

Examination Warrant Number 21-00000-12319-R1

**Report of Examination of  
Bondsman Insurance Company  
Harrisburg, Pennsylvania  
As of December 31, 2021**

For Informational Purposes Only

# Bondsman Insurance Company

## TABLE OF CONTENTS

<b>Subject</b>	<b>Page</b>
Salutation .....	1
Scope of Examination .....	1
History .....	2
Management and Control:	
Capitalization .....	2
Stockholder .....	2
Insurance Holding Company System .....	3
Board of Directors .....	3
Committees .....	4
Officers .....	4
Corporate Records:	
Minutes .....	5
Articles of Incorporation .....	5
By-Laws .....	6
Service and Operating Agreements .....	6
Reinsurance:	
Ceded .....	7
Assumed .....	8
Territory and Plan of Operation .....	8
Significant Operating Ratios and Trends .....	9
Pending Litigation .....	9
Financial Statements:	
Comparative Statement of Assets, Liabilities, Surplus and Other Funds .....	10
Comparative Statement of Income .....	11
Comparative Statement of Capital and Surplus .....	12
Comparative Statement of Cash Flow .....	13
Summary of Examination Changes .....	14
Notes to Financial Statements:	
Assets:	
Investments .....	14
Liabilities:	
Loss and Loss Adjustment Expense Reserves .....	14
Subsequent Events .....	15
Recommendations:	
Prior Examination .....	15
Current Examination .....	15
Conclusion .....	16

Harrisburg, Pennsylvania  
May 10, 2023

Honorable Diana L. Sherman, CPA, CFE (Fraud), CISA, CITP  
Acting Deputy Insurance Commissioner  
Commonwealth of Pennsylvania  
Insurance Department  
Harrisburg, Pennsylvania

Dear Madam:

In accordance with instructions contained in Examination Warrant Number 21-00000-12319-R1, dated August 9, 2021, an examination was made of

**Bondsman Insurance Company, NAIC Code: 12319**

a Pennsylvania domiciled, multi-state, property and casualty company hereinafter referred to as the "Company." The examination was conducted remotely.

A report of this examination is hereby respectfully submitted.

**SCOPE OF EXAMINATION**

The Pennsylvania Insurance Department ("Department") has performed an examination of the Company, which was 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 Company, 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 Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles.

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, in accordance with

## **Bondsman Insurance Company**

-2-

40 P.S. § 323.5(a), and general information about the Company 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 Company.

For each year of the examination period, the certified public accounting firm of Larson & Company (“CPA”) provided an unmodified audit opinion on the Company’s year-end financial statements based on statutory accounting principles. Relevant work performed by the CPA, during its annual audit of the Company, was reviewed during the examination and incorporated into the examination workpapers.

### **HISTORY**

The Company was incorporated on September 10, 1952, licensed by the Department on November 12, 1952, and commenced business on January 1, 1953.

The Company 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, (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, the Company’s total capital was \$7,511,748, consisting of 30,000 capital shares of issued and outstanding common stock with a par value of \$100.00 per share amounting to \$3,000,000; \$50,000,000 in paid in and contributed surplus; and \$(45,488,252) in unassigned funds (surplus).

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

#### **STOCKHOLDER**

The Company has 100,000 shares authorized common capital stock of which 30,000 are issued and outstanding. BIC Holdco, Inc. is the sole owner of the 30,000 outstanding shares of the Company. BIC Holdco, Inc. is wholly owned by Bondsman Holdings, LLC.

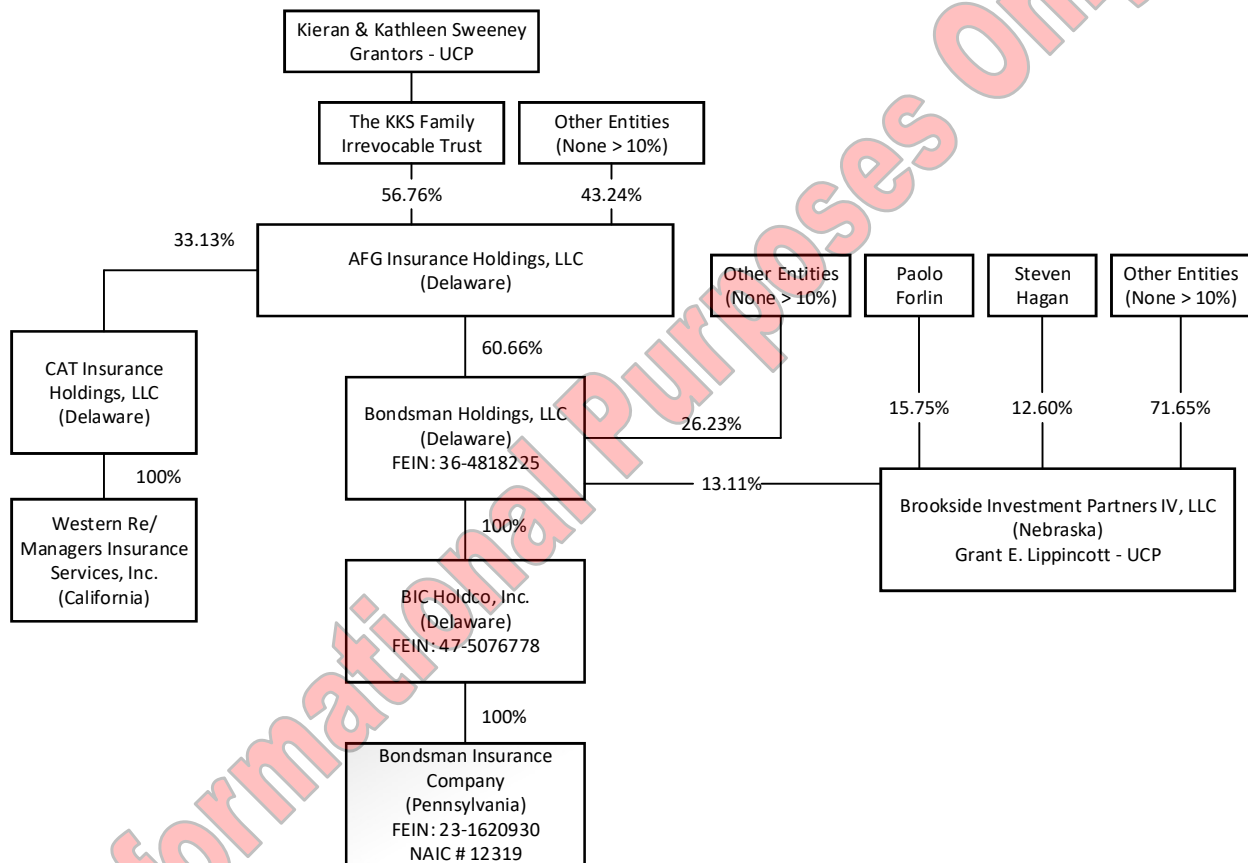
There were no dividends paid during the examination period.

# Bondsman Insurance Company

-3-

## INSURANCE HOLDING COMPANY SYSTEM

The Company is a part of a holding company system and required by 40 P.S. § 991.1404 to register with the Department by March 31, of each year. Kieran A. Sweeney, Kathleen W. Sweeney and Grant E. Lippincott are named as the ultimate controlling persons of its holding company system. Members of the Holding Company System include the following entities briefly described below:



## BOARD OF DIRECTORS

Management of the Company is vested in its Board of Directors (“Board”), which was comprised of the following members as of December 31, 2021:

### Name and Address

Kieran A. Sweeney  
San Diego, California

Michelle L. Roccoforte  
Santee, California

Grant E. Lippincott  
Park City, Utah

### Principal Occupation

President and CEO  
Bondsman Insurance Company

CFO, Treasurer & Secretary  
Bondsman Insurance Company

President and Manager/Director  
ReAlign Insurance Holdings, Inc.

## Bondsman Insurance Company

-4-

Rodney D. Eldred  
Oro Valley, Arizona

Peter C. LoCoco  
San Diego, California

Kevin F. Lippincott  
Dallas, Texas

Kenneth H. Zekavat  
Moorestown, New Jersey

Executive Vice President  
Align General Insurance Agency, LLC

Vice President, Commercial Banker  
California Bank & Trust

Manager  
Cordatus Capital, LLC

President  
Zekavat Investment Group, Inc

All directors serve a one-year term and are elected at the annual meeting of the stockholder.

## COMMITTEES

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

### Audit Committee

Kenneth H. Zekavat – Chair  
Kevin F. Lippincott  
Peter C. LoCoco

### Investment Committee

Kenneth H. Zekavat – Chair  
Michelle L. Roccoforte

The Company's Audit Committee is responsible for recommending the selection of the independent certified public accountant annually in compliance with 40 P.S § 991.1405(c)(4). After review of Audit Committee minutes for the examination period, there was no evidence of the Audit Committee performing this duty.

***It is recommended that the Company's Audit Committee recommends the selection of the independent certified public accountant annually and documents this recommendation within the Audit Committee minutes in compliance with 40 P.S § 991.1405(c)(4).***

In addition, the Company's Audit Committee is responsible to act in the role of a Nominating Committee to find qualified candidates and recommend candidates annually to be nominated to the board of directors, in addition to any other nominations by voting shareholder for election as directors in compliance with 40 P.S § 991.1405(c)(4.1). After review of the Audit Committee minutes for the examination period, there was no evidence of the Audit Committee performing this duty.

***It is recommended that the Company's Audit Committee act in the role of a Nominating Committee to find qualified candidates and recommend candidates annually to be nominated to the board of directors, in addition to any other nominations by voting shareholders or policyholders for election as directors documents evidence of such within the audit committee minutes in compliance with 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 Company's by-laws:

## Bondsman Insurance Company

-5-

Name	Title
Kieran A. Sweeney	President
Michelle L. Roccoforte	Treasurer
Michelle L. Roccoforte	Secretary

## CORPORATE RECORDS

### MINUTES

A compliance review of corporate minutes revealed the following:

- The Annual Meetings of the Company's stockholder were not held in compliance with its bylaws.
- The stockholder did not elect directors at such meetings in compliance with the bylaws.
- The stockholder did not ratify the prior year's actions of the officers and directors.
- Quorums were present at all directors' meetings.
- The Company's investment policy was only approved in 2017, 2018 and 2020 of the examination period.
- The Company's investment transactions were not approved quarterly by the Board.
- All directors attend Board meetings regularly.

As a result of the above review, the following recommendations were made:

***It is recommended that the company hold annual stockholder meetings to comply with 15 Pa.C.S.A. § 1755(a) and the bylaws of the Company.***

***It is recommended that the Board of Directors review and approve the investment policy at least annually in compliance with 40 P. S. § 653b(b).***

### ARTICLES OF INCORPORATION

Effective November 5, 2018, the Company amended their Articles of Incorporation ("Articles") to reflect their name change from Philadelphia Reinsurance Corporation to Bondsman Insurance Company. The amendment was properly filed with the Department and approved by the Board of Directors. The amendment was filed with the Department of State on November 5, 2018.

Effective February 6, 2020, the Company amended the Articles to correct the effective date on the November 5, 2018, amendment to the intended effective date which was October 1, 2019. The amendment was properly filed with the Department and approved by the Board of Directors. The amendment was filed with the Department of State on February 6, 2020.

Effective March 11, 2020, the Company amended the Articles to reflect the change in the Registered office by the Company from 27 North Front Street, Harrisburg, PA 17101 to 3401 North Front Street, Harrisburg, PA 17110. There was no evidence of approval of the amendment

## Bondsman Insurance Company

-6-

by the Board of Directors nor was the amendment properly filed with the Department. The amendment was filed with the Department of State on March 11, 2020.

*It is recommended any changes to the Articles of Incorporation are approved by the board of directors and properly filed with the Pennsylvania Insurance Department in compliance with 15 P.S § 21204(a).*

### BY-LAWS

Effective May 1, 2018, the Company amended the by-laws to reflect the name change from Philadelphia Reinsurance Corporation to Bondsman Insurance Company.

### SERVICE AND OPERATING AGREEMENTS

The Company is party to various service and operating agreements, which includes intercompany and related-party agreements. The following significant agreements were in place during the examination period:

#### General Agency Agreement

Effective January 1, 2017, the Company entered into a General Agency Agreement with then affiliate, Align General Insurance Agency (“Align”). Per the agreement, Align performs certain services on behalf of the Company, including agent management, policy administration and underwriting management. While this agreement remains in place, effective October 1, 2021, Align is no longer an affiliate of the Company.

#### Producer Agreement

Effective January 1, 2017, the Company entered into a Producer Agreement with both Align and All Pro Bail Bonds Inc. (“All-Pro”). Per the agreement, Align performs certain services on behalf of the Company specifically related to producer management and claims oversight. Align is not compensated under this Producer Agreement, however, All-Pro is compensated by way of commission for marketing and producing bail bond business for the Company, as well as handling claims and indemnifying the Company against all losses.

#### Investment Management Agreement

Effective November 1, 2017, the Company entered into an Investment Management Agreement with Zion Bank, N.A. Per the agreement, Zion Bank, N.A. manages and maintains custody of the Company’s investment portfolio.

Effective April 18, 2018, the terms of the agreement were amended to comply with Pennsylvania requirements for custodial agreements.

#### Tax Allocation Agreement

Effective November 1, 2016, the Company entered into a Tax Allocation Agreement with BIC Holdco, Inc. (“BIC”). Per the agreement, the Company and BIC are to file consolidated



## Bondsman Insurance Company

-7-

federal income tax returns and the establishment of reimbursement to the Company for its operating losses when determining the federal tax liability of the affiliated group.

The above agreements were in writing and were properly executed by Company officials. The Agreements described above meet the fair and reasonable standards in 40 P.S. § 991.1405(a)(1)(i).

## REINSURANCE

### CEDED

The Company's ceded premium for 2021 was \$0 and the Company's net amount recoverable for 2021 was approximately \$51,220,000. As of December 31, 2021, the Company had \$0 outstanding due recoverables from its reinsurers. The net amount recoverable noted above is the result of legacy business underwritten by the previous owners of the Company and reinsured by Bondsman upon the acquisition of the Company, details of this legacy business reinsurance follow.

### Finial Reinsurance Company

Effective December 1, 2015, the Company entered into a Quota Share Agreement with Finial Reinsurance Company. The contract remains in effect until all obligations of the parties under this Agreement have been fully discharged.

The Company's retention and the reinsurance limits are as follows:

<b>Companies' Retention</b>	<b>Reinsurance Limits</b>	<b>Types of Business</b>
\$0	No limit	100% of the gross liabilities of the Company existing immediately prior to the closing of the sale of the Company on November 1, 2016 and all liabilities incurred by the Company or out of activities of any affiliate of the Company prior to the closing of the sale of the Company excluding (i) liabilities arising from actions or omissions of the omissions of the proposed buyer of the Company and (ii) any liability for any agreement or policy of

## Bondsman Insurance Company

-8-

insurance or indemnity, or  
agreement of reinsurance

### Finial Reinsurance Company

Effective December 1, 2015, the Company entered into an Assumption Agreement with Finial Reinsurance Company. The contract remains in effect until all obligations of the parties under this Agreement have been fully discharged. Finial Reinsurance Company (“FRC”) agreed to assume all liabilities of the Company existing immediately prior to the closing of the sale of the Company to BIC Holdco Inc. and all liabilities incurred by the Company on or out of activities of any affiliate of the Company prior to the closing of the sale of the Company on November 1, 2016, excluding (i) liabilities arising from actions or omissions of the proposed buyer of the Company and (ii) any liability for any agreement or policy of insurance or indemnity, or agreement of reinsurance which is the subject of the Quota Share Agreement between the Company and FRC.

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

### **ASSUMED**

The Company did not assume any business during the examination period.

### **TERRITORY AND PLAN OF OPERATION**

The Company is licensed in the following jurisdictions: Alabama, Alaska, Arizona, Arkansas, California, Delaware, District of Columbia, Florida, Georgia, Hawaii, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Montana, Nevada, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia and Wisconsin.

The Company exclusively writes bail bonds in California. The Company has not written any business since 2019.

The following chart summarizes the Company’s Direct and Assumed, Ceded, and Net Written Premiums by line of business for the year 2021:

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Written Premium	Percentage of Total
December 31, 2021 Totals	\$ 0	\$ 0	\$ 0	100.0%

## Bondsman Insurance Company

-9-

### 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.

	Amount	Percentage
Premiums earned	\$ 22,553,607	100.0 %
Losses incurred	28,834	0.1 %
Loss expenses incurred	113,079	0.5 %
Other underwriting expenses incurred	27,921,052	123.8 %
Net underwriting gain or (loss)	(5,509,358)	(24.4)%
Totals	\$ 22,553,607	100.0 %

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

	2021	2020	2019	2018	2017
Admitted assets	\$ 7,940,015	\$ 8,006,216	\$ 8,580,610	\$ 9,081,454	\$ 9,404,575
Liabilities	\$ 428,267	\$ 438,659	\$ 507,036	\$ 975,957	\$ 4,876,958
Surplus as regards policyholders	\$ 7,511,748	\$ 7,567,557	\$ 8,073,574	\$ 8,105,497	\$ 4,527,617
Gross premium written	\$ 0	\$ 0	\$ 624,437	\$ 2,139,264	\$ 23,562,803
Net premium written	\$ 0	\$ 0	\$ 624,437	\$ 2,139,264	\$ 23,562,803
Underwriting gain/(loss)	\$ (717,818)	\$ (651,975)	\$ (275,334)	\$ (202,265)	\$ (3,661,966)
Investment gain/(loss)	\$ 181,473	\$ 130,248	\$ 138,301	\$ 109,344	\$ 218,048
Other gain/(loss)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net income	\$ (536,345)	\$ (521,727)	\$ (137,033)	\$ (92,921)	\$ (3,443,918)

### PENDING LITIGATION

As of the date of this examination report, Company management attested that the Company was not involved in any 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 Company, 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 Company's filed Annual Statements due to rounding errors.

# Bondsman Insurance Company

-10-

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

	2021	2020	2019	2018	2017
Bonds	\$ 2,837,624	\$ 6,059,279	\$ 6,331,465	\$ 6,209,776	\$ 4,069,502
Cash, cash equivalents, and short term investments	4,885,190	1,654,632	1,407,518	2,177,995	4,688,534
Subtotals, cash and invested assets	7,722,814	7,713,911	7,738,983	8,387,771	8,758,036
Investment income due and accrued	14,505	30,903	31,679	31,759	25,356
Premiums and agents' balances due	0	0	0	325,499	507,873
Current federal and foreign income tax recoverable and interest thereon	25,000	25,000	73,231	73,231	0
Electronic data processing equipment and software	0	0	0	24,432	0
Receivable from parent, subsidiaries and affiliates	0	0	0	66,344	0
Aggregate write-ins for other than invested assets	177,696	236,402	736,717	172,418	113,310
<b>Total</b>	<b>\$ 7,940,015</b>	<b>\$ 8,006,216</b>	<b>\$ 8,580,610</b>	<b>\$ 9,081,454</b>	<b>\$ 9,404,575</b>
Losses	\$ 28,834	\$ 28,868	\$ 32,200	\$ 36,708	\$ 28,737
Loss adjustment expenses	113,079	113,408	126,665	144,210	114,948
Other expenses	89,217	91,144	145,434	120,140	103,233
Taxes, licenses and fees	19,441	19,164	0	239,639	553,726
Unearned premiums	0	0	0	258,506	4,013,393
Amounts withheld or retained by company for account of others	177,696	177,696	177,696	151,754	62,921
Payable to parent, subsidiaries and affiliates	0	8,379	25,000	25,000	0
Aggregate write-ins for liabilities	0	0	41	0	0
<b>Total liabilities</b>	<b>428,267</b>	<b>438,659</b>	<b>507,036</b>	<b>975,957</b>	<b>4,876,958</b>
Common capital stock	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Gross paid in and contributed surplus	50,000,000	49,500,000	49,500,000	49,500,000	49,500,000
Unassigned funds (surplus)	(45,488,252)	(44,932,443)	(44,426,426)	(44,394,503)	(47,972,383)
Surplus as regards policyholders	7,511,748	7,567,557	8,073,574	8,105,497	4,527,617
<b>Totals</b>	<b>\$ 7,940,015</b>	<b>\$ 8,006,216</b>	<b>\$ 8,580,610</b>	<b>\$ 9,081,454</b>	<b>\$ 9,404,575</b>

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

	<b>Underwriting Income</b>		<b>Investment Income</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Premiums earned	\$ 0	\$ 0	\$ 882,943	\$ 2,121,254	\$ 19,549,410
Deductions:					
Losses incurred	(34)	(3,332)	(4,508)	7,971	28,737
Loss expenses incurred	(329)	(13,257)	(17,545)	29,262	114,948
Other underwriting expenses incurred	718,181	668,564	1,180,330	2,286,286	23,067,691
Total underwriting deductions	717,818	651,975	1,158,277	2,323,519	23,211,376
Net underwriting gain or (loss)	(717,818)	(651,975)	(275,334)	(202,265)	(3,661,966)
Net investment income earned	56,002	130,248	138,286	109,416	99,564
Net realized capital gains or (losses)	125,471	0	15	(72)	118,484
Net investment gain or (loss)	181,473	130,248	138,301	109,344	218,048
Net income before dividends to policyholders and before federal and foreign income taxes	(536,345)	(521,727)	(137,033)	(92,921)	(3,443,918)
Net income	\$ (536,345)	\$ (521,727)	\$ (137,033)	\$ (92,921)	\$ (3,443,918)

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

	2021	2020	2019	2018	2017
Surplus as regards policyholders,					
December 31, previous year	\$ 7,567,557	\$ 8,073,574	\$ 8,105,497	\$ 4,527,617	\$ 6,495,828
Net income	(536,345)	(521,727)	(137,033)	(92,921)	(3,443,918)
Change in net deferred income tax	0	0	0	0	(91,440)
Change in nonadmitted assets	(19,464)	15,710	105,110	(99,771)	67,147
Cumulative effect of changes in accounting principles	0	0	0	3,770,572	0
Surplus adjustments:					
Paid in	500,000	0	0	0	1,500,000
Change in surplus as regards policyholder for the year	(55,809)	(506,017)	(31,923)	3,577,880	(1,968,211)
Surplus as regards policyholders,					
December 31, current year	\$ 7,511,748	\$ 7,567,557	\$ 8,073,574	\$ 8,105,497	\$ 4,527,617

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

	2021	2020	2019	2018	2017
<b>Cash from Operations</b>					
Premiums collected net of reinsurance	\$ 0	\$ 0	\$ 949,936	\$ 2,319,319	\$ 23,054,830
Net investment income	85,284	132,491	138,079	107,696	91,093
Total income	85,284	132,491	1,088,015	2,427,015	23,145,923
Commissions, expenses paid and aggregate write-ins for deductions	719,830	703,690	1,953,214	2,583,466	22,437,169
Federal and foreign income taxes paid (recovered)	0	(48,231)	0	73,231	0
Total deductions	719,830	655,459	1,953,214	2,656,607	22,437,169
Net cash from operations	(634,546)	(522,968)	(865,199)	(229,682)	708,754
<b>Cash from Investments</b>					
Proceeds from investments sold, matured or repaid:					
Bonds	4,919,348	270,719	469,732	496,042	5,222,621
Net gain or (loss) on cash and short-term investments	1	0	15	(72)	0
Total investment proceeds	4,919,349	270,719	469,747	495,970	5,222,621
Cost of investments acquired (long-term only):					
Bonds	1,585,108	0	591,136	2,640,999	3,862,400
Total investments acquired	1,585,108	0	591,136	2,640,999	3,862,400
Net cash from investments	3,334,241	270,719	(121,389)	(2,145,029)	1,360,221
<b>Cash from Financing and Miscellaneous Services</b>					
Other cash provided (applied):					
Capital and paid in surplus, less treasury stock	500,000	0	0	0	1,500,000
Other cash provided or (applied)	30,863	499,363	216,111	(135,828)	(70,910)
Net cash from financing and miscellaneous sources	530,863	499,363	216,111	(135,828)	1,429,090
<b>Reconciliation of cash and short-term investments:</b>					
Net change in cash and short-term investments	3,230,558	247,114	(770,477)	(2,510,539)	3,498,065
Cash and short-term investments:					
Beginning of the year	1,654,632	1,407,518	2,177,995	4,688,534	1,190,469
End of the year	\$ 4,885,190	\$ 1,654,632	\$ 1,407,518	\$ 2,177,995	\$ 4,688,534

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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 Company's invested assets were distributed as follows:

	Amount	Percentage
Bonds	\$ 2,837,624	36.7 %
Cash	972,643	12.6 %
Cash equivalents	3,912,547	50.7 %
Totals	<u>\$ 7,722,814</u>	<u>100.0 %</u>

The Company's bond portfolio had the following quality and maturity profiles:

NAIC Designation	Amount	Percentage
1 - highest quality	\$ 2,837,624	100.0 %
Totals	<u>\$ 2,837,624</u>	<u>100.0 %</u>

Years to Maturity	Amount	Percentage
1 year or less	\$ 296,830	10.5 %
2 to 5 years	2,540,794	89.5 %
Totals	<u>\$ 2,837,624</u>	<u>100.0 %</u>

The Company has a written investment policy as required by 40 P.S. § 653b(b). The investment policy was not reviewed and approved on an annual basis by the Board of Directors. The Company was following its investment policy on December 31, 2021.

*It is recommended that the Board of Directors review and approve the investment policy at least annually in compliance with 40 P. S. § 653b(b).*

The Company has a custodial agreement with Zion Bank, N.A., that is in compliance with 31 PA Code § 148a.3.

### LIABILITIES

#### LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The Company reported reserves in the amount of \$28,834 for losses and \$113,079 for loss adjustment expenses ("LAE") on the December 31, 2021 Annual Statement.



Trevar K. Withers, ACAS, MAAA of Willis Towers Watson (“WTW”) has been the appointed actuary (“AA”) since year-end 2019. Christine Gennett, ACAS of WTW was the AA for year-end 2018. David J. Otto, ACAS of WTW was the AA for year-end 2017. For each year in the examination period, the AA provided a Statement of Actuarial Opinion (“Opinion”) stating that the loss and LAE reserve amounts made a reasonable provision on the adequacy of its loss and LAE reserves as provided in the NAIC Annual Statement Instructions – (Property and Casualty).

The Department utilized internal actuarial assistance throughout the examination for reserving risks. The Department actuaries assisted in identifying controls and performing substantive testing for reserving.

Based on the procedures performed and the results obtained, the examination team obtained sufficient documentation to support the conclusion that the Company’s carried loss and LAE reserve amounts are reasonably stated as of December 31, 2021.

### **SUBSEQUENT EVENTS**

On March 31, 2022, BIC Holdco, Inc. made a \$500,000 capital contribution in cash to the Company.

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 no recommendations.

#### **CURRENT EXAMINATION**

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

- 1. It is recommended that the Company’s Audit Committee recommends the selection of the independent certified public accountant annually and documents this recommendation within the Audit Committee minutes in compliance with 40 P.S § 991.1405(c)(4). (See, “Management and Control – Committees” page 4)***
- 2. It is recommended that the Company's Audit Committee act in the role of a Nominating Committee to find qualified candidates and recommend candidates annually to be nominated to the board of directors, in addition to any other nominations by voting shareholders or policyholders for election as directors***

*documents evidence of such within the audit committee minutes in compliance with 40 P.S § 991.1405(c)(4.1).* (See, “Management and Control – Committees” page 4)

3. *It is recommended that the company hold annual stockholder meetings to comply with 15 Pa.C.S.A. § 1755(a) and the bylaws of the Company.* (See, “Corporate Records – Minutes” page 5)
4. *It is recommended any changes to the Articles of Incorporation are approved by the board of directors and properly filed with the Pennsylvania Insurance Department in compliance with 15 P.S § 21204(a).* (See, “Corporate Records – Articles of Incorporation” pages 5-6)
5. *It is recommended that the Board of Directors review and approve the investment policy at least annually in compliance with 40 P. S. § 653b(b).* (See, “Corporate Records – Minutes” page 6 and “Notes to Financial Statements – Investments” page 14)

### **CONCLUSION**

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

	<b>Amount</b>	<b>Percentage</b>
Admitted assets	\$ 7,940,015	100.0 %
Liabilities	428,267	5.4 %
Surplus as regards policyholders	7,511,748	94.6 %
Total liabilities and surplus	\$ 7,940,015	100.0 %

Since the previous examination, made as of December 31, 2016, the Company’s assets increased by \$1,417,650, its liabilities increased by \$401,730, and its surplus increased by \$1,015,920.

**Bondsman Insurance Company**

-17-

This examination was conducted by David Smith, CISA, CPDSE, AES, CDPP, CFE, James DiSanto, Jeffery Smith, FCAS, MAAA, CPCU, and Ryan Monahan, CFE with the latter in charge.

Respectfully submitted,

*Matthew Milford*

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Bureau of Financial Examinations

*William M. Fedak*

William Fedak, CFE  
Examination Manager

*Ryan Monahan*

Ryan Monahan, 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.

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