Examination Warrant Number 17-04851-12356-R1

Report of Examination of

CM Regent Insurance Company
Mechanicsburg, Pennsylvania

As of December 31, 2017

CM Regent Insurance Company

TABLE OF CONTENTS

Harrisburg, Pennsylvania
May 3, 2019

Honorable Joseph DiMemmo, CPA
Deputy Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Harrisburg, Pennsylvania

Dear Sir:

In accordance with instructions contained in Examination Warrant Number 17-04851-12356-R1, dated July 11, 2017, an examination was made of

CM Regent Insurance Company, NAIC Code:12356

a Pennsylvania domiciled, multi-state, stock property and casualty insurance company, hereinafter referred to as "CMRIC", the "Company", or "CM Regent". The examination was conducted at the Company's home office, located at 300 Sterling Parkway, Suite 100, Mechanicsburg, Pennsylvania 17050.

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, 2012. This examination covered the five-year period from January 1, 2013 through December 31, 2017.

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. Statements were prepared by management and are therefore the responsibility of management. 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

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 the years ending 2013-2015, the certified public accounting firm of Baker Tilly provided an unmodified audit opinion on the Company's year-end financial statements based on statutory accounting principles. For the years ending 2016-2017, the certified public accounting firm of KPMG ("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.

The following companies were examined at the same time during the above examination by the Wisconsin Insurance Department: Collectively, the four companies are known as the Church Mutual Group ("CMG").

Company	Domicile	NAIC Code
Church Mutual Insurance Company	WI	18767
CM Vantage Specialty Insurance Company	WI	15872
CM Select Insurance Company	WI	16203

HISTORY

The Company was incorporated on May 31, 1995. On January 1, 2006, the Company was licensed by the Department to transact the business of a stock property and casualty insurance company in the Commonwealth of Pennsylvania. On January 3, 2006, the Company commenced business.

On April 1, 2006, the Company merged with School Boards Insurance Company Ltd. ("SBIC Ltd."), a Bermuda reinsurer wholly-owned by the Pennsylvania School Boards Association Insurance Trust ("Trust"), with the Company being the surviving entity. The surviving entity was named School Boards Insurance Company of Pennsylvania, Inc. Prior to the merger, SBIC Ltd. reinsured policies provided to member school districts through fronting arrangements with A-rated U.S. admitted insurers.

The Company was acquired by Church Mutual Insurance Company ("CMIC"), a Wisconsin domiciled mutual property and casualty insurance company as of June 1, 2016. The Company changed its name from School Boards Insurance Company of Pennsylvania Inc. to CM Regent Insurance Company several months later.

The Company is currently authorized to transact those classes of insurance described in 40 P.S. § 382, (b)(1) Fire and Allied Lines, (b)(2) Inland Marine and Auto Physical Damage, (b)(3) Ocean Marine, (c)(1) Fidelity and Surety, (c)(3) Glass, (c)(4) Other Liability, (c)(5) Boiler and Machinery, (c)(6) Burglary and Theft, (c)(8) Water Damage, (c)(9) Elevator, (c)(11) Auto Liability and (c)(14) Workers' Compensation.

MANAGEMENT AND CONTROL

CAPITALIZATION

As of the examination date, December 31, 2017, the Company's total capital was $81,413,423 consisting of 5,000 capital shares of issued and outstanding common stock with no par value and an implied value of $430 per share amounting to $2,150,000; $26,875,000 in gross paid in and contributed surplus; and $52,388,423 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 $2,150,000 in capital and $1,075,000 in surplus.

As of the examination date, the Company was in compliance with its capital requirements.

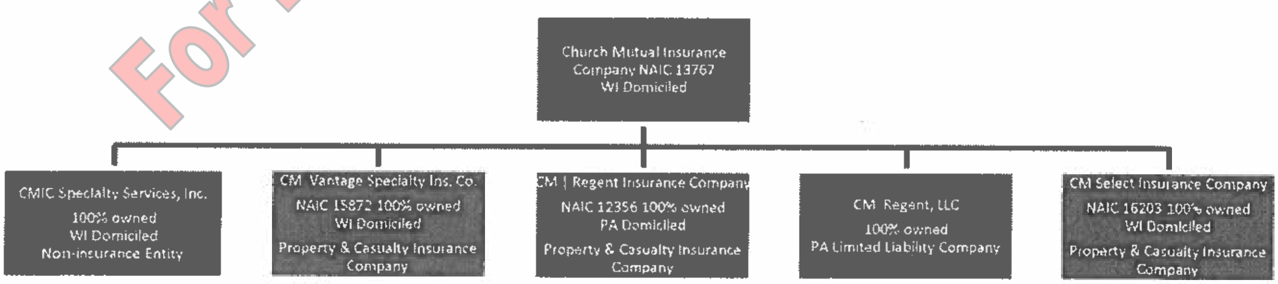
STOCKHOLDER

The Trust owned and controlled 100% of the Company's voting stock from 2013 to June 2016. On June 1, 2016, CMIC acquired all of the outstanding shares of the Company.

INSURANCE HOLDING COMPANY SYSTEM

The Company meets the requirements for filing an insurance holding company system annual registration statement ("Annual Registration Statement"), in compliance with 40 P.S. § 991.1404. The Company has filed the Annual Registration Statement for all years of the examination period.

CMIC is named as the ultimate controlling entity/person of its holding company system. Members of the holding company system include the following entities briefly described below:



CMIC owns the Company and all other entities in the holding company group.

CM Vantage Specialty Insurance Company ("CMVIC") is a Wisconsin domiciled insurance company that writes mono-line property and liability insurance in the surplus lines market.

CM Select Insurance Company ("CMSIC") is a Wisconsin domiciled stock property and casualty insurance company, which had not yet commenced insurance operations as of December 31, 2017.

BOARD OF DIRECTORS

Management of the Company is vested in its Board of Directors ("Board"), which was comprised of the following members as of the examination date, December 31, 2017:

Name and Address	Principal Occupation
Richard V. Poirier Wausau, Wisconsin	Chairman/Chief Executive Officer ("CEO") CMIC
Robert M. Buckley Weston, Wisconsin	Senior Vice President Commercial Lines CMIC
William T. Caraher Milwaukee, Wisconsin	Chief Information Officer & Director of Operations von Briesen & Roper S.C.
Ronald E. Chronister Mechanicsburg, Pennsylvania	Insurance Industry Consultant Buchanan Ingersoll & Rooney PC
Stephen P. Dickson Bluffton, South Carolina	Vice President ("VP") and Controller WEC Energy Group
George F. Grode Wormleysburg, Pennsylvania	Consultant/Arbitrator Self-Employed
Roy E. Jacobs, III Mechanicsburg, Pennsylvania	President CMRIC
Steven B. Kantrowitz Malvern, Pennsylvania	Attorney/Managing Partner Kantrowitz & Phillippi, LLC
Nathan G. Mains Mechanicsburg, Pennsylvania	CEO Pennsylvania School Boards Association
Kevin D. Root Merrill, Wisconsin	Executive VP - Operations CMIC
Kathy A. Swope Winfield, Pennsylvania	Freelance Writer Self-Employed

The Board is elected on a rotating basis with one-third of the membership elected to the office by the shareholder each year to serve a three-year term.

The examiners found that the Company has a Conflict of Interest policy. Pursuant to the policy, directors, officers and responsible employees of the Company are required to complete a Conflict of Interest Questionnaire annually.

The composition of the Board meets the independence requirements of 40 P.S. § 991 .1405(3)(i).

COMMITTEES

As of the examination date, December 31, 2017, the following committees were appointed by the Board and serving in accordance with the Company's By-laws:

Strategic Planning Committee

Robert M. Buckley, Chairman
Richard V. Poirier
Kevin D. Root
Roy E. Jacobs, III
Kathy A. Swope
George F. Grode
Ronald E. Chronister

On May 25, 2017, the Investment Committee passed a motion to transfer the Company's investment responsibility to the CMIC Risk Management Committee. This was approved by the Company's Board of Directors.

In 2017, the Company additionally transferred the obligations of its Audit Committee and Executive Committee to CMIC, and such was approved by the Company's Board of Directors.

OFFICERS

As of the examination date, December 31, 2017, the following officers were appointed and serving in accordance with the Company's By-laws:

Name	Title
Roy E. Jacobs, III	President
Sheryl M. Simmons	Treasurer
Patrick T. Beaty	Secretary
Mark E. Hennessy	Vice President
Jeffrey D. Steffen	Vice President
Steven C. Rominske	Vice President
Mark A. Steinberg	Vice President
Michael M. Smith	Vice President
Robert A. White	Vice President

CORPORATE RECORDS

MINUTES

A compliance review of corporate minutes revealed the following:

- The Annual Meetings of the Company's stockholder were held in compliance with its By-laws.
- The stockholder elects directors at annual meetings in compliance with the By-laws.
- Quorums were present at all directors' meetings.
- The Company's investment transactions were approved quarterly by the Board, with a transfer of the investment responsibility to the CMIC Risk Management Committee as of May 25, 2017.
- All directors attend Board meetings regularly.
- The Company's Board minutes approve the reinsurance contracts.

ARTICLES OF INCORPORATION

The Company changed its name September 1, 2016, from School Boards Insurance Company of Pennsylvania, Inc. to CM Regent Insurance Company.

The Company changed its mailing address and statutory address during the examination period when it moved its office spaces. The statutory address change was filed with the Pennsylvania Department of State on December 17, 2018 but was not reported to the Department.

BY-LAWS

The Company made several changes to its By-laws during the examination period.

There were two changes to the By-laws in 2013. On September 10, 2013, the Board voted to revise the By-laws to identify separate categories of directors, including four "ex officio" directors, a new At Large director and up to six elected independent directors. The independent directors will be recommended by the School Boards Insurance Company ("SBIC") Nominating and Compensation Committee, approved by the Pennsylvania School Board Association's ("PSBA") Board and elected by the Trust. The By-laws were also amended to clarify that the PSBA Executive Director is a voting member of the SBIC Executive Committee. On December 12, 2013, the By-laws changed to add an amendment that adds the Strategic Planning Committee as a permanent standing committee of the Board.

The Company's By-laws changed during 2014 to add a vice chairman as an officer of the corporation and provide that the vice chairman will perform the duties of the chairman in his absence.

The Company's By-laws changed September 1, 2016 to reflect the name change from School Boards Insurance Company of Pennsylvania, Inc. to CM Regent Insurance Company.

The Company's By-laws changed November 16, 2017, to provide for the assignment of Board members to classes with respect to their term of office, and election of Board members to staggered terms, beginning in 2017. Additionally, changes were made to increase the maximum number of Board members from 11 to 12.

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:

TAX ALLOCATION AGREEMENT

The Company entered into a Tax Sharing Agreement between CMIC ("Parent"), CM Regent Resources, LLC, CMIC Specialty Services Inc., CMVIC, and CMRIC effective as of June 1, 2016, collectively known as the "Subsidiary Group". The agreement was amended June 1, 2017 to add affiliate insurer, CMSIC to the Subsidiary Group. Each member of the Subsidiary Group agrees to join with Parent in the filing of a Group Consolidated Return for each taxable year in which they are part of the Subsidiary Group and for which Parent files a Group Consolidated Return. Parent shall be solely responsible for making any estimated or final payments to the Internal Revenue Service in satisfaction of the Federal income tax liability (including additions to tax, penalties and interest) of the Parent and Subsidiary Group for each taxable year ending after the Effective Date.

In 2018, this agreement was amended to add American Sterling Insurance Company, an affiliated shell stock insurer domiciled in California. The amendment also added new provisions for modifying the timeframes from 90 days to 30 days for settlement, carryback payments, tax adjustments, and failure to file.

LEASE AGREEMENT

The Company signed a lease for its new building at Sterling Parkway with Sterling Place Associates, LLC for 300 Sterling Parkway, Mechanicsburg, Pennsylvania as of June 2017. This is an initial seven-year lease and is set to expire December 31, 2024.

SERVICE AGREEMENT

The Company is party to a Service Agreement between CMIC and its subsidiaries, effective June 1, 2016. Under the agreement, the Company pays an administrative fee to CM Regent, LLC ("CMR") a non-insurance company owned by CMIC. The services that CMR provides on behalf of the Company include, but are not limited to, administrative and clerical, legal, corporate and tax accounting, financial reporting and record keeping, information technology services, marketing, underwriting, policy administration, premium collection, actuarial services, and human resources. For those shared services for which there is a set cost, the allocation will be based on the aggregate percentage of employee time spent on each party sharing that service multiplied by the cost.

CLAIMS ADMINISTRATION AGREEMENT

On July 1, 2008, the Company entered into a Claims Administration Agreement with School Claims Service, LLC ("SCS"), currently CMR. Under this agreement, CMR provided certain claims investigation, adjustment and other services for each claim submitted under any applicable insurance policy issued by the Company. CMR was compensated on a per claim basis for its services. The agreement was amended effective July 1, 2009, and January 1, 2011, to modify the per claim adjustment fees and again in October 2013 to clarify the handling of subrogation issues. This agreement was terminated as of December 31, 2017.

LOSS CONTROL AGREEMENT

The Company had a Loss Control Agreement with SCS, currently CMR, effective July 1, 2014, which provides certain loss control services to the Company's property and casualty and workers' compensation policyholders, and to policyholders of other coverages offered by the Company, if requested by the Company which includes but are not limited to, accident and illness prevention services, loss control surveys, physical inspections including school building roofs, and other safety related programs.

CMR is paid an annual fee for all such services provided related to property and casualty and workers' compensation policies. For all other policies, the fee paid to CMR shall be negotiated on a case-by-case basis for loss control services, and if requested by the Company, not to exceed 5% of the written premium on the policy. This agreement superseded the Loss Control Services Agreement dated as of July 1, 2008 for all services rendered on or after the effective date of this agreement first stated above. This agreement was terminated as of December 31, 2017.

LICENSING AND ROYALTY AGREEMENT

Effective January 3, 2006, the Company entered into a Licensing and Royalty Agreement with PSBA and the Trust. Under this agreement the Company pays an annual fee to PSBA in monthly installments, for identified marketing and other services, such as the use of PSBA's and the Trust's logo, and the endorsement of the Company by the Trust. This agreement was terminated in 2016.

REINSURANCE

From 2008 to 2011, the Company underwrote most of its business on a direct basis. However, in 2012, the Company began underwriting substantially all of its business on an assumed basis through fronting agreements with unaffiliated domestic insurers.

QUOTA SHARE

The Company entered into a 100% Quota Share agreement with its parent company, CMIC, effective October 1, 2016. The agreement covers policies issued, renewed or assumed by the Company on or after the effective date of the agreement. Per the agreement, the Company shall pay to CMIC 100% of the written premium charged and collected by the Company in connection with the policies effective after October 1, 2016, net of all inuring reinsurance purchased directly by the Company.

The agreement was modified June 16, 2018 to add a Paid Loss Deposit Fund. This agreement contains the required Offset, Errors & Omissions and Insolvency clauses.

CEDED

The Company is party to several external reinsurance agreements, as further described below. All of the Company's reinsurers are either licensed, qualified or certified in the Commonwealth of Pennsylvania.

The Company's total ceded premium for 2017 was $61,368,000. The Company's net amount recoverable from reinsurers for 2017 was $60,927,000, which is approximately 31.9% of its surplus.

In 2017, the broker of record has changed. Willis Re Inc. ("Willis") is the broker for the Property Per Risk Excess of Loss, Casualty Excess of Loss, and School Leaders' Legal Liability Excess of Loss treaties. Guy Carpenter & Company, LLC ("Guy Carpenter") is the broker for the Property Catastrophe Excess of Loss, Cyber Liability Quota Share, and Multiple Peril Crop Insurance and Crop Hail Quota Share treaties for the Church Mutual Group.

The Company's reinsurance intermediaries, Guy Carpenter and Willis, were licensed by the Department as required by 40 P.S. § 321.2(a). The Company operates this reinsurance program pursuant to properly executed written authorizations between each intermediary and CMRIC as required by 40 P.S. § 321.3.

The Company's ceded reinsurance contracts meet the minimum risk transfer requirements of SSAP No. 62R.

Excess of Loss

The Company had a School Leaders' Legal Liability Excess of Loss Reinsurance Contract with Munich Re effective July 1, 2017. These are Claims Made Policies.

Company's Retention	Reinsurance Per Loss Limits	Type of Business Covered
$250,000	$750,000 claims made perils	School Leaders' Legal Liability

The above limits are for each claim, each policy with the Reinsurer's limits also for all claims made, each policy.

The reinsurer had an additional Loss Adjustment Expense limit of $2,000,000.

The agreement contains the proper Offset, Errors & Omission, Entire Agreement, and Arbitration clauses, as well as an Expedited Arbitration and Insolvency clauses.

Willis is the intermediary for this agreement.

Casualty Excess of Loss

The Company has a Casualty Excess of Loss Reinsurance Contract with various reinsurers effective July 1, 2017 to July 1, 2018.

As respects the First, Second, Third and Fourth Excess Layers, policies written by and classified by the Company as Casualty business, including but not limited to:

a. Homeowners and Mobile Homeowners Multiple Peril (liability perils only);
b. Commercial Multiple Peril (liability perils only);
c. Automobile Bodily Injury Liability;

First Excess

Company's Retention	Reinsurance Per Loss Limits	Type of business Covered
$2,000,000	$4,000,000	General Liability, Auto Liability

Reinsurer's Term limit all acts of terrorism $8,000,000

Second Excess

Company's Retention	Reinsurance Per Loss Limits	Type of business Covered
$6,000,000	$6,000,000	General Liability, Auto Liability

Reinsurer's Term limit all acts of terrorism $12,000,000

Reinsurer's Term Limit, all Occurrences $36,000,000

Third Excess

Company's Retention	Reinsurance Per Loss Limits	Type of business Covered
$12,000,000	$10,000,000	General Liability, Auto Liability

Reinsurer's Term limit all acts of terrorism $10,000,000

Reinsurer's Term Limit, all Occurrences $30,000,000

Fourth Excess

Company's Retention	Reinsurance Per Loss Limits	Type of business Covered
$22,000,000	$10,000,000	General Liability, Auto Liability

Reinsurer's Term limit all acts of terrorism $10,000,000

Reinsurer's Term Limit, all Occurrences $20,000,000

Catastrophe Excess

Company's Retention	Reinsurance Per Loss Limits	Type of business Covered
$32,000,000	$20,000,000	General Liability, Auto Liability

Reinsurer's Term limit all acts of terrorism $20,000,000

Reinsurer's Term Limit, all Occurrences $40,000,000

Company's Retention	Reinsurance Per Loss Limits	Type of business Covered
$2,000,000	$50,000,000	Workers Compensation

Various subscribing reinsurers include Axis Reinsurance Company, BGS Services Limited, Endurance Assurance Corporation, Hannover Ruck SE, Mutual Reinsurance Bureau, Munich Reinsurance America, Inc., QBE Reinsurance Corporation, SCOR Reinsurance Company, Transatlantic Reinsurance Company, Underwriters at Lloyd's, London, and Houston Casualty Company with varying interests of 0.0% to 25.0% for each of the layers.

This agreement contains a Reinstatement clause as well as the proper Offset, Errors & Omission, Entire Agreement, and Arbitration clauses, as well as clause. The contract additionally contains Expedited Arbitration Insolvency clauses.

Willis is the intermediary for this agreement.

Property Catastrophe Underlying Layer Excess of Loss

The Company has a Property Catastrophe Underlying Layer Excess of Loss Reinsurance Contract with various reinsurers effective July 1, 2017 to July 1, 2018. This is to include Property business including Automobile Physical Damage but excluding collision.

This agreement allows reinstatement.

Company's Retention	Reinsurance Per Loss Limits	Type of business Covered
$15,000,000 each loss	$15,000,000	Property including Auto Physical damage, excluding collision

Various subscribing reinsurers include American Agricultural Insurance Company, Employers Mutual Casualty Company, Everest Reinsurance Company, General Reinsurance Corporation, Hannover Re (Bermuda) Limited, Certain Underwriting Members of Lloyd's, London, Mutual Reinsurance Bureau, R+V Versicherung Ag, Transatlantic Reinsurance Company with interests ranging from 0.50% to 50.0%.

The agreement contains the proper Offset, Entire Agreement, and Arbitration clauses, as well as Expedited Arbitration and Insolvency clauses.

The intermediary is Guy Carpenter.

Property Catastrophe Excess of Loss

The Company has a Property Catastrophe Excess of Loss Reinsurance Contract with various reinsurers effective July 1, 2017 to July 1, 2018. This is to include Property business including Automobile Physical Damage but exclude collision.

This agreement allows reinstatement.

First Excess

Company's Retention	Reinsurance Per Loss Limits	Ultimate Net Loss Per Contract

$30,000,000	$10,000,000	$20,000,000

Second Excess

Company's Retention	Reinsurance Per Loss Limits	Ultimate Net Loss Per Contract
$40,000,000	$20,000,000	$40,000,000

Third Excess

Company's Retention	Reinsurance Per Loss Limits	Ultimate Net Loss Per Contract
$60,000,000	$40,000,000	$80,000,000

Fourth Excess

Company's Retention	Reinsurance Per Loss Limits	Ultimate Net Loss Per Contract
$100,000,000	$50,000,000	$100,000,000

Fifth Excess

Company's Retention	Reinsurance Per Loss Limits	Ultimate Net Loss Per Contract
$150,000,000	$100,000,000	$200,000,000

Sixth Excess

Company's Retention	Reinsurance Per Loss Limits	Ultimate Net Loss Per Contract
$250,000,000	$85,000,000	$170,000,000

Seventh Excess

Company's Retention	Reinsurance Per Loss Limits	Ultimate Net Loss Per Contract
$335,000,000	$20,000,000	$40,000,000

The agreement contains the proper Offset, Entire Agreement, and Arbitration clauses, as well as an Expedited Arbitration and an Insolvency clause. This contract additionally contains a Reinstatement clause.

The intermediary is Guy Carpenter.

ASSUMED

Upon reviewing the Company's assumed reinsurance program, the examiner noted that the Company has a letter of credit to Old Republic Insurance Company, for fronting arrangements for workers' compensation and school leaders' legal liability for over $52 million, with $84.5 million in total letters of credit to various reinsurers.

Multi line Excess of Loss

The Company had a multi-line cession Reinsurance Agreement with American Alternative Insurance Corporation ("AAIC") effective as of July 1, 2015, in which CMRIC is the reinsurer. This is multi line cessions covering General Liability (including Law Enforcement Liability and Employee Benefit Liability); Automobile Liability; Automobile Physical Damage (including Garagekeepers Liability); and Crime.

The agreement can be terminated for various conditions including but not limited to if 1) The Reinsurer's Policyholders' Surplus ("PHS") at the effective date of this Agreement has been reduced by more than 20% of the amount of PHS twelve (12) months prior to that date 2) The Reinsurer has become merged with, acquired by or controlled by any other company, corporation or individual(s) not controlling the Reinsurer's operations previously and/or a change in management or ownership, but only to the extent that such transaction would materially weaken the financial condition of the Reinsurer. CMRIC would assume the first $500,000.

Reinsurer's Retention	Reinsurance Per Loss Limits	Type of business Covered
First $500,000	all perils	Property as previously mentioned

The Company has appointed School Claims Services, LLC, currently CMR, as a Third-Party Administrator to administer and settle all claims under the Association Policy in accordance with the terms of a Claim Services Agreement.

The agreement contains the proper Errors & Omissions, Offset, and Entire Agreement clauses.

Facultative Reinsurance Agreement

The Company had a Facultative Reinsurance Agreement with Granite State Insurance Company, effective as of July 1, 2015 through July 1, 2017. The agreement was renewed for policy years effective July 1, 2016 and 2017.

The agreement contains the proper Errors & Omission, Entire Agreement, and Arbitration clauses.

Reinsurer's Retention	Reinsurance Per Loss Limits	Type of business Covered
First $500,000	all perils	Commercial Property,

First $1 million of earth movement Business Interruption

All of the above assumed agreements were fronting arrangements.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in the following jurisdictions: Wisconsin and Pennsylvania. The Company became licensed in Wisconsin on October 30, 2017. As of December 31, 2017, the Company only writes in Pennsylvania.

The Company offers commercial property, liability, school leaders' legal liability, excess liability, and workers' compensation ("WC") insurance to Pennsylvania school districts. Prior to July 1, 2006, all coverages were written through fronting arrangements with highly-rated domestic insurers. Beginning on July 1, 2006, the Company wrote School Leaders' Legal Liability ("SLL") insurance for school boards and management under their SLL program on a direct basis.

Beginning July 1, 2008, the Company began to write the WC and Property Deductible Buy-Down coverage on a direct basis as well. Other coverages continued to be written through fronting arrangements. The Company returned to writing all lines of business through fronting arrangements effective July 1, 2012. Subsequent to the acquisition by CMIC, the Company returned to writing its SLL and WC policies on a direct basis effective July 1, 2017. The Company stopped writing with fronting arrangements in 2018. All policies written in Pennsylvania are agency billed with payment options of annual and quarterly basis.

CMRIC primarily sells insurance to school districts while CMIC primarily sells insurance to churches and other religious organization.

The Company writes predominantly Commercial, long-tailed lines of business including Workers Compensation and Other Liability. The table below shows the premium distribution by line of business written by the Company as of the examination date.

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Written Premium	Percentage of Total
December 31, 2017				
Commercial multiple peril	$ 15,282,735	$ 15,280,143	$ 2,592	-12.6%
Workers' compensation	14,525,659	14,510,567	15,092	-73.2%
Other liability - claims-made	6,560,079	6,563,155	(3,076)	14.9%
Commercial auto liability	3,066,188	3,099,388	(33,200)	161.1%
Auto physical damage	782,291	784,307	(2,016)	9.8%
Totals	$ 40,216,952	$ 40,237,560	$ (20,608)	100.0%

As of December 31, 2017, the Company conducted its business with 158 brokers. The Company added four brokers for future Wisconsin business.

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	$ 210,587,992	100.0 %
Losses incurred	$ 93,291,382	44.3 %
Loss expenses incurred	24,388,039	11.5 %
Other underwriting expenses incurred	63,715,449	30.3 %
Net underwriting gain or (loss)	29,193,122	13.9 %
Totals	$ 210,587,992	100.0 %

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

	2017	2016	2015	2014	2013
Admitted assets	$ 190,935,493	$ 191,881,089	$ 185,660,974	$ 187,709,514	$ 192,666,036
Liabilities	$ 109,522,070	$ 122,237,369	$ 128,691,963	$ 141,499,497	$ 150,489,815
Surplus as regards policyholders	$ 81,413,423	$ 69,643,720	$ 56,969,011	$ 46,210,017	$ 42,176,221
Gross premium written	$ 40,216,952	$ 39,706,477	$ 42,418,733	$ 51,966,553	$ 54,549,763
Net premium written	$ (20,608)	$ 37,774,242	$ 40,901,561	$ 50,311,055	$ 52,875,497
Underwriting gain/(loss)	$ 13,624,223	$ 9,860,431	$ 7,907,646	$ 980,006	$ (3,179,184)
Investment gain/(loss)	$ 3,881,198	$ 2,904,374	$ 2,819,497	$ 2,965,529	$ 3,400,177
Other gain/(loss)	$ 0	$ (4,152)	$ 44,561	$ 31,615	$ 531
Net income	$ 13,427,421	$ 8,755,653	$ 10,771,704	$ 3,977,150	$ 221,524

PENDING LITIGATION

The Company is not involved in any material litigation, other than in normal course of business, as of the date of this examination report, that would be expected to have a material adverse impact to the financial condition of the Company.

A letter was received from the Company's internal counsel Michael M. Smith verifying no material litigation.

A review of the Company's Board minutes indicated no evidence of litigation or attorney consultation. A review of the Company's general ledger produced no significant legal expenses. Additionally, the Company verified by management per their representation letter that there was no additional outstanding significant litigation.

FINANCIAL STATEMENTS

The financial condition of the Company, as of December 31, 2017, 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.

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

	2017	2016	2015	2014	2013
Bonds	$ 130,921,938	$ 150,034,703	$ 150,828,103	$ 160,902,568	$ 164,306,361
Preferred stocks	0	801,813	550,563	0	0
Common stocks	24,725,000	0	0	0	0
Cash, cash equivalents, and short term investments	23,123,789	27,983,476	23,739,095	18,043,978	19,391,210
Subtotals, cash and invested assets	178,770,727	178,819,992	175,117,761	178,946,546	183,697,571
Investment income due and accrued	825,088	959,593	1,048,165	915,467	931,008
Premiums and agents' balances due	3,780,961	4,057,567	5,287,473	5,641,059	6,651,562
Amounts recoverable from reinsurers	2,533,675	14,837	3,545	1,151	170,431
Funds held by or deposited with reinsured companies	4,200,000	4,200,000	4,200,000	2,200,000	1,200,000
Net deferred tax asset	819,000	3,829,000	0	0	0
Aggregate write-ins for other than invested assets	6,042	100	4,030	5,291	15,464
Total	$ 190,935,493	$ 191,881,089	$ 185,660,974	$ 187,709,514	$ 192,666,036
Losses	$ 58,422,212	$ 72,937,495	$ 78,777,141	$ 82,429,250	$ 89,259,868
Reinsurance payable on paid loss and loss adjustment expenses	1,677,633	1,193,465	2,479,849	3,831,084	2,278,522
Loss adjustment expenses	18,601,401	21,940,697	24,647,930	28,350,544	30,922,744
Other expenses	1,073,140	909,096	1,376,858	643,867	524,069
Taxes, licenses and fees	250,000	200,000	150,000	174,484	196,966
Current federal and foreign income taxes	245,683	0	0	0	0
Unearned premiums	0	18,960,036	20,490,098	25,437,086	26,565,866
Ceded reinsurance premiums payable (net of ceding commissions	27,055,172	902,745	276,805	255,473	207,727
Amounts withheld or retained by company for account of others	338,937	2,497	8,393	8,013	209,341
Payable to parent, subsidiaries and affiliates	1,857,892	5,191,338	484,889	369,696	324,712
Total liabilities	109,522,070	122,237,369	128,691,963	141,499,497	150,489,815
Common capital stock	2,150,000	2,150,000	2,150,000	2,150,000	2,150,000
Gross paid in and contributed surplus	26,875,000	26,875,000	26,875,000	26,875,000	26,875,000
Unassigned funds (surplus)	52,388,423	40,618,720	27,944,011	17,185,017	13,151,221
Surplus as regards policyholders	81,413,423	69,643,720	56,969,011	46,210,017	42,176,221
Totals	$ 190,935,493	$ 191,881,089	$ 185,660,974	$ 187,709,514	$ 192,666,036

Comparative Statement of Income
For the Year Ended December 31,

Underwriting Income	2017	2016	2015	2014	2013
Premiums earned	$ 18,939,428	$ 39,304,305	$ 45,848,549	$ 51,439,836	$ 55,055,874
Deductions:					
Losses incurred	2,136,306	13,194,668	23,093,393	24,102,063	30,764,952
Loss expenses incurred	3,213,922	4,802,417	3,125,279	5,665,167	7,581,254
Other underwriting expenses incurred	(35,023)	11,446,789	11,722,231	20,692,600	19,888,852
Total underwriting deductions	5,315,205	29,443,874	37,940,903	50,459,830	58,235,058
Net underwriting gain or (loss)	13,624,223	9,860,431	7,907,646	980,006	(3,179,184)
Investment Income					
Net investment income earned	3,433,137	2,798,872	2,717,015	2,861,007	3,167,801
Net realized capital gains or (losses)	448,061	105,502	102,482	104,522	232,376
Net investment gain or (loss)	3,881,198	2,904,374	2,819,497	2,965,529	3,400,177
Other Income					
Aggregate write-ins for miscellaneous income	0	(216)	44,600	31,615	531
Total other income	0	(4,152)	44,561	31,615	531
Net income before dividends to policyholders and before federal and foreign income taxes	17,505,421	12,760,653	10,771,704	3,977,150	221,524
Federal and foreign income taxes incurred	4,078,000	4,005,000	0	0	0
Net income	$ 13,427,421	$ 8,755,653	$ 10,771,704	$ 3,977,150	$ 221,524

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

	2017	2016	2015	2014	2013
Surplus as regards policyholders,					
December 31, previous year	$ 69,643,720	$ 56,969,011	$ 46,210,017	$ 42,176,221	$ 41,933,330
Net income	13,427,421	8,755,653	10,771,704	3,977,150	221,524
Net unrealized capital gains or (losses)	1,304,830	8,053	(8,053)	0	0
Change in net deferred income tax	(3,107,000)	4,463,000	0	0	0
Change in nonadmitted assets	144,452	(551,997)	105,570	56,646	21,367
Dividends to stockholders	0	0	(110,227)	0	0
Change in surplus as regards policyholder for the year	11,769,703	12,674,709	10,758,994	4,033,796	242,891
Surplus as regards policyholders,					
December 31, current year	$ 81,413,423	$ 69,643,720	$ 56,969,011	$ 46,210,017	$ 42,176,221

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

	2017	2016	2015	2014	2013
Cash from Operations					
Premiums collected net of reinsurance	$ 26,408,426	$ 39,630,088	$ 41,276,479	$ 51,369,306	$ 54,962,453
Net investment income	3,919,010	3,508,956	3,046,174	3,163,947	3,514,663
Miscellaneous income	0	(4,152)	44,561	31,614	531
Total income	30,327,436	43,134,892	44,367,214	54,564,867	58,477,647
Benefit and loss related payments	18,686,259	20,331,990	28,099,131	29,210,839	34,058,788
Commissions, expenses paid and aggregate write-ins for deductions	6,275,269	19,375,932	17,842,002	28,823,071	29,111,930
Federal and foreign income taxes paid (recovered)	3,963,317	4,030,000	0	0	0
Total deductions	28,924,845	43,737,922	45,941,133	58,033,910	63,170,718
Net cash from operations	1,402,591	(603,030)	(1,573,919)	(3,449,043)	(4,693,071)
Cash from Investments					
Proceeds from investments sold, matured or repaid:					
Bonds	94,338,935	42,274,262	55,796,767	35,039,176	65,682,642
Stocks	852,939	0	0	0	0
Net gain or (loss) on cash and short-term investments	(3,715)	1	(24)	317	0
Miscellaneous proceeds	0	0	0	0	1,134
Total investment proceeds	95,188,159	42,274,263	55,796,743	35,039,493	65,683,776
Cost of investments acquired (long-term only):					
Bonds	75,074,524	41,962,088	46,089,321	31,848,157	61,480,108
Stocks	23,420,416	251,250	550,563	0	0
Total investments acquired	98,494,940	42,213,338	46,639,884	31,848,157	61,480,108
Net cash from investments	(3,306,781)	60,925	9,156,859	3,191,336	4,203,668
Cash from Financing and Miscellaneous Services					
Other cash provided (applied):					
Dividends to stockholders (paid)	0	0	110,227	0	0
Other cash provided or (applied)	(2,955,497)	4,786,486	(1,777,596)	(1,089,525)	1,277,825
Net cash from financing and miscellaneous sources	(2,955,497)	4,786,486	(1,887,823)	(1,089,525)	1,277,825
Reconciliation of cash and short-term investments:					
Net change in cash and short-term investments	(4,859,687)	4,244,381	5,695,117	(1,347,232)	788,422
Cash and short-term investments:					
Beginning of the year	27,983,476	23,739,095	18,043,978	19,391,210	18,602,788
End of the year	$ 23,123,789	$ 27,983,476	$ 23,739,095	$ 18,043,978	$ 19,391,210

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, 2017, the Company's invested assets were distributed as follows:

	Amount	Percentage
Bonds	$ 130,921,938	73.2 %
Common stocks	24,725,000	13.9 %
Cash	(124,250)	(0.1)%
Cash equivalents	8,163,869	4.6 %
Short-term investments	15,084,170	8.4 %
Totals	$ 178,770,727	100.0 %

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

NAIC Designation	Amount	Percentage
1 - highest quality	$ 150,794,053	99.0 %
2 - high quality	1,575,659	1.0 %
Totals	$ 152,369,712	100.0 %

Years to Maturity	Amount	Percentage
1 year or less	$ 31,910,484	21.0 %
2 to 5 years	70,130,857	46.0 %
6 to 10 years	41,024,774	26.9 %
11 to 20 years	8,116,724	5.3 %
over 20 years	1,186,873	0.8 %
Totals	$ 152,369,712	100.0 %

CMRIC currently has their own investment policy which is approved by CMIC annually. The CMIC Risk Management Committee ("RMC") oversees all members of Church Mutual Group. CMIC's investment advisor reports on all companies in the CMG. The investment policy is identical across all companies in the CMG, with the exception that only CMIC is permitted to hold alternative investments. The RMC meets four times per year with an extra meeting for investment strategizing. CMIC has investment overseer/advisor for the CMG who oversees all five investment advisors used by the companies, including Conning, Inc.

The Company's Board of Directors passed a resolution delegating the functions, duties, and responsibilities of the Investment Committee of CMRIC's Board to RMC.

The Company monitors its investment exposure by investing in funds in accordance with guidelines set by RMC.

The Company had a custodial agreement with Wilmington Trust, N.A. effective April 14, 2014. Also, on April 28, 2014, through a series of contemporaneous related transactions, management of the Company transferred its Letter of Credit facility from Comerica Bank to M&T Bank. M&T Bank and Wilmington Trust, N.A. are affiliated financial institutions.

An amendment to the custodial agreement was made effective April 23, 2014, which brought the agreement into compliance with 31 Pa. Code § 148a.3. At end of 2017 and going forward, the Company only utilizes Wilmington Trust, N.A. as a custodian for their investment portfolio. The examiner determined that the remaining custodial agreement with Wilmington Trust N.A. meets the requirements of 31 Pa. Code § 148a.3.

During 2017, the Company liquidated its holdings in convertible securities and preferred stocks and invested the proceeds in common stocks. At year-end 2017, the composition of these assets was 73.2% in long term bonds, 13.8% in common stock, 8.4% in short-term bonds, and 4.6% in cash and cash equivalents.

The Company has 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 Board. The Company was following its investment policy at December 31, 2017.

LIABILITIES

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The Company reported net reserves in the amount of $ 58,422,212 for losses and $18,601,401 for loss adjustment expenses ("LAE") on the December 31, 2017 Annual Statement.

Ronald T. Kuehn, FCAS, MAAA of Huggins Actuarial Services, Inc. was the Company's appointed actuary for years ending 2013 through 2015. In 2016, the Board appointed Carl X. Ashenbrenner, FCAS, MAAA of Milliman, Inc. to be the appointed actuary. The Department was properly notified of the change in actuaries with appropriate letters from the Company and previous actuary.

For each year in the examination period, the appointed actuary provided a Statement of Actuarial 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.*

To assist with the evaluation of the reasonability of reserves and reserving processes for all companies in the Church Mutual Group, the lead state Wisconsin engaged the actuarial services of the American Actuarial Consulting Group, LLC, to assist the examination team. The Department examination team considered the work and conclusions of the actuary from American Actuarial Consulting Group.

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, 2017.

SUBSEQUENT EVENTS

CMIC added American Sterling Insurance Company, a California domestic insurer to its holding company structure in 2018.

Since taking over the reinsurance program for CMRIC, CMIC does the following: The Chief Risk Officer ("CRO"), Chief Financial Officer ("CFO"), and Chief Operations Officer ("COO") review and approve the reinsurance program structures. Agreements are reviewed and approved by the CRO, Legal department, and where appropriate, underwriting officers. CMRIC's Board is not part of the approval process but is made aware of the overall reinsurance program. Additionally, CMIC's CRO, CFO, and COO review and approve all reinsurance agreements. At least annually, the Board reviews the reinsurance program.

The Property Aggregate Catastrophe Excess of Loss reinsurance treaty was not renewed in 2017 as the value of that prior treaty has been replaced with the underlying layer of the Property Catastrophe Excess of Loss reinsurance treaty.

The Company expanded its licenses during 2018 to include Arizona, Indiana, Iowa, Kentucky, Michigan, New Hampshire, North Carolina, Ohio, Oklahoma, Utah, and Vermont.

The Company stopped writing business through fronting arrangements during 2018.

The Company assumed automobile lines of business up to December 31, 2017. As of July 2018, the automobile business is now written on CMRIC paper.

The Company named a new President, Robert White in March 2018.

On January 25, 2019, the Department received the filing for an increase in stated capital of CMRIC from $2,150,000 to $5,000,000.

RECOMMENDATIONS

PRIOR EXAMINATION

As a result of the prior examination, there were no recommendations made.

CURRENT EXAMINATION

As a result of the current examination, there were no recommendations made.

CONCLUSION

As a result of this examination, the financial condition of CM Regent Insurance Company, as of December 31, 2017, was determined to be as follows:

	Amount	Percentage
Admitted assets	$ 190,935,493	100.0 %
Liabilities	$ 109,522,070	57.4 %
Surplus as regards	81,413,423	42.6 %
Total liabilities and	$ 190,935,493	100.0 %

Since the previous examination, made as of December 31, 2012, the Company's assets decreased by $9,536,193, its liabilities decreased by $49,016,286, and its surplus increased by $39,480,093.

This examination was conducted by Mark Swearingen, CFE, Kevin Clark, David Smith, CISA, and Gary L Greenaway Jr, CFE, with the latter in charge.

Respectfully,

Melissa L. Greiner
Director
Bureau of Financial Examinations

Matthew Milford, CFE
Examination Manager

Gary L Greenaway Jr, 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.