

Examination Warrant Number 21-01324-17990-R1

**Report of Examination of
Tri-Century Insurance Company
Pittsburgh, Pennsylvania
As of December 31, 2021**

For Informational Purposes Only

Tri-Century Insurance Company

TABLE OF CONTENTS

Subject	Page
Salutation	1
Scope of Examination	1
History.....	2
Management and Control:	
Capitalization	2
Stockholders.....	3
Insurance Holding Company System.....	3
Board of Directors.....	4
Committees	5
Officers	6
Corporate Records:	
Minutes	6
Articles of Agreement.....	6
By-Laws.....	6
Service and Operating Agreements	7
Reinsurance:	
Ceded	8
Assumed.....	9
Territory and Plan of Operation.....	9
Significant Operating Ratios and Trends.....	9
Pending Litigation.....	10
Financial Statements:	
Comparative Statement of Assets, Liabilities, Surplus and Other Funds.....	11
Comparative Statement of Income.....	12
Comparative Statement of Capital and Surplus.....	13
Comparative Statement of Cash Flow	14
Summary of Examination Changes	15
Notes to Financial Statements:	
Assets:	
Investments	15
Liabilities:	
Loss and Loss Adjustment Expense Reserves.....	16
Subsequent Events	16
Recommendations:	
Prior Examination	17
Current Examination.....	17
Conclusion	18

Harrisburg, Pennsylvania
May 31, 2023

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

Dear Madam:

In accordance with instructions contained in Examination Warrant Number 21-01324-17990-R1, dated August 9, 2021, an examination was made of

Tri-Century Insurance Company, NAIC Code: 17990

a Pennsylvania domiciled, single-state, stock casualty insurance company, hereinafter referred to as the “Company.” The examination was conducted at the Company’s main administrative office, located at 600 Grant Street, Pittsburgh, Pennsylvania 15219.

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

Tri-Century 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 Ernst & Young, LLP (“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:

<u>Company</u>	<u>Abbreviation</u>	<u>State of Domicile</u>	<u>NAIC Code</u>
UPMC Health Plan, Inc.	(“UPMCHP”)	PA	95216
UPMC For You, Inc.	(“UPMCFY”)	PA	11995
UPMC Health Coverage, Inc.	(“UPMCHC”)	PA	15451
UPMC Health Network, Inc.	(“UPMCHN”)	PA	11994
UPMC Health Options, Inc.	(“UPMCHO”)	PA	15345
Community Care Behavioral Health Organization	(“CCBHO”)	PA	47024
UPMC Health Benefits, Inc.	(“UPMCHB”)	PA	11018
UPMC Work Alliance, Inc.	(“UPMCWA”)	PA	14485
Workpartners National, Inc.	(“WPN”)	PA	16868

HISTORY

The Company was incorporated on August 1, 1985, licensed by the Department, and commenced business on September 5, 1985.

The Company is licensed as a property and casualty insurer and is authorized to transact those classes of insurance described in 40 P.S. § 382(c)(4) Other Liability.

MANAGEMENT AND CONTROL

CAPITALIZATION

As of the examination date, December 31, 2021, the Company’s total capital and surplus was \$11,883,077, consisting of three hundred thousand (300,000) shares of issued and outstanding common capital stock with a par value of three dollars (\$3.00) per share amounting to \$900,000, \$4,150,000 in gross paid in and contributed surplus, and \$6,833,077 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 \$750,000 in capital and \$375,000

in surplus. The Company has met all governing surplus requirements throughout the examination period.

STOCKHOLDERS

On December 31, 2021, UPMC Coverage Products, Inc. owned two hundred ninety-nine thousand and nine hundred ninety-two (299,992) shares of the Company's capital stock. The remaining eight (8) shares are owned by the original eight directors of the Company.

On June 15, 1999, the Company amended the 5th Article of the Articles of Agreement to increase the common capital stock par value from one dollar (\$1.00) to three dollars (\$3.00) per share; however, the Company did not issue a new stock certificate to reflect the change in par value of the common capital stocks.

It is recommended that the Company issue new stock certificates of common capital stock with a par value of three dollars (\$3.00) and amend the stock register accordingly.

No dividends were paid to stockholders during the period under examination.

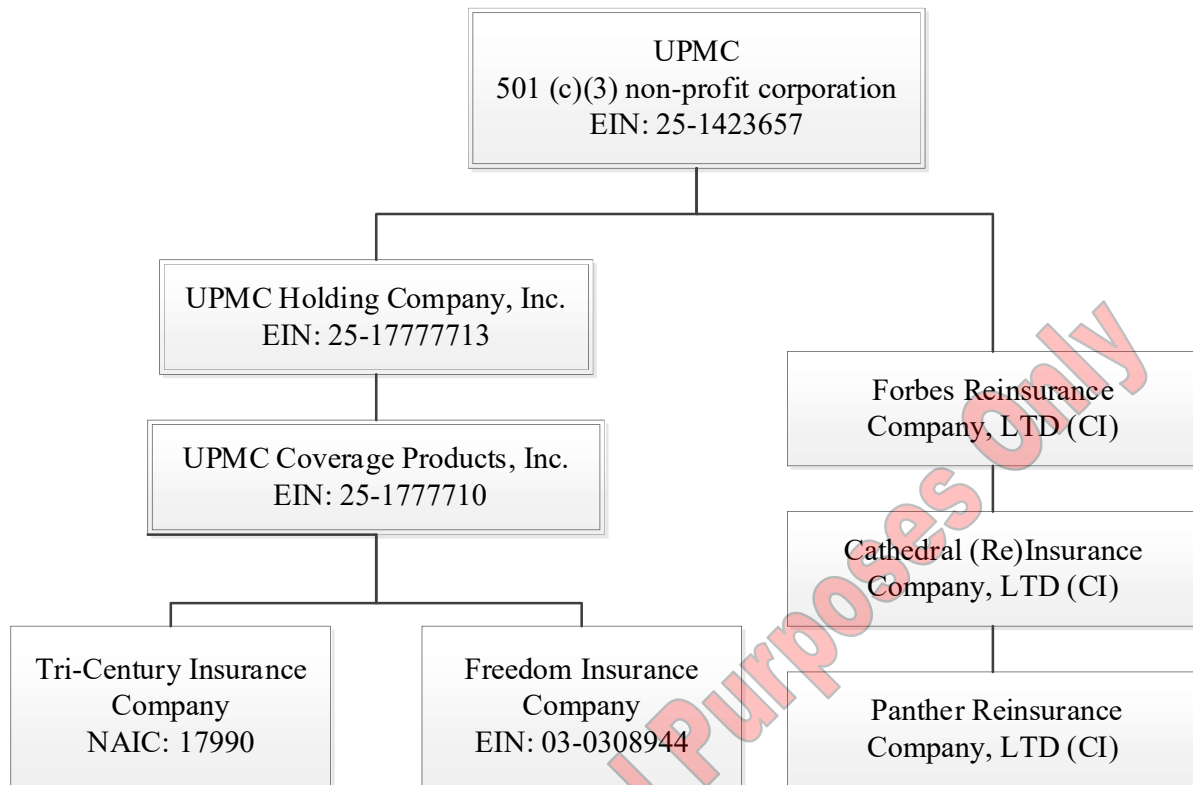
INSURANCE HOLDING COMPANY SYSTEM

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 and various amendments for all years of the examination period.

The University of Pittsburgh Medical Center ("UPMC"), a 501(c)(3) non-profit corporation is named as the ultimate controlling person of its holding company system. The abridged organizational chart shown below summarizes the holding company system as of December 31, 2021. The organizational chart does not depict all entities contained within the holding company system due to the size and complexity of business operations within the holding company system:

Tri-Century Insurance Company

-4-



Forbes Reinsurance Company, Ltd. (“Forbes”) was incorporated in 1976, under the laws of the Cayman Islands. Forbes operates under the terms of an Unrestricted Class “B(i)” Cayman Islands insurer’s license. Forbes provides reinsurance for the Company.

Cathedral (Re)Insurance Company, Ltd. (“Cathedral”) was incorporated in 1985 under the laws of the Cayman Islands. Cathedral operates under the terms of a restricted Class “B(i)” Cayman Islands insurer’s license and derives its premium income from the reinsurance of certificates of insurance issued by Freedom Insurance Company, a captive insurer domiciled in Vermont.

Panther Reinsurance Company, Ltd. (“Panther”) was incorporated in 1995, under the laws of the Cayman Islands. Panther operates under the terms of an Unrestricted Class “B(i)” Cayman Islands insurer’s license. Panther provides reinsurance for the Company.

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, 2021:

Name and Address	Principal Occupation
------------------	----------------------

Anthony Joseph Burlando Presto, Pennsylvania	Manager Risk Horizons, LP
-------------------------------------------------	------------------------------

Tri-Century Insurance Company

-5-

Leslie Carol Davis
Pittsburgh, Pennsylvania

Edward Karlovich
Pittsburgh, Pennsylvania

Bryan Scott Kern, Esq.
Erie, Pennsylvania

Richard Patrick Kidwell
Gibsonia, Pennsylvania

Paul Lawrence
Gibsonia, Pennsylvania

Robert Gross Lovett
Pittsburgh, Pennsylvania

W. Thomas McGough
Pittsburgh, Pennsylvania

Joel Byron Nelson, M.D.
Pittsburgh, Pennsylvania

Mark Tamburri
Wexford, Pennsylvania

Donald Matthew Yealy, M.D.
Upper St Clair, Pennsylvania

President & Chief Executive Officer
UPMC

EVP & Chief Financial Officer
UPMC

General Counsel
C.A. Curze

Associate Counsel
UPMC

Treasurer
University of Pittsburgh

Attorney/Partner
Lovett, Bookman, Harmon & Marks, LLP

SVP & Chief Legal Officer
UPMC

Chairman, Department of Urology
UPMC

Associate Chief Legal Officer & Senior VP
University of Pittsburgh

SVP & Chief Medical Officer
UPMC

The Company's by-laws provide that the Board shall consist of at least seven (7) nor more than twenty-one (21) members. All Directors are elected annually by the stockholders at the annual meeting and hold office for one year or until their successors are duly elected and qualified.

The Company has a conflict of interest policy, and all directors and officers execute a conflict of interest questionnaire annually.

COMMITTEES

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

Executive Committee

Leslie C. Davis
Robert G. Lovett, Esq.
W. Thomas McGough, Esq.

Underwriting Committee

Anthony J. Burlando
Leslie C. Davis
Edward Karlovich

Finance & Investment Committee

Edward Karlovich
Bryan Scott Kern, Esq.
W. Thomas McGough, Esq.

Outside Director & Audit Committee

Anthony J. Burlando
Bryan Scott Kern, Esq.
Paul Lawrence
Robert G. Lovett, Esq.

Tri-Century Insurance Company

-6-

The Company has interlocking directorates with Freedom Insurance Company, Forbes, Cathedral, and Panther.

OFFICERS

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

Name	Title
Robert G. Voinchet Jr., Esq.	President
Christopher P. Bosser	Treasurer
James A. Giglio	Secretary

CORPORATE RECORDS

MINUTES

A compliance review of the corporate minutes revealed the following:

- All Board meetings held during the period under examination were held in compliance with the Company's by-laws, and quorums were established at all such meetings.
- The stockholders elect the Company's Directors at the annual meeting of the stockholders in compliance with the by-laws.
- The Company's officers were appointed by the Board in compliance with the by-laws.
- The Company's investment transactions and policy are approved by the Board or a committee thereof.
- The Company's Board approves the reinsurance transactions.

ARTICLES OF AGREEMENT

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

BY-LAWS

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

The examiners noted that the 2021 Annual Statement Jurat page filing listed an incorrect statutory home office. Further, the examiners noted the change in address was not updated in the Company's by-laws nor Articles.

It is recommended that the Company correctly report its statutory home office address on the Jurat page as required.

It is also recommended that the Company follow standard procedure to file those changes with the Department and the Department of State.

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:

Cost Sharing Agreement

Effective January 1, 2021, the Company, Forbes and Panther are parties to a Cost Sharing Agreement with UPMC. Under the terms of the Agreement, UPMC agrees to provide all personnel and facilities for the operations of the Company, Forbes and Panther. The expenses include claims handling salaries and benefits, underwriting salaries and benefits, administrative salaries and benefits, investment management, and facility related expenses. The expenses related to the operations of the captive insurance program shall be apportioned by written premium ratios in accordance with SSAP No. 70 and related issue paper 94.

The examiners were unable to verify that the Board approved the Cost Sharing Agreement.

It is recommended that the Company document in the Board meeting minutes that all management services and cost sharing agreements are approved by the Board pursuant to the requirements of 40 P.S. § 991.1405(a)(1)(iii).

Tax Sharing Agreement

The Company participates in a consolidated federal income tax allocation agreement (“Tax Agreement”) with various affiliates and UPMC Holding Company, Inc. (“UHC”), originally dated November 1, 2000, and effective as of July 1, 1999. The Tax Agreement was amended on July 1, 2011, and July 1, 2013. Under the Tax Agreement, UHC files the consolidated return on behalf of the Group and allocates the consolidated tax liability and benefits of the affiliated Group among its members based upon each company’s share of consolidated net income or loss. The Tax Agreement was amended on March 1, 2023 to include WPN.

Both agreements appear to meet the fair and reasonable standards of 40 P.S. § 991.1405(a)(1)(i).

REINSURANCE

The following summarizes the significant reinsurance contracts in effect as of the examination date, December 31, 2021:

CEDED

Forbes

Effective January 1, 2021, the Company entered into two (2) facultative reinsurance contracts/certificates with Forbes. Per the terms of the facultative reinsurance certificates, Forbes assumes 95% of the Company's liabilities and loss adjustment expenses associated with Traditional Program (policy # TCI-2146), which is incorporated and made part of the facultative reinsurance agreements. The Traditional Policy is an occurrence based primary medical professional liability insurance covering certain physicians of UPMC, its affiliates, and their full-time employed physicians. The term of the contract is for one year, renewing on an annual basis, with a new facultative certificate number being issued each year.

The first facultative certificate (Certificate #46) provides coverage for named insured identified in Endorsement 1 of the policy which is for non-taxable entities. The second facultative certificate (Certificate #46-2) offers the same coverage terms as the first, but provides coverage for named insured in Endorsement 1A of the policy, which is for taxable entities. Reinsurance coverage is identical for both facultative reinsurance certificates.

Company's <u>Retention</u>	Reinsurance <u>Limits</u>	Type of business <u>Covered</u>
5%	95%	Medical Malpractice (Traditional Program)

Panther

Effective January 1, 2021, the Company entered into a facultative reinsurance contract/certificate with Panther. Per the terms of the facultative reinsurance certificate, (Certificate #27), Panther assumes 100% of the Company's liabilities and loss adjustment expenses associated with Affiliated Program (policies # TRI-2127-A and TRI2104A-CM), which are incorporated and made part of the facultative reinsurance agreements. Both policies are primary medical professional liability insurance policies issued to affiliated entities. Policy TRI-2127-A is an occurrence policy covering certain non-employed physicians who practice on a full or part-time basis at UPMC affiliates. Policy TRI2104A-CM is a claims-made policy covering physicians providing team physician services to various sports teams. The term of the contract is for one year, renewing on an annual basis, with new certificate numbers being issued each year.

Company's <u>Retention</u>	Reinsurance <u>Limits</u>	Type of business <u>Covered</u>
0%	100%	Medical Malpractice (Affiliated Program)

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

Tri-Century Insurance Company

-9-

The examiners noted that the Company failed to file and receive prior approval from the Department to enter into affiliated reinsurance contracts with Forbes and Panther as required by 40 P.S. § 991.1405(a)(2)(iii)(A).

It is recommended that the Company provide the Department prior notice of a proposed transaction in accordance with 31 Pa. Code § 25.21 for any affiliated reinsurance contract that meets the requirements for filing under 40 P.S. § 991.1405(a)(2)(iii).

ASSUMED

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

TERRITORY AND PLAN OF OPERATION

The Company is licensed only in Pennsylvania, and its sole business is the issuance of three medical malpractice insurance policies. The Company provides medical malpractice as part of two main programs within the UPMC organization. The Traditional Program provides insurance to providers employed by UPMC, and the Affiliated Program provides coverage to non-employed physicians.

The first policy (“Traditional Policy”) provides occurrence-based primary medical malpractice liability coverage to certain physicians of UPMC, its affiliates, and their full-time employed physicians.

The second policy (“Affiliated Policy”) provides occurrence-based primary medical malpractice liability coverage to certain non-employed physicians who practice on a full or part-time basis at UPMC hospitals, affiliated hospitals, or affiliates of UPMC’s various Physician Hospital Organizations or members (providers) of the UPMC Health Plan provider network and have signed an affiliation agreement with UPMC. As part of the Affiliated Program, the Company also has policy TRI2104A-CM, which is a claims-made policy covering physicians providing team physician services to various sports teams.

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	11,912,049	100.0 %
Losses incurred	10,535,061	88.4 %
Loss expenses incurred	2,143,553	18.0 %
Other underwriting expenses incurred	2,788,088	23.4 %
Net underwriting gain or (loss)	(3,554,653)	(29.8)%
Totals	11,912,049	100.0 %

Tri-Century Insurance Company

-10-

The Company's underwriting losses of \$3,554,653 were offset by investment gains of \$3,419,909 and other gains and income from service fees of \$2,200,000.

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	\$ 28,481,026	\$ 29,650,611	\$ 30,960,173	\$ 29,077,967	\$ 25,548,241
Liabilities	\$ 16,597,949	\$ 17,965,384	\$ 20,235,880	\$ 19,288,696	\$ 15,759,124
Surplus as regards policyholders	\$ 11,883,077	\$ 11,685,227	\$ 10,724,293	\$ 9,789,271	\$ 9,789,117
Gross premium written	\$ 52,748,720	\$ 53,089,844	\$ 55,122,622	\$ 63,551,920	\$ 23,713,898
Net premium written	\$ 2,554,326	\$ 2,445,295	\$ 2,327,518	\$ 2,263,071	\$ 1,032,132
Underwriting gain/(loss)	\$ (649,952)	\$ (690,440)	\$ (439,591)	\$ (781,383)	\$ (993,287)
Investment gain/(loss)	\$ 355,132	\$ 1,285,357	\$ 1,098,427	\$ 271,245	\$ 409,748
Other gain/(loss)	\$ 500,000	\$ 516,667	\$ 525,000	\$ 508,333	\$ 150,000
Net income	\$ 194,924	\$ 965,056	\$ 935,568	\$ (3,978)	\$ (286,696)

PENDING LITIGATION

As of the date of this examination report, the Company's 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.

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

	2021	2020	2019	2018	2017
Bonds	\$ 22,601,491	\$ 23,011,656	\$ 21,761,087	\$ 20,052,363	\$ 20,849,180
Cash, cash equivalents, and short term investments	5,773,964	6,467,865	4,879,642	5,259,594	4,412,182
Subtotals, cash and invested assets	28,375,455	29,479,521	26,640,729	25,311,957	25,261,362
Investment income due and accrued	95,058	103,982	92,250	116,751	112,811
Premiums and agents' balances due	0	0	3,884,879	3,498,851	0
Net deferred tax asset	10,513	7,587	11,709	12,255	8,123
Receivable from parent, subsidiaries and affiliates	0	59,521	330,606	138,153	165,945
Total	<u>\$ 28,481,026</u>	<u>\$ 29,650,611</u>	<u>\$ 30,960,173</u>	<u>\$ 29,077,967</u>	<u>\$ 25,548,241</u>
Losses	\$ 9,509,777	\$ 9,016,618	\$ 8,772,817	\$ 8,837,772	\$ 8,411,208
Loss adjustment expenses	1,669,634	1,396,621	1,213,296	1,213,171	1,138,095
Other expenses	115,392	94,538	103,011	67,438	114,352
Taxes, licenses and fees	(1,251)	(20,619)	48,212	150,952	7,488
Advance premium	0	0	0	0	9,366
Ceded reinsurance premiums payable (net of ceding commissions)	4,843,679	6,768,196	9,246,046	7,724,641	5,244,916
Payable to parent, subsidiaries and affiliates	460,718	710,030	835,831	1,278,055	833,699
Aggregate write-ins for liabilities	0	0	16,667	16,667	0
Total liabilities	<u>16,597,949</u>	<u>17,965,384</u>	<u>20,235,880</u>	<u>19,288,696</u>	<u>15,759,124</u>
Common capital stock	900,000	900,000	900,000	900,000	900,000
Gross paid in and contributed surplus	4,150,000	4,150,000	4,150,000	4,150,000	4,150,000
Unassigned funds (surplus)	6,833,077	6,635,227	5,674,293	4,739,271	4,739,117
Surplus as regards policyholders	<u>11,883,077</u>	<u>11,685,227</u>	<u>10,724,293</u>	<u>9,789,271</u>	<u>9,789,117</u>
Totals	<u>\$ 28,481,026</u>	<u>\$ 29,650,611</u>	<u>\$ 30,960,173</u>	<u>\$ 29,077,967</u>	<u>\$ 25,548,241</u>

For Informational Purposes Only

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

	2021	2020	2019	2018	2017
Underwriting Income					
Premiums earned	\$ 2,554,326	\$ 2,445,295	\$ 2,327,518	\$ 2,263,071	\$ 2,321,839
Deductions:					
Losses incurred	2,120,748	2,145,622	1,893,061	2,166,332	2,209,298
Loss expenses incurred	559,330	475,897	326,585	349,954	431,787
Other underwriting expenses incurred	524,200	514,216	547,463	528,168	674,041
Total underwriting deductions	3,204,278	3,135,735	2,767,109	3,044,454	3,315,126
Net underwriting gain or (loss)	(649,952)	(690,440)	(439,591)	(781,383)	(993,287)
Investment Income					
Net investment income earned	263,426	414,023	607,831	575,904	439,866
Net realized capital gains or (losses)	91,706	871,334	490,596	(304,659)	(30,118)
Net investment gain or (loss)	355,132	1,285,357	1,098,427	271,245	409,748
Other Income					
Finance and service charges not included in premiums	500,000	516,667	525,000	508,333	150,000
Total other income	500,000	516,667	525,000	508,333	150,000
Net income before dividends to policyholders and before federal and foreign income taxes	205,180	1,111,584	1,183,836	(1,805)	(433,539)
Federal and foreign income taxes incurred	10,256	146,528	248,268	2,173	(146,843)
Net income	\$ 194,924	\$ 965,056	\$ 935,568	\$ (3,978)	\$ (286,696)

For Informational Purposes Only

**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	\$ 11,685,227	\$ 10,724,293	\$ 9,789,271	\$ 9,789,117	\$ 10,073,883
Net income	194,924	965,056	935,568	(3,978)	(286,696)
Change in net deferred income tax	2,926	(4,122)	(546)	4,132	1,930
Change in surplus as regards policyholder for the year	197,850	960,934	935,022	154	(284,766)
Surplus as regards policyholders, December 31, current year	\$ 11,883,077	\$ 11,685,227	\$ 10,724,293	\$ 9,789,271	\$ 9,789,117

For Informational Purposes Only

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

	2021	2020	2019	2018	2017
Cash from Operations					
Premiums collected net of reinsurance	\$ 2,554,326	\$ 2,445,295	\$ 2,326,470	\$ 2,263,071	\$ 1,032,132
Net investment income	343,475	439,486	666,096	625,507	516,232
Miscellaneous income	500,000	500,000	525,000	508,333	150,000
Total income	3,397,801	3,384,781	3,517,566	3,396,911	1,698,364
Benefit and loss related payments	1,913,906	2,194,393	2,284,476	2,014,616	2,195,823
Commissions, expenses paid and aggregate write-ins for deductions	162,530	156,687	241,277	219,860	330,921
Total deductions	2,076,436	2,351,080	2,525,753	2,234,476	2,526,744
Net cash from operations	1,321,365	1,033,701	991,813	1,162,435	(828,380)
Cash from Investments					
Proceeds from investments sold, matured or repaid:					
Bonds	68,546,268	94,306,188	95,483,507	102,626,250	89,619,761
Total investment proceeds	68,546,268	94,306,188	95,483,507	102,626,250	89,619,761
Cost of investments acquired (long-term only):					
Bonds	68,115,827	94,721,184	96,735,408	102,197,672	91,171,725
Total investments acquired	68,115,827	94,721,184	96,735,408	102,197,672	91,171,725
Net cash from investments	430,441	(414,996)	(1,251,901)	428,578	(1,551,964)
Cash from Financing and Miscellaneous Services					
Other cash provided (applied):					
Other cash provided or (applied)	(2,445,707)	969,518	(119,865)	(753,631)	929,416
Net cash from financing and miscellaneous sources	(2,445,707)	969,518	(119,865)	(753,631)	929,416
Reconciliation of cash and short-term investments:					
Net change in cash and short-term investments	(693,901)	1,588,223	(379,953)	837,382	(1,450,928)
Cash and short-term investments:					
Beginning of the year	6,457,834	4,869,611	5,249,564	4,412,182	5,863,110
End of the year	\$ 5,763,933	\$ 6,457,834	\$ 4,869,611	\$ 5,249,564	\$ 4,412,182

For Informational Purpose Only

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	22,601,491	79.7 %
Cash	1,000	0.0 %
Cash equivalents	5,772,964	20.3 %
Totals	<u>28,375,455</u>	<u>100.0 %</u>

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

NAIC Designation	Amount	Percentage
1 - highest quality	16,529,742	73.1 %
2 - high quality	5,558,985	24.6 %
3 - medium quality	512,764	2.3 %
Totals	<u>22,601,491</u>	<u>100.0 %</u>

Years to Maturity	Amount	Percentage
1 year or less	167,070	0.7 %
2 to 5 years	8,817,343	39.0 %
6 to 10 years	9,879,572	43.7 %
11 to 20 years	2,106,309	9.3 %
over 20 years	1,631,197	7.2 %
Totals	<u>22,601,491</u>	<u>100.0 %</u>

As of December 31, 2021, the Company's investment portfolio consists of bonds and cash equivalents.

The Company maintained 73.1% and 24.6% of its bonds in NAIC-1 (highest quality) and NAIC-2 (high quality) as rated by the NAIC SVO office, respectively. The Company holds bonds with various maturity dates, with 83.4% having a maturity of 10 years or less.

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 as of December 31, 2021.

As of December 31, 2021, the Company held its invested assets with a qualified custodian, Bank of New York Mellon, under a custodial agreement, in compliance with 31 PA Code § 148a.3.

LIABILITIES

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The Company reported reserves in the amount of \$9,509,777 for losses and \$1,669,634 for loss adjustment expenses (“LAE”) on the December 31, 2021 Annual Statement.

Charles B. Kullmann, PhD, FCAS, MAAA, an Associate Director and Actuary with Aon Global Risk Consulting, served as the Company’s appointed actuary (“AA”) for all years in the examination period.

On December 31, 2021, the AA provided a Statement of Actuarial Opinion (“Opinion”) for the Company stating that the Loss and LAE reserve amounts:

- (a) Meet the requirements of the insurance laws of state of Pennsylvania;
- (b) Are computed in accordance with accepted loss and loss expense reserving standards and in a manner that conforms to the Standards of Practice promulgated by the Actuarial Standards Board.
- (c) Make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.

In order for the examination team to gain an adequate comfort level with the Company’s carried loss and LAE reserves, the Department utilized the actuarial services of Lewis & Ellis, Inc. to assist the examination team in performing a risk-focused review of the actuarial reserving process, assumptions, methodologies, calculations and reserve adequacy as of the examination date.

Based upon procedures performed and results obtained, the actuarial and examination staff obtained sufficient documentation to support the conclusion that the carried loss and LAE reserves of the Company are reasonably stated as of December 31, 2021.

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 contained the following recommendations:

1. It is recommended that the Company amend Committee composition to bring the Executive and Underwriting Committees into compliance with the independence requirements pursuant to 40 P.S. § 991.1405(c)(3).

The Company has complied with this recommendation.

2. It is recommended that the Company correct the Statutory Home Office address on file with the Department of State and the Insurance Department.

The Company has not complied with this recommendation.

3. It is recommended that the Company review and amend its custodial agreement with BNY Mellon to comply with all of the requirements pursuant to 31 Pa. Code §§ 148a.3.

The Company has complied with this recommendation.

CURRENT EXAMINATION

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

1. It is recommended that the Company issue new stock certificates of common capital stock with a par value of three dollars (\$3.00) and amend the stock register accordingly. (See “Stockholders”, page 3)
2. It is recommended that the Company correctly report its statutory home office address on the Jurat page as required. It is also recommended that the Company follow standard procedure to file those changes with the Department and the Department of State. (See “Articles of Agreement”, page 6)
3. It is recommended that the Company document in the Board meeting minutes that all management services and cost sharing agreements are approved by the Board pursuant to the requirements of 40 P.S. § 991.1405(a)(1)(iii). (See “Service and Operating Agreements”, page 7)
4. It is recommended that the Company provide the Department prior notice of a proposed transaction in accordance with 31 Pa. Code § 25.21 for any affiliated reinsurance contract that meets the requirements for filing under 40 P.S. § 991.1405(a)(2)(iii). (See “Reinsurance”, page 9)

CONCLUSION


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

	Amount	Percentage
Admitted assets	<u>28,481,026</u>	<u>100.0 %</u>
Liabilities	16,597,949	58.3 %
Surplus as regards policyholders	<u>11,883,077</u>	<u>41.7 %</u>
Total liabilities and surplus	<u>28,481,026</u>	<u>100.0 %</u>

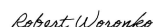
Since the previous examination, made as of December 31, 2016, the Company's assets decreased by \$22,143,628, its liabilities decreased by \$23,952,822, and its surplus increased by \$1,809,194.

This examination was conducted by Lindsey Pittman, CISA, CFE, CPA, MCM, IT Specialist, and examining actuary Kathryn Koch, FCAS, MAAA of Lewis & Ellis, Inc., financial examiners Gary Greenaway, CFE, and David Jia, CFE of the Department; financial examiners from Lewis & Ellis, Inc.: David Palmer, CFE, Mario Ascic, CFE, Ryne Davison, CFE, Jessica Lynch, CFE, MCM, Derek Petersen, CFE, MCM, Mel Heaps, CFE, Justin Parr, CFE, Adrienne Sulaiman, CFE, CPA, and Katerina Bolbas, CFE, MCM, with the latter in charge.

Respectfully submitted,



Melissa L. Greiner
Special Assistant to the Commissioner



Robert A. Woronko, CPA, CFE, CISA
Examination Manager



Katerina Bolbas, CFE, MCM
Examiner-in-Charge