

Examination Warrant Number 18-00766-15909-R1

Report of Examination of
Radian Guaranty Reinsurance Inc.
Philadelphia, Pennsylvania
As of December 31, 2018

For Informational Purposes Only

Radian Guaranty Reinsurance Inc.

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Harrisburg, Pennsylvania
March 12, 2020

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 18-00766-15909-R1, dated August 14, 2018, an examination was made of

Radian Guaranty Reinsurance Inc., NAIC Code: 15909

a Pennsylvania domiciled, single-state, mortgage guaranty insurance company, hereinafter referred to as “RGRI” or “the Company.” The examination was conducted at RGRI’s statutory home office, located at 1500 Market Street, Philadelphia, Pennsylvania 19102.

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, 2013. This examination covered the five-year period from January 1, 2014 through December 31, 2018.

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

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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 PricewaterhouseCoopers LLP (“CPA”) of Philadelphia, Pennsylvania 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 member companies of Radian Group Inc. (NAIC Group 766) were examined at the same time during the above examination:

Company	NAIC Code	State of Domicile
Radian Investor Surety, Inc. (“RISI”)	15546	PA
Radian Reinsurance Inc. (“RRI”)	15842	PA
Radian Mortgage Guaranty, Inc. (“RMGI”)	15843	PA
Radian Insurance Inc. (“RII”)	20720	PA
Radian Mortgage Assurance Inc. (“RMAI”)	30872	PA
Radian Guaranty Inc. (“RGI”)	33790	PA
EnTitle Insurance Company, Inc.	51632	OH

HISTORY

The Company was incorporated as a capital stock mortgage guaranty insurance company in the State of Texas on October 29, 1993 and commenced business about that same date. The Department issued a new Certificate of Authority, effective July 26, 2013, to the Company indicating its line of authority and the fact that it is a domestic stock insurance company. Effective August 15, 2013, the Company became a Pennsylvania domiciled insurance company. The Company’s name was changed effective November 19, 2013, from Commonwealth Mortgage Assurance Company of Texas to Radian Guaranty Reinsurance Inc.

The Company is currently authorized to transact those classes of insurance described in 40 P.S. § 382 (c)(7) Credit.

MANAGEMENT AND CONTROL

CAPITALIZATION

As of the examination date, December 31, 2018, the Company’s total capital was \$5,297,691, consisting of 2,500,000 capital shares of issued and outstanding common stock with a par value of \$1.00 per share amounting to \$2,500,000; \$209,252,316 in gross paid-in and contributed surplus; and \$(206,454,625) in unassigned funds (surplus).

Radian Guaranty Reinsurance Inc.

The Company's minimum capital and surplus requirements for the type of business for which it is licensed, pursuant to 40 P.S. § 386(c), is \$750,000 in capital and \$375,000 in surplus. The Company has met all governing requirements throughout the examination period.

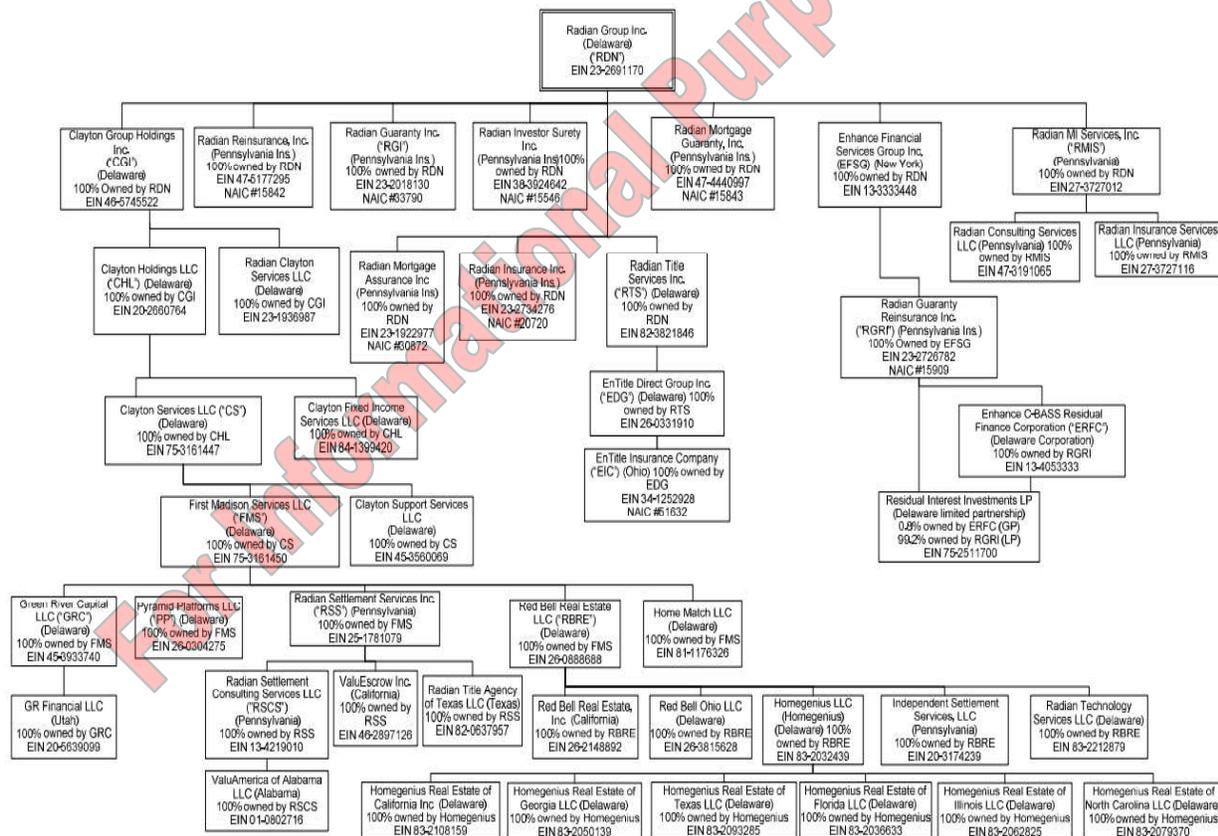
STOCKHOLDER

RGRI is a wholly owned subsidiary of Enhance Financial Services Group Inc., which is a wholly owned subsidiary of Radian Group Inc. ("RDN"). During the years under examination, RGRI paid no dividends to its stockholder.

INSURANCE HOLDING COMPANY SYSTEM

During the period under examination, RGRI met the requirements for filing an Insurance Holding Company System Registration Statement, in accordance with 40 P.S. §§ 991.1404(a)(1) and 991.1404(a)(2), to register with the Department by March 31, of each year during the examination period. Forms B and C were filed annually during the examination period.

The following represents the organizational chart of RDN as of December 31, 2018:



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

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RADIAN GROUP INC.

RDN is publicly held and listed on the New York Stock Exchange. RDN began in 1992 when CMAC Investment Corporation was spun off through an initial public offering by Reliance Group Holdings. RDN is the ultimate parent of the holding company system. RDN does not have any operations of its own, but conducts its principal activity of providing credit enhancement, primarily through first-lien residential mortgage insurance, through its subsidiaries. RDN is also pursuing opportunities that align with its strategic objective to diversify beyond credit enhancement, such as mortgage services, particularly title services, and real estate services.

RADIAN GUARANTY INC.

RGI is domiciled in Pennsylvania and is 100% owned by RDN. RGI has provided mortgage insurance on both a flow and a structured basis and has offered pool insurance on a limited basis. RGI wrote the pool insurance in the form of credit enhancement on residential mortgage loans underlying residential mortgage-backed securities, whole loan sales, and other structured transactions. It also wrote modified pool insurance, which differs from standard pool insurance in that it included an exposure limit on each individual loan, as well as a stop-loss feature for the entire pool of loans. RGI's current business focus is traditional first-lien primary mortgage insurance written on a flow basis. A mortgage insurance policy is issued to a lender to protect against losses arising from a borrower's monetary default. RGI's principal customers are mortgage originators such as mortgage bankers, mortgage brokers, commercial banks and savings institutions.

RADIAN INSURANCE INC.

RII is domiciled in Pennsylvania, 100% owned by RDN, and historically wrote mortgage and financial guaranty insurance on both a direct and an assumed basis. RII formerly insured the group's Hong Kong portfolio, which is no longer in force as of the examination date. Similarly, RII is in a runoff mode with respect to its domestic business.

RADIAN MORTGAGE ASSURANCE INC.

RMAI is domiciled and licensed in Pennsylvania as a stock casualty insurance company authorized to carry on the business of credit insurance, which includes the authority to write mortgage guaranty insurance. RMAI is 100% owned by RDN.

RADIAN INVESTOR SURETY INC.

RISI was domiciled and licensed in Pennsylvania as a stock casualty insurance company in 2014. RISI is authorized to carry on the business of mortgage credit-related products which are currently in a developmental stage and is not licensed in any jurisdiction other than Pennsylvania. RISI is 100% owned by RDN.

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RADIAN REINSURANCE INC.

RRI was domiciled and licensed in Pennsylvania in 2015 and is a direct subsidiary of RDN. RRI was initially funded in part by dividends from Enhance Financial Services Group, Inc., a now-inactive subsidiary of RDN. RRI is a licensed affiliated reinsurer that primarily provided reinsurance to RGI during the examination period. In addition, RRI participates in the Front-end and Back-end credit risk transfer programs developed by Fannie Mae and Freddie Mac.

RADIAN MORTGAGE GUARANTY INC.

RMGI was domiciled and licensed in Pennsylvania in 2015 as a stock casualty insurance company and is a direct subsidiary of RDN. RMGI is authorized to carry on the business of credit insurance, including the authority to write mortgage guaranty insurance. RMGI is a monoline insurer, restricted to writing only residential mortgage guaranty insurance. RMGI did not write any business in 2017 or 2018.

The status of key subsidiaries included in the previous examination report is as follows:

- Enhance Financial Services Group Inc. – functions as a holding company to own RGRI.
- Radian Services LLC – transferred to RDN’s wholly-owned subsidiary Clayton Group Holdings LLC and renamed Radian Clayton Services LLC.
- Radian Mortgage Insurance Inc. (“RMII”) – pursuant to a reorganization that was effective December 31, 2015, RMII was sold by RGI to RDN for \$2.8 million (the amount of RMII’s statutory capital as of that date) in 2016. RMII was liquidated in 2017, paying a liquidating dividend of \$24.9 million to RDN consisting of a cash dividend of \$2.7 million and the distribution of tax recoverables of \$22.2 million. The proceeds from this dividend were subsequently split between RGI and RRI; none were retained by RDN. RMII surrendered its Pennsylvania Certificate of Authority in 2017.
- Radian Asset Assurance Inc. – sold to Assured Guaranty Corp., a subsidiary of Assured Guaranty Ltd., in 2015.

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, 2018:

Name and Address

Richard G. Thornberry
Philadelphia, PA

J. Franklin Hall
Cincinnati, OH

Timothy W. Hunter
Philadelphia, PA

Principal Occupation

Chief Executive Officer
Radian Group Inc.

Chief Financial Officer
Radian Group Inc.

General Counsel and Secretary
Radian Guaranty Inc.

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Zoe L. Devaney
Titusville, NJ

Edward J. Hoffman
Wynnewood, PA

Brien J. McMahan
Randolph, NJ

Derek V. Brummer
Blue Bell, PA

Senior Vice President
Radian Guaranty Inc.

General Counsel and Secretary
Radian Group Inc.

Chief Franchise Officer
Radian Group Inc.

Chief Risk Officer
Radian Group Inc.

All directors are elected at the annual meeting of the shareholder. Each director holds office for one year or until his successor is elected and qualified.

COMMITTEES

As of the examination date, December 31, 2018, the following committees were appointed by the Board and serving in accordance with the Company's by-laws:

Audit Committee

David C. Carney (Chairperson)
Gregory V. Serio
Noel J. Spiegel

Finance & Investment Committee

Lisa W. Hess (Chairperson)
Stephan T. Hopkins
Gaetano J. Muzio
Noel J. Spiegel

Compensation & HR Committee

Howard B. Culang
Lisa W. Hess
Stephan T. Hopkins (Chairperson)
Gaetano J. Muzio

Governance Committee

David C. Carney
Howard B. Culang
Stephan T. Hopkins
Gregory V. Serio (Chairperson)

Credit Committee

David C. Carney
Howard B. Culang (Chairperson)
Noel J. Spiegel

OFFICERS

As of the examination date, December 31, 2018, the following officers were appointed and serving in accordance with the Company's by-laws:

Name	Title
Richard G. Thornberry	Chief Executive Officer and President
J. Franklin Hall	Senior Executive Vice President and Chief Financial Officer
Timothy W. Hunter	Senior Vice President and General Counsel and Secretary
William T. Tomljanovic	Senior Vice President and Treasurer
Robert V. Radicioni	Senior 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 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 Company's investment transactions are approved quarterly by the Board.
- All directors attend Board meetings regularly.
- The Company's Board minutes approve the reinsurance contracts.

ARTICLES OF INCORPORATION

There were no amendments made to the Company's Articles of Incorporation during the examination period.

BY-LAWS

There were no amendments made to the Company's by-laws during the examination period.

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:

EXPENSE ALLOCATION AND SERVICES AGREEMENTS

RGRI entered into an Expense Allocation and Services Agreement with RDN on January 1, 2016, replacing its prior agreement that was in effect since 2013. This agreement provides for the use of RDN facilities and services by RGRI and the other subsidiaries. Expenses, which benefit multiple parties, are allocated on the basis of time studies or "another fair and equitable basis." Direct expenses are charged to the benefiting parties and interest expense is allocated on the basis of the various companies' relative capital.

The agreement was amended on April 1, 2017 to reflect changes in the allocations among the various subsidiaries, and was further amended on February 19, 2018 as follows:

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- Provide for interest to be paid if the settlement provisions are not met on a timely basis
- Apply the indemnification provision to all forms of negligence rather than only gross negligence
- All funds and invested assets are the exclusive property of the insurer and held for the benefit of the insurer
- Terms of the agreement must be renegotiable every third year if the agreement survives more than five years from its date of inception
- The agreement cannot be assigned.

ASSUMPTION AND INDEMNITY AGREEMENT

Effective December 31, 2011, the Company entered into an assumption and indemnity agreement with RDN. Under the terms of the agreement, RDN assumed all liabilities related to certain proposed Internal Revenue Service (IRS) adjustments that otherwise would have been due by the Company under the Tax Allocation Agreement. The Company made qualified deposits, with the U.S. Department of Treasury for a portion of the tax liability and associated interest from the proposed IRS adjustments in order to avoid accrual of above-market-interest with respect to such adjustments. This Agreement was concluded during the examination period, and as of the examination date, the amount of the deposit was zero.

TAX ALLOCATION AGREEMENT

RGRI has a written Tax Allocation Agreement with RDN which has been approved by the Board. The agreement sets forth the manner in which the total combined federal income tax is allocated to each entity that is a party to the consolidation. The method of allocation is based upon separate return calculation with current credit for Net Operating Losses being utilized on the consolidated return of RDN.

INTERCOMPANY TRANSFER AGREEMENT

RGRI entered into an Intercompany Transfer Agreement with RDN, RGI, RMII, RII, and RMAI on September 20, 2010. The purpose of the agreement was to help facilitate sales of investment grade securities among the group of companies noted above.

All inter-company agreements above satisfy the fair and reasonable standards set forth in 40 P.S. § 991.1405(a)(1)(i).

REINSURANCE

The Company did not cede or assume any reinsurance during the examination period.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in the Commonwealth of Pennsylvania and is currently not writing, assuming or ceding any premiums.

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.

	2018	2017	2016	2015	2014
Admitted assets	\$ 5,311,635	\$ 5,560,312	\$ 5,765,000	\$ 8,221,159	\$ 382,164,279
Liabilities	\$ 13,944	\$ 11,131	\$ 3,845,243	\$ 3,314,971	\$ 303,370,229
Surplus as regards policyholders	\$ 5,297,691	\$ 5,549,181	\$ 1,919,757	\$ 4,906,188	\$ 78,794,050
Gross premium written	\$ 0	\$ 0	\$ 0	\$ 35,826,556	\$ 94,015,632
Net premium written	\$ 0	\$ 0	\$ 0	\$ 35,826,556	\$ 94,015,632
Underwriting gain/(loss)	\$ (322,237)	\$ (61,737)	\$ (33,171)	\$ 59,063,706	\$ 62,872,045
Investment gain/(loss)	\$ 70,747	\$ 25,587	\$ (13,487)	\$ 2,893,179	\$ 4,971,810
Net income	\$ (1,898,064)	\$ 479,424	\$ (5,991,418)	\$ 60,650,211	\$ 62,511,271

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

	Amount	Percentage
Premiums earned	<u>172,262,769</u>	<u>100.0 %</u>
Losses incurred	44,555,687	25.9 %
Other underwriting expenses incurred	6,188,476	3.6 %
Net underwriting gain or (loss)	<u>121,518,606</u>	<u>70.5 %</u>
Totals	<u>172,262,769</u>	<u>100.0 %</u>

PENDING LITIGATION

As of December 31, 2018, the Company is subject to litigation and arbitration arising in the normal course of business. The Company is not a party to any material litigation or arbitration other than as routinely encountered in claims activity, none of which will, in the opinion of management, have a material adverse effect on the Company's capital and surplus.

FINANCIAL STATEMENTS

The financial condition of the Company, as of December 31, 2018, 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.

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

	2018	2017	2016	2015	2014
Bonds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 232,572,791
Cash, cash equivalents, and short term investments	5,303,622	5,555,865	5,760,904	6,774,664	50,410,764
Subtotals, cash and invested assets	5,303,622	5,555,865	5,760,904	6,774,664	282,983,555
Investment income due and accrued	8,013	4,147	1,202	3,870	2,234,316
Premiums and agents' balances due	0	0	0	0	8,388,886
Current federal and foreign income tax recoverable and interest thereon	0	0	0	0	88,557,522
Receivable from parent, subsidiaries and affiliates	0	300	2,894	1,442,625	0
Total	\$ 5,311,635	\$ 5,560,312	\$ 5,765,000	\$ 8,221,159	\$ 382,164,279
Losses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 164,240,362
Reinsurance payable on paid loss and loss adjustment expenses	0	0	0	0	3,808,658
Other expenses	0	153	185	151,127	80,091
Taxes, licenses and fees	0	0	0	49,331	36,020
Unearned premiums	0	0	0	0	50,507,958
Payable to parent, subsidiaries and affiliates	13,944	10,978	3,845,058	3,114,513	3,265,819
Aggregate write-ins for liabilities	0	0	0	0	81,431,321
Total liabilities	13,944	11,131	3,845,243	3,314,971	303,370,229
Common capital stock	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Gross paid in and contributed surplus	209,252,316	207,605,742	204,455,742	201,455,742	417,455,742
Unassigned funds (surplus)	(206,454,625)	(204,556,561)	(205,035,985)	(199,049,554)	(341,161,692)
Surplus as regards policyholders	5,297,691	5,549,181	1,919,757	4,906,188	78,794,050
Totals	\$ 5,311,635	\$ 5,560,312	\$ 5,765,000	\$ 8,221,159	\$ 382,164,279

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

	2018	2017	2016	2015	2014
Underwriting Income					
Premiums earned	\$ 0	\$ 0	\$ 0	\$ 86,334,514	\$ 85,928,255
Deductions:					
Losses incurred	0	0	0	23,532,553	21,023,134
Other underwriting expenses incurred	322,237	61,737	33,171	3,738,255	2,033,076
Total underwriting deductions	322,237	61,737	33,171	27,270,808	23,056,210
Net underwriting gain or (loss)	(322,237)	(61,737)	(33,171)	59,063,706	62,872,045
Investment Income					
Net investment income earned	70,737	25,559	(13,498)	8,341,622	5,735,733
Net realized capital gains or (losses)	10	28	11	(5,448,443)	(763,923)
Net investment gain or (loss)	70,747	25,587	(13,487)	2,893,179	4,971,810
Other Income					
Total other income	0	0	0	0	0
Net income before dividends to policyholders and before federal and foreign income taxes	(251,490)	(36,150)	(46,658)	61,956,885	67,843,855
Federal and foreign income taxes incurred	1,646,574	(515,574)	5,944,760	1,306,674	5,332,584
Net income	\$ (1,898,064)	\$ 479,424	\$ (5,991,418)	\$ 60,650,211	\$ 62,511,271

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

	2018	2017	2016	2015	2014
Surplus as regards policyholders, December 31, previous year	\$ 5,549,181	\$ 1,919,757	\$ 4,906,188	\$ 78,794,050	\$ 59,277,714
Net income	(1,898,064)	479,424	(5,991,418)	60,650,211	62,511,271
Net unrealized capital gains or (losses)	8,984	280,951	429,260	83,652	412,001
Change in net deferred income tax	4,778	(877,644)	460,534	(192,212,323)	(3,363,894)
Change in nonadmitted assets	(13,762)	596,693	(884,807)	192,159,277	2,921,086
Surplus adjustments:					
Paid in	1,646,574	3,150,000	3,000,000	(216,000,000)	0
Aggregate write-ins for gains and losses in surplus	0	0	0	81,431,321	(42,964,128)
Change in surplus as regards policyholder for the year	(251,490)	3,629,424	(2,986,431)	(73,887,862)	19,516,336
Surplus as regards policyholders, December 31, current year	\$ 5,297,691	\$ 5,549,181	\$ 1,919,757	\$ 4,906,188	\$ 78,794,050

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

	2018	2017	2016	2015	2014
Cash from Operations					
Premiums collected net of reinsurance	\$ 0	\$ 0	\$ 0	\$ 44,215,442	\$ 93,395,452
Net investment income	66,718	22,582	(161,772)	9,526,204	8,252,917
Total income	66,718	22,582	(161,772)	53,741,646	101,648,369
Benefit and loss related payments	0	0	0	137,626,496	113,633,728
Commissions, expenses paid and aggregate write-ins for deductions	322,237	61,737	82,499	3,745,035	2,092,422
Federal and foreign income taxes paid (recovered)	0	(3,665,574)	5,944,758	(87,250,846)	4,956,018
Total deductions	322,237	(3,603,837)	6,027,257	54,120,685	120,682,168
Net cash from operations	(255,519)	3,626,419	(6,189,029)	(379,039)	(19,033,799)
Cash from Investments					
Proceeds from investments sold, matured or repaid:					
Bonds	0	0	0	17,237,450	172,365,085
Net gain or (loss) on cash and short-term investments	10	28	11	38	2,387
Miscellaneous proceeds	0	0	0	503	0
Total investment proceeds	10	28	11	17,237,991	172,367,472
Cost of investments acquired (long-term only):					
Bonds	0	0	0	60,541,736	138,409,554
Total investments acquired	0	0	0	60,541,736	138,409,554
Net cash from investments	10	28	11	(43,303,745)	33,957,918
Cash from Financing and Miscellaneous Services					
Other cash provided (applied):					
Capital and paid in surplus, less treasury stock	0	0	3,000,000	(25,162)	0
Other cash provided or (applied)	3,266	(3,831,486)	2,175,258	71,846	145,674
Net cash from financing and miscellaneous sources	3,266	(3,831,486)	5,175,258	46,684	145,674
Reconciliation of cash and short-term investments:					
Net change in cash and short-term investments	(252,243)	(205,039)	(1,013,760)	(43,636,100)	15,069,793
Cash and short-term investments:					
Beginning of the year	5,555,865	5,760,904	6,774,664	50,410,764	35,340,971
End of the year	\$ 5,303,622	\$ 5,555,865	\$ 5,760,904	\$ 6,774,664	\$ 50,410,764

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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, 2018, the Company's invested assets were distributed as follows:

	Amount	Percentage
Cash	327,545	6.2 %
Cash equivalents	4,976,077	93.8 %
Totals	<u>5,303,622</u>	<u>100.0 %</u>

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

NAIC Designation	Amount	Percentage
1 - highest quality	4,976,077	100.0 %
Totals	<u>4,976,077</u>	<u>100.0 %</u>

Years to Maturity	Amount	Percentage
1 year or less	4,976,077	100.0 %
Totals	<u>4,976,077</u>	<u>100.0 %</u>

During the examination period the Company liquidated its investments in bonds. As of December 31, 2018, the only investments held by the Company were \$5 million in cash and short-term investments.

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, 2018.

The Company has a custodial agreement with Northern Trust Company and is in compliance with 31 Pa. Code § 148a.3.

LIABILITIES

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The Company did not report any net reserves for losses or loss adjustment expenses on the December 31, 2018 Annual Statement.

SUBSEQUENT EVENTS

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

RECOMMENDATIONS

PRIOR EXAMINATION

The prior examination report did not contain any recommendations.

CURRENT EXAMINATION

As a result of the current examination, no recommendations are being made.

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CONCLUSION

As a result of this examination, the financial condition of RGRI, as of December 31, 2018, was determined to be as follows:

	Amount	Percentage
Admitted assets	<u>5,311,635</u>	<u>100.0 %</u>
Liabilities	13,944	0.3 %
Surplus as regards policyholders	<u>5,297,691</u>	<u>99.7 %</u>
Total liabilities and surplus	<u><u>5,311,635</u></u>	<u><u>100.0 %</u></u>

Since the previous examination, made as of December 31, 2013, the Company's assets decreased by \$398,844,072, its liabilities decreased by \$344,864,049, and its surplus decreased by \$53,980,023.

This examination was conducted by John Garner, CPA; Glenn LeGault, CFE, CPA; Pamela Roberts, AFE; LeeAnne Creevy, CPA, CISA, CITP, CRMA, MCM; Steve Skenyon, CPA, CISA; Brian Menard, CFE, CISA, FLMI; David Heppen, FCAS, MAAA; Andrew Chandler, ACAS, MAAA; Barry Ash; Stephan Donk, AIE, CPCU, MCM; Edward Toy; and William Michael, CFE, CIA, CPCU, ARe, with the latter in charge.

Respectfully,

Melissa Greiner

Melissa L. Greiner
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