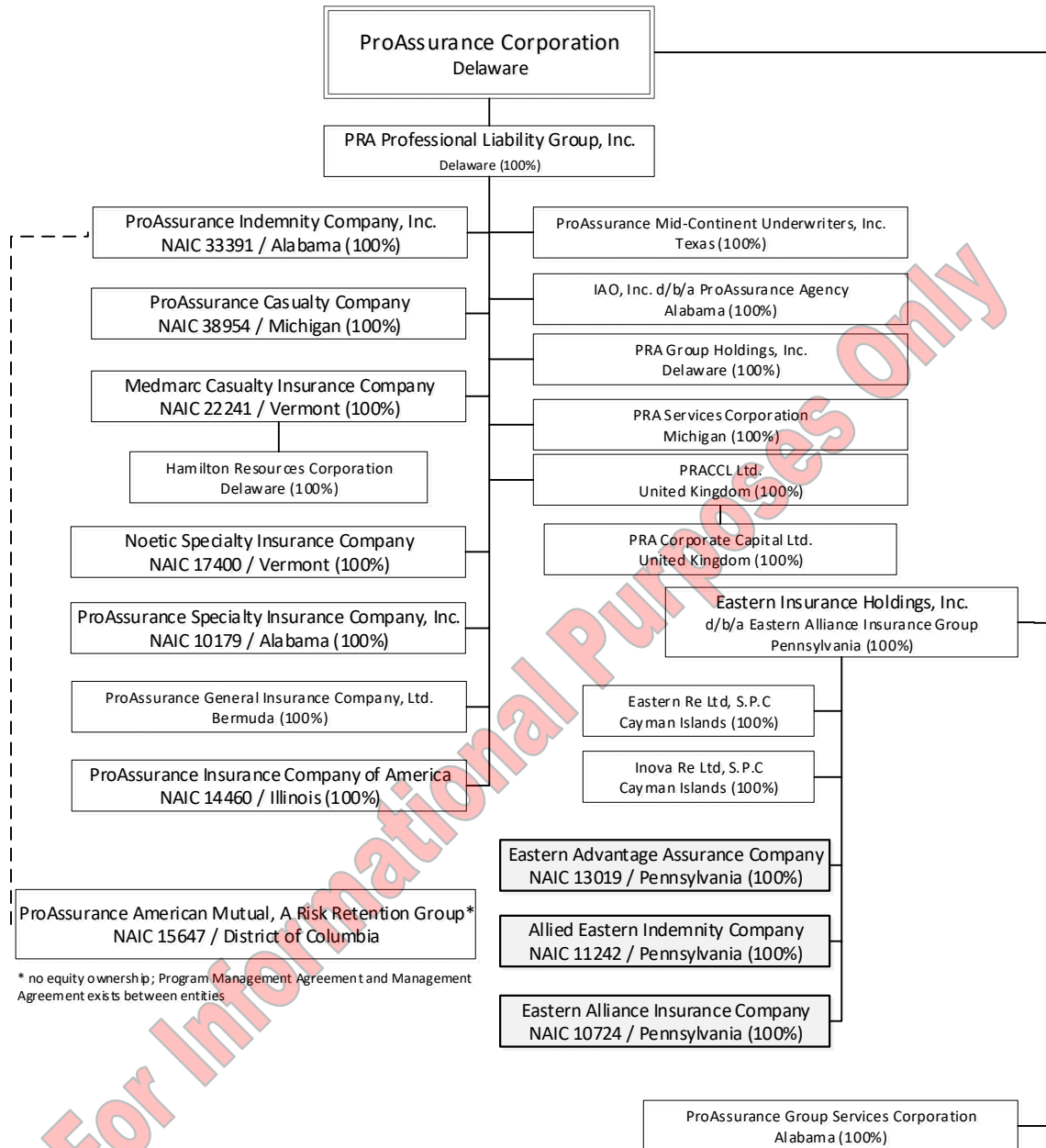
ProAssurance Corporation (“PRA”) is named as the ultimate controlling entity of the Companies’ holding company system, and is a holding company organized pursuant to the laws of the State of Delaware. The Companies became part of PRA’s holding company system effective January 1, 2014, when the Companies’ former direct parent, Global Alliance Holdings, Ltd. (“GAH”) was acquired by PRA. GAH was a direct, wholly-owned subsidiary of EIHI.

On December 31, 2017, the Companies’ insurance holding company system was reorganized when PRA effected a merger of GAH with and into EIHI, with EIHI being the survivor. The merger did not result in a change of ultimate control of the Companies. PRA did not file for and receive the Department’s approval prior to the merger. Subsequent to the merger, PRA filed a request with the Department for exemption from the requirements of 40 P.S. § 991.1402 for the restructuring of its holding company system. The Department approved the exemption on August 26, 2021, pursuant to Department Order No. ID-RC-21-16.

The organizational chart below depicts the Companies’ direct and indirect ownership within its holding company system as of December 31, 2020. The Companies’ holding company system consists of various insurance and non-insurance entities.

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* no equity ownership; Program Management Agreement and Management Agreement exists between entities

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BOARD OF DIRECTORS

Management of each of the Companies is vested in each of the Companies' board of directors ("Board"). Each of the Companies' Board is identical and is comprised of the following members as of the examination date, December 31, 2020:

Name and Address	Principal Occupation
Michael L. Boguski Birmingham, Alabama	President of Specialty P&C Division ProAssurance Corporation
Suzanne M. Emmet Lancaster, Pennsylvania	Senior VP of Claims/Assistant Secretary Eastern Alliance Insurance Group
Dana S. Hendricks Birmingham, Alabama	Chief Financial Officer ProAssurance Corporation
Jeffrey P. Lisenby Birmingham, Alabama	Senior VP, General Counsel and Secretary ProAssurance Corporation
Kathryn A. Neville Birmingham, Alabama	VP, Chief Compliance Officer, and Assistant Secretary ProAssurance Corporation
Edward L. Rand, Jr. Birmingham, Alabama	President and CEO ProAssurance Corporation
Kevin M. Shook Enola, Pennsylvania	President Eastern Alliance Insurance Group

The Board serves as noted under each Companies' By-laws for a term of one year and until the member's successor has been selected and qualified or until the member's earlier death, resignation, or removal.

COMMITTEES

The Companies do not have Board committees at their entity level. The committees of the Board of PRA have responsibility for overseeing the Companies. As of December 31, 2020, the following committees were appointed by the PRA Board:

Audit Committee

Kedrick D. Adkins, Jr.
Bruce D. Angiolillo
Samuel A. Di Piazza, Jr.
Frank A. Spinosa

Investment Committee

Dana S. Hendricks
Jeffrey P. Lisenby
Edward L. Rand, Jr.

Compensation Committee

Bruce D. Angiolillo
Robert E. Flowers
Maye Head Frei
Thomas A. S. Wilson, Jr.

Nominating/Corporate Governance Committee

M. James Gorrie
Ziad R. Haydar
Katisha T. Vance
Thomas A. S. Wilson, Jr.

OFFICERS

As of December 31, 2020, the following corporate officers were appointed by each Companies' Board and serving in accordance with each Companies' By-laws:

Name	Title
Kevin M. Shook	President
Brent L. Shirk	Treasurer
Kathryn A. Neville	Secretary

CORPORATE RECORDS

MINUTES

A compliance review of corporate minutes revealed the following:

- The annual meetings of the Companies' Stockholder were held in compliance with each Companies' By-laws.
- The Stockholder elects the Companies' directors at such meetings in compliance with the By-laws.
- The Stockholder ratified the prior year's actions of the officers and directors.
- Quorums were present at each Companies' board meetings.
- The PRA Investment Committee approved the Companies' investment transactions quarterly and the Companies' Boards approved the PRA Investment Committee minutes quarterly.
- All directors attend each of the Companies' Board meetings regularly.

ARTICLES OF INCORPORATION

There were no changes to each of the Articles of Incorporation of the Companies during the examination period.

BY-LAWS

There were no changes to each of the By-laws of the Companies during the examination period.

SERVICE AND OPERATING AGREEMENTS

The Companies are party to various service and operating agreements, including several intercompany and related-party agreements. The following significant agreements were in place during the examination period:

Expense Allocation Agreement

Effective February 15, 2014, PRA and its subsidiaries, which include the Companies, entered into an Expense Allocation Agreement to establish a method for allocating direct and indirect expenses. The expenses are to be allocated on a direct and indirect basis with settlement being 30 days from calendar quarter end. This agreement was amended June 1, 2017, to include provisions intended to delineate the terms of the agreement. The Companies provided notice of this amendment through a Form D filing that was approved by the Department pursuant to 40 P.S. § 991.1405(a)(2)(v).

Management Services Agreement

Effective January 1, 2015, PRA and its subsidiaries, which include the Companies, entered into a Management Services Agreement. The agreement provides for ProAssurance Group Services Corporation to provide management services to PRA and its subsidiaries. The fee for this agreement is based on direct written premium of each company. Settlement is within 30 days of calendar quarter end. This agreement was amended June 1, 2017, to include provisions intended to delineate the terms of the agreement. The Companies provided notice of this amendment through a Form D filing that was approved by the Department pursuant to 40 P.S. § 991.1405(a)(2)(v).

Tax Allocation Agreement

Effective January 1, 2014, PRA and its subsidiaries, which include the Companies, entered into a Consolidated Tax Allocation Agreement. The agreement provides for PRA and its subsidiaries to file a consolidated Federal income tax return. The terms of the agreement provide for the method of allocation of each company's tax liability, which in no event shall exceed the tax that would be incurred by such company if it were filing on a separate company basis, and provides for the allocation of costs among the companies for the preparation of tax returns. All settlements are to be settled within 30 days following the filing of the federal return.

REINSURANCE

POOLING AGREEMENT

Effective August 2, 2015, the Companies entered into an Amended and Restated Reinsurance Pooling Agreement ("Pooling Agreement"), for the pooling of all lines of business written by the Companies.

Pursuant to the Pooling Agreement, premiums and losses are allocated to the Companies based on each Companies' assigned percentage of the total pool. As of December 31, 2020, the pooling percentages are as follows: EAIC (pool lead) 74.0%, AEIC 13.0%, and EAAC 13.0%.

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CEDED

As of December 31, 2020, the ceded premium for EAIC was \$123,837,148, which is approximately 109.5% of its surplus. The net amount recoverable as of December 31, 2020 was approximately \$6,965,246.

The ceded premium for AEIC as of 2020 was \$110,397,115, which is approximately 555.4% of its surplus. There was no net amount recoverable for 2020.

The ceded premium for EAAC as of 2020 was \$46,266,743, which is approximately 249.6% of its surplus. There was no net amount recoverable for 2020.

The Companies significant reinsurance agreements, as of December 31, 2020, are listed below.

Inova Re

The Companies entered into numerous Quota Share Reinsurance Agreements (“Cell Agreements”) with segregated portfolio cells with affiliate, Inova Re Ltd., SPC (“Inova Re”).

Under the terms of the Cell Agreements, the Companies cede 100% of premiums written and losses incurred under policies written in each alternate market program. As of December 31, 2020, there were 23 active cells at Inova Re. Each of the Companies have a separate Cell Agreement with Inova Re on behalf of each of the 23 active cells, resulting in a total of 69 Cell Agreements. The Cell Agreements are renewed annually after expiration of the initial term.

Excess of Loss Reinsurance

Effective May 1, 2020, the Companies with affiliate Employers Security Insurance Company (“ESIC”) entered into a Workers Compensation (Traditional) Excess of Loss Reinsurance Agreement with various reinsurers listed below. The term of the contract is for 15 months.

The Companies retention and the reinsurance limits per net loss occurrence are as follows:

	<u>Companies’ Retention</u>	<u>Reinsurance Limits</u>	<u>Type of Business Covered (same for each part)</u>
Part One*	\$500,000	\$4,500,000	Workers’ compensation and employers liability
Part Two**	none	\$5,000,000	
Part Three**	none	\$5,000,000	

* The Companies’ retention is subject to an annual aggregate deductible for losses otherwise recoverable under the agreement of 3.16% of the Companies and ESIC’s gross net earned premium pursuant to the agreement.

**Part Two and Part Three is triggered when net loss occurrence exceeds \$5,000,000. Part Three coverage is for each loss occurrence in respect of acts of nuclear, biological, chemical, and radiological terrorism only, excluded from Part Two.

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The following are the reinsurers with participation in the agreement:

<u>Reinsurer</u>	<u>Participation</u>		
	<u>Part One</u>	<u>Part Two</u>	<u>Part Three</u>
Members of Lloyd's of London	75.0%	77.0%	77.0%
Aspen Insurance UK Limited	25.0%	23.0%	23.0%

Clash Excess of Loss Reinsurance

Effective May 1, 2020, the Companies with affiliates Eastern Re, Ltd., SPC, Inova Re, and ESIC entered into a Workers Compensation (First, Second, and Third Clash) Excess of Loss Reinsurance Agreement with various reinsurers listed below. The term of the contract is for 12 months.

The Companies do not have a retention under this agreement. The reinsurance trigger and limits per net loss occurrence are as follows:

	<u>Excess of:</u>	<u>Reinsurance Limits</u>	<u>Type of Business Covered (same for each layer)</u>
First Clash	\$10,000,000	\$10,000,000	Workers' compensation and employers liability
Second Clash	\$20,000,000	\$20,000,000	
Third Clash	\$40,000,000	\$80,000,000	

The following are the reinsurers with participation in the agreement:

<u>Reinsurer</u>	<u>Participation</u>		
	<u>Part One</u>	<u>Part Two</u>	<u>Part Three</u>
Members of Lloyd's of London	76.0%	79.0%	87.5%
Aspen Insurance UK Limited	24.0%	21.0%	12.5%

Excess of Loss Reinsurance

Effective May 1, 2020, the Companies with affiliates Eastern Re, Ltd., SPC, Inova Re, and ESIC entered into a Workers Compensation (Inova®) Excess of Loss Reinsurance Agreement with various reinsurers listed below. The term of the contract is for 12 months.

The Companies' retention and the reinsurance limits per net loss occurrence are as follows:

	<u>Companies' Retention</u>	<u>Reinsurance Limits</u>	<u>Type of Business Covered (same for each part)</u>
Part One	Original deductible/self-insured retention of each captive program or large deductible policy	\$5,000,000	Workers' compensation and employers liability

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Eastern Alliance Insurance Co.		Direct and Assumed Premium	Ceded Premium	Net Written Premium	Percentage of Total
Line of Business					
December 31, 2020					
Workers' compensation		\$ 246,032,487	\$ 123,690,216	\$ 122,342,271	100.00%
Other liability - occurrence		146,932	146,932	0	0.00%
Totals		<u>\$ 246,179,419</u>	<u>\$ 123,837,148</u>	<u>\$ 122,342,271</u>	<u>100.0%</u>

Allied Eastern Indemnity Co.		Direct and Assumed Premium	Ceded Premium	Net Written Premium	Percentage of Total
Line of Business					
December 31, 2020					
Workers' compensation		\$ 135,124,410	\$ 110,331,655	\$ 24,792,755	100.00%
Other liability - occurrence		65,460	65,460	0	0.00%
Totals		<u>\$ 135,189,870</u>	<u>\$ 110,397,115</u>	<u>\$ 24,792,755</u>	<u>100.0%</u>

Eastern Advantage Assurance Co.		Direct and Assumed Premium	Ceded Premium	Net Written Premium	Percentage of Total
Line of Business					
December 31, 2020					
Workers' compensation		\$ 67,751,449	\$ 46,216,442	\$ 21,535,007	100.0%
Other liability - occurrence		50,301	50,301	0	0
Totals		<u>\$ 67,801,750</u>	<u>\$ 46,266,743</u>	<u>\$ 21,535,007</u>	<u>100.0%</u>

SIGNIFICANT OPERATING RATIOS AND TRENDS

The underwriting ratios summarized below are shown on an earned/incurred basis, and encompass the four-year period covered by this examination.

Eastern Alliance Insurance Co.		Amount	Percentage
Premiums earned		<u>\$ 480,203,737</u>	<u>100.0 %</u>
Losses incurred		266,758,917	55.6 %
Loss expenses incurred		49,125,344	10.2 %
Other underwriting expenses incurred		131,289,821	27.3 %
Net underwriting gain or (loss)		33,029,655	6.9 %
Totals		<u>\$ 480,203,737</u>	<u>100.0 %</u>

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Allied Eastern Indemnity Co.	Amount	Percentage
Premiums earned	\$ 96,840,949	100.0 %
Losses incurred	54,699,476	56.5 %
Loss expenses incurred	8,755,226	9.0 %
Other underwriting expenses incurred	27,750,689	28.7 %
Net underwriting gain or (loss)	5,635,558	5.8 %
Totals	\$ 96,840,949	100.0 %

Eastern Advantage Assurance Co.	Amount	Percentage
Premiums earned	\$ 85,271,212	100.0 %
Losses incurred	47,273,863	55.4 %
Loss expenses incurred	8,801,417	10.3 %
Other underwriting expenses incurred	23,594,087	27.7 %
Net underwriting gain or (loss)	5,601,845	6.6 %
Totals	\$ 85,271,212	100.0 %

The Companies reported the following net underwriting, investment, and other gains or losses during the period under examination:

Eastern Alliance Insurance Co.	2020	2019	2018	2017
Admitted assets	\$ 381,679,636	\$ 377,467,840	\$ 363,692,684	\$ 341,469,876
Liabilities	\$ 268,627,237	\$ 261,691,796	\$ 253,293,683	\$ 232,202,789
Surplus as regards policyholders	\$ 113,052,399	\$ 115,776,044	\$ 110,399,001	\$ 109,267,087
Gross premium written	\$ 246,179,419	\$ 275,774,566	\$ 287,533,444	\$ 261,240,041
Net premium written	\$ 122,342,271	\$ 133,889,010	\$ 141,305,579	\$ 99,844,379
Underwriting gain/(loss)	\$ 7,810,794	\$ 10,103,378	\$ 7,539,778	\$ 7,575,705
Investment gain/(loss)	\$ 8,719,228	\$ 10,734,426	\$ 10,412,056	\$ 7,596,090
Other gain/(loss)	\$ 24,559	\$ (259,723)	\$ 216,425	\$ 140,688
Net income	\$ 12,975,914	\$ 16,087,973	\$ 13,586,901	\$ 9,325,563

Allied Eastern Indemnity Co.	2020	2019	2018	2017
Admitted assets	\$ 125,073,852	\$ 109,531,571	\$ 101,549,198	\$ 95,603,926
Liabilities	\$ 105,196,577	\$ 89,127,164	\$ 82,308,556	\$ 80,111,129
Surplus as regards policyholders	\$ 19,877,275	\$ 20,404,407	\$ 19,240,642	\$ 15,492,797
Gross premium written	\$ 135,189,870	\$ 152,422,558	\$ 145,099,248	\$ 136,704,904
Net premium written	\$ 24,792,755	\$ 26,513,350	\$ 27,756,776	\$ 20,768,104
Underwriting gain/(loss)	\$ 1,373,951	\$ 1,256,519	\$ 782,852	\$ 2,222,236
Investment gain/(loss)	\$ 825,797	\$ 921,122	\$ 738,468	\$ 531,967
Other gain/(loss)	\$ (196,681)	\$ (74,134)	\$ (47,486)	\$ (8,033)
Net income	\$ 1,453,177	\$ 1,532,943	\$ 869,976	\$ 1,729,928

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Eastern Advantage Assurance Co.	2020	2019	2018	2017
Admitted assets	\$ 76,114,096	\$ 71,476,260	\$ 71,240,500	\$ 61,227,136
Liabilities	\$ 57,574,375	\$ 52,524,156	\$ 54,063,716	\$ 46,328,969
Surplus as regards policyholders	\$ 18,539,721	\$ 18,952,104	\$ 17,176,784	\$ 14,898,167
Gross premium written	\$ 67,801,750	\$ 73,786,247	\$ 84,329,382	\$ 74,003,850
Net premium written	\$ 21,535,007	\$ 23,793,949	\$ 25,169,506	\$ 17,861,865
Underwriting gain/(loss)	\$ 1,394,998	\$ 1,569,709	\$ 1,030,881	\$ 1,606,257
Investment gain/(loss)	\$ 692,049	\$ 753,289	\$ 608,440	\$ 470,482
Other gain/(loss)	\$ (82,464)	\$ 23,321	\$ 46,865	\$ 52,935
Net income	\$ 1,488,679	\$ 1,762,931	\$ 1,050,232	\$ 1,239,871

PENDING LITIGATION

As of the date of this examination report, the Companies' Management attested that the Companies were not involved in any material litigation and was not aware of any threatened litigation that could have a material adverse effect on its financial condition.

FINANCIAL STATEMENTS

The financial condition of the Companies, as of December 31, 2020, and the results of its operations for the four-year period under examination, are reflected in the following statements*:

- Comparative Statement of Assets, Liabilities, Surplus and Other Funds;
- Comparative Statement of Income;
- Comparative Statement of Capital and Surplus; and
- Comparative Statement of Cash Flow

*Note: Some financials shown in this report may contain immaterial differences to those reported in the Companies' filed Annual Statements due to rounding errors.

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Comparative Statement of Assets, Liabilities, Surplus and Other Funds As of December 31,

Eastern Alliance Insurance Company

	2020	2019	2018	2017
Bonds	\$ 178,439,358	\$ 187,963,785	\$ 153,311,639	\$ 156,404,412
Preferred stocks	2,813,868	1,347,058	3,255,107	3,738,506
Common stocks	15,831,305	25,240,385	37,509,562	39,888,055
Cash, cash equivalents, and short term investments	23,597,897	21,008,026	28,724,137	13,838,086
Other invested assets	44,686,987	30,696,678	34,161,301	28,297,688
Receivable for securities	100,000	7,840,892	573,771	0
Subtotals, cash and invested assets	265,469,415	274,096,824	257,535,517	242,166,747
Investment income due and accrued	1,004,364	1,168,678	1,057,370	1,182,999
Premiums and agents' balances due	99,990,468	83,321,120	91,445,119	89,782,116
Amounts recoverable from reinsurers	6,965,246	11,708,718	6,336,754	3,761,837
Current federal and foreign income tax recoverable and interest thereon	1,036,413	0	0	0
Net deferred tax asset	5,570,435	5,572,791	5,636,693	2,875,875
Electronic data processing equipment and software	115,241	153,823	424,787	351,916
Aggregate write-ins for other than invested assets	1,528,054	1,445,886	1,256,444	1,348,389
Total	\$ 381,679,636	\$ 377,467,840	\$ 363,692,684	\$ 341,469,876
Losses	\$ 90,494,569	\$ 94,305,630	\$ 84,446,217	\$ 75,549,495
Loss adjustment expenses	12,649,600	12,538,480	11,745,137	11,037,438
Commissions payable, contingent commissions and other similar charges	8,126,361	8,440,330	8,982,200	8,019,053
Other expenses	5,257,696	2,438,192	2,356,118	3,751,533
Taxes, licenses and fees	1,581,142	889,290	1,451,209	1,660,593
Current federal and foreign income taxes	0	1,055,082	1,421,493	614,660
Unearned premiums	54,885,101	60,030,054	65,149,571	45,291,683
Advance premium	414,442	652,821	333,102	746,589
Dividends declared and unpaid:				
Policyholders'	43,217	233,812	457,991	44,003
Ceded reinsurance premiums payable (net of ceding commissions)	42,764,168	40,547,414	46,355,595	49,769,153
Funds held by company under reinsurance treaties	8,560,628	8,610,741	7,729,362	6,267,228
Amounts withheld or retained by company for account of others	4,261,920	5,364,931	5,402,205	5,423,173
Remittances and items not allocated	366,856	640,558	939,695	1,885,055
Provision for reinsurance	0	0	38,000	2,229,000
Drafts outstanding	418,877	403,169	418,988	358,697
Payable to parent, subsidiaries and affiliates	38,779,852	25,541,292	16,066,801	19,485,248
Payable for securities	22,807	0	0	70,187
Total liabilities	268,627,237	261,691,796	253,293,683	232,202,789
Common capital stock	4,200,000	4,200,000	4,200,000	4,200,000
Gross paid in and contributed surplus	27,960,920	27,960,920	27,960,920	27,960,920
Unassigned funds (surplus)	80,891,479	83,615,124	78,238,081	77,106,167
Surplus as regards policyholders	113,052,399	115,776,044	110,399,001	109,267,087
Totals	\$ 381,679,636	\$ 377,467,840	\$ 363,692,684	\$ 341,469,876

**Comparative Statement of Income
For the Year Ended December 31,
Eastern Alliance Insurance Company**

Underwriting Income	2020	2019	2018	2017
Premiums earned	\$ 124,709,458	\$ 137,483,171	\$ 122,044,753	\$ 95,966,355
Deductions:				
Losses incurred	68,786,096	77,774,214	67,414,491	52,784,116
Loss expenses incurred	13,335,245	13,548,343	11,672,259	10,569,497
Other underwriting expenses incurred	34,777,323	36,057,236	35,418,225	25,037,037
Total underwriting deductions	116,898,664	127,379,793	114,504,975	88,390,650
Net underwriting gain or (loss)	7,810,794	10,103,378	7,539,778	7,575,705
Investment Income				
Net investment income earned	5,122,175	8,606,996	5,553,735	4,785,017
Net realized capital gains or (losses)	3,597,053	2,127,430	4,858,321	2,811,073
Net investment gain or (loss)	8,719,228	10,734,426	10,412,056	7,596,090
Other Income				
Net gain or (loss) from agents' or premium balances charged off	(311,826)	(494,347)	(98,939)	(137,460)
Finance and service charges not included in premiums	336,385	234,624	315,364	278,148
Total other income	24,559	(259,723)	216,425	140,688
Net income before dividends to policyholders and before federal and foreign income taxes	16,554,581	20,578,081	18,168,260	15,312,483
Dividends to policyholders	801,148	408,676	531,683	637,162
Federal and foreign income taxes incurred	2,777,519	4,081,432	4,049,676	5,349,758
Net income	\$ 12,975,914	\$ 16,087,973	\$ 13,586,901	\$ 9,325,563

For Informational Purposes Only

Eastern Alliance Insurance Group

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**Comparative Statement of Capital and Surplus
For the Year Ended December 31,
Eastern Alliance Insurance Company**

	2020	2019	2018	2017
Surplus as regards policyholders,				
December 31, previous year	\$ 115,776,044	\$ 110,399,001	\$ 109,267,087	\$ 103,522,872
Net income	12,975,914	16,087,973	13,586,901	9,325,563
Net unrealized capital gains or (losses)	534,947	2,220,082	(5,476,499)	3,237,541
Change in net deferred income tax	139,844	82,804	1,352,351	(616,215)
Change in nonadmitted assets	(286,375)	490,705	404,869	(4,527,673)
Change in provision for reinsurance	0	38,000	2,191,001	(1,675,000)
Dividends to stockholders	(16,087,973)	(13,586,901)	(10,926,709)	0
Aggregate write-ins for gains and losses in surplus	0	44,379	0	0
Change in surplus as regards policyholder for the year	<u>(2,723,645)</u>	<u>5,377,043</u>	<u>1,131,914</u>	<u>5,744,215</u>
Surplus as regards policyholders,				
December 31, current year	<u>\$ 113,052,399</u>	<u>\$ 115,776,044</u>	<u>\$ 110,399,001</u>	<u>\$ 109,267,087</u>

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Eastern Alliance Insurance Group

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Comparative Statement of Cash Flow For the Year Ended December 31, Eastern Alliance Insurance Company

	2020	2019	2018	2017
Cash from Operations				
Premiums collected net of reinsurance	\$ 104,942,091	\$ 134,870,003	\$ 136,309,951	\$ 86,521,986
Net investment income	6,728,786	9,520,254	6,736,136	5,511,620
Miscellaneous income	24,559	(259,723)	216,425	140,689
Total income	111,695,436	144,130,534	143,262,512	92,174,295
Benefit and loss related payments	81,077,810	86,035,063	72,764,947	63,069,626
Commissions, expenses paid and aggregate write-ins for deductions	32,096,595	37,211,712	35,241,129	21,700,451
Dividends to policyholders	991,743	632,855	117,695	662,051
Federal and foreign income taxes paid (recovered)	1,490,218	4,847,589	4,534,296	4,880,404
Total deductions	115,656,366	128,727,219	112,658,067	90,312,532
Net cash from operations	(3,960,930)	15,403,315	30,604,445	1,861,763
Cash from Investments				
Proceeds from investments sold, matured or repaid:				
Bonds	66,370,663	57,576,116	73,594,767	37,623,526
Stocks	9,566,908	18,377,980	10,617,108	5,420,111
Other invested assets	821,925	6,527,744	2,268,047	2,789,771
Net gain or (loss) on cash and short-term investments	271,094	197	(2,117)	(17,442)
Miscellaneous proceeds	7,763,699	0	742,324	0
Total investment proceeds	84,794,289	82,482,037	87,220,129	45,815,966
Cost of investments acquired (long-term only):				
Bonds	64,802,196	90,669,069	82,104,465	57,831,374
Stocks	1,427,182	690,736	11,072,965	13,480,772
Other invested assets	15,311,539	4,137,071	6,764,037	14,292,535
Miscellaneous applications	0	7,267,121	643,957	145,224
Total investments acquired	81,540,917	102,763,997	100,585,424	85,749,905
Net cash from investments	3,253,372	(20,281,960)	(13,365,295)	(39,933,939)
Cash from Financing and Miscellaneous Services				
Other cash provided (applied):				
Dividends to stockholders (paid)	3,935,271	13,586,901	14,570	0
Other cash provided or (applied)	7,232,700	10,749,433	(2,338,530)	14,626,481
Net cash from financing and miscellaneous sources	3,297,429	(2,837,466)	(2,353,099)	14,626,479
Reconciliation of cash and short-term investments:				
Net change in cash and short-term investments	2,589,871	(7,716,111)	14,886,051	(23,445,697)
Cash and short-term investments:				
Beginning of the year	21,008,026	28,724,137	13,838,086	37,283,783
End of the year	\$ 23,597,897	\$ 21,008,026	\$ 28,724,137	\$ 13,838,086

Eastern Alliance Insurance Group

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Comparative Statement of Assets, Liabilities, Surplus and Other Funds As of December 31,

Allied Eastern Indemnity Company

	2020	2019	2018	2017
Bonds	\$ 31,191,629	\$ 31,972,619	\$ 30,649,410	\$ 27,321,578
Cash, cash equivalents, and short term investments	3,830,167	1,400,641	1,235,984	3,993,858
Receivable for securities	0	0	600,000	0
Subtotals, cash and invested assets	35,021,796	33,373,260	32,485,395	31,315,436
Investment income due and accrued	186,644	201,599	176,840	210,038
Premiums and agents' balances due	62,766,486	61,431,911	62,345,866	51,615,279
Net deferred tax asset	1,240,773	1,282,553	1,153,454	876,838
Receivable from parent, subsidiaries and affiliates	22,867,231	12,778,694	5,112,877	11,216,265
Aggregate write-ins for other than invested assets	2,990,922	463,554	274,766	370,070
Total	\$ 125,073,852	\$ 109,531,571	\$ 101,549,198	\$ 95,603,926
Losses	\$ 24,313,283	\$ 23,660,400	\$ 21,516,044	\$ 18,821,431
Reinsurance payable on paid loss and loss adjustment expenses	2,624,997	2,219,690	1,277,618	391,180
Loss adjustment expenses	2,856,088	2,819,595	2,563,043	2,461,292
Commissions payable, contingent commissions and other similar charges	536,474	483,093	491,869	501,936
Other expenses	0	1,057,736	947,204	1,011,639
Taxes, licenses and fees	722,000	294	30,224	40,244
Current federal and foreign income taxes	407,238	575,420	437,890	809,792
Unearned premiums	10,720,613	11,544,708	12,512,288	9,053,724
Advance premium	277,855	448,819	185,410	400,860
Dividends declared and unpaid:				
Policyholders'	13,509	0	0	28,082
Ceded reinsurance premiums payable (net of ceding commissions)	60,454,512	43,840,287	40,135,840	41,927,985
Funds held by company under reinsurance treaties	320,000	320,000	320,000	200,000
Amounts withheld or retained by company for account of others	1,693,173	2,053,129	1,819,581	1,909,708
Remittances and items not allocated	256,835	103,992	71,545	256
Provision for reinsurance	0	0	0	2,553,000
Total liabilities	105,196,577	89,127,164	82,308,556	80,111,129
Common capital stock	2,501,250	2,501,250	2,501,250	2,501,250
Gross paid in and contributed surplus	758,750	758,750	758,750	758,750
Unassigned funds (surplus)	16,617,275	17,144,407	15,980,642	12,232,797
Surplus as regards policyholders	19,877,275	20,404,407	19,240,642	15,492,797
Totals	\$ 125,073,852	\$ 109,531,571	\$ 101,549,198	\$ 95,603,926

**Comparative Statement of Income
For the Year Ended December 31,
Allied Eastern Indemnity Company**

Underwriting Income	2020	2019	2018	2017
Premiums earned	\$ 25,128,864	\$ 27,212,962	\$ 24,403,101	\$ 20,096,022
Deductions:				
Losses incurred	14,274,136	15,880,818	13,941,942	10,602,580
Loss expenses incurred	2,365,237	2,485,980	2,009,249	1,894,760
Other underwriting expenses incurred	7,115,540	7,589,645	7,669,058	5,376,446
Total underwriting deductions	<u>23,754,913</u>	<u>25,956,443</u>	<u>23,620,249</u>	<u>17,873,786</u>
Net underwriting gain or (loss)	<u>1,373,951</u>	<u>1,256,519</u>	<u>782,852</u>	<u>2,222,236</u>
Investment Income				
Net investment income earned	832,979	922,251	752,179	576,740
Net realized capital gains or (losses)	(7,182)	(1,129)	(13,711)	(44,773)
Net investment gain or (loss)	<u>825,797</u>	<u>921,122</u>	<u>738,468</u>	<u>531,967</u>
Other Income				
Net gain or (loss) from agents' or premium balances charged off	(302,838)	(148,099)	(129,951)	(129,461)
Finance and service charges not included in premiums	106,157	73,965	82,465	76,428
Aggregate write-ins for miscellaneous income	0	0	0	45,000
Total other income	<u>(196,681)</u>	<u>(74,134)</u>	<u>(47,486)</u>	<u>(8,033)</u>
Net income before dividends to policyholders and before federal and foreign income taxes	2,003,067	2,103,508	1,473,834	2,746,170
Dividends to policyholders	140,742	71,794	93,403	111,934
Federal and foreign income taxes incurred	409,148	498,771	510,455	904,308
Net income	<u>\$ 1,453,177</u>	<u>\$ 1,532,943</u>	<u>\$ 869,976</u>	<u>\$ 1,729,928</u>

**Comparative Statement of Capital and Surplus
For the Year Ended December 31,
Allied Eastern Indemnity Company**

	2020	2019	2018	2017
Surplus as regards policyholders,				
December 31, previous year	\$ 20,404,407	\$ 19,240,642	\$ 15,492,797	\$ 16,879,099
Net income	1,453,177	1,532,943	869,976	1,729,928
Change in net deferred income tax	(7,340)	173,036	219,524	(587,183)
Change in nonadmitted assets	67,469	(542,212)	105,345	23,953
Change in provision for reinsurance	0	0	2,553,001	(2,553,000)
Dividends to stockholders	(2,040,440)	0	0	0
Change in surplus as regards policyholder for the year	(527,132)	1,163,765	3,747,845	(1,386,302)
Surplus as regards policyholders,				
December 31, current year	\$ 19,877,275	\$ 20,404,407	\$ 19,240,642	\$ 15,492,797

For Informational Purposes Only

Comparative Statement of Cash Flow
For the Year Ended December 31,
Allied Eastern Indemnity Company

Cash from Operations				
Premiums collected net of reinsurance	\$ 39,515,365	\$ 30,628,917	\$ 15,171,735	\$ 28,170,838
Net investment income	913,194	949,214	871,171	759,677
Miscellaneous income	(196,681)	(74,134)	(47,486)	(8,033)
Total income	<u>40,231,878</u>	<u>31,503,997</u>	<u>15,995,420</u>	<u>28,922,482</u>
Benefit and loss related payments	15,544,690	15,023,818	12,370,141	12,417,794
Commissions, expenses paid and aggregate write-ins for deductions	7,391,690	7,517,712	7,651,906	5,247,593
Dividends to policyholders	127,233	71,794	121,485	107,165
Federal and foreign income taxes paid (recovered)	575,420	360,942	878,713	591,898
Total deductions	<u>23,639,033</u>	<u>22,974,266</u>	<u>21,022,245</u>	<u>18,364,450</u>
Net cash from operations	<u>16,592,845</u>	<u>8,529,731</u>	<u>(5,026,825)</u>	<u>10,558,032</u>
Cash from Investments				
Proceeds from investments sold, matured or repaid:				
Bonds	8,562,484	5,105,163	11,632,477	5,185,367
Net gain or (loss) on cash and short-term investments	0	0	(2,508)	0
Miscellaneous proceeds	0	600,000	0	0
Total investment proceeds	<u>8,562,484</u>	<u>5,705,163</u>	<u>11,629,969</u>	<u>5,185,367</u>
Cost of investments acquired (long-term only):				
Bonds	7,862,344	6,481,627	15,060,871	5,002,365
Miscellaneous applications	0	0	600,000	0
Total investments acquired	<u>7,862,344</u>	<u>6,481,627</u>	<u>15,660,871</u>	<u>5,002,365</u>
Net cash from investments	<u>700,140</u>	<u>(776,464)</u>	<u>(4,030,902)</u>	<u>183,002</u>
Cash from Financing and Miscellaneous Services				
Other cash provided (applied):				
Dividends to stockholders (paid)	2,040,440	0	0	0
Other cash provided or (applied)	(12,823,018)	(7,588,611)	6,299,854	(11,647,014)
Net cash from financing and miscellaneous sources	<u>(14,863,459)</u>	<u>(7,588,610)</u>	<u>6,299,853</u>	<u>(11,647,015)</u>
Reconciliation of cash and short-term investments:				
Net change in cash and short-term investments	2,429,526	164,657	(2,757,874)	(905,981)
Cash and short-term investments:				
Beginning of the year	1,400,641	1,235,984	3,993,858	4,899,839
End of the year	<u>\$ 3,830,167</u>	<u>\$ 1,400,641</u>	<u>\$ 1,235,984</u>	<u>\$ 3,993,858</u>

Eastern Alliance Insurance Group

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Comparative Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31,

Eastern Advantage Assurance Company

	2020	2019	2018	2017
Bonds	\$ 26,613,828	\$ 27,817,907	\$ 27,362,969	\$ 26,839,782
Cash, cash equivalents, and short term investments	4,489,460	905,237	996,568	1,062,945
Receivable for securities	0	600,000	230,000	0
Subtotals, cash and invested assets	31,103,288	29,323,144	28,589,537	27,902,727
Investment income due and accrued	159,000	168,479	158,385	202,672
Premiums and agents' balances due	35,648,178	30,126,010	32,414,210	26,298,885
Net deferred tax asset	857,652	875,126	836,482	574,296
Receivable from parent, subsidiaries and affiliates	8,147,564	10,953,451	9,189,408	6,248,556
Aggregate write-ins for other than invested assets	198,414	30,049	52,477	0
Total	\$ 76,114,096	\$ 71,476,260	\$ 71,240,500	\$ 61,227,136
Losses	\$ 16,988,774	\$ 16,937,238	\$ 14,954,472	\$ 13,030,251
Reinsurance payable on paid loss and loss adjustment expenses	2,555,873	1,940,622	1,548,887	382,889
Loss adjustment expenses	2,381,745	2,298,455	2,059,717	1,968,003
Commissions payable, contingent commissions and other similar charges	536,357	451,544	524,070	535,065
Other expenses	0	1,014,313	990,901	1,046,574
Taxes, licenses and fees	13,826	94,470	377,586	161,522
Current federal and foreign income taxes	375,947	555,961	842,513	503,203
Unearned premiums	9,666,068	10,597,355	11,517,682	7,980,811
Advance premium	159,204	109,140	33,014	93,885
Dividends declared and unpaid:				
Policyholders'	13,509	0	0	28,082
Ceded reinsurance premiums payable (net of ceding commissions)	23,940,847	17,298,742	19,970,227	18,507,155
Amounts withheld or retained by company for account of others	832,100	1,108,991	1,213,730	1,116,527
Remittances and items not allocated	110,124	117,327	30,917	0
Provision for reinsurance	0	0	0	975,000
Total liabilities	57,574,375	52,524,156	54,063,716	46,328,969
Common capital stock	2,501,250	2,501,250	2,501,250	2,501,250
Gross paid in and contributed surplus	5,898,750	5,898,750	5,898,750	5,898,750
Unassigned funds (surplus)	10,139,721	10,552,104	8,776,784	6,498,167
Surplus as regards policyholders	18,539,721	18,952,104	17,176,784	14,898,167
Totals	\$ 76,114,096	\$ 71,476,260	\$ 71,240,500	\$ 61,227,136

**Comparative Statement of Income
For the Year Ended December 31,
Eastern Advantage Assurance Company**

Underwriting Income	2020	2019	2018	2017
Premiums earned	\$ 21,978,308	\$ 24,446,309	\$ 21,737,523	\$ 17,109,072
Deductions:				
Losses incurred	12,054,762	13,887,193	12,120,498	9,211,410
Loss expenses incurred	2,411,206	2,473,738	1,997,660	1,918,813
Other underwriting expenses incurred	6,117,342	6,515,669	6,588,484	4,372,592
Total underwriting deductions	20,583,310	22,876,600	20,706,642	15,502,815
Net underwriting gain or (loss)	1,394,998	1,569,709	1,030,881	1,606,257
Investment Income				
Net investment income earned	689,100	757,553	641,973	522,070
Net realized capital gains or (losses)	2,949	(4,264)	(33,533)	(51,588)
Net investment gain or (loss)	692,049	753,289	608,440	470,482
Other Income				
Net gain or (loss) from agents' or premium balances charged off	(135,565)	(26,591)	(13,635)	(11,124)
Finance and service charges not included in premiums	53,101	49,912	60,500	64,059
Total other income	(82,464)	23,321	46,865	52,935
Net income before dividends to policyholders and before federal and foreign income taxes	2,004,584	2,346,319	1,686,186	2,129,674
Dividends to policyholders	140,742	71,794	93,403	111,934
Federal and foreign income taxes incurred	375,163	511,594	542,551	777,869
Net income	\$ 1,488,679	\$ 1,762,931	\$ 1,050,232	\$ 1,239,871

For Informational Purposes Only

**Comparative Statement of Capital and Surplus
For the Year Ended December 31,**

Eastern Advantage Assurance Company

	2020	2019	2018	2017
Surplus as regards policyholders,				
December 31, previous year	\$ 18,952,104	\$ 17,176,784	\$ 14,898,167	\$ 14,951,880
Net income	1,488,679	1,762,931	1,050,232	1,239,871
Net unrealized capital gains or (losses)	(3,053)	0	0	0
Change in net deferred income tax	(17,474)	38,643	217,021	(308,987)
Change in nonadmitted assets	14,676	(26,256)	36,364	(9,597)
Change in provision for reinsurance	0	0	975,001	(975,000)
Dividends to stockholders	(1,895,210)	0	0	0
Change in surplus as regards policyholder for the year	<u>(412,383)</u>	<u>1,775,320</u>	<u>2,278,617</u>	<u>(53,713)</u>
Surplus as regards policyholders,				
December 31, current year	<u>\$ 18,539,721</u>	<u>\$ 18,952,104</u>	<u>\$ 17,176,784</u>	<u>\$ 14,898,167</u>

For Informational Purposes Only

Comparative Statement of Cash Flow
For the Year Ended December 31,
Eastern Advantage Assurance Company

	2020	2019	2018	2017
Cash from Operations				
Premiums collected net of reinsurance	\$ 22,232,513	\$ 23,192,564	\$ 20,552,469	\$ 19,668,181
Net investment income	755,369	797,667	764,125	648,599
Miscellaneous income	(82,464)	23,321	46,865	52,935
Total income	22,905,418	24,013,552	21,363,459	20,369,715
Benefit and loss related payments	13,715,891	13,747,692	11,027,940	10,044,737
Commissions, expenses paid and aggregate write-ins for deductions	7,121,686	6,848,002	6,346,891	4,037,602
Dividends to policyholders	127,233	71,794	121,485	107,165
Federal and foreign income taxes paid (recovered)	555,961	797,012	194,327	437,569
Total deductions	21,520,771	21,464,500	17,690,643	14,627,073
Net cash from operations	1,384,647	2,549,052	3,672,816	5,742,642
Cash from Investments				
Proceeds from investments sold, matured or repaid:				
Bonds	6,639,962	4,672,561	11,925,284	6,632,343
Net gain or (loss) on cash and short-term investments	0	0	(2,508)	0
Miscellaneous proceeds	600,000	0	0	0
Total investment proceeds	7,239,962	4,672,561	11,922,776	6,632,343
Cost of investments acquired (long-term only):				
Bonds	5,498,608	5,183,001	12,566,758	7,422,159
Miscellaneous applications	0	370,000	230,000	0
Total investments acquired	5,498,607	5,553,001	12,796,758	7,422,159
Net cash from investments	1,741,355	(880,440)	(873,982)	(789,816)
Cash from Financing and Miscellaneous Services				
Other cash provided (applied):				
Dividends to stockholders (paid)	1,895,210	0	0	0
Other cash provided or (applied)	2,353,431	(1,759,945)	(2,865,210)	(6,511,173)
Net cash from financing and miscellaneous sources	458,221	(1,759,943)	(2,865,211)	(6,511,173)
Reconciliation of cash and short-term investments:				
Net change in cash and short-term investments	3,584,223	(91,331)	(66,377)	(1,558,347)
Cash and short-term investments:				
Beginning of the year	905,237	996,568	1,062,945	2,621,292
End of the year	\$ 4,489,460	\$ 905,237	\$ 996,568	\$ 1,062,945

SUMMARY OF EXAMINATION CHANGES

There were no examination changes to the preceding financial statements as filed with regulatory authorities over the review period.

NOTES TO FINANCIAL STATEMENTS**ASSETS****INVESTMENTS**

As of December 31, 2020, EAIC's invested assets were distributed as follows:

Eastern Alliance Insurance Co.	Amount	Percentage
Bonds	\$ 178,439,358	67.2 %
Preferred stocks	2,813,868	1.1 %
Common stocks	15,831,305	6.0 %
Cash	13,824,865	5.2 %
Cash equivalents	9,773,032	3.7 %
Other invested assets	44,686,987	16.8 %
Receivable for securities	100,000	0.0 %
Totals	<u>\$ 265,469,415</u>	<u>100.0 %</u>

As of December 31, 2020, EAIC's bond portfolio had the following quality and maturity profiles:

Eastern Alliance Insurance Co.	Amount	Percentage
NAIC Designation		
1 - highest quality	\$ 120,754,702	67.7 %
2 - high quality	34,406,129	19.3 %
3 - medium quality	9,421,784	5.3 %
4 - low quality	12,546,754	7.0 %
5 - lower quality	1,309,989	0.7 %
Totals	<u>\$ 178,439,358</u>	<u>100.0 %</u>

Eastern Alliance Insurance Co.	Amount	Percentage
Years to Maturity		
1 year or less	\$ 26,674,907	14.9 %
2 to 5 years	98,842,910	55.4 %
6 to 10 years	48,161,462	27.0 %
11 to 20 years	4,112,262	2.3 %
over 20 years	647,818	0.4 %
Totals	<u>\$ 178,439,358</u>	<u>100.0 %</u>

As of December 31, 2020, AEIC's invested assets were distributed as follows:

Eastern Alliance Insurance Group

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Allied Eastern Indemnity Co.		
	Amount	Percentage
Bonds	\$ 31,191,629	100.0 %
Cash	13,020	0.0 %
Cash equivalents	3,817,147	12.2 %
Securities lending reinvested collateral assets	(3,817,147)	(12.2)%
Aggregate write-ins for invested assets	(13,019)	0.0 %
Totals	\$ 31,191,630	100.0 %

As of December 31, 2020, AEIC's bond portfolio had the following quality and maturity profiles:

Allied Eastern Indemnity Co.		
NAIC Designation	Amount	Percentage
1 - highest quality	\$ 24,909,541	79.9 %
2 - high quality	6,282,090	20.1 %
Totals	\$ 31,191,630	100.0 %

Allied Eastern Indemnity Co.		
Years to Maturity	Amount	Percentage
1 year or less	\$ 9,330,731	29.9 %
2 to 5 years	13,743,938	44.1 %
6 to 10 years	6,605,565	21.2 %
11 to 20 years	1,220,713	3.9 %
over 20 years	290,684	0.9 %
Totals	\$ 31,191,630	100.0 %

As of December 31, 2020, EAAC's invested assets were distributed as follows:

Eastern Advantage Assurance Co.		
	Amount	Percentage
Bonds	\$ 26,613,828	85.5 %
Cash	17,618	0.1 %
Cash equivalents	4,471,842	14.4 %
Totals	\$ 31,103,288	100.0 %

As of December 31, 2020, EAAC's invested assets had the following quality and maturity profiles:

Eastern Advantage Assurance Co.		
NAIC Designation	Amount	Percentage
1 - highest quality	\$ 21,237,849	79.8 %
2 - high quality	5,319,879	20.0 %
3 - medium quality	56,100	0.2 %
Totals	\$ 26,613,828	100.0 %

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Eastern Advantage Assurance Co.		
Years to Maturity	Amount	Percentage
1 year or less	\$ 7,401,739	27.8 %
2 to 5 years	13,506,702	50.8 %
6 to 10 years	4,639,648	17.4 %
11 to 20 years	782,688	2.9 %
over 20 years	283,052	1.1 %
Totals	<u>\$ 26,613,828</u>	<u>100.0 %</u>

The Companies have investment portfolios that consist primarily of bonds, common stocks, and cash and short-term investments. The Companies' bond portfolios consist primarily of U.S. government, industrial, and state and special revenue securities.

The Companies adopted a written investment policy at PRA that is applicable to all PRA insurance entities. The investment policy meets the requirements of 40 P.S. § 653b(b). The Companies were following the investment policy as of December 31, 2020.

During the course of the examination, it was found that each Companies' Board does not annually review and approve the investment policy in compliance with 40 P.S. § 653b(b), which states in part: "Any domestic company subject to the provisions of this act is required to have a formal investment plan which shall be updated on an annual basis as authorized by the board of directors."

It is recommended that each Companies' Board formally review, update, and authorize the investment policy on an annual basis in compliance with 40 P.S. § 653b(b).

Each of the Companies entered into a separate Custodial Agreement with U.S. Bank National Association. The custodial agreements were reviewed and found to be in compliance with 31 Pa. Code § 148a.3.

LIABILITIES

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The Companies' reported reserves for net losses and loss adjustment expenses ("LAE") on the December 31, 2020 Annual Statements, per the Pooling Agreement were as follows:

<u>Company</u>	<u>Loss</u>	<u>LAE</u>
EAIC	\$90,494,569	\$12,649,600
AEIC	\$24,313,283	\$2,856,088
EAAC	\$16,988,774	\$2,381,754

Marc F. Oberholtzer, FCAS, MAAA, of PricewaterhouseCoopers, LLP, was the appointed actuary ("AA") for all years of the examination period.

For each year in the examination period, the AA provided a Statement of Actuarial Opinion stating that the loss and LAE reserve amounts made a reasonable (or otherwise)

provision on the adequacy of its loss and LAE reserves as provided in the NAIC *Annual Statement Instructions – Property/Casualty*).

In order for the examination team to gain an adequate comfort level with the Companies' reserve estimates, the Department engaged actuarial staff from Merlinos & Associates, Inc. engaged through Noble Consulting Services, Inc. to assist the examination team in performing a risk-focused review of the Companies' reserving processes. Certain processes within the review required Phase 5 substantive test work.

Based on the procedures performed and the results obtained, the examination team obtained sufficient documentation to support the conclusion that the Companies' carried loss and LAE reserve amounts are reasonably stated as of December 31, 2020.

SUBSEQUENT EVENTS

The Department is monitoring the impact of the COVID-19 global pandemic. The Department recognizes that COVID-19 could have a significant financial and operational impact on all of its domestic insurers, including the Company. As such, the Department will continue to monitor and share information with the Companies as appropriate related to COVID-19 developments.

On May 5, 2021, PRA completed the acquisition of NORCAL Insurance Company, a California domiciled insurance company, and all its subsidiaries. As a result of that transaction, the various intercompany agreements referenced under the caption "Service and Operating Agreements" were replaced or restated to include NORCAL and its subsidiaries. The Companies provided notice of each of the agreements and amendments below through Form D filings that were approved by the Department pursuant to 40 P.S. § 991.1405(a)(2)(v).

1. Effective September 1, 2021, PRA and its subsidiaries, which includes the Companies, entered into a Consolidated Tax Allocation Agreement, which succeeded the Consolidated Tax Allocation Agreement dated January 1, 2014. That Agreement was further amended on September 1, 2021 to become compliant with regulations in other jurisdictions of NORCAL and its subsidiary companies.
2. Effective September 1, 2021, PRA and its subsidiaries, which includes the Companies, entered into an Amended & Restated Expense Allocation Agreement to include NORCAL and its subsidiary companies.
3. Effective October 1, 2021, PRA and its subsidiaries, which includes the Companies, entered into an Amended & Restated Management Services Agreement to include NORCAL and its subsidiary companies.
4. Effective October 1, 2021, PRA and its subsidiaries, which includes the Companies, amended the Amended & Restated Management Services Agreement to include Texas domestics.

On August 26, 2021, the Department issued Order No. ID-RC-21-16 approving the application of PRA requesting exemption from the requirements of 40 P.S. § 991.1402 for the restructuring of its holding company system.

RECOMMENDATIONS**PRIOR EXAMINATION**

The prior examination report contained no recommendations.

CURRENT EXAMINATION

As a result of the current examination, the following recommendations are being made:

1. It is recommended that the Companies file combined audited statements in compliance with the requirements of 31 Pa. Code § 147.7(a). (See “Scope of Examination”, pg. 2)
2. It is recommended that each Companies’ Board formally review, update, and authorize the Investment Policy on an annual basis in compliance with 40 P.S. § 653b(b). (See “Investments”, pg. 29)

CONCLUSION

As a result of this examination, the financial condition of Eastern Alliance Insurance Company, as of December 31, 2020, was determined to be as follows:

	Amount	Percentage
Admitted assets	\$ 381,679,636	100.0 %
Liabilities	268,627,237	70.4 %
Surplus as regards policyholders	113,052,399	29.6 %
Total liabilities and surplus	\$ 381,679,636	100.0 %

Since the previous examination, made as of December 31, 2016, EAIC’s assets increased by \$103,165,026, its liabilities increased by \$93,635,499, and its surplus increased by \$9,529,527.

As a result of this examination, the financial condition of Allied Eastern Indemnity Company, as of December 31, 2020, was determined to be as follows:

	Amount	Percentage
Admitted assets	\$ 125,073,852	100.0 %
Liabilities	105,196,577	84.1 %
Surplus as regards policyholders	19,877,275	15.9 %
Total liabilities and surplus	\$ 125,073,852	100.0 %

Since the previous examination, made as of December 31, 2016, AEIC’s assets increased by \$47,735,933, its liabilities increased by \$44,737,757, and its surplus increased by \$2,998,176.

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As a result of this examination, the financial condition of Eastern Advantage Assurance Company, as of December 31, 2020, was determined to be as follows:

	Amount	Percentage
Admitted assets	\$ 76,114,096	100.0 %
Liabilities	57,574,375	75.6 %
Surplus as regards policyholders	18,539,721	24.4 %
Total liabilities and surplus	\$ 76,114,096	100.0 %

Since the previous examination, made as of December 31, 2016, EAAC's assets increased by \$26,563,221, its liabilities increased by \$22,975,380, and its surplus increased by \$3,587,841.

This examination was conducted by Paul Ellis, CPA, CFE, AIE, CGMA, FLMI, Stefan Obereichholz-Bangert, AES, CISA, CISM, CDPSE, and Slava Bondarenko, CISA, of Noble Consulting Services, Inc.; Gregory Fano, FCAS, MAAA, of Merlinos & Associates, Inc.; and Department staff of James Di Santo and Mark A. Swearingen, CFE, with the latter in charge.

Respectfully submitted,



Matthew C. Milford, CFE
Director
Bureau of Financial Examinations



Stephanie A. Ohnmacht, CFE
Examination Manager



Mark A. Swearingen, CFE
Examiner-in-Charge

The CFE designation has been conferred by an organization not affiliated with the federal or any state government. However the CFE designation is the only designation recognized by the NAIC for the purposes of directing statutory Association examinations of insurance companies.