

Examination Warrant Number 21-00031-11981-R1  
21-00031-42390-R1  
21-00031-14702-R1  
21-00031-31470-R1

**Report of Examination of  
WestGUARD Insurance Company  
AmGUARD Insurance Company  
EastGUARD Insurance Company, and  
NorGUARD Insurance Company  
Wilkes-Barre, Pennsylvania  
As of December 31, 2021**

For Informational Purposes Only

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Harrisburg, Pennsylvania  
December 9, 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 21-00031-11981-R1, 21-00031-42390-R1, 21-00031-14702-R1 and 21-00031-31470-R1 dated August 9, 2021, an examination was made of

**WestGUARD Insurance Company, NAIC Code:11981**

**AmGUARD Insurance Company, NAIC Code:42390**

**EastGUARD Insurance Company, NAIC Code:14702**

**NorGUARD Insurance Company, NAIC Code:31470**

Pennsylvania domiciled, multi-state, property and casualty insurance companies hereinafter referred to as the “Companies” or “Group.” A report of this group examination is hereby respectfully submitted.

### **SCOPE OF EXAMINATION**

The Pennsylvania Insurance Department (“Department”) has performed an examination of the Companies, which were last examined as of December 31, 2016. This examination covered the five-year period from January 1, 2017 through December 31, 2021.

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 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.

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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 their 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 KPMG, LLP ("CPA") provided an unmodified audit opinion on the Companies' year-end financial statements 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.

The following company was examined at the same time during the above examination:

<u>Company</u>	<u>NAIC Code</u>	<u>Domestic State</u>
AzGUARD Insurance Company	16495	Nebraska

### HISTORY

WestGUARD Insurance Company ("WestGUARD" or "WIC") was incorporated on February 10, 2003, licensed by the Department on July 16, 2004, and commenced business on or about July 16, 2004.

AmGUARD Insurance Company ("AmGUARD" or "AIC") was incorporated on June 10, 1982, licensed by the Department on May 18, 1983, and commenced business on or about July 26, 1983.

EastGUARD Insurance Company ("EastGUARD" or "EIC") was incorporated in the State of Maine on February 23, 1827 and commenced business on or about this date. EIC was licensed by the Department on July 3, 1996. On April 13, 2000, EIC redomesticated from the State of Maine to the Commonwealth of Pennsylvania.

NorGUARD Insurance Company ("NorGUARD" or "NIC") was incorporated on August 12, 1987, licensed by the Department on March 22, 1988, and commenced business on or about April 1, 1988.

WIC, AIC, EIC, and NIC are each 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, (b)(3) Ocean Marine, (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)(7) Credit, (c)(8) Water Damage, (c)(9) Elevator, (c)(10) Livestock, (c)(11) Auto Liability,

(c)(12) Mine and Machinery, (c)(13) Personal Property Floater, and (c)(14) Workers' Compensation.

## **MANAGEMENT AND CONTROL**

### **CAPITALIZATION**

As of December 31, 2021, WIC's total surplus was \$1,072,544,627, consisting of 3,000,000 capital shares of issued and outstanding common stock with a par value of \$1 per share amounting to \$3,000,000; \$415,978,291 in gross paid in and contributed surplus; and \$653,566,336 in unassigned funds (surplus).

WIC's minimum capital and minimum surplus requirements for the types of business for which it is licensed, pursuant to 40 P.S. § 386, are \$2,350,000 in capital and \$1,175,000 in surplus. WIC met the minimum capital and minimum surplus requirements throughout the examination period.

As of December 31, 2021, AIC's total surplus was \$311,969,866, consisting of 333,000 capital shares of issued and outstanding common stock with a par value of \$16 per share amounting to \$5,328,000; \$32,114,745 in gross paid in and contributed surplus; and \$274,527,121 in unassigned funds (surplus).

AIC's minimum capital and minimum surplus requirements for the types of business for which it is licensed, pursuant to 40 P.S. § 386, are \$2,350,000 in capital and \$1,175,000 in surplus. AIC met the minimum capital and minimum surplus requirements throughout the examination period.

As of December 31, 2021, EIC's total surplus was \$98,995,987, consisting of 2,500,000 capital shares of issued and outstanding common stock with a par value of \$2 per share amounting to \$5,000,000; \$5,000,000 in gross paid in and contributed surplus; and \$88,995,987 in unassigned funds (surplus).

EIC's minimum capital and minimum surplus requirements for the types of business for which it is licensed, pursuant to 40 P.S. § 386, are \$2,350,000 in capital and \$1,175,000 in surplus. EIC met the minimum capital and minimum surplus requirements throughout the examination period.

As of December 31, 2021, NIC's total surplus was \$444,829,551, consisting of 150,000 capital shares of issued and outstanding common stock with a par value of \$35 per share amounting to \$5,250,000; \$36,400,000 in gross paid in and contributed surplus; and \$403,179,551 in unassigned funds (surplus).

NIC's minimum capital and minimum surplus requirements for the types of business for which it is licensed, pursuant to 40 P.S. § 386, are \$2,350,000 in capital and \$1,175,000 in

surplus. NIC met the minimum capital and minimum surplus requirements throughout the examination period.

## **STOCKHOLDER**

National Indemnity Company (“NICO”), a Nebraska domiciled insurance company, directly owns all of the issued and outstanding voting common stock of WIC, representing 100% of the voting securities of WIC. WIC directly owns all of the issued and outstanding voting common stock of AIC, EIC and NIC, representing 100% of the voting securities of each company.

No dividends were declared or paid by any of the Companies during this examination period.

## **INSURANCE HOLDING COMPANY SYSTEM**

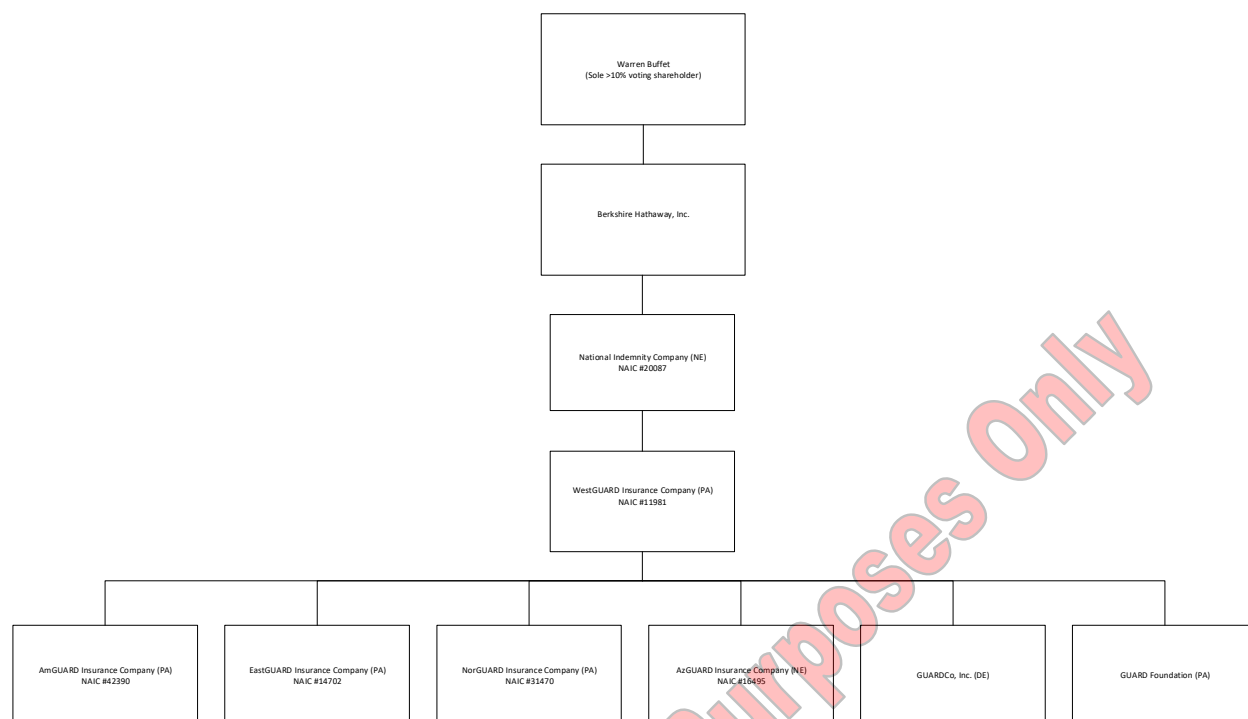
The Companies meet the requirements for filing an insurance holding company system annual registration statement (“Annual Registration Statement”), in accordance with 40 P.S. § 991.1404. For each year of the examination period, the Companies filed the required Annual Registration Statement by March 31.

The organizational chart below depicts the Companies’ direct and indirect ownership within its holding company system as of December 31, 2021. The organizational chart does not depict all entities contained within the holding company system due to the size and complexity of the business operations within the holding company system. The holding company system consists of various insurance and non-insurance entities.

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As of December 31, 2021, the sole ultimate controlling person of the holding company system that includes the Companies is Warren Buffett. Pursuant to the Companies' 2021 Annual Registration Statement, Mr. Buffett owned 238,624 shares of Class A common stock and 2,412 shares of Class B common stock of Berkshire Hathaway, Inc. ("Berkshire"), which represents 31.89% of the aggregate voting power of Berkshire.

Berkshire, a holding company organized under the laws of Delaware, directly owns all of the issued and outstanding common stock of NICO.

As stated previously, NICO directly owns all of the issued and outstanding common stock of WestGUARD, and WestGUARD directly owns all of the issued and outstanding common stock of AmGUARD, EastGUARD, and NorGUARD.

AzGUARD Insurance Company ("AzGUARD"), a Nebraska-domiciled, property and casualty insurance company became part of the holding company system on August 21, 2018, when it was capitalized by the sale of stock to WestGUARD. WestGUARD directly holds 100% of the issued and outstanding stock of AzGUARD.

GUARDCo, Inc. ("GUARDCo"), a Delaware business corporation, provides medical management services as relates the Companies' workers' compensation claims. GUARDCo is a wholly owned subsidiary of WestGUARD.

GUARD Foundation, a Pennsylvania non-profit stock corporation, provides contributions to community-based charitable organizations. GUARD Foundation is a wholly owned subsidiary of WestGUARD.

**BOARD OF DIRECTORS**

Management of the Companies is vested in each Company’s Board of Directors (“Board”). The composition of each Companies’ Board is identical and comprised of the following members as of December 31, 2021:

<b>Name and Address</b>	<b>Principal Occupation</b>
Eitan Ajchenbaum Weehawken, New Jersey	Chief Financial Officer/Treasurer WestGUARD Insurance Company
Bruce J. Byrnes New York, New York	Vice President National Liability & Fire Insurance Company
Sy Foguel New York, New York	President/Chief Executive Officer WestGUARD Insurance Company
Carmel M. O’Sullivan New York, New York	Financial Administrator Resolute Management, Inc.
Peter M. Shelley Darien, Connecticut	Vice President National Liability & Fire Insurance Company
Brian G. Snover Stamford, Connecticut	Vice President National Liability & Fire Insurance Company
Carl J. Witkowski Duryea, Pennsylvania	Chief Operating Officer/Executive Vice President WestGUARD Insurance Company

According to Article 2, Section 2 of each Company’s by-laws, the Board of Directors shall consist of not less than 7 nor more than 11 members of the Company. Directors are elected at the annual meetings and the term of office for each director is 1 year.

**COMMITTEES**

As of December 31, 2021, the following committees were appointed by the Board and serving in accordance with the Companies’ by-laws:

<b><u>Executive Committee</u></b>	<b><u>Investment Committee</u></b>
Peter M. Shelley Sy Foguel Bruce J. Byrnes	Peter M. Shelley Sy Foguel Bruce J. Byrnes
<b><u>Policy Dividend Committee</u></b>	<b><u>Audit, Nominating, and Compensation Committees</u></b>
Eitan Ajchenbaum Sy Foguel	Peter M. Shelley Bruce J. Byrnes Carl J. Witkowski Sy Foguel



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The Companies have interlocking directorates with affiliated insurance and non-insurance entities to centralize various governance functions and gain efficiencies performing overlapping Board processes.

The Companies are not in compliance with 40 P.S. § 991.1405(c)(3) through (5) because they do not have an independent committee performing the duties required under 40 P.S. § 991.1405(c)(4) and 40 P.S. § 991.1405(c)(4.1). Its parent, Berkshire, does have an audit and nominating committee that meets the independence requirements defined in 40 P.S. § 991.1405(c)(3); however, these committees do not perform tasks for the Companies as required by 40 P.S. § 991.1405(c)(5).

*It is recommended that the Companies appoint at least one committee that meets the independence requirements outlined under 40 P.S. § 991.1405(c)(3) to perform all duties required under 40 P.S. § 991.1405(c)(4) and 40 P.S. § 991.1405(c)(4.1).*

## OFFICERS

As of December 31, 2021, the following officers were appointed and serving in accordance with the Companies' by-laws:

<b>Name</b>	<b>Title</b>
Peter M. Shelley	Chairperson of the Board
Sy Foguel	President
Eitan Ajchenbaum	Treasurer
Matthew O'Connor	Secretary
Carl J. Witkowski	Executive Vice President
Lyle S. Hitt	Executive Vice President

## CORPORATE RECORDS

### MINUTES

A compliance review of corporate minutes revealed the following:

- The Annual Meetings of the Companies' stockholder were held in compliance with their by-laws.
- The stockholder elects' 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 all directors' meetings.
- The Companies' investment transactions are approved quarterly by the Board.
- All directors attend Board meetings regularly.

## **ARTICLES OF INCORPORATION/DOMESTICATION**

There have been no amendments to the Articles of Incorporation of WIC, AIC, or NIC during the examination period.

There have been no amendments to the Articles of Domestication of EIC during the examination period.

## **BY-LAWS**

There have been no amendments to the by-laws of WIC, AIC, EIC or NIC during the examination period.

## **SERVICE AND OPERATING AGREEMENTS**

The Companies are party to various service and operating agreements, which include inter-company and related-party agreements. The following significant agreements were in place during the examination period:

### **Cost Sharing Agreement**

Effective January 1, 2015, the Companies are party to an inter-company cost sharing agreement, where WestGUARD provides services to AmGUARD, EastGUARD, and NorGUARD in accordance with the companies' guidelines, including the underwriting of risks, adjudication of claims, collection of premium, payment of claims and all other administrative functions. Effective January 1, 2019, AzGUARD Insurance Company ("AzGUARD") was made a party to this agreement.

### **Cooperative Care Agreement**

Effective February 1, 1997, GUARDCo is party to this agreement with InterGUARD Ltd. ("InterGUARD"). Under the agreement, InterGUARD provides workers compensation managed care services to GUARDCo for the benefit of, and with the joinder of, the Companies. Effective January 1, 2015, the agreement was amended to add WestGUARD as the successor in interest to InterGUARD due to its merger with WestGUARD.

### **Administrative Services Agreement**

Effective January 1, 2016, WestGUARD is party to an administrative services agreement with Affiliated Agency Operations Co. ("AAOC"). The agreement sets forth administrative services to be provided by WestGUARD to AAOC and services to be provided by AAOC to WestGUARD in accordance with their respective businesses, including payment terms. In April 2019, AzGUARD Insurance Company ("AzGUARD") was made a party to this agreement.

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### Service Agreements

Effective July 1, 2014, WestGUARD is party to an inter-company service agreement with National Liability & Fire Insurance Company (“NLF”) to assist NLF in the administration of its workers compensation business and allowing access to WestGUARD's proprietary software for rating and quoting, policy documentation, claims administration services, loss control and internet services. Effective July 26, 2018, the agreement was amended to ensure WestGUARD's price structure was consistent with service agreements with its affiliates.

Effective July 6, 2015, WestGUARD is party to an inter-company service agreement with Berkshire Hathaway Direct Insurance Co (“BHDIC”). WestGUARD provides services to assist BHDIC in its program of direct marketing including the creation of a website for BHDIC to sell small commercial insurance products via the internet. Effective October 1, 2016, the agreement was amended to reduce the fees for services performed by WestGUARD and to provide for BHDIC to reimburse WestGUARD directly for expense of certain services formerly included within the fee for services. Effective July 1, 2018, the agreement was amended to ensure WestGUARD's price structure was consistent with service agreements with its affiliates.

Effective April 15, 2018, WestGUARD is party to an inter-company service agreement with Wellfleet Insurance Company (“WFIC”). WestGUARD provides services to assist WFIC in its program of direct marketing including the creation of a website for WFIC to sell small commercial insurance products via the internet. Effective July 1, 2018, the agreement was amended to ensure WestGUARD's price structure was consistent with service agreements with its affiliates. Effective August 4, 2021, the agreement was amended to change any service agreement references from predecessor, Commercial Casualty Insurance Company to WFIC and implemented certain Special Investigation Unit (“SIU”) processes and services.

Effective April 15, 2018, WestGUARD is party to an inter-company service agreement with Wellfleet New York Insurance Company (“WNYIC”). WestGUARD provides services to assist WNYIC in its program of direct marketing including the creation of a website for WNYIC to sell small commercial insurance products via the internet. Effective August 10, 2020, the agreement was amended to incorporate WNYIC's name change and certain SIU processes and services under the New York laws.

Effective March 28, 2019, WestGUARD is party to an inter-company service agreement with National Fire & Marine Insurance Company (“NFM”). In this agreement, WestGUARD provides services to assist NFM in its program of direct marketing including the creation of a website for NFM to sell small commercial insurance products via the internet.

Some of the agreements and amendments to agreements noted above which were executed during the examination period were not evidenced in the corporate minutes reviewed as

being authorized by the Companies' Boards. As noted in 40 P. S. § 991.1405(a)(1)(iii), "Expenses incurred and payment received shall be allocated to the insurer in conformity with customary insurance accounting practices consistently applied and all cost-sharing or expense allocation arrangements must be formalized in writing and authorized by the board of directors of the domestic insurer."

*It is recommended that all new cost-sharing or expense allocation arrangements or amendments to any existing cost-sharing or expense allocation agreements executed by the Companies are authorized by their Boards and this approval is documented in the meeting minutes of the Companies' Boards or committees thereof in accordance with 40 P. S. § 991.1405(a)(1)(iii).*

**Tax Allocation Agreements**

Effective October 26, 2012, WIC, AIC, EIC, and NIC each have a separate tax allocation agreement with Berkshire. The agreements set forth the terms of calculation of the federal tax liability to be paid to Berkshire, and payment terms.

**REINSURANCE**

**POOLING AGREEMENT**

Effective July 1, 2004, the Companies entered into an Inter-company Pooling Agreement ("Pooling Agreement") for the pooling of workers' compensation business written by the Companies. Effective October 8, 2008, Amendment No. 1 to the Pooling Agreement amends the agreement to provide for quarterly accounting and timeliness of payments. Effective July 1, 2015, Amendment No. 2 to the Pooling Agreement amends the agreement to apply to all authorized lines of business of the Companies. Effective January 1, 2019, Amendment No. 3 adds AzGUARD to the Pooling Agreement.

Pursuant to the Pooling Agreement, premiums, and losses, as defined in the agreement, are allocated to the Companies based on each Companies' assigned percentage of the total pool. Pooling agreements between the Companies adopted prior to July 1, 2004, are in run-off.

A summary of the intercompany pooling percentages are as follows:

<u>Accident Periods</u>	<u>WestGUARD</u>	<u>AmGUARD</u>	<u>EastGUARD</u>	<u>NorGUARD</u>	<u>AzGUARD</u>
12/31/2000 and prior	0%	52%	11%	37%	-
1/1/2001 to 6/30/2004	0%	45%	10%	45%	-
7/1/2004 to 12/31/2018	5%	35%	10%	50%	-
1/1/2019 to present	5%	35%	10%	45%	5%

**CEDED**

**Automobile Quota Share Contract**

Effective July 1, 2021, AmGUARD entered into a commercial automobile quota share contract with Swiss Reinsurance Company. The contract remains in force for one year.

<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Types of Business</u>
75% Varies by loss type.	\$1,250,000 any one loss occurrence.	Commercial Auto
25% First Party Loss Occurrence	\$500,000 any one loss occurrence due to terrorism	
25% Act of Terrorism Loss Occurrence	\$1,000,000 any one loss occurrence; \$2,500,000 aggregate limit due to ECO/XOL	
25% ECO/XOL Loss Occurrence; 25% aggregate limit		

**Excess of Loss/Catastrophe Contract**

Effective July 1, 2021, the Companies entered into an excess of loss/catastrophe contract with NICO. The contract remains in force for one year.

<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Types of Business</u>
\$2,000,000 each loss	10.881% of net earned premium	All in-force policies

**Quota Share Contract**

Effective January 1, 2013, the Companies entered into a quota share contract with NICO. The contract remains in force until terminated.

<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Types of Business</u>
50% of net loss	3 times net earned premium	All lines of insurance written

**Loss Portfolio Transfer Contract**

Effective December 31, 2012, the Companies entered into a loss portfolio transfer contract with NICO. The contract remains in force until the obligations thereunder have been discharged.

<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Types of Business</u>
50% of net loss	3 times the loss transfer payment	All lines of insurance written

**Property Facultative Contract**

Effective October 1, 2021, WestGUARD entered into a property facultative reinsurance contract with General Reinsurance Corporation (“GenRe”). The contract remains in effect until January 1, 2022.

<u>Company’s Retention</u>	<u>Reinsurance Limits</u>	<u>Types of Business</u>
\$50,000,000 for Hotel, Habitational, office and retail.	\$50,000,000	Property
\$50,000,000 for manufacturing, Distributers, truck stops, and restaurants.	\$25,000,000	

**Umbrella Quota Share Contract**

Effective October 1, 2017, the Companies entered into an umbrella quota share reinsurance contract with GenRe. The contract remains in force until terminated.

<u>Company’s Retention</u>	<u>Reinsurance Limits</u>	<u>Types of Business</u>
50% of the first \$5,000,000 each occurrence	50% of the first \$5,000,000 each occurrence	Personal Umbrella
75% of the first \$5,000,000 each occurrence	25% of the first \$5,000,000 each occurrence	Commercial Umbrella and excess liability

The Companies entered into six 100% quota share reinsurance agreements with The Hartford Steam Boiler Inspection and Insurance Company (“HSB”).

**Data Compromise**

Effective January 1, 2015, the Companies entered into a quota share reinsurance contract with HSB. The contract remains in force until terminated.

<u>Company’s Retention</u>	<u>Reinsurance Limits</u>	<u>Types of Business</u>
\$0	\$1,000,000 annual aggregate per policy for response expenses.	Data compromise coverage
	\$1,000,000 annual aggregate per policy for defense and liability	

**Equipment Breakdown**

Effective March 1, 2012, the Companies entered into a quota share reinsurance contract with HSB. The contract remains in force until terminated.

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<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Types of Business</u>
\$0	\$25,000,000 any one accident, any one policy	Equipment breakdown coverage as respects accidents and electronic circuitry impairments

### **Home System Protection**

Effective September 1, 2017, the Companies entered into a quota share reinsurance contract with HSB. The contract remains in force until terminated.

<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Types of Business</u>
\$0	\$50,000 any one home system breakdown, any one policy.	Home systems protection liability as respects home systems breakdowns.
	\$10,000 any one service line failure, any one policy.	Service line failures

### **Contractors Errors & Omissions**

Effective December 1, 2020, the Companies entered into a quota share reinsurance contract with HSB. The contract remains in force until terminated.

<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Types of Business</u>
\$0	\$1,000,000 each policy	Contractors' errors and omissions

### **Identity Theft Recovery**

Effective October 1, 2017, the Companies entered into a quota share reinsurance contract with HSB. The contract remains in force until terminated.

<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Types of Business</u>
\$0	\$25,000 annual aggregate each policy	Identity Theft

### **Cyber Suite**

Effective April 1, 2019, the Companies entered into a quota share reinsurance contract with HSB. Cyber suite includes liability coverage mainly for data compromise plus expenses, computer attack, computer extortion, network security, and electronic media . The contract remains in force until terminated.

<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Types of Business</u>
\$0	\$1,000,000 aggregate each policy for data compromise response expense.	Cyber suite attaching to new and renewal policies

\$1,000,000 aggregate each policy for computer attack and cyber extortion liability.

\$1,000,000 aggregate each policy for network security liability.

\$1,000,000 aggregate each policy for electronic media liability.

**Illinois Mine Subsidence**

Effective July 1, 2020, AmGUARD entered into a quota share reinsurance contract with the Illinois Mine Subsidence Insurance Fund. Under the contract, AmGUARD cedes 100% of mine subsidence insurance written to the fund. The contract terminates on July 1, 2025 or upon the repeal of the statute, whichever occurs first.

<u>Company's Retention</u> \$0	<u>Reinsurance Limits</u> None	<u>Types of Business</u> Property owners mine subsidence
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**Kentucky Mine Subsidence**

Effective May 5, 2017, AmGUARD entered into a quota share reinsurance contract with the Kentucky Mine Subsidence Insurance Fund. Under the contract, AmGUARD cedes 100% of mine subsidence insurance written to the fund. The contract has no termination date.

<u>Company's Retention</u> \$0	<u>Reinsurance Limits</u> \$325,000 each risk	<u>Types of Business</u> Property owners mine subsidence
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**Ohio Mine Subsidence**

Effective July 1, 2018, AmGUARD entered into a quota share reinsurance contract with the Ohio Mine Subsidence Insurance Underwriting Association. Under the contract, AmGUARD cedes 100% of mine subsidence insurance written to the Association. The contract has no termination date.

<u>Company's Retention</u> \$0	<u>Reinsurance Limits</u> \$300,000 per dwelling	<u>Types of Business</u> Property owners mine subsidence
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**West Virginia Mine Subsidence**

Effective June 16, 2017, AmGUARD entered into a quota share reinsurance contract with the West Virginia Mine Subsidence Insurance Fund. Under the contract, AmGUARD cedes 100% of mine subsidence insurance written to the fund. The contract has no termination date.



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<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Types of Business</u>
\$0	\$200,000 per loss plus allocated LAE expense	Property owners mine subsidence

### **Indiana Mine Subsidence**

Effective May 8, 2017, WestGUARD entered into a quota share reinsurance contract with the Indiana Mine Subsidence Insurance Fund. Under the contract, WestGUARD cedes 100% of mine subsidence insurance written to the fund. The contract has no termination date.

<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Types of Business</u>
\$0	\$500,000 per structure	Property owners mine subsidence

### **Minnesota Workers' Compensation Reinsurance Association**

Effective January 1, 2011, the Companies, under NICO, became members of the Minnesota Workers' Compensation Reinsurance Association ("MNBCRA"), which handles workers' compensation reinsurance for the state. All writers of workers' compensation in Minnesota are required to be MNBCRA members under an excess of loss reinsurance contract. WestGUARD joined the association in 2015. There is no termination date.

<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Types of Business</u>
\$490,000 per occurrence	None	Workers Compensation

### **North Carolina Motor Vehicle Reinsurance Facility**

Effective December 18, 2016, AmGUARD entered into a quota share reinsurance contract with the North Carolina Motor Vehicle Reinsurance Facility. This contract has no termination date as it is a mandatory pool for all companies that write auto insurance business in the State of North Carolina.

<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Types of Business</u>
\$0	Bodily injury - \$30,000 each person, \$60,000 each accident	Motor vehicle insurance
	Property damage - \$25,000 each accident	
	Medical payments - \$1,000 each person	
	Uninsured motorists - \$30,000 each person \$60,000 each accident for bodily injury	

\$25,000 for property damage

Additional ceding privileges' shall also be provided by the Board of Governors up to the following:

<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Types of Business</u>
\$0	Bodily injury - \$1000,000 each person, \$300,000 each accident	Motor vehicle insurance
	Property damage - \$50,000 each accident	
	Medical payments - \$2,000 each person	
	Underinsured motorists - \$1,000,000 each person each accident for bodily injury	
	Uninsured motorists - \$1,000,000 each person each accident for bodily injury and \$50,000 for property damage	

The Companies reinsurance intermediary, Guy Carpenter & Company, LLC ("Guy Carpenter"), is licensed by the Department as required by 40 P.S. § 321.2(a). The Companies have a properly executed written agreement with Guy Carpenter in accordance with 40 P.S. § 321.3.

All reinsurance contracts contain the proper insolvency and arbitration clauses. Additionally, all contracts transfer risk as outlined in SSAP No. 62R.

## **ASSUMED**

Aside from assumed reinsurance under the Pooling Agreement (see "Pooling Agreement" on Page 11), the Companies have assumed premiums from mandatory pool participation primarily from the National Workers Compensation Reinsurance Pool. The assumed premiums from mandatory pools do not represent a significant portion of the Companies' net premiums.

## **TERRITORY AND PLAN OF OPERATION**

As of December 31, 2021, WestGUARD is licensed in New York, Pennsylvania, West Virginia, and Wyoming. AmGUARD, EastGUARD, and NorGUARD are licensed in all 50 states including the District of Columbia. The Companies specialize in providing commercial

## GUARD Insurance Group

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property and casualty insurance particularly for small- to mid-sized businesses. In addition, the Companies act as a workers' compensation servicing carrier in several states.

The Companies' business is primary produced through a network of insurance producers and through independent payroll processors.

The following charts illustrate the direct and assumed and ceded premium amounts by line of business for each of the Companies as of December 31, 2021:

### WestGUARD Insurance Company

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Written Premium	Percentage of Total
<b>December 31, 2021</b>				
Fire	\$ 295,310	\$ 147,655	\$ 147,655	0.3%
Allied lines	144,421	72,210	72,211	0.1%
Homeowners multiple peril	16,325,609	8,162,804	8,162,805	16.6%
Commercial multiple peril	27,561,878	13,780,939	13,780,939	28.1%
Inland marine	484,825	242,412	242,413	0.5%
Earthquake	149,695	74,847	74,848	0.2%
Group accident and health	1,274,934	637,467	637,467	1.3%
Workers' compensation	45,471,188	30,349,997	15,121,191	30.8%
Other liability - occurrence	1,998,503	999,251	999,252	2.0%
Other liability - claims-made	872,366	436,183	436,183	0.9%
Commercial auto liability	14,745,749	7,372,875	7,372,874	15.0%
Auto physical damage	4,130,059	2,065,029	2,065,030	4.2%
Burglary and theft	21,972	10,986	10,986	0.0%
Totals	<u>\$ 113,476,509</u>	<u>\$ 64,352,655</u>	<u>\$ 49,123,854</u>	<u>100.0%</u>

### AmGUARD Insurance Company

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Written Premium	Percentage of Total
<b>December 31, 2021</b>				
Fire	\$ 8,409,596	\$ 7,376,010	\$ 1,033,586	0.3%
Allied lines	4,533,657	4,028,184	505,473	0.1%
Homeowners multiple peril	441,039,086	383,899,456	57,139,630	16.6%
Commercial multiple peril	684,842,835	588,376,264	96,466,571	28.1%
Inland marine	16,198,108	14,501,222	1,696,886	0.5%
Earthquake	3,879,644	3,355,714	523,930	0.2%
Group accident and health	34,665,785	30,203,515	4,462,270	1.3%
Workers' compensation	439,832,655	333,984,319	105,848,336	30.8%
Other liability - occurrence	57,105,177	50,110,418	6,994,759	2.0%
Other liability - claims-made	23,531,728	20,478,447	3,053,281	0.9%
Commercial auto liability	445,389,599	393,779,476	51,610,123	15.0%
Auto physical damage	122,077,585	107,622,379	14,455,206	4.2%
Burglary and theft	593,549	516,647	76,902	0.0%
Totals	<u>\$ 2,282,099,004</u>	<u>\$ 1,938,232,051</u>	<u>\$ 343,866,953</u>	<u>100.0%</u>

# GUARD Insurance Group

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## EastGUARD Insurance Company

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Written Premium	Percentage of Total
<b>December 31, 2021</b>				
Fire	\$ 590,621	\$ 295,310	\$ 295,311	0.3%
Allied lines	288,841	144,421	144,420	0.1%
Homeowners multiple peril	32,651,217	16,325,609	16,325,608	16.6%
Commercial multiple peril	55,123,755	27,561,878	27,561,877	28.1%
Inland marine	969,649	484,825	484,824	0.5%
Earthquake	299,389	149,695	149,694	0.2%
Group accident and health	2,549,868	1,274,934	1,274,934	1.3%
Workers' compensation	76,709,245	46,466,863	30,242,382	30.8%
Other liability - occurrence	3,997,005	1,998,503	1,998,502	2.0%
Other liability - claims-made	1,744,731	872,366	872,365	0.9%
Commercial auto liability	29,491,499	14,745,749	14,745,750	15.0%
Auto physical damage	8,260,118	4,130,059	4,130,059	4.2%
Burglary and theft	43,944	21,972	21,972	0.0%
Totals	<u>\$ 212,719,882</u>	<u>\$ 114,472,184</u>	<u>\$ 98,247,698</u>	<u>100.0%</u>

## NorGUARD Insurance Company

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Written Premium	Percentage of Total
<b>December 31, 2021</b>				
Fire	\$ 5,956,668	\$ 4,627,772	\$ 1,328,896	0.3%
Allied lines	2,908,148	2,258,255	649,893	0.1%
Homeowners multiple peril	326,512,171	253,046,933	73,465,238	16.6%
Commercial multiple peril	554,947,242	430,918,792	124,028,450	28.1%
Inland marine	9,697,505	7,515,794	2,181,711	0.5%
Earthquake	2,997,599	2,323,973	673,626	0.2%
Group accident and health	25,498,685	19,761,481	5,737,204	1.3%
Workers' compensation	611,252,481	475,161,763	136,090,718	30.8%
Other liability - occurrence	40,574,337	31,581,076	8,993,261	2.0%
Other liability - claims-made	17,449,223	13,523,577	3,925,646	0.9%
Commercial auto liability	294,915,980	228,560,108	66,355,872	15.0%
Auto physical damage	82,601,413	64,016,148	18,585,265	4.2%
Burglary and theft	440,295	341,422	98,873	0.0%
Totals	<u>\$ 1,975,751,747</u>	<u>\$ 1,533,637,094</u>	<u>\$ 442,114,653</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 five-year period covered by this examination.

## GUARD Insurance Group

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### WestGUARD Insurance Company

	<b>Amount</b>	<b>Percentage</b>
Premiums earned	\$ 190,001,349	100.0 %
Losses incurred	112,566,313	59.2 %
Loss expenses incurred	21,045,271	11.1 %
Other underwriting expenses incurred	46,459,456	24.5 %
Net underwriting gain or (loss)	9,930,309	5.2 %
Totals	\$ 190,001,349	100.0 %

### AmGUARD Insurance Company

	<b>Amount</b>	<b>Percentage</b>
Premiums earned	\$ 1,330,008,759	100.0 %
Losses incurred	791,111,570	59.5 %
Loss expenses incurred	150,147,087	11.3 %
Other underwriting expenses incurred	332,612,727	25.0 %
Net underwriting gain or (loss)	56,137,375	4.2 %
Totals	\$ 1,330,008,759	100.0 %

### EastGUARD Insurance Company

	<b>Amount</b>	<b>Percentage</b>
Premiums earned	\$ 379,843,047	100.0 %
Losses incurred	224,658,279	59.1 %
Loss expenses incurred	42,021,697	11.1 %
Other underwriting expenses incurred	92,409,759	24.3 %
Net underwriting gain or (loss)	20,753,312	5.5 %
Totals	\$ 379,843,047	100.0 %

### NorGUARD Insurance Company

	<b>Amount</b>	<b>Percentage</b>
Premiums earned	\$ 1,767,842,843	100.0 %
Losses incurred	1,039,677,959	58.8 %
Loss expenses incurred	195,327,281	11.0 %
Other underwriting expenses incurred	434,579,851	24.6 %
Net underwriting gain or (loss)	98,257,752	5.6 %
Totals	\$ 1,767,842,843	100.0 %

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

# GUARD Insurance Group

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## WestGUARD Insurance Company

	2021	2020	2019	2018	2017
Admitted assets	\$ 1,318,471,179	\$ 1,147,743,906	\$ 1,105,403,228	\$ 843,105,025	\$ 1,181,901,448
Liabilities	\$ 245,926,552	\$ 226,972,722	\$ 233,779,268	\$ 174,880,352	\$ 568,544,536
Surplus as regards policyholders	\$ 1,072,544,627	\$ 920,771,184	\$ 871,623,960	\$ 668,224,673	\$ 613,356,912
Gross premium written	\$ 113,476,509	\$ 108,669,627	\$ 95,749,057	\$ 74,681,305	\$ 61,296,958
Net premium written	\$ 49,123,854	\$ 46,309,999	\$ 44,211,889	\$ 34,523,261	\$ 28,935,317
Underwriting gain/(loss)	\$ (1,011,369)	\$ (113,750)	\$ 2,329,892	\$ 4,487,493	\$ 4,238,043
Investment gain/(loss)	\$ 3,822,745	\$ 38,063,772	\$ 3,837,785	\$ 4,062,860	\$ 6,370,073
Other gain/(loss)	\$ (2,822,391)	\$ 3,456,341	\$ 4,232,186	\$ 3,438,777	\$ 2,958,437
Net income	\$ 7,550,239	\$ 36,830,091	\$ 6,120,769	\$ 9,986,147	\$ 6,169,308

## AmGUARD Insurance Company

	2021	2020	2019	2018	2017
Admitted assets	\$ 1,910,328,449	\$ 1,708,087,393	\$ 1,471,541,922	\$ 1,067,021,203	\$ 878,836,911
Liabilities	\$ 1,598,358,583	\$ 1,440,741,960	\$ 1,228,733,710	\$ 879,585,301	\$ 710,173,452
Surplus as regards policyholders	\$ 311,969,866	\$ 267,345,433	\$ 242,808,212	\$ 187,435,902	\$ 168,663,459
Gross premium written	\$ 2,282,099,004	\$ 2,084,816,832	\$ 1,880,324,241	\$ 1,398,940,725	\$ 1,089,295,487
Net premium written	\$ 343,866,953	\$ 324,169,990	\$ 309,483,223	\$ 241,662,841	\$ 202,547,221
Underwriting gain/(loss)	\$ (14,951,949)	\$ 707,734	\$ 14,167,759	\$ 30,074,003	\$ 26,139,828
Investment gain/(loss)	\$ 5,213,279	\$ 7,139,346	\$ 8,608,185	\$ 8,684,355	\$ 8,181,983
Other gain/(loss)	\$ 3,833,074	\$ (5,808,096)	\$ (1,220,775)	\$ (1,402,403)	\$ (111,332)
Net income	\$ (6,919,641)	\$ (1,945,119)	\$ 12,167,827	\$ 26,573,722	\$ 20,082,901

## EastGUARD Insurance Company

	2021	2020	2019	2018	2017
Admitted assets	\$ 350,489,038	\$ 308,038,901	\$ 268,375,359	\$ 207,914,879	\$ 180,591,776
Liabilities	\$ 251,493,051	\$ 223,533,853	\$ 193,865,189	\$ 150,244,541	\$ 128,459,791
Surplus as regards policyholders	\$ 98,995,987	\$ 84,505,048	\$ 74,510,170	\$ 57,670,338	\$ 52,131,985
Gross premium written	\$ 212,719,882	\$ 196,938,233	\$ 207,669,468	\$ 167,648,535	\$ 147,454,580
Net premium written	\$ 98,247,698	\$ 92,619,998	\$ 88,423,779	\$ 69,046,527	\$ 57,870,636
Underwriting gain/(loss)	\$ (2,001,155)	\$ 74,816	\$ 5,891,079	\$ 8,729,556	\$ 8,059,016
Investment gain/(loss)	\$ 1,589,336	\$ 2,382,556	\$ 1,919,839	\$ 2,158,213	\$ 2,296,198
Other gain/(loss)	\$ 1,183,194	\$ (1,619,385)	\$ (350,599)	\$ (425,816)	\$ (48,201)
Net income	\$ (46,610)	\$ 159,189	\$ 4,837,330	\$ 7,486,098	\$ 6,485,003

## NorGUARD Insurance Company

	2021	2020	2019	2018	2017
Admitted assets	\$ 2,186,826,456	\$ 1,948,582,539	\$ 1,711,385,637	\$ 1,304,595,812	\$ 1,098,648,567
Liabilities	\$ 1,741,996,905	\$ 1,571,629,453	\$ 1,362,404,980	\$ 1,038,122,203	\$ 859,904,917
Surplus as regards policyholders	\$ 444,829,551	\$ 376,953,086	\$ 348,980,657	\$ 266,473,609	\$ 238,743,650
Gross premium written	\$ 1,975,751,747	\$ 1,860,778,850	\$ 1,776,994,443	\$ 1,388,466,370	\$ 1,163,334,201
Net premium written	\$ 442,114,653	\$ 416,789,988	\$ 381,560,841	\$ 345,232,632	\$ 289,353,171
Underwriting gain/(loss)	\$ (9,025,035)	\$ (324,749)	\$ 24,014,288	\$ 43,508,388	\$ 40,084,860
Investment gain/(loss)	\$ 6,924,596	\$ 9,402,518	\$ 14,319,503	\$ 12,698,628	\$ 9,633,820
Other gain/(loss)	\$ 5,102,858	\$ (7,476,483)	\$ (1,694,926)	\$ (2,223,952)	\$ (344,202)
Net income	\$ (2,337,550)	\$ (704,717)	\$ 25,576,827	\$ 38,790,994	\$ 29,928,091

### **PENDING LITIGATION**

As of the date of this examination report, management of the Companies attested that the Companies were not involved in any litigation and were not aware of any threatened litigation which will have a material adverse effect on the Guard Insurance Group's financial condition.

### **FINANCIAL STATEMENTS**

The financial condition of the Companies, as of December 31, 2021, and the results of its operations for the five-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.

For Informational Purposes Only

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

**WestGUARD Insurance Company**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Bonds	\$ 2,200,259	\$ 3,096,449	\$ 4,404,404	\$ 5,374,107	\$ 7,295,139
Preferred stocks	10,243,000	8,891,000	10,314,000	0	0
Common stocks	1,040,887,624	894,796,093	907,091,311	680,378,839	592,585,804
Real estate	9,075,546	10,219,931	9,533,613	10,788,029	9,119,627
Cash, cash equivalents, and short term investments	271,639,155	217,465,650	87,270,585	102,447,543	94,411,072
Derivatives	0	0	89,600	0	0
Subtotals, cash and invested assets	<u>1,334,045,584</u>	<u>1,134,469,123</u>	<u>1,018,703,513</u>	<u>798,988,518</u>	<u>703,411,642</u>
Investment income due and accrued	328,915	331,173	505,922	207,015	101,136
Premiums and agents' balances due	(81,295,270)	(37,077,132)	10,057,237	24,620,722	467,838,616
Amounts recoverable from reinsurers	9,161,701	6,683,837	7,799,671	3,465,086	2,713,744
Current federal and foreign income tax recoverable and interest thereon	706,984	5,226,742	1,808,413	1,900,120	0
Electronic data processing equipment and software	3,500,919	4,044,071	3,525,279	1,879,076	1,368,974
Furniture and equipment, incl. health care delivery assets	0	49,914	481,839	0	0
Receivable from parent, subsidiaries and affiliates	44,411,012	20,753,121	60,073,188	9,291,710	3,961,449
Aggregate write-ins for other than invested assets	7,611,334	13,263,057	2,448,166	2,752,778	2,505,887
Total	<u>\$ 1,318,471,179</u>	<u>\$ 1,147,743,906</u>	<u>\$ 1,105,403,228</u>	<u>\$ 843,105,025</u>	<u>\$ 1,181,901,448</u>
Losses	\$ 58,919,250	\$ 52,129,863	\$ 41,406,187	\$ 32,616,945	\$ 26,099,386
Reinsurance payable on paid loss and loss adjustment expenses	16,010,420	12,142,280	9,813,109	6,606,874	5,217,983
Loss adjustment expenses	10,996,522	9,122,168	6,430,763	5,432,073	4,378,868
Commissions payable, contingent commissions and other similar charges	40,452,654	41,458,482	31,609,221	35,701,330	29,498,652
Other expenses	16,321,736	28,870,577	50,839,631	51,066,880	45,070,672
Taxes, licenses and fees	793,710	828,577	557,990	593,365	377,779
Current federal and foreign income taxes	0	0	0	0	59,618
Net deferred tax liability	16,984,597	5,350,134	17,477,990	7,968,524	10,110,937
Unearned premiums	23,819,577	22,358,547	21,354,046	16,346,164	13,703,986
Advance premium	9,908,452	10,244,060	10,914,627	6,982,101	6,160,759
Ceded reinsurance premiums payable (net of ceding commissions)	47,240,787	17,617,464	39,579,985	8,562,372	7,084,064
Funds held by company under reinsurance treaties	45,928	43,741	41,658	39,674	37,785
Amounts withheld or retained by company for account of others	3,485,642	4,507,970	3,573,781	2,964,050	2,142,063
Payable to parent, subsidiaries and affiliates	947,277	22,298,859	180,280	0	0
Aggregate write-ins for liabilities	0	0	0	0	418,601,984
Total liabilities	<u>245,926,552</u>	<u>226,972,722</u>	<u>233,779,268</u>	<u>174,880,352</u>	<u>568,544,536</u>
Common capital stock	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Gross paid in and contributed surplus	415,978,291	415,978,291	415,978,291	415,978,291	415,978,291
Unassigned funds (surplus)	653,566,336	501,792,893	452,645,669	249,246,382	194,378,621
Surplus as regards policyholders	<u>1,072,544,627</u>	<u>920,771,184</u>	<u>871,623,960</u>	<u>668,224,673</u>	<u>613,356,912</u>
Totals	<u>\$ 1,318,471,179</u>	<u>\$ 1,147,743,906</u>	<u>\$ 1,105,403,228</u>	<u>\$ 843,105,025</u>	<u>\$ 1,181,901,448</u>



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

**AmGUARD Insurance Company**

	2021	2020	2019	2018	2017
Bonds	\$ 66,434,312	\$ 71,168,442	\$ 72,042,124	\$ 83,505,853	\$ 86,601,546
Preferred stocks	25,607,500	22,227,500	25,785,000	0	0
Common stocks	212,351,330	159,344,876	130,850,287	102,206,986	60,118,319
Mortgage loans on real estate	527,864	562,341	0	0	0
Cash, cash equivalents, and short term investments	427,853,644	411,076,324	355,239,017	225,257,026	229,838,391
Derivatives	0	0	224,000	0	0
Other invested assets	714,352	555,866	749,080	1,235,406	2,004,502
Subtotals, cash and invested assets	<u>733,489,002</u>	<u>664,935,349</u>	<u>584,889,508</u>	<u>412,205,271</u>	<u>378,562,758</u>
Investment income due and accrued	961,992	1,133,106	1,357,233	739,414	668,233
Premiums and agents' balances due	830,465,205	760,391,790	689,136,797	516,258,560	405,456,784
Amounts recoverable from reinsurers	331,231,847	233,516,384	163,780,371	118,225,850	88,317,676
Funds held by or deposited with reinsured companies	631,757	538,075	519,794	325,534	308,869
Net deferred tax asset	0	17,396,591	4,893,577	10,798,412	4,165,006
Guaranty funds receivable or on deposit	21,858	21,858	48,952	48,952	4,885
Receivable from parent, subsidiaries and affiliates	1,189,860	27,665	167,081	1,352,337	0
Aggregate write-ins for other than invested assets	12,336,928	30,126,575	26,748,609	7,066,873	1,352,700
Total	<u>\$ 1,910,328,449</u>	<u>\$ 1,708,087,393</u>	<u>\$ 1,471,541,922</u>	<u>\$ 1,067,021,203</u>	<u>\$ 878,836,911</u>
Losses	\$ 416,539,182	\$ 369,535,900	\$ 296,300,316	\$ 235,700,435	\$ 191,130,545
Reinsurance payable on paid loss and loss adjustment expenses	112,307,919	85,197,961	75,764,680	49,166,141	37,042,384
Loss adjustment expenses	77,371,496	64,210,359	45,443,594	38,599,907	31,390,265
Commissions payable, contingent commissions and other similar charges	3,324,704	5,287,111	15,054,867	5,224,987	6,374,405
Other expenses	1,456,173	1,221,606	731,831	413,239	600,029
Taxes, licenses and fees	33,774,775	33,533,672	26,294,459	22,084,419	17,656,210
Current federal and foreign income taxes	2,966,149	1,818,739	2,153,977	1,175,569	3,708,797
Net deferred tax liability	8,963,566	21,041,000	0	0	0
Unearned premiums	166,737,036	156,509,829	149,478,323	114,422,479	95,927,213
Advance premium	2,205,535	2,235,885	2,023,992	1,929,296	1,838,192
Dividends declared and unpaid:					
Policyholders'	36,466	2,851	0	137,997	0
Ceded reinsurance premiums payable (net of ceding commissions)	731,340,150	674,676,082	565,858,734	402,166,837	319,379,045
Funds held by company under reinsurance treaties	2,224,220	2,238,508	2,243,261	2,408,082	2,397,924
Amounts withheld or retained by company for account of others	10,178,173	9,091,576	8,060,296	1,788,118	1,353,302
Provision for reinsurance	0	0	0	0	281,706
Payable to parent, subsidiaries and affiliates	28,933,039	14,140,881	39,325,380	4,367,795	1,093,435
Total liabilities	<u>1,598,358,583</u>	<u>1,440,741,960</u>	<u>1,228,733,710</u>	<u>879,585,301</u>	<u>710,173,452</u>
Common capital stock	5,328,000	5,328,000	5,328,000	5,328,000	5,328,000
Gross paid in and contributed surplus	32,114,745	32,114,745	32,114,745	32,114,745	32,114,745
Unassigned funds (surplus)	274,527,121	229,902,688	205,365,467	149,993,157	131,220,714
Surplus as regards policyholders	311,969,866	267,345,433	242,808,212	187,435,902	168,663,459
Totals	<u>\$ 1,910,328,449</u>	<u>\$ 1,708,087,393</u>	<u>\$ 1,471,541,922</u>	<u>\$ 1,067,021,203</u>	<u>\$ 878,836,911</u>

For Information Only

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

**EastGUARD Insurance Company**

	2021	2020	2019	2018	2017
Bonds	\$ 12,746,209	\$ 12,763,734	\$ 13,635,278	\$ 15,005,793	\$ 18,103,632
Preferred stocks	10,243,000	8,891,000	10,314,000	0	0
Common stocks	62,374,160	47,537,946	33,025,144	29,158,160	12,184,560
Cash, cash equivalents, and short term investments	146,397,213	125,486,132	95,320,443	77,873,300	75,269,326
Derivatives	0	0	89,600	0	0
Other invested assets	0	0	0	12,368	97,628
Subtotals, cash and invested assets	<u>231,760,582</u>	<u>194,678,812</u>	<u>152,384,465</u>	<u>122,049,621</u>	<u>105,655,146</u>
Investment income due and accrued	309,036	327,785	373,227	178,855	118,598
Premiums and agents' balances due	98,460,162	92,819,647	95,664,722	72,157,468	64,275,899
Amounts recoverable from reinsurers	19,019,794	16,644,123	18,853,884	10,936,172	9,236,280
Funds held by or deposited with reinsured companies	35,091	41,584	42,718	37,964	39,440
Current federal and foreign income tax recoverable and interest thereon	0	0	769,687	0	0
Net deferred tax asset	0	3,518,877	283,373	2,552,101	1,172,492
Guaranty funds receivable or on deposit	137	137	2,698	2,698	11,715
Receivable from parent, subsidiaries and affiliates	904,236	7,936	0	0	82,206
Aggregate write-ins for other than invested assets	0	0	585	0	0
Total	<u>\$ 350,489,038</u>	<u>\$ 308,038,901</u>	<u>\$ 268,375,359</u>	<u>\$ 207,914,879</u>	<u>\$ 180,591,776</u>
Losses	\$ 118,748,065	\$ 105,262,134	\$ 84,201,671	\$ 66,831,876	\$ 54,024,723
Reinsurance payable on paid loss and loss adjustment expenses	32,072,156	24,328,308	19,673,090	13,280,842	10,521,740
Loss adjustment expenses	22,059,210	18,321,864	12,953,354	10,989,015	8,918,119
Commissions payable, contingent commissions and other similar charges	112,873	153,714	613,161	299,944	208,540
Other expenses	85,045	69,064	126,520	43,968	21,238
Taxes, licenses and fees	891,199	1,030,417	1,284,644	1,803,287	1,930,163
Current federal and foreign income taxes	316,266	572,983	0	549,671	1,333,064
Net deferred tax liability	4,723,128	6,568,648	0	0	0
Unearned premiums	47,639,153	44,717,094	42,708,092	32,532,683	27,248,320
Dividends declared and unpaid:					
Policyholders'	1,912	17,055	0	244,567	0
Ceded reinsurance premiums payable (net of ceding commissions)	23,210,905	20,743,223	28,261,942	22,362,109	22,999,660
Funds held by company under reinsurance treaties	1,058,490	1,008,089	960,085	914,367	870,826
Amounts withheld or retained by company for account of others	356,699	208,605	1,072,360	97,304	91,837
Payable to parent, subsidiaries and affiliates	217,950	532,655	2,010,270	294,908	291,561
Total liabilities	<u>251,493,051</u>	<u>223,533,853</u>	<u>193,865,189</u>	<u>150,244,541</u>	<u>128,459,791</u>
Common capital stock	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Gross paid in and contributed surplus	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Unassigned funds (surplus)	88,995,987	74,505,048	64,510,170	47,670,338	42,131,985
Surplus as regards policyholders	98,995,987	84,505,048	74,510,170	57,670,338	52,131,985
Totals	<u>\$ 350,489,038</u>	<u>\$ 308,038,901</u>	<u>\$ 268,375,359</u>	<u>\$ 207,914,879</u>	<u>\$ 180,591,776</u>

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

**NorGUARD Insurance Company**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Bonds	\$ 121,720,270	\$ 116,831,175	\$ 109,925,436	\$ 114,811,815	\$ 109,869,754
Preferred stocks	30,729,000	26,673,000	30,942,000	959,419	1,384,244
Common stocks	286,824,597	215,214,310	189,866,664	145,993,982	82,871,619
Cash, cash equivalents, and short term investments	573,925,440	492,963,517	387,644,793	308,543,437	295,105,770
Derivatives	0	0	268,800	0	0
Other invested assets	1,368,332	1,372,384	1,970,816	4,805,554	5,541,338
Subtotals, cash and invested assets	<u>1,014,567,639</u>	<u>853,054,386</u>	<u>720,618,509</u>	<u>575,114,207</u>	<u>494,772,725</u>
Investment income due and accrued	1,303,731	1,356,786	1,652,156	1,004,220	835,484
Premiums and agents' balances due	923,277,700	862,981,387	808,728,894	611,632,833	515,988,305
Amounts recoverable from reinsurers	248,027,435	187,320,578	169,455,255	99,925,945	79,274,354
Funds held by or deposited with reinsured companies	381,911	335,911	391,955	324,979	324,344
Current federal and foreign income tax recoverable and interest thereon	0	0	1,421,817	0	0
Net deferred tax asset	0	17,702,893	2,020,251	13,531,905	5,159,936
Guaranty funds receivable or on deposit	22,713	22,713	50,805	50,805	(14,511)
Receivable from parent, subsidiaries and affiliates	228,628	22,810,906	3,211,399	282,107	1,003,021
Aggregate write-ins for other than invested assets	(983,301)	2,996,979	3,834,596	2,728,811	1,304,909
<b>Total</b>	<u>\$ 2,186,826,456</u>	<u>\$ 1,948,582,539</u>	<u>\$ 1,711,385,637</u>	<u>\$ 1,304,595,812</u>	<u>\$ 1,098,648,567</u>
<b>Losses</b>	<u>\$ 547,989,353</u>	<u>\$ 491,013,973</u>	<u>\$ 401,703,227</u>	<u>\$ 332,407,307</u>	<u>\$ 268,121,781</u>
Reinsurance payable on paid loss and loss adjustment expenses	241,330,655	175,959,475	132,263,573	80,910,821	60,823,627
Loss adjustment expenses	101,697,787	85,566,888	61,901,109	54,818,542	44,426,676
Commissions payable, contingent commissions and other similar charges	2,905,792	3,531,612	9,614,025	6,558,431	5,550,871
Other expenses	339,899	555,564	1,181,868	350,978	102,311
Taxes, licenses and fees	16,720,413	16,965,094	18,600,477	19,981,145	14,950,021
Current federal and foreign income taxes	948,239	153,913	0	960,018	3,141,845
Net deferred tax liability	16,342,097	27,855,260	0	0	0
Unearned premiums	214,376,190	201,226,923	192,186,416	163,463,342	137,041,533
Dividends declared and unpaid:					
Policyholders'	29,338	32,772	0	120,785	0
Ceded reinsurance premiums payable (net of ceding commissions)	585,680,709	557,459,755	515,482,811	368,516,533	317,707,309
Funds held by company under reinsurance treaties	7,492,920	7,189,620	6,905,991	6,764,295	6,566,960
Amounts withheld or retained by company for account of others	2,367,956	3,975,745	4,952,821	655,031	600,344
Provision for reinsurance	0	142,859	0	0	183,807
Payable to parent, subsidiaries and affiliates	3,775,557	0	17,612,662	2,614,975	687,832
<b>Total liabilities</b>	<u>1,741,996,905</u>	<u>1,571,629,453</u>	<u>1,362,404,980</u>	<u>1,038,122,203</u>	<u>859,904,917</u>
Common capital stock	5,250,000	5,250,000	5,250,000	5,250,000	5,250,000
Gross paid in and contributed surplus	36,400,000	36,400,000	36,400,000	36,400,000	36,400,000
Unassigned funds (surplus)	403,179,551	335,303,086	307,330,657	224,823,609	197,093,650
Surplus as regards policyholders	444,829,551	376,953,086	348,980,657	266,473,609	238,743,650
<b>Totals</b>	<u>\$ 2,186,826,456</u>	<u>\$ 1,948,582,539</u>	<u>\$ 1,711,385,637</u>	<u>\$ 1,304,595,812</u>	<u>\$ 1,098,648,567</u>

**Comparative Statement of Income  
For the Year Ended December 31,**

**WestGUARD Insurance Company**

<b>Underwriting Income</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Premiums earned	\$ 47,662,824	\$ 45,305,498	\$ 39,204,007	\$ 31,881,083	\$ 25,947,937
Deductions:					
Losses incurred	31,306,176	29,204,224	22,727,412	16,709,949	12,618,552
Loss expenses incurred	6,309,194	5,898,890	3,611,820	2,842,480	2,382,887
Other underwriting expenses incurred	11,058,823	10,316,134	10,534,883	7,841,161	6,708,455
Total underwriting deductions	48,674,193	45,419,248	36,874,115	27,393,590	21,709,894
Net underwriting gain or (loss)	(1,011,369)	(113,750)	2,329,892	4,487,493	4,238,043
<b>Investment Income</b>					
Net investment income earned	3,822,745	4,422,059	5,704,201	4,068,500	4,845,596
Net realized capital gains or (losses)	0	33,641,713	(1,866,416)	(5,640)	1,524,477
Net investment gain or (loss)	3,822,745	38,063,772	3,837,785	4,062,860	6,370,073
<b>Other Income</b>					
Net gain or (loss) from agents' or premium balances charged off	(6,476,842)	(786,184)	(153,177)	(175,610)	158,553
Finance and service charges not included in premiums	3,656,638	4,244,608	4,387,347	3,647,039	2,960,702
Aggregate write-ins for miscellaneous income	(2,187)	(2,083)	(1,984)	(32,652)	(160,818)
Total other income	(2,822,391)	3,456,341	4,232,186	3,438,777	2,958,437
Net income before dividends to policyholders and before federal and foreign income taxes	(11,015)	41,406,363	10,399,863	11,989,130	13,566,553
Dividends to policyholders	44,325	87,007	104,137	100,952	81,247
Federal and foreign income taxes incurred	(7,605,579)	4,489,265	4,174,957	1,902,031	7,315,998
Net income	\$ 7,550,239	\$ 36,830,091	\$ 6,120,769	\$ 9,986,147	\$ 6,169,308

For Informational Purposes Only

**Comparative Statement of Income  
For the Year Ended December 31,**

**AmGUARD Insurance Company**

<b>Underwriting Income</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Premiums earned	\$ 333,639,745	\$ 317,138,484	\$ 274,427,382	\$ 223,167,575	\$ 181,635,573
Deductions:					
Losses incurred	224,014,582	203,053,061	158,647,264	116,559,196	88,837,467
Loss expenses incurred	47,348,776	41,164,754	25,136,783	19,824,528	16,672,246
Other underwriting expenses incurred	77,228,336	72,212,935	76,475,576	56,709,848	49,986,032
Total underwriting deductions	<u>348,591,694</u>	<u>316,430,750</u>	<u>260,259,623</u>	<u>193,093,572</u>	<u>155,495,745</u>
Net underwriting gain or (loss)	<u>(14,951,949)</u>	<u>707,734</u>	<u>14,167,759</u>	<u>30,074,003</u>	<u>26,139,828</u>
<b>Investment Income</b>					
Net investment income earned	5,162,672	8,300,471	10,964,904	7,259,856	4,973,051
Net realized capital gains or (losses)	50,607	(1,161,125)	(2,356,719)	1,424,499	3,208,932
Net investment gain or (loss)	<u>5,213,279</u>	<u>7,139,346</u>	<u>8,608,185</u>	<u>8,684,355</u>	<u>8,181,983</u>
<b>Other Income</b>					
Net gain or (loss) from agents' or premium balances charged off	4,316,649	(5,503,287)	(1,072,239)	(1,228,557)	(25,767)
Aggregate write-ins for miscellaneous income	(483,575)	(304,809)	(148,536)	(173,846)	(85,565)
Total other income	<u>3,833,074</u>	<u>(5,808,096)</u>	<u>(1,220,775)</u>	<u>(1,402,403)</u>	<u>(111,332)</u>
Net income before dividends to policyholders and before federal and foreign income taxes	(5,905,595)	2,038,984	21,555,168	37,355,955	34,210,479
Dividends to policyholders	493,697	609,044	728,961	706,665	568,786
Federal and foreign income taxes incurred	520,349	3,375,059	8,658,380	10,075,568	13,558,792
Net income	<u>\$ (6,919,641)</u>	<u>\$ (1,945,119)</u>	<u>\$ 12,167,827</u>	<u>\$ 26,573,722</u>	<u>\$ 20,082,901</u>

For Informational Purposes Only

**Comparative Statement of Income  
For the Year Ended December 31,**

**EastGUARD Insurance Company**

<b>Underwriting Income</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Premiums earned	\$ 95,325,639	\$ 90,610,996	\$ 78,248,370	\$ 63,762,164	\$ 51,895,878
Deductions:					
Losses incurred	62,610,908	58,113,382	45,353,918	33,328,084	25,251,987
Loss expenses incurred	12,613,951	11,788,205	7,194,909	5,666,927	4,757,705
Other underwriting expenses incurred	22,101,935	20,634,593	19,808,464	16,037,597	13,827,170
Total underwriting deductions	97,326,794	90,536,180	72,357,291	55,032,608	43,836,862
Net underwriting gain or (loss)	(2,001,155)	74,816	5,891,079	8,729,556	8,059,016
<b>Investment Income</b>					
Net investment income earned	1,587,234	2,436,142	3,209,279	2,134,559	1,432,022
Net realized capital gains or (losses)	2,102	(53,586)	(1,289,440)	23,654	864,176
Net investment gain or (loss)	1,589,336	2,382,556	1,919,839	2,158,213	2,296,198
<b>Other Income</b>					
Net gain or (loss) from agents' or premium balances charged off	1,233,329	(1,572,368)	(306,354)	(351,221)	0
Aggregate write-ins for miscellaneous income	(50,135)	(47,017)	(44,245)	(74,595)	(48,201)
Total other income	1,183,194	(1,619,385)	(350,599)	(425,816)	(48,201)
Net income before dividends to policyholders and before federal and foreign income taxes	771,375	837,987	7,460,319	10,461,953	10,307,013
Dividends to policyholders	104,360	174,014	208,275	201,904	162,512
Federal and foreign income taxes incurred	713,625	504,784	2,414,714	2,773,951	3,659,498
Net income	\$ (46,610)	\$ 159,189	\$ 4,837,330	\$ 7,486,098	\$ 6,485,003

For Informational Purposes Only

**Comparative Statement of Income  
For the Year Ended December 31,**

**NorGUARD Insurance Company**

<b>Underwriting Income</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Premiums earned	\$ 428,965,387	\$ 407,749,481	\$ 352,837,767	\$ 318,810,823	\$ 259,479,385
Deductions:					
Losses incurred	281,527,616	261,422,302	203,523,985	166,754,743	126,449,313
Loss expenses incurred	57,080,406	53,806,726	32,271,013	28,359,714	23,809,422
Other underwriting expenses incurred	99,382,400	92,845,202	93,028,481	80,187,978	69,135,790
Total underwriting deductions	437,990,422	408,074,230	328,823,479	275,302,435	219,394,525
Net underwriting gain or (loss)	(9,025,035)	(324,749)	24,014,288	43,508,388	40,084,860
<b>Investment Income</b>					
Net investment income earned	6,707,694	11,209,508	15,528,398	10,387,085	6,701,433
Net realized capital gains or (losses)	216,902	(1,806,990)	(1,208,895)	2,311,543	2,932,387
Net investment gain or (loss)	6,924,596	9,402,518	14,319,503	12,698,628	9,633,820
<b>Other Income</b>					
Net gain or (loss) from agents' or premium balances charged off	5,549,978	(7,075,655)	(1,378,591)	(1,756,103)	0
Aggregate write-ins for miscellaneous income	(447,120)	(400,828)	(316,335)	(467,849)	(344,202)
Total other income	5,102,858	(7,476,483)	(1,694,926)	(2,223,952)	(344,202)
Net income before dividends to policyholders and before federal and foreign income taxes	3,002,419	1,601,286	36,638,865	53,983,064	49,374,478
Dividends to policyholders	545,927	783,056	937,236	1,009,521	812,554
Federal and foreign income taxes incurred	4,794,042	1,522,947	10,124,802	14,182,549	18,633,833
Net income	\$ (2,337,550)	\$ (704,717)	\$ 25,576,827	\$ 38,790,994	\$ 29,928,091

For Informational Purposes Only

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

WestGUARD Insurance Company

	2021	2020	2019	2018	2017
Surplus as regards policyholders,					
December 31, previous year	\$ 920,771,184	\$ 871,623,960	\$ 668,224,673	\$ 613,356,912	\$ 509,189,120
Net income	7,550,239	36,830,091	6,120,769	9,986,147	6,169,308
Net unrealized capital gains or (losses)	143,093,225	28,155,667	199,309,548	44,781,802	91,692,650
Change in net deferred income tax	(7,284,158)	3,027,326	1,662,049	175,509	10,658,939
Change in nonadmitted assets	8,414,136	(18,865,859)	(3,693,079)	(75,697)	(4,355,390)
Change in provision for reinsurance	0	0	0	0	2,285
Change in surplus as regards policyholder for the year	151,773,443	49,147,224	203,399,287	54,867,761	104,167,792
Surplus as regards policyholders,					
December 31, current year	\$ 1,072,544,627	\$ 920,771,184	\$ 871,623,960	\$ 668,224,673	\$ 613,356,912

For Informational Purposes Only



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

AmGUARD Insurance Company

	2021	2020	2019	2018	2017
Surplus as regards policyholders,					
December 31, previous year	\$ 267,345,433	\$ 242,808,212	\$ 187,435,902	\$ 168,663,459	\$ 140,893,084
Net income	(6,919,641)	(1,945,119)	12,167,827	26,573,722	20,082,901
Net unrealized capital gains or (losses)	44,921,953	27,666,057	38,796,362	(11,625,951)	7,122,911
Change in net deferred income tax	2,220,521	3,217,883	4,408,121	3,011,641	300,301
Change in nonadmitted assets	4,401,600	(4,401,600)	0	531,324	22,404
Change in provision for reinsurance	0	0	0	281,706	241,858
Change in surplus as regards policyholder for the year	44,624,433	24,537,221	55,372,310	18,772,443	27,770,375
Surplus as regards policyholders,					
December 31, current year	\$ 311,969,866	\$ 267,345,433	\$ 242,808,212	\$ 187,435,902	\$ 168,663,459

For Informational Purposes Only

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

EastGUARD Insurance Company

	2021	2020	2019	2018	2017
Surplus as regards policyholders,					
December 31, previous year	\$ 84,505,048	\$ 74,510,170	\$ 57,070,338	\$ 52,131,985	\$ 43,637,347
Net income	(46,610)	159,189	4,837,330	7,486,098	6,485,003
Net unrealized capital gains or (losses)	12,806,616	10,403,377	11,274,271	(2,628,616)	2,104,782
Change in net deferred income tax	690,260	472,984	728,231	658,507	(274,465)
Change in nonadmitted assets	1,040,673	(1,040,673)	0	22,364	(15,095)
Change in provision for reinsurance	0	0	0	0	194,413
Change in surplus as regards policyholder for the year	14,490,939	9,994,878	16,839,832	5,538,353	8,494,638
Surplus as regards policyholders,					
December 31, current year	\$ 98,995,987	\$ 84,505,048	\$ 74,510,170	\$ 57,670,338	\$ 52,131,985

For Informational Purposes Only

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

NorGUARD Insurance Company

	2021	2020	2019	2018	2017
Surplus as regards policyholders,					
December 31, previous year	\$ 376,953,086	\$ 348,980,657	\$ 266,473,609	\$ 238,743,650	\$ 198,394,702
Net income	(2,337,550)	(704,717)	25,576,827	38,790,994	29,928,091
Net unrealized capital gains or (losses)	60,246,101	32,384,173	54,069,080	(15,497,278)	10,072,386
Change in net unrealized foreign exchange capital gain or (loss)	0	0	0	0	403,661
Change in net deferred income tax	4,784,546	1,476,341	2,861,141	3,928,284	(319,717)
Change in nonadmitted assets	5,040,509	(5,040,509)	0	324,151	(81,867)
Change in provision for reinsurance	142,859	(142,859)	0	183,807	346,394
Change in surplus as regards policyholder for the year	67,876,465	27,972,429	82,507,048	27,729,959	40,348,948
Surplus as regards policyholders,					
December 31, current year	\$ 444,829,551	\$ 376,953,086	\$ 348,980,657	\$ 266,473,609	\$ 238,743,650

For Informational Purposes Only

**Comparative Statement of Cash Flow  
For the Year Ended December 31,**

WestGUARD Insurance Company

	2021	2020	2019	2018	2017
<b>Cash from Operations</b>					
Premiums collected net of reinsurance	\$ 130,582,257	\$ 51,769,383	\$ 91,715,490	\$ 479,958,785	\$ (88,398,405)
Net investment income	4,997,087	4,999,140	5,850,057	4,449,131	5,404,300
Miscellaneous income	(2,822,391)	3,456,341	4,232,186	3,438,777	2,958,437
Total income	132,756,953	60,224,864	101,797,733	487,846,693	(80,035,668)
Benefit and loss related payments	23,126,513	15,035,544	15,066,520	9,554,841	3,515,121
Commissions, expenses paid and aggregate write-ins for deductions	29,083,200	25,372,824	17,502,745	(2,784,035)	(9,792,225)
Dividends to policyholders	44,325	87,007	104,137	100,952	81,247
Federal and foreign income taxes paid (recovered)	(12,125,337)	16,850,328	3,587,114	3,860,276	7,639,204
Total deductions	40,128,701	57,345,703	36,260,516	10,732,034	1,443,347
Net cash from operations	92,628,252	2,879,161	65,537,217	477,114,659	(81,479,015)
<b>Cash from Investments</b>					
Proceeds from investments sold, matured or repaid:					
Bonds	879,621	1,982,865	906,842	2,059,160	4,410,941
Stocks	0	75,764,641	7,040,488	0	39,107,783
Real estate	0	0	3,296,217	0	0
Net gain or (loss) on cash and short-term investments	0	0	3,742	(10,202)	0
Miscellaneous proceeds	0	113,209	0	0	0
Total investment proceeds	879,621	77,860,715	11,247,289	2,048,958	43,518,724
Cost of investments acquired (long-term only):					
Bonds	0	699,633	0	200,100	0
Stocks	0	430,448	34,830,000	44,978,130	0
Real estate	11,130	1,063,930	3,465,495	2,089,879	4,223,007
Miscellaneous applications	0	0	170,000	0	0
Total investments acquired	11,130	2,194,011	38,465,495	47,268,109	4,223,007
Net cash from investments	868,491	75,666,704	(27,218,206)	(45,219,151)	39,295,717
<b>Cash from Financing and Miscellaneous Services</b>					
Other cash provided (applied):					
Other cash provided or (applied)	(39,323,238)	51,649,200	(53,495,969)	(423,859,037)	95,423,811
Net cash from financing and miscellaneous sources	(39,323,238)	51,649,200	(53,495,969)	(423,859,037)	95,423,811
<b>Reconciliation of cash and short-term investments:</b>					
Net change in cash and short-term investments	54,173,505	130,195,065	(15,176,958)	8,036,471	53,240,513
Cash and short-term investments:					
Beginning of the year	217,465,650	87,270,585	102,447,543	94,411,072	41,170,559
End of the year	\$ 271,639,155	\$ 217,465,650	\$ 87,270,585	\$ 102,447,543	\$ 94,411,072

For Informational Purposes Only

**Comparative Statement of Cash Flow  
For the Year Ended December 31,**

AmGUARD Insurance Company

	2021	2020	2019	2018	2017
<b>Cash from Operations</b>					
Premiums collected net of reinsurance	\$ 330,333,574	\$ 361,925,958	\$ 300,197,320	\$ 213,723,296	\$ 212,626,583
Net investment income	5,422,638	8,665,930	10,464,323	7,339,299	5,524,948
Miscellaneous income	3,833,074	(5,808,096)	(1,220,775)	(1,402,403)	(111,332)
Total income	339,589,286	364,783,792	309,440,868	219,660,192	218,040,199
Benefit and loss related payments	247,616,805	190,120,209	117,003,365	89,773,723	72,989,257
Commissions, expenses paid and aggregate write-ins for deductions	112,902,712	96,622,599	80,410,160	66,276,800	54,912,503
Dividends to policyholders	460,082	606,193	866,958	568,668	568,786
Federal and foreign income taxes paid (recovered)	(613,608)	3,401,643	7,053,502	12,987,459	12,586,923
Total deductions	360,365,991	290,750,644	205,333,985	169,606,650	141,057,469
Net cash from operations	(20,776,705)	74,033,148	104,106,883	50,053,542	76,982,730
<b>Cash from Investments</b>					
Proceeds from investments sold, matured or repaid:					
Bonds	35,925,393	22,297,182	39,430,685	15,048,846	12,418,855
Stocks	55,690	9,630,919	16,685,184	5,397,203	40,803,114
Mortgage loans	34,477	33,659	0	0	0
Other invested assets	36,255	120,230	323,852	438,753	1,277,761
Net gain or (loss) on cash and short-term investments	0	0	0	(39)	(126)
Miscellaneous proceeds	0	283,024	0	0	0
Total investment proceeds	36,051,815	32,365,014	56,439,721	20,884,763	54,499,604
Cost of investments acquired (long-term only):					
Bonds	30,989,710	21,492,223	28,078,712	11,972,859	7,430,067
Stocks	0	1,076,109	24,624,515	60,174,627	6,006,228
Mortgage loans	0	596,000	0	0	0
Other invested assets	0	0	4,853	25,011	104,851
Miscellaneous applications	0	0	425,000	0	0
Total investments acquired	30,989,710	23,164,332	53,133,080	72,172,497	13,541,146
Net cash from investments	5,062,105	9,200,682	3,306,641	(51,287,734)	40,958,458
<b>Cash from Financing and Miscellaneous Services</b>					
Other cash provided (applied):					
Other cash provided or (applied)	32,491,920	(27,396,523)	22,568,467	(3,347,173)	(3,827,256)
Net cash from financing and miscellaneous sources	32,491,920	(27,396,523)	22,568,467	(3,347,173)	(3,827,256)
<b>Reconciliation of cash and short-term investments.</b>					
Net change in cash and short-term investments	16,777,320	55,837,307	129,981,991	(4,581,365)	114,113,932
Cash and short-term investments:					
Beginning of the year	411,076,324	355,239,017	225,257,026	229,838,391	115,724,459
End of the year	\$ 427,853,644	\$ 411,076,324	\$ 355,239,017	\$ 225,257,026	\$ 229,838,391

For Informational Purposes Only

**Comparative Statement of Cash Flow  
For the Year Ended December 31,**

EastGUARD Insurance Company

	2021	2020	2019	2018	2017
<b>Cash from Operations</b>					
Premiums collected net of reinsurance	\$ 95,081,355	\$ 87,947,488	\$ 70,811,607	\$ 60,528,883	\$ 35,878,204
Net investment income	1,614,262	2,503,071	3,052,529	2,124,222	1,531,741
Miscellaneous income	1,183,194	(1,619,385)	(350,599)	(425,816)	(48,201)
Total income	97,878,811	88,831,174	73,513,537	62,227,289	37,361,744
Benefit and loss related payments	43,756,800	30,187,940	29,509,587	19,461,721	10,824,520
Commissions, expenses paid and aggregate write-ins for deductions	31,142,618	27,822,857	25,161,913	19,637,347	16,016,263
Dividends to policyholders	119,503	156,959	452,842	(42,663)	256,247
Federal and foreign income taxes paid (recovered)	970,896	(852,130)	3,391,310	3,563,624	4,014,389
Total deductions	75,989,817	57,315,626	58,515,652	42,620,029	31,111,419
Net cash from operations	21,888,994	31,515,548	14,997,885	19,607,260	6,250,325
<b>Cash from Investments</b>					
Proceeds from investments sold, matured or repaid:					
Bonds	4,008,544	7,855,831	6,566,518	5,050,987	4,904,373
Stocks	24,001	409,760	8,415,720	0	18,464,861
Other invested assets	0	0	10,901	0	0
Net gain or (loss) on cash and short-term investments	0	0	0	121	0
Miscellaneous proceeds	0	113,209	0	0	0
Total investment proceeds	4,032,545	8,378,800	14,993,147	5,051,108	23,369,234
Cost of investments acquired (long-term only):					
Bonds	3,997,950	6,997,495	5,258,100	2,001,000	3,537,407
Stocks	0	430,448	9,851,340	20,187,946	0
Miscellaneous applications	0	0	170,000	0	0
Total investments acquired	3,997,950	7,427,943	15,279,440	22,188,946	3,537,407
Net cash from investments	34,595	950,857	(286,293)	(17,137,838)	19,831,827
<b>Cash from Financing and Miscellaneous Services</b>					
Other cash provided (applied):					
Other cash provided or (applied)	(1,012,508)	(2,300,716)	2,735,551	134,552	182,530
Net cash from financing and miscellaneous sources	(1,012,508)	(2,300,716)	2,735,551	134,552	182,530
<b>Reconciliation of cash and short-term investments:</b>					
Net change in cash and short-term investments	20,911,081	30,165,689	17,447,143	2,603,974	26,264,682
Cash and short-term investments:					
Beginning of the year	125,486,132	95,320,443	77,873,300	75,269,326	49,004,644
End of the year	\$ 146,397,213	\$ 125,486,132	\$ 95,320,443	\$ 77,873,300	\$ 75,269,326

**Comparative Statement of Cash Flow  
For the Year Ended December 31,**

NorGUARD Insurance Company

	2021	2020	2019	2018	2017
<b>Cash from Operations</b>					
Premiums collected net of reinsurance	\$ 409,993,295	\$ 404,570,483	\$ 331,364,081	\$ 300,396,694	\$ 244,318,707
Net investment income	6,893,470	11,546,419	14,776,758	10,230,666	7,058,656
Miscellaneous income	5,102,858	(7,476,483)	(1,694,926)	(2,223,952)	(344,202)
Total income	421,989,623	408,640,419	344,445,913	308,403,408	251,033,161
Benefit and loss related payments	219,887,913	146,280,980	152,404,623	103,033,614	76,245,772
Commissions, expenses paid and aggregate write-ins for deductions	141,418,074	131,302,154	115,711,113	91,933,789	78,610,565
Dividends to policyholders	549,361	750,284	1,058,021	888,736	812,554
Federal and foreign income taxes paid (recovered)	4,057,376	(533,122)	12,185,284	16,978,841	18,635,517
Total deductions	365,912,724	277,800,296	281,359,041	212,834,980	174,304,408
Net cash from operations	56,076,899	130,840,123	63,086,872	95,568,428	76,728,753
<b>Cash from Investments</b>					
Proceeds from investments sold, matured or repaid:					
Bonds	32,373,358	58,124,416	36,514,801	27,905,056	14,363,586
Stocks	72,195	18,929,524	22,387,917	10,024,193	53,847,688
Other invested assets	371,683	418,657	3,123,727	1,056,791	2,401,636
Net gain or (loss) on cash and short-term investments	0	0	0	1,912	(55)
Miscellaneous proceeds	0	339,628	0	0	0
Total investment proceeds	32,817,236	77,812,225	62,026,445	38,987,952	70,612,855
Cost of investments acquired (long-term only):					
Bonds	36,965,838	64,974,313	31,343,980	31,277,273	9,343,500
Stocks	0	1,291,317	29,554,190	91,317,612	6,204,619
Other invested assets	0	0	5,882	0	337,500
Miscellaneous applications	0	0	510,000	0	0
Total investments acquired	36,965,838	66,265,630	61,414,052	122,594,885	15,885,619
Net cash from investments	(4,148,602)	11,546,595	612,393	(83,606,933)	54,727,236
<b>Cash from Financing and Miscellaneous Services</b>					
Other cash provided (applied):					
Other cash provided or (applied)	29,033,626	(37,067,994)	15,402,091	1,476,172	(1,103,508)
Net cash from financing and miscellaneous sources	29,033,626	(37,067,994)	15,402,091	1,476,172	(1,103,508)
<b>Reconciliation of cash and short-term investments:</b>					
Net change in cash and short-term investments	80,961,923	105,318,724	79,101,356	13,437,667	130,352,481
Cash and short-term investments:					
Beginning of the year	492,963,517	387,644,793	308,543,437	295,105,770	164,753,289
End of the year	\$ 573,925,440	\$ 492,963,517	\$ 387,644,793	\$ 308,543,437	\$ 295,105,770

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**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, 2021, the Companies' invested assets were distributed as follows:

**WestGUARD Insurance Company**

	<b>Amount</b>	<b>Percentage</b>
Bonds	\$ 2,200,259	0.2 %
Preferred stocks	10,243,000	0.8 %
Common stocks	1,040,887,624	78.0 %
Real estate	9,075,546	0.7 %
Cash	210,178,532	15.7 %
Cash equivalents	508,858	0.0 %
Short-term investments	60,951,765	4.6 %
Totals	<u>\$ 1,334,045,584</u>	<u>100.0 %</u>

**AmGUARD Insurance Company**

	<b>Amount</b>	<b>Percentage</b>
Bonds	\$ 66,434,312	9.1 %
Preferred stocks	25,607,500	3.3 %
Common stocks	212,351,330	29.0 %
Mortgage loans on real estate	527,864	0.1 %
Cash	158,561,676	21.6 %
Cash equivalents	33,446,145	4.6 %
Short-term investments	235,845,823	32.2 %
Other invested assets	714,352	0.1 %
Totals	<u>\$ 733,489,002</u>	<u>100.0 %</u>



## GUARD Insurance Group

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### EastGUARD Insurance Company

	Amount	Percentage
Bonds	\$ 12,746,209	5.5 %
Preferred stocks	10,243,000	4.4 %
Common stocks	62,374,160	26.9 %
Cash	32,017,971	13.8 %
Cash equivalents	459,439	0.2 %
Short-term investments	113,919,803	49.2 %
Totals	<u>\$ 231,760,582</u>	<u>100.0 %</u>

### NorGUARD Insurance Company

	Amount	Percentage
Bonds	\$ 121,720,270	12.0 %
Preferred stocks	30,729,000	2.9 %
Common stocks	286,824,597	28.3 %
Cash	67,625,024	6.7 %
Cash equivalents	73,586,740	7.3 %
Short-term investments	432,713,676	42.7 %
Other invested assets	1,368,332	0.1 %
Totals	<u>\$ 1,014,567,639</u>	<u>100.0 %</u>

The Companies' bond and short-term investment portfolio had the following quality and maturity profiles:

### WestGUARD Insurance Company

NAIC Designation	Amount	Percentage
1 - highest quality	\$ 63,660,882	100.0 %
Totals	<u>\$ 63,660,882</u>	<u>100.0 %</u>

Years to Maturity	Amount	Percentage
1 year or less	\$ 63,590,199	99.9 %
2 to 5 years	41,513	0.1 %
6 to 10 years	18,551	0.0 %
11 to 20 years	10,619	0.0 %
Totals	<u>\$ 63,660,882</u>	<u>100.0 %</u>

## GUARD Insurance Group

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### AmGUARD Insurance Company

<b>NAIC Designation</b>	<b>Amount</b>	<b>Percentage</b>
1 - highest quality	\$ 333,687,815	99.4 %
2 - high quality	1,377,173	0.4 %
3 - medium quality	150,000	0.0 %
4 - low quality	511,292	0.2 %
Totals	<u>\$ 335,726,280</u>	<u>100.0 %</u>

<b>Years to Maturity</b>	<b>Amount</b>	<b>Percentage</b>
1 year or less	\$ 296,604,600	88.3 %
2 to 5 years	37,965,464	11.3 %
6 to 10 years	573,134	0.2 %
11 to 20 years	583,082	0.2 %
Totals	<u>\$ 335,726,280</u>	<u>100.0 %</u>

### EastGUARD Insurance Company

<b>NAIC Designation</b>	<b>Amount</b>	<b>Percentage</b>
1 - highest quality	\$ 126,955,359	99.9 %
2 - high quality	114,929	0.1 %
3 - medium quality	50,000	0.0 %
4 - low quality	5,163	0.0 %
Totals	<u>\$ 127,125,451</u>	<u>100.0 %</u>

<b>Years to Maturity</b>	<b>Amount</b>	<b>Percentage</b>
1 year or less	\$ 122,022,870	96.0 %
2 to 5 years	4,917,379	3.9 %
6 to 10 years	125,517	0.1 %
11 to 20 years	59,685	0.0 %
Totals	<u>\$ 127,125,451</u>	<u>100.0 %</u>

### NorGUARD Insurance Company

<b>NAIC Designation</b>	<b>Amount</b>	<b>Percentage</b>
1 - highest quality	\$ 626,773,877	99.8 %
2 - high quality	980,289	0.2 %
3 - medium quality	250,000	0.0 %
4 - low quality	16,520	0.0 %
Totals	<u>\$ 628,020,686</u>	<u>100.0 %</u>

<b>Years to Maturity</b>	<b>Amount</b>	<b>Percentage</b>
1 year or less	\$ 581,271,140	92.5 %
2 to 5 years	39,929,451	6.4 %
6 to 10 years	6,108,093	1.0 %
11 to 20 years	712,002	0.1 %
Totals	<u>\$ 628,020,686</u>	<u>100.0 %</u>

At December 31, 2021, WIC had approximately 78.0% of its invested assets in common stocks and 15.7% in cash with the remaining 6.3% of its invested assets in a combination of bonds, preferred stocks, real estate, short-term investments, and cash equivalents. WIC's bond and short-term investment portfolio is comprised of 100.0% investment grade securities which have maturities of 1 year or less.

At December 31, 2021, AIC had approximately 29.0% of its invested assets in common stocks, 21.6% in cash, 32.2% in short-term investments, and 9.1% in bonds with the remaining 8.1% of its invested assets in a combination of preferred stocks, mortgage loans, cash equivalents and other invested assets. AIC's bond and short-term investment portfolio is comprised of 99.4% investment grade securities with 99.6% having maturities of five years or less.

At December 31, 2021, EIC had approximately 26.9% of its invested assets in common stocks, 13.8% in cash, and 49.2% in short-term investments with the remaining 10.1% of its invested assets in a combination of bonds, preferred stocks, and cash equivalents. EIC's bond and short-term investment portfolio is comprised of 99.9% investment grade securities with 99.9% having maturities of five years or less.

At December 31, 2021, NIC had approximately 12.0% in bonds, 28.% in common stocks, and 42.7% in short-term investments with the remaining 17.0% of its invested assets in a combination of preferred stocks, cash, cash equivalents, and other invested assets. NIC's bond and short-term investment portfolio is comprised of 100.0% investment grade securities with 98.9% having maturities of five years or less.

Effective June 14, 2007, the Companies each entered into a custodial agreement with U.S. Bank National Association, a national banking association organized under the laws of the United States of America. The custodial agreement complies with the standards for custodial agreements pursuant to 31 Pa. Code § 148a.3.

The Companies have a written investment policy as required by 40 P.S. § 653b(b). The investment policy is reviewed and approved on an annual basis by the Companies' Boards. The Companies were following their investment policies at December 31, 2021.

**LIABILITIES**

**LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES**

The following chart depicts the Companies’ reserves for losses and loss adjustment expenses (“LAE”) as reported on their December 31, 2021 Annual Statements.

<u>Company</u>	<u>Losses</u>	<u>LAE</u>
WestGUARD	\$58,919,250	\$10,996,522
AmGUARD	\$416,539,182	\$77,371,496
EastGUARD	\$118,748,065	\$22,059,210
NorGUARD	\$547,989,353	\$101,697,787

Allan Kerin, FCAS, MAAA Executive Vice President, and Chief Actuary of the Companies was the Companies’ Appointed Actuary (“AA”) in 2017, 2018 and 2019. Dovid Tkatch, FCAS, MAAA Executive Vice President, and Chief Actuary of the Companies was the Companies’ AA in 2020, and Amber Ng, FCAS, MAAA Executive Vice President, and Chief Actuary of the Companies was the Companies’ AA in 2021.

For each year in the examination period, the AA for the Companies provided a Statement of Actuarial Opinion (“Opinion”) stating that the loss and LAE reserve amounts made a reasonable provision on the adequacy of each Companies’ loss and LAE reserves as provided in the NAIC *Annual Statement Instructions – Property and Casualty*.

For the examination team to gain an adequate comfort level with the reserve estimates for the Companies, the Department engaged actuarial services from Taylor-Walker Consulting, LLC to assist with a risk-focused review of the Companies’ reserving and pricing processes. Certain risks within these processes required detailed examination procedures.

Based on the procedures performed and the results obtained, the examination team obtained evidence to support the conclusion that loss and LAE reserves for the Companies are reasonably stated as of December 31, 2021.

**SUBSEQUENT EVENTS**

On November 14, 2022, WestGUARD’s application for expansion into the state of New Hampshire was approved.

On December 1, 2022, WestGUARD’s application for expansion into the state of Tennessee was approved.

On December 2, 2022, WestGUARD’s application for expansion into the state of Montana was approved.

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 Company as appropriate related to COVID-19 developments.

## RECOMMENDATIONS

### PRIOR EXAMINATION

The prior examination report contained the following recommendation:

1. It was recommended that each of the Companies maintain a share register that is a complete and accurate record of shareholders in compliance with 15 Pa. C.S.A. § 1508(a).

*The Companies have complied with this recommendation.*

### CURRENT EXAMINATION

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

1. *It is recommended that the Companies appoint at least one committee that meets the independence requirements outlined under 40 P.S. § 991.1405(c)(3) to perform all duties required under 40 P.S. § 991.1405(c)(4) and 40 P.S. § 991.1405(c)(4.1). (see “Committees”, page 7)*
2. *It is recommended that all new cost-sharing or expense allocation arrangements or amendments to any existing cost-sharing or expense allocation agreements executed by the Companies are authorized by their Boards and this approval is documented in the meeting minutes of the Companies’ Boards or committees thereof in accordance with 40 P. S. § 991.1405(a)(1)(iii). (see “Service and Operating Agreements”, page 10)*

## CONCLUSION

As a result of this examination, the financial condition of WestGUARD Insurance Company, as of December 31, 2021, was determined to be as follows:

	Amount	Percentage
Admitted assets	\$ 1,318,471,179	100.0 %
Liabilities	\$ 245,926,552	18.7 %
Surplus as regards policyholders	1,072,544,627	81.3 %
Total liabilities and surplus	\$ 1,318,471,179	100.0 %

## GUARD Insurance Group

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Since the previous examination, made as of December 31, 2016, WestGUARD's assets increased by \$363,472,297, its liabilities decreased by \$199,833,210, and its surplus increased by \$563,355,507.

As a result of this examination, the financial condition of AmGUARD Insurance Company, as of December 31, 2021, was determined to be as follows:

	<b>Amount</b>	<b>Percentage</b>
Admitted assets	\$ 1,910,328,449	100.0 %
Liabilities	\$ 1,598,358,583	83.7 %
Surplus as regards policyholders	311,969,866	16.3 %
Total liabilities and surplus	\$ 1,910,328,449	100.0 %

Since the previous examination, made as of December 31, 2016, AmGUARD's assets increased by \$1,309,933,160, its liabilities increased by \$1,138,916,378, and its surplus increased by \$171,076,782.

As a result of this examination, the financial condition of EastGUARD Insurance Company, as of December 31, 2021, was determined to be as follows:

	<b>Amount</b>	<b>Percentage</b>
Admitted assets	\$ 350,489,038	100.0 %
Liabilities	\$ 251,493,051	71.8 %
Surplus as regards policyholders	98,995,987	28.2 %
Total liabilities and surplus	\$ 350,489,038	100.0 %

Since the previous examination, made as of December 31, 2016, EastGUARD's assets increased by \$214,481,556, its liabilities increased by \$159,122,916, and its surplus increased by \$55,358,640.

As a result of this examination, the financial condition of NorGUARD Insurance Company, as of December 31, 2021, was determined to be as follows:

	<b>Amount</b>	<b>Percentage</b>
Admitted assets	\$ 2,186,826,456	100.0 %
Liabilities	\$ 1,741,996,905	79.7 %
Surplus as regards policyholders	444,829,551	20.3 %
Total liabilities and surplus	\$ 2,186,826,456	100.0 %

Since the previous examination, made as of December 31, 2016, NorGUARD's assets increased by \$1,426,173,045, its liabilities increased by \$1,179,738,196, and its surplus increased by \$246,434,849.

This examination was conducted by Jenny Jeffers, AES, CISA and Joe Detrick, AES, CISA of Jennan Enterprises, LLC, Solomon Frazier, FSA, FCAS, MAAA, Mark Larson, and Riley Phillips of Taylor-Walker Consulting, LLC, and James DiSanto, Dennis Williams, Matthew Council, CFE and Michael Lisowski, CFE of Department, with the latter in charge.

Respectfully submitted,



Matthew C. Milford, CFE  
Director  
Bureau of Financial Examinations



Shannon Hopkins (Feb 1, 2023 11:04 EST)  
Shannon Hopkins, CFE  
Examination Manager



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