



MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001
WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
www.mid.ms.gov

June 29, 2020

MAILING ADDRESS
Post Office Box 79
Jackson, Mississippi 39205-0079
TELEPHONE: (601) 359-3569
FAX: (601) 359-2474

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of Insurance

RICKY DAVIS
State Chief Deputy Fire Marshal

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Mr. Thomas Elkins, President
Indemnity National Insurance Company
725 Cool Springs Blvd., Suite 600
Franklin, TN 37067

RE: Report of Examination as of December 31, 2018

Dear Mr. Elkins:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), an examination of your Company has been completed. Enclosed herewith is the Order adopting the report and a copy of the final report as adopted.

Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department will open the report for public inspection.

If you have any questions or comments, please feel free to contact me.

Sincerely,

MIKE CHANEY
COMMISSIONER OF INSURANCE

BY


Christina J. Kelsey
Senior Attorney

MC/CJK/bs
Encls. Order w/exhibit

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF MISSISSIPPI**

**IN RE: REPORT OF EXAMINATION OF INDEMNITY
NATIONAL INSURANCE COMPANY**

CAUSE NO. 20-7524

ORDER

THIS CAUSE came on for consideration before the Commissioner of Insurance of the State of Mississippi ("Commissioner"), or his designated appointee, in the Offices of the Commissioner, 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011). The Commissioner, having fully considered and reviewed the Report of Examination, together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

JURISDICTION

I.

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011).

II.

That Indemnity National Insurance Company is a Mississippi-domiciled company licensed to write Accident & Health; Automobile Physical Damage/Liability; Boiler & Machinery; Casualty/Liability; Fidelity; Fire/Allied Lines; Guaranty; Home/Farm Owners; Industrial Fire; Inland Marine; Legal; Mortgage Guaranty; Ocean Marine; Plate Glass; Surety; Title and Workers' Compensation coverages.

FINDINGS OF FACT

III.

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), called for an examination of Indemnity National Insurance Company and appointed Ryne Davison, Examiner-In-Charge, to conduct said examination.

IV.

That on or about May 6, 2020, the draft Report of Examination concerning Indemnity National Insurance Company for the period of January 1, 2014, through December 31, 2018, was submitted to the Department by the Examiner-In-Charge, Ryne Davison.

V.

That on or about May 28, 2020, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 2011), the Department forwarded to the Company a copy of the draft report and allowed the Company a 15-day period to submit any rebuttal to the draft report. The Company responded to the draft by email on or about June 4, 2020.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 2011), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.

IT IS, THEREFORE, ORDERED, after reviewing the Report of Examination, the Company's rebuttal, and all relevant examiner work papers, that the Report of Examination of Indemnity National Insurance Company, attached hereto as Exhibit "A", should be and same is hereby adopted as final.

IT IS FURTHER ORDERED that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

IT IS FURTHER ORDERED that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential information for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 2011), that within thirty (30) days of the issuance of the adopted report, Indemnity National Insurance Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

IT IS FURTHER ORDERED that Indemnity National Insurance Company take the necessary actions and implement the necessary procedures to properly and promptly comply with all recommendations contained in the Report of Examination.

SO ORDERED, this the 29th day of June 2020.



J. Mark Haire

MARK HAIRE
DEPUTY COMMISSIONER OF INSURANCE
STATE OF MISSISSIPPI

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 24th day of June 2020, to:

**Mr. Thomas Elkins, President
Indemnity National Insurance Company
725 Cool Springs Blvd., Suite 600
Franklin, TN 37067**



Christina J. Kelsey
Senior Attorney

Christina J. Kelsey
Senior Attorney
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 9853



Mississippi Insurance Department

Report of Examination

of

INDEMNITY NATIONAL INSURANCE COMPANY

as of

December 31, 2018

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**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN EXAMINATION**

State of Texas,

County of Collin,

Ryne Davison, being duly sworn, states as follows:

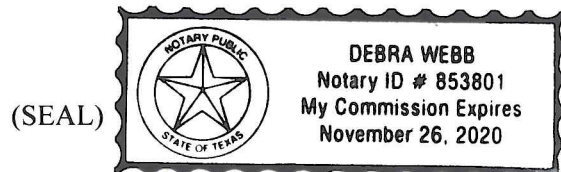
1. I have authority to represent the Mississippi Insurance Department in the examination of Indemnity National Insurance Company as of December 31, 2018.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Indemnity National Insurance Company was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

The affiant says nothing further.



Examiner's Signature

Subscribed and sworn before me by Ryne Davison on this 26th day of May, 2020.





Notary Public

My commission expires 11-26-2020 [date].



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of
Insurance

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May 6, 2020

Honorable Mike Chaney
Commissioner of Insurance
Mississippi Insurance Department
1001 Woolfolk Building
501 North West Street
Jackson, Mississippi 39201

Dear Commissioner Chaney:

Pursuant to your instructions and authorization and in compliance with statutory provisions, an examination has been conducted, as of December 31, 2018, of the affairs and financial condition of:

INDEMNITY NATIONAL INSURANCE COMPANY

190 East Capital Street, Suite 800
Jackson, MS 39201

License #	NAIC #	FEETS#	MATS#
9300036	18468	18468-MS-2018-3	MS-MS099-21

This examination was commenced in accordance with Miss. Code Ann. § 83-5-201 *et seq.* and was performed in Franklin, Tennessee, at the main administrative home office of the Company. The report of examination is herewith submitted.

SCOPE OF EXAMINATION

We have performed a full scope, risk-focused financial examination of Indemnity National Insurance Company (“Company”). The last examination covered the period of January 1, 2010, through December 31, 2013. This examination covers the period January 1, 2014, through December 31, 2018.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. 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 and general information about the insurer 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.

COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION

1. Assets In Excess of Statutory Limitations

Finding:

It was noted that Other Invested Assets (Schedule BA) exceeded the statutory limitation of ten percent (10%) of total admitted assets as permitted by Miss. Code Ann. § 83-19-51(2). The adjustment for the excess in the amount of \$218,459 was considered immaterial and no financial statement adjustment was included in the financial statements of the prior examination report.

Recommendation:

It is recommended the Company appropriate non-admit assets in excess of statutory limitations as established by Miss. Code Ann. § 83-19-51(2).

Current Status: During the examination, it was found that the Company did not have any Other Invested Assets (Schedule BA) that exceeded the statutory limitation of ten percent (10%) of total admitted assets as permitted by Miss. Code Ann. § 83-19-51(2). The Company complied with the previous recommendation.

2. Excess of US Treasury Underwriting Limitation

Finding:

It was noted that as of December 31, 2013, the Company's surety bond detail included surety bonds issued to a single principal in excess of the U. S. Treasury underwriting limitation. Code of Federal Regulation ("CFR") Part 223.10 states that "no company shall underwrite any risk on any bond or policy on behalf of any corporation the amount of which is greater than ten percent of the paid – up capital and surplus of such company". In addition, Miss. Code Ann. § 83-27-9, states that "no company shall be accepted as a surety on any bond for an amount larger than one tenth (1/10) of the company's paid up capital and surplus as reflected in its last annual statement, unless it shall be secured from loss beyond such amount by reinsurance in an authorized company or by the amount of any "cosuretyship".

Recommendation:

It is recommended the Company implement procedures to ensure that no bonds are issued to a single principal in excess of the U. S. Treasury underwriting limitation (CFR 223.10) and Miss. Code Ann. § 83-27-9.

Current status: During the examination period, the Company was acquired and is currently under new ownership and management. The Company has received capital contributions which has increased the capital and surplus of the Company. The examination reviewed the surety bond detail as of December 31, 2018 and it was determined that the bonds issued in excess of ten percent of the paid – up capital and surplus were not federal bonds, and that they were secured from loss beyond such amount by reinsurance in an authorized company. The Company was in compliance with the prior recommendation.

HISTORY OF THE COMPANY

The Company was incorporated as Great River Insurance Company ("Great River") under the laws of the State of Mississippi and commenced business on December 2, 1993. The purpose for which

the Company was formed, as stated in the Articles of Association, was to enter into all forms of insurance contracts insuring perils similar to those described within Miss. Code Ann. §83-19-1 "Class One (1) - Fire and Casualty", and accident and health, and to carry on any other business activities and financial services that an insurance company can lawfully conduct under the laws of the State of Mississippi.

On July 1, 2004, Great River entered into a 100% Transfer and Assumption Agreement with a former affiliate, Union Insurance Company ("Union"), under which all policies in force, all policy liabilities, and all non-policy liabilities were transferred to Union. This transaction was approved by the domiciliary insurance departments of both companies.

On December 15, 2005, the Mississippi Insurance Commissioner approved the sale of all of the issued and outstanding shares of Great River to Knox Holdings, Inc. ("Knox"). Knox is a holding company organized in August 2005 as a corporation under the laws of Tennessee for the purposes of acquiring Great River.

On December 27, 2005, Great River amended its Articles of Association to change the name of the company to Indemnity National Insurance Company.

Effective January 10, 2017, the Mississippi Insurance Department issued an order approving acquisition of control of INIC by KEWA US, a Delaware corporation. On January 13, 2017, KEWA US acquired 100% of the capital stock of the Company. KEWA US is owned 100% by KEWA Financial Inc., a Delaware corporation.

CORPORATE RECORDS

The minutes of the meetings of Shareholders and Board of Directors ("Board"), regarding the Company's business affairs as recorded during the period covered by the examination, were reviewed and appeared to be complete and in order with regard to recording action on matters brought up at the meetings for deliberation.

MANAGEMENT AND CONTROL

Board of Directors

The Articles of Incorporation and Bylaws vest the management and control of the Company's business affairs with the Board. The members of the duly elected Board, along with their place of residence, number of years as Director, and principal occupation, at December 31, 2018 were as follows:

Name and Residence	Year Elected/Appointed	Principal Occupation
David A. Wiley Houston, Texas	2017	Chief Executive Officer, KEWA Financial Inc.
Brian W. Barr Mississauga, Ontario	2017	Chairman and CEO, Brian Barr Holdings Limited
James B. Falle Port Perry, Ontario	2017	Retired
David A. Folkes Robbinsville, New Jersey	2017	Insurance Broker

Committees

The Company utilized an Audit Committee during the examination period. The following directors/officers served on the Audit Committee at December 31, 2018:

Committee Structure

Audit Committee
James Bernard Falle *
David Allen Folkes
Brian William Barr

* Chairman

Officers

The following are officers served for the Company at December 31, 2018:

Name	Year Elected/Appointed	Title
David Alexander Wiley	2017	Chairman
Thomas Franklin Elkins	2017	President
James Ewell Hart	2017	Chief Financial Officer/Treasurer/Secretary

Conflict of Interest

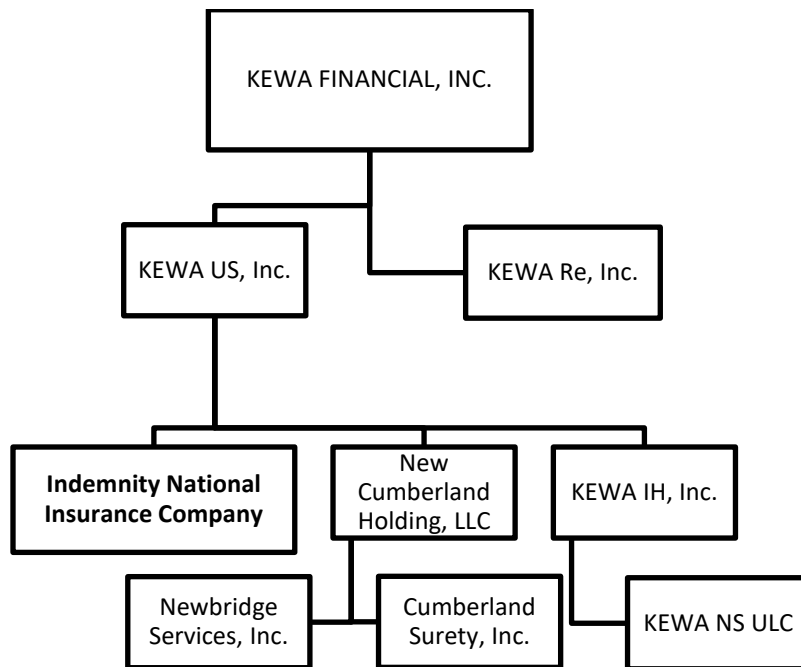
The Company has formal procedures whereby disclosure was made to the Board of any material interest or affiliation on the part of any officer or director that is, or would likely be, a conflict with their official duties. These procedures were reviewed, and no conflicts or exceptions to the Company's policies were noted.

HOLDING COMPANY STRUCTURE

The Company is a member of an insurance holding company system as defined in Miss. Code Ann. § 83-6-1. Holding Company Registration Statements were filed during the examination period with the MID in accordance with Miss. Code Ann. § 83-6-5 and § 83-6-9. The statements and applicable amendments that were filed with the MID during the examination period were reviewed and it appeared that any changes and material transactions by and between the Company and its affiliates were appropriately disclosed.

Organizational Chart

A simplified organizational chart as of December 31, 2018, reflecting the holding company system, is shown below. Schedule Y of the Company's 2018 annual statement provided a list of all related companies of the holding company group.



Parent and Affiliated Companies

The following is information concerning the Company's parents and affiliates:

KEWA Financial Inc.: KEWA Financial Inc. is Delaware financial holding company engaged in developing customized surety bonding programs for non-traditional markets.

KEWA US Inc.: KEWA US Inc. is a Delaware corporation that was formed for the purposes of acquiring Indemnity National Insurance Company.

KEWA Re Inc.: KEWA Re Inc. is an affiliated reinsurer domiciled in Barbados that provides the Company reinsurance coverage through an affiliated quota share reinsurance agreement.

Cumberland Surety, Inc.: Cumberland Surety, Inc. is an affiliated entity that provides underwriting and bond and policy administration services under an affiliated agreement.

Newbridge Services, Inc.: Newbridge Services, Inc. is an affiliated entity that provides reclamation and risk mitigation services.

Affiliated and Related Party Transactions

Guarantees:

The Company entered into a Guarantee Agreement in favor of Protective Property & Casualty Insurance Company (formerly Lyndon Property Insurance Company) dated January 26, 2017, whereby Indemnity National guaranteed the reinsurance obligations of KEWA Re Inc. under a certain Reinsurance Agreement effective June 1, 2015, between KEWA Re and Lyndon Property Insurance Company covering certain bonds guarantying reclamation performance by mining companies.

Tax Allocation Agreement:

The Company entered into a tax allocation agreement whereby the Company would be included in the consolidated federal income tax return of KEWA US Inc.

Agency Agreement:

The Company and Cumberland Surety, Inc. entered into an underwriting and administrative agreement effective January 13, 2017, whereby Cumberland Surety performs agency services including underwriting, premium collection, claims handling, claims adjustment and marketing for the Company. Compensation paid to Cumberland Surety under this agreement shall be paid quarterly and calculated at 30% of premiums, but not less than \$150,000 per calendar quarter.

Cost-Sharing Agreement:

The Company and KEWA US Inc. entered into a cost-sharing agreement effective January 13, 2017, First Amendment to Cost-Sharing Agreement effective January 1, 2018, and Second Amendment to Cost-Sharing Agreement effective January 1, 2019, whereby Indemnity National reimburses KEWA US for actual costs incurred by KEWA US for the benefit of the Company based on a schedule of shared costs, not to exceed a certain amount per month.

Reclamation Agreement:

The Company and Newbridge Services, Inc. entered into a Reclamation Agreement effective January 17, 2019, whereby Newbridge Services, Inc. will perform on behalf of the Company land reclamation services required under a Surety Reclamation Agreement between the Company and the West Virginia Department of Environmental Protection for the reclamation of certain West Virginia permits in order to avoid forfeiture of the bonds issued with respect thereto.

Reinsurance Agreement:

The Company entered into a Reinsurance Contract with KEWA Re Inc. effective October 1, 2018, whereby KEWA Re provides 40% quota share reinsurance on each loss occurrence up to \$4,500,000 per principal. The Reinsurance Contract superseded and replaced the prior Excess of Loss Reinsurance Contract with KEWA Re that provided \$1,500,000 reinsurance excess of \$500,000 net loss. The reinsurance coverage provided by KEWA Re is in addition to the reinsurance coverage obtained by Indemnity National through the London reinsurance market. The premium for this reinsurance is 40% of gross earned premium for all bonds in force less a ceding commission of 37.7%.

FIDELITY BOND AND OTHER INSURANCE

The Company was a named insured under a fidelity bond issued to Indemnity National Insurance Company with a single loss limit of liability of \$1,000,000 and a single loss deductible of \$25,000. The coverage exceeded the minimum amount of fidelity bond coverage recommended by the NAIC for the company.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has no employees. All personnel are employees of KEWA US and therefore, the Company does not provide any defined benefit or contribution plans, multiemployer plans, or postretirement plans.

TERRITORY AND PLAN OF OPERATION

The Company was authorized to write surety insurance in forty one (41) jurisdictions which includes the District of Columbia. The Company wrote surety insurance products through independent agents in states the Company was licensed. The Company primarily writes business in the states of Alabama, Arizona, Colorado, Delaware, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maryland, Massachusetts, New Mexico, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Utah, Virginia, West Virginia, and Wyoming. As of December 31, 2018, the Company wrote \$27,049,951 in direct written premium of which 36% was written in West Virginia, 19% was written in Kentucky and 14% was written in Texas.

GROWTH OF COMPANY

The review of the growth of the Company was performed based on balances reported in the annual statements filed with the MID during the period under examination.

	2018	2017	2016	2015	2014
Total admitted assets	\$125,758,467	\$68,052,312	\$24,533,38	\$23,129,580	\$17,879,724
Total liabilities	\$53,219,642	\$17,998,032	\$11,420,391	\$11,390,381	\$6,023,446
Total capital and surplus	\$72,538,825	\$50,054,280	\$13,112,996	\$11,739,199	\$11,856,278
Net cash from operations	\$6,830,313	\$9,332,938	\$828,676	\$1,139,879	\$952,030
Total adjusted risk-based capital	\$72,538,825	\$50,054,280	\$13,112,996	\$11,739,199	\$11,856,278
Authorized control level risk-based capital	\$4,123,518	\$1,789,526	\$983,528	\$1,070,855	\$1,064,206
Premiums Earned	\$15,737,084	\$2,686,332	\$1,817,006	\$1,725,338	\$2,003,249
Net underwriting gain (loss)	\$1,388,522	(\$1,776,850)	\$1,110,116	\$1,130,124	\$972,717
Net Income	\$3,135,729	(\$1,288,812)	\$1,403,699	\$1,331,900	\$1,921,071

REINSURANCE

Reinsurance Intermediary

The Company employs Integro Insurance Brokers as their reinsurance intermediary through which they typically utilize 12 month excess of loss contracts with various Lloyd's syndicates as well as other unauthorized non-U.S. insurers.

Assumed

The Company did not assume any reinsurance over the examination period.

Ceded

Effective January 1, 2017 through September 30, 2017, the Company issued policies with limits of liability up to \$22,500,000 per principal and reinsures risks in excess of \$2,000,000. Effective October 1, 2017, the Company restructured this reinsurance agreement to provide five layers of reinsurance coverage aggregating to \$28,700,000 of coverage in excess of \$1,300,000. Effective October 1, 2018, the Company restructured this reinsurance agreement to provide four layers of reinsurance coverage aggregating to \$55,500,000 of coverage in excess of \$4,500,000. The Company generally holds collateral in varying amount that would be accessible to the Company in the event of a loss. The Company's reinsurance agreement includes a provision to allow the

Company to commute the agreement and receive a specified percentage of returned reinsurance premium, under the condition that no claims are filed under the agreement.

On June 7, 2017, the Company and KEWA Re entered into an excess of loss reinsurance contract with an effective date of May 1, 2017. Under this contract, the Company ceded 10 percent of the gross premium charged for all bonds. KEWA Re indemnified the Company for \$1,500,000 of ultimate net loss, each loss occurrence, per principal in excess of \$500,000 of ultimate net loss, each loss occurrence, per principal. Effective October 1, 2018, the Company restructured this agreement in which KEWA Re will indemnify the Company for 40 percent of ultimate net loss, each loss occurrence, per principal on the ultimate net loss up to \$4,500,000, each loss occurrence, per principal. The maximum amount payable per loss occurrence, per principal shall be \$1,800,000.

ACCOUNTS AND RECORDS

The 2018 trial balance of the Company's accounts was traced to the balance sheet of the Company's statutory annual statement filed with the MID, with no exceptions noted. The Company was audited annually by an independent CPA firm.

The Company's accounting and records are maintained using electronic data processing with the exception of certain items entered manually into the general ledger. The Company maintains supporting documentation that was reviewed during the examination as applicable.

The Company was licensed as a multi-line property and casualty insurance company pursuant to Miss. Code Ann. § 83-19-31(b), which required the Company to maintain a minimum capital of \$600,000 and surplus of \$900,000. Pursuant to Miss. Code Ann. § 83-5-55, the Company was required to file an NAIC Property and Casualty Annual Statement. The Company was also required to file a risk-based capital (RBC) report pursuant to Miss. Code Ann. § 83-5-401 through § 83-5-427.

STATUTORY DEPOSITS

The Company's statutory deposits with the state of Mississippi complied with Miss. Code Ann. § 83-19-31(2). The following chart displays the Company's total statutory deposits as held at December 31, 2018:

<u>State Deposited</u>	<u>Description of Security</u>	<u>Par Value</u>	<u>Fair Value</u>
Mississippi	New York City Transitional	\$245,000	\$238,397
Mississippi	Florida Hsg Fin Corp Rev Bonds	\$200,000	\$200,502
Mississippi	Mississippi St	\$400,000	\$405,016
Mississippi	US Treasury Note	\$350,000	\$345,079
Mississippi	US Treasury Note	\$705,000	\$685,859

Mississippi	US Treasury Note	\$100,000	\$98,084
Mississippi	New York City Transitional	\$250,000	\$243,213
Mississippi	University of Pittsburgh PA	\$250,000	\$248,103
Total Held in Mississippi		\$2,500,000	\$2,464,253
Arkansas	Shelby County TN Bond	\$210,000	\$219,855
Delaware	US Treasury Note	\$110,000	\$111,960
Georgia	Puerto Rico Sales Tax Fing Corp	\$75,000	\$34,969
Massachusetts	US Treasury Note	\$100,000	\$116,218
Nevada	US Treasury Note	\$300,000	\$305,346
New Mexico	Michigan St Trunk Line Ref	\$310,000	\$310,341
New Mexico	Cash	\$310,000	\$310,000
North Carolina	US Treasury Note	\$200,000	\$202,242
Ohio	US Treasury Note	\$250,000	\$245,133
Oregon	US Treasury Note	\$370,000	\$430,007
Virginia	US Treasury Note	\$250,000	\$245,943
Virginia	US Treasury Note	\$25,000	\$24,594
Wyoming	US Treasury Note	\$150,000	\$152,673
Total Held in All Other States or Jurisdictions		\$2,660,000	\$2,709,281
Total of All States & Jurisdictions		\$5,160,000	\$5,173,534

FINANCIAL STATEMENTS

Introduction

The financial statements consist of a Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2018, a Statement of Income for the year ended December 31, 2018, and a Reconciliation of Capital and Surplus for the examination period ended December 31, 2018.

The following financial statements are based on the statutory financial statements filed by the Company with the Mississippi Insurance Department and present the financial condition of the Company for the period ending December 31, 2018.

**STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2018**

ASSETS

Bonds	\$66,572,740
Preferred stocks	5,963,541
Common stocks	15,988,936
Real estate – properties occupied by the company	2,353,255
Cash, cash equivalents, and short-term investments	28,572,813
Investment income due and accrued	688,318
Uncollected premiums and agents balances	4,619,079
Net deferred tax asset	999,785
Total Assets	\$125,758,467

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$4,641,561
Loss adjustment expenses	1,874,580
Commissions Payable	307,059
Other expenses	259,275
Taxes, licenses, and fees	565,820
Current federal and foreign income taxes	400,000
Unearned premiums	15,580,188
Advance premium	415,306
Ceded reinsurance premiums payable	449,185
Amounts withheld or retained by company for account of others	28,555,277
Payable for securities	171,391
Total Liabilities	\$53,219,642
Common capital stock	\$3,000,000
Gross paid in and contributed surplus	70,145,502
Unassigned funds (surplus)	(606,677)
Surplus as regards policyholders	\$72,538,825
Total liabilities and surplus	\$125,758,467

**SUMMARY OF OPERATIONS
FOR YEAR ENDED DECEMBER 31, 2018**

Premiums earned	\$15,737,084
Losses incurred	2,411,735
Loss adjustment expenses incurred	1,078,262
Other underwriting expenses incurred	10,858,565
Aggregate write ins for underwriting expenses	0
Total underwriting deductions	<u>\$14,348,562</u>
Net underwriting gain (loss)	\$1,388,522
Net investment income earned	\$2,280,849
Net realized capital gains (loss)	259,916
Net investment gain	<u>\$2,540,765</u>
Aggregate write-ins for miscellaneous income	107,651
Total other income	<u>\$107,351</u>
Federal and foreign income taxes incurred	\$900,909
Net Income	<u>\$3,135,729</u>

**RECONCILIATION OF CAPITAL AND SURPLUS
FOR EXAMINATION PERIOD ENDED DECEMBER 31, 2018**

	2018	2017	2016	2015	2014
Capital and Surplus, December 31, prior year	\$50,054,280	\$13,112,996	\$11,739,199	\$11,856,278	\$11,569,741
Net Income	3,135,729	(1,288,812)	1,403,699	1,331,900	1,921,071
Change in net unrealized capital gains (losses)	(1,923,652)	107,179	864,502	(542,900)	(3,947)
Change in net deferred income tax	159,190	621,723	(41,718)	93,672	(255,818)
Change in non-admitted assets	1,113,279	(1,301,969)	97,144	200,000	(300,000)
Capital changes – Paid in	-	288,000	50,170	50,209	50,231
Capital changes – Transferred to surplus	-	361,144	-	-	-
Surplus adjustments – Paid in	20,000,000	39,645,542	-	-	-
Surplus adjustments – Transferred to capital	-	(361,144)	-	-	-
Dividends to stockholders	-	(1,130,379)	(1,000,000)	(1,249,960)	(1,125,000)
Capital and Surplus, December 31, current year	\$72,538,825	\$50,054,280	\$13,112,996	\$11,739,199	\$11,856,278

**RECONCILIATION OF EXAMINATION ADJUSTMENTS TO SURPLUS
DECEMBER 31, 2018**

As a result of this examination, there have been no changes made to the admitted assets, liabilities, and surplus balance reported by the Company in the December 31, 2018 annual statement as filed with the MID. The capital and surplus reported by the Company of \$72,538,825 is accepted as reasonably stated for purposes of the balance sheet per the examination.

MARKET CONDUCT ACTIVITIES

A full scope market conduct examination was not performed, however, specific areas of the Company's market conduct activities were reviewed. The specific areas reviewed included those items indicated below.

Operations/Management

The Company had a privacy policy in place for the protection of its policyholders. No material concerns were noted during the course of our testing regarding the Company's privacy policy.

Producer Licensing

Appointed Agents for the Company in the state of Mississippi, as well as those agents appointed during the examination period, were compared to agents' records maintained by the MID. The Company appeared to have the appropriate licensure to issue its products and agents appeared to have been properly licensed and appointed.

COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 2018, the Company was not involved in any pending litigation matters arising during the normal course of business activities nor any proceeding which may have a material adverse effect on the surplus of the Company.

SUBSEQUENT EVENTS

Beginning in December, 2019 in China and progressing to the United States in March, 2020, the coronavirus (SARS-CoV-2) also known as COVID-19 reached pandemic status on March 11, 2020 per the World Health Organization (WHO). In efforts to slow the spread of COVID-19, the Federal Government along with various state governments and local municipalities have strongly encouraged and/or mandated work, school and travel restrictions along with mass "non-essential" business shutdowns. These actions have brought the US economy to at or near a grinding halt. As a result, the US Stock Market has experienced significant deterioration. At the exam report date, the extent of short and long term detrimental impact upon insurers, as well as the US and global economy as a whole, remains unknown.

COMMENTS AND RECOMMENDATIONS

The examination did not identify any material comments and recommendations.

ACKNOWLEDGMENT

The examiners representing the Mississippi Insurance Department and participating in this examination were:

Examiner-in-charge: Ryne Davison, CFE

Examiner: Novalene Forbes, CFE

IT Examiner: Lindsey Pittman, CISA, AES, CFE

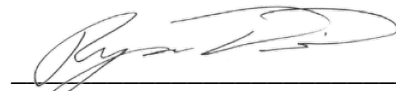
Supervising Examiner: Omar Akel, CFE

Actuary: Robert Daniel, ACAS, MAAA

Department Designee: Mark Cooley, CFE

The courteous cooperation of the officers and employees responsible for assisting in the examination is hereby acknowledged and appreciated.

Respectfully submitted,



Examiner-in-charge



Department Designee