



MISSISSIPPI INSURANCE DEPARTMENT

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MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of Insurance

RICKY DAVIS
State Chief Deputy Fire Marshal

June 15, 2021

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Mr. David Reynolds White, President
AmFirst Specialty Insurance Company
500 Steed Road
Ridgeland, MS 39157

RE: Report of Examination as of December 31, 2019

Dear Mr. White:

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
 AMFIRST SPECIALTY INSURANCE COMPANY**

CAUSE NO. 21-7624

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 AmFirst Specialty Insurance Company is a Mississippi-domiciled company licensed to write Accident and Health; Casualty/Liability; Fire/Allied Lines; Home/Farm Owners; Inland Marine; Mortgage Guaranty and Surety 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 AmFirst Specialty Insurance Company and appointed Robin Brown, Examiner-In-Charge, to conduct said examination.

IV.

That on or about April 20, 2021, the draft Report of Examination concerning AmFirst Specialty Insurance Company for the period of July 22, 2015 through December 31, 2019, was submitted to the Department by the Examiner-In-Charge, Robin Brown.

V.

That on or about May 26, 2021, 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 20-day period to submit any rebuttal to the draft report. The Company responded in an email on or about June 9, 2021.

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 written submission, and all relevant examiner work papers, that the Report of Examination of AmFirst Specialty 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 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, AmFirst Specialty 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 AmFirst Specialty Insurance Company take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

SO ORDERED, this the 15th day of June 2021.



J. Mark Haire

J. 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 19th day of June 2021, to:

**Mr. David Reynolds White, President
AmFirst Specialty Insurance Company
500 Steed Road
Ridgeland, MS 39157**



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

AMFIRST SPECIALTY INSURANCE COMPANY

as of

December 31, 2019

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

State of Florida

County of Santa Rosa

Robin Brown, being duly sworn, states as follows:

1. I have authority to represent Mississippi in the examination of AmFirst Specialty Insurance Company as of December 31, 2019.
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 AmFirst Specialty 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.

R. Brown
Robin Brown, CFE

Subscribed and sworn before me by *Robin Brown* on this *25th* day of *May*, 20*21*.



Zachary T. Battles
Notary Public

My commission expires *Oct 20, 2023* [date].



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Commissioner of Insurance
State Fire Marshal

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Insurance

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April 12, 2021

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, 2019, of the affairs and financial condition of:

AMFIRST SPECIALTY INSURANCE COMPANY

500 Stead Road
Ridgeland, MS 39157

License #	NAIC Group #	NAIC #	FEETS#	ETS#
1500028	4719	15931	15931-MS-2019-9	MS-MS099-29

This examination was commenced in accordance with Miss. Code Ann. §83-5-201 *et seq.* The report of examination is herewith submitted.

SCOPE OF EXAMINATION

We have performed a full-scope single-state examination of AmFirst Specialty Insurance Company (“Company”). This is the first examination of the Company. The examination covers the period July 22, 2015 through December 31, 2019.

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.

The examination report includes significant findings of fact, in accordance with Miss. Code Ann. §83-5-209 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

This is the first examination of the Company and therefore, there was no previous examination report.

HISTORY OF THE COMPANY

The Company was incorporated on July 22, 2015, under the laws of the State of Mississippi and commenced business on April 15, 2016. During the examination period, the Company wrote homeowners insurance in the State of Mississippi with a focus on the modular homes market. The Company also wrote inland marine business in Mississippi. The Company assumed group accident and health insurance from its parent, AmFirst Insurance Company.

As of December 31, 2019, the Company had 6,500 shares of \$100 par value common stock, authorized, issued and outstanding.

CORPORATE RECORDS

The minutes of the meetings of the Board of Directors (“Board”), committees thereof, and the annual meeting of the Shareholder were reviewed. The minutes adequately reflected the ratification, confirmation and approval of the transactions and events undertaken by the Board and Shareholder on behalf of the Company.

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, 2019, were as follows:

Name and Residence	Year Elected/Appointed	Principal Occupation
David Reynolds White Madison, Mississippi	2015	President
John Jordan Morgan Oxford, Mississippi	2015	Senior Vice President
Ryan Lee Eaton Ridgeland, Mississippi	2015	Vice President
Jason Adam Peets Madison, Mississippi	2015	Vice President
Richard Lee Eaton Ridgeland, Mississippi	2015	Secretary, Treasurer
James Kyle Douglas Ridgeland, Mississippi	2015	President, Crema Design Studio
William A. Eaton Ridgeland, Mississippi	2016	Chief Investment Advisor, Morgan White Group

Committees

The following officers/directors served on the Company’s Audit Committee and the Company’s Investment Committee:

Name	Title
Richard Lee Eaton	Secretary, Treasurer
David Reynolds White	President

Officers

Name	Year Elected/Appointed	Title
David Reynolds White	2015	President
Richard Lee Eaton	2015	Secretary, Treasurer
John Jordan Morgan	2015	Vice President

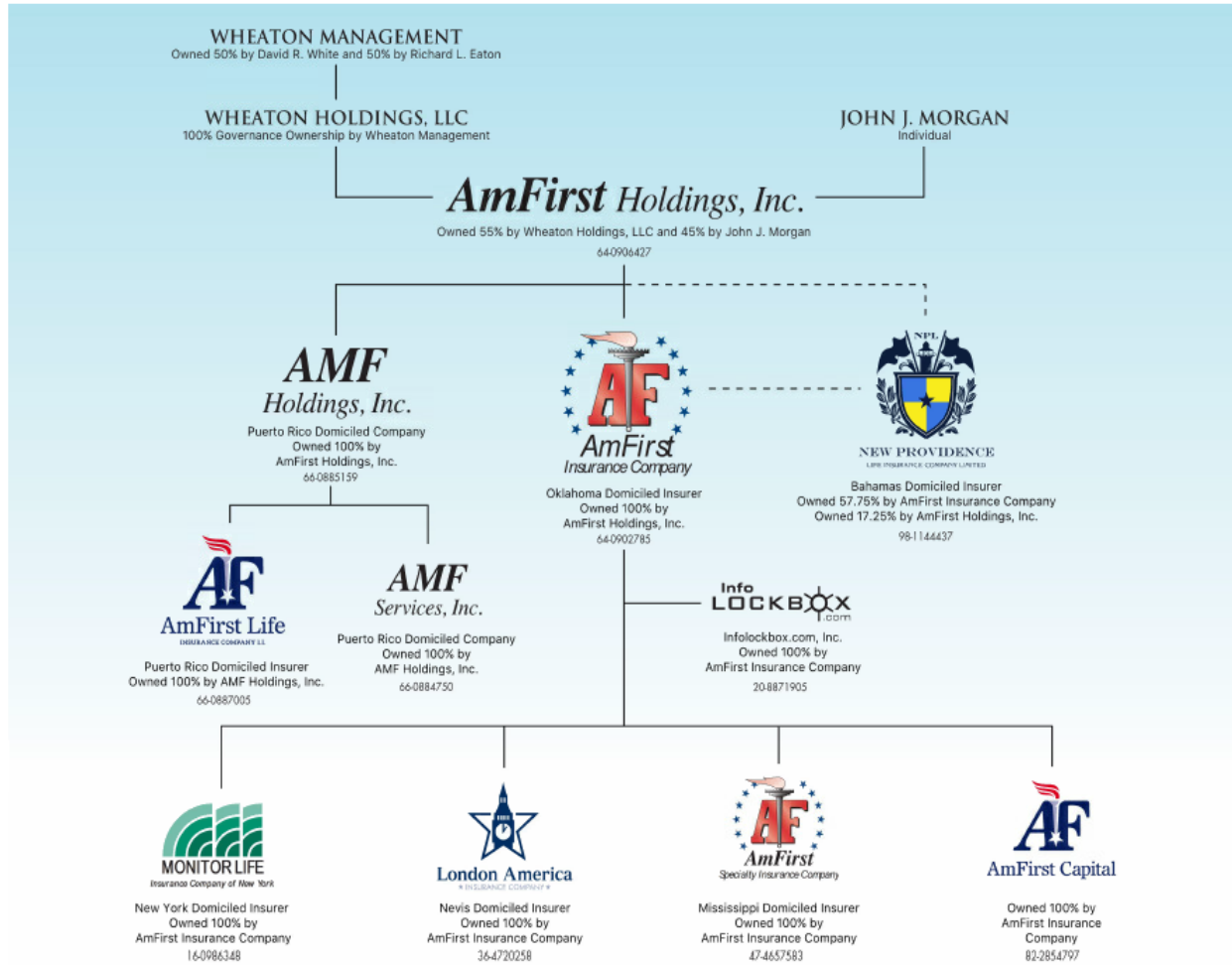
Conflict of Interest

The Company had formal procedures whereby disclosure was made to the Board of any material interest or affiliation on the part of any officer or director that was, or would likely be, a conflict with the official duties of such persons.

HOLDING COMPANY STRUCTURE

Organizational Chart

The Company is a member of an insurance holding company structure as defined in Miss. Code Ann. §83-6-1. For the period under examination, the Company filed Holding Company Registration Statements with the Mississippi Insurance Department, in accordance with Miss. Code Ann. §83-6-5 and §83-6-9.



Affiliated and Related Party Transactions

Management Services Agreement

AmFirst Holdings, Inc. provided certain management facilities and services in exchange for an amount not to exceed 10% of all direct written and assumed premiums in accordance with the terms of a Management Services Agreement.

Federal Tax Sharing Agreement

AmFirst Holdings, Inc. files a consolidated income tax federal return which includes the operations of the Company. The method of allocation among companies is subject to a written agreement, approved by the Board whereby allocation is made primarily on a separate return basis with current credit for a net operating losses or other items utilized in the consolidated tax return. In addition, each company within the consolidated group files state income tax returns for the jurisdictions in which it operates.

Quota Share Reinsurance Agreement

The Company was party to a reinsurance agreement with its parent, AmFirst Insurance Company, see details in the Reinsurance Section below.

FIDELITY BOND AND OTHER INSURANCE

For the period under examination, the Company maintained a comprehensive corporate insurance program. This program included fidelity, umbrella excess liability as well as other policies as deemed appropriate by the Company's management. As of December 31, 2019, the Company maintained a fidelity bond with an aggregate limit of liability of \$3,000,000. 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 does not have any employees. As such, no provision was made in the financial statements for obligations under any benefit plan.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2019, the Company was licensed in Mississippi and was authorized to write the following lines of business: casualty/liability, fire/allied lines, home/farm and owners/inland marine.

GROWTH OF COMPANY

	2019	2018	2017	2016
Balance Sheet				
Total admitted assets	\$ 7,012,912	\$ 2,643,893	\$ 2,681,135	\$ 3,507,808
Total liabilities	\$ 1,296,735	\$ 134,095	\$ 264,975	\$ 1,136,671
Surplus as regards policyholders	\$ 5,716,177	\$ 2,509,798	\$ 2,416,160	\$ 2,371,137
Income Statement				
Net underwriting gain (loss)	\$ 590,757	\$ (60,260)	\$ (33,199)	\$ 570,047
Net investment gain (loss)	\$ 164,802	\$ 92,752	\$ 78,440	\$ 22,408
Net income	\$ 593,976	\$ 129,215	\$ 34,772	\$ 377,535
Cash Flow				
Net cash from operations	\$ 193,617	\$ (96,729)	\$ (246,794)	\$ 908,235
Risk-Based Capital Analysis				
Total adjusted capital	\$ 5,716,177	\$ 2,509,798	\$ 2,416,160	\$ 2,371,137
Authorized control level risk-based capital	\$ 319,070	\$ 73,021	\$ 60,660	\$ 84,303

REINSURANCE

During the examination period, the Company entered into a quota share reinsurance agreement with AmFirst Insurance Company, whereby the Company began assuming 15% of the premiums and losses associated with certain group accident and health policies.

During the examination period the Company was party to certain reinsurance agreements whereby the Company ceded 100% of the risk on property coverage over \$75,000, with a limit of \$150,000 on any one risk; and the Company ceded liability coverage over \$100,000, with a limit of \$100,000 on any one risk. In addition, the Company ceded on a net basis, 50% of homeowners risk and 50% of its inland marine risk.

ACCOUNTS AND RECORDS

The 2019 trial balance of the Company's accounts was traced to the balance sheet of the Company's statutory annual statement filed with the Mississippi Insurance Department, with no exceptions noted. The Company was audited annually by an independent CPA firm.

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 report pursuant to Miss. Code Ann. §83-5-401 through §83-5-427.

STATUTORY DEPOSITS

The Company's statutory deposit with the State of Mississippi complied with Miss. Code Ann. §83-19-31(2). The following chart displays the Company's total statutory deposits held as of December 31, 2019:

<u>State Deposited</u>	<u>Description of Security</u>	<u>Par Value</u>	<u>Fair Value</u>
Mississippi	U.S. Treasury Note	\$320,000	\$317,100
Mississippi	U.S. Special Revenue	\$300,000	\$313,038
Total		\$620,000	\$630,138

FINANCIAL STATEMENTS

Introduction

The following financial statements consist of a Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2019, a Statement of Income for the year ended December 31, 2019, a Reconciliation of Capital and Surplus for the examination period and a Reconciliation of Examination Adjustments to Surplus for the year ended December 31, 2019.

**STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2019**

ASSETS

Preferred stocks	406,053
Common stocks	630,057
Cash, cash equivalents and short-term investments	2,507,441
Other invested assets	111,111
Investment income due and accrued	12,252
Uncollected premiums and agents' balances	29,151
Other amounts receivable	1,285,901
Net deferred tax asset	15,239
Receivables from parent, subsidiaries and affiliates	24
Total Assets	<u><u>\$7,012,912</u></u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$ 498,839
Loss adjustment expenses	37,985
Other expenses	10,195
Taxes, licenses and fees	65,953
Current federal and foreign income taxes	128,545
Unearned premiums	120,229
Advance premium	56,609
Ceded reinsurance premiums payable	41,395
Funds held by company	215,159
Provision for reinsurance	21,087
Payable to parent, subsidiaries and affiliates	100,738
Aggregate write-ins for liabilities	1
Total Liabilities	<u><u>\$ 1,296,735</u></u>
Common capital stock	\$ 650,000
Gross paid in and contributed surplus	3,950,000
Unassigned funds	1,116,177
Surplus as regards policyholders	<u><u>\$5,716,177</u></u>
Total Liabilities, Surplus and Other Funds	<u><u>\$7,012,912</u></u>

**STATEMENT OF INCOME
FOR YEAR ENDED DECEMBER 31, 2019**

Premiums earned	\$4,482,380
Losses incurred	2,302,617
Loss adjustment expenses incurred	39,268
Other underwriting expenses incurred	<u>1,549,737</u>
Total underwriting deductions	<u>\$3,891,622</u>
Net underwriting gain	\$ 590,758
Net investment income earned	\$ 151,348
Net realized capital gains	<u>13,454</u>
Net investment gain	\$ 164,802
Federal and foreign income taxes incurred	<u>\$ 161,583</u>
Net income	\$ 593,976

**RECONCILIATION OF CAPITAL AND SURPLUS
FOR EXAMINATION PERIOD ENDED DECEMBER 31, 2019**

	2019	2018	2017	2016
Capital and surplus, prior year	\$2,509,798	\$2,416,160	\$2,371,137	-
Net income	593,976	129,215	34,772	377,535
Change in net unrealized capital gains	45,170	(63,863)	14,547	(6,066)
Change in net deferred income tax	22,482	9,109	(7,560)	2,928
Change in nonadmitted assets	(8,227)	(6,759)	3,263	(3,263)
Change in provision for reinsurance	2,978	(24,065)	-	-
Paid in capital	-	50,000	-	600,000
Paid in surplus	2,550,000	-	-	1,400,000
Aggregate write-ins for gains and losses	-	1	1	3
Net change in capital and surplus	3,206,379	93,638	45,023	2,371,137
Capital and surplus, current year	<u>\$5,716,177</u>	<u>\$2,509,798</u>	<u>\$2,416,160</u>	<u>\$2,371,137</u>

**RECONCILIATION OF EXAMINATION ADJUSTMENTS TO SURPLUS
DECEMBER 31, 2019**

As a result of this examination, there have been no changes made to the admitted assets, liabilities, and surplus as regards policyholders balances reported by the Company for the year ended December 31, 2019. The surplus as regards policyholders reported by the Company of \$5,716,177 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.

Producer Licensing

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

No commitments or contingent liabilities were noted during the course of this examination that would require inclusion within this examination report.

SUBSEQUENT EVENTS

1. AmFirst Insurance Company sold its interests in the following subsidiaries to AmFirst Holdings, Inc.
 - a. Infolockbox
 - b. New Providence Life Insurance Company Limited
 - c. London America Insurance Company

This was done in an effort to simplify the reporting and regulation the companies were subject to as subsidiaries of AmFirst Insurance Company.

2. AmFirst Insurance Company sold its interest in Monitor Life Insurance Company of New York to an unrelated third party. The sale was effective January 4, 2021.
3. Effective January 1, 2021, AmFirst Insurance Company entered into a mortgage loan participation to refinance the Morgan White Group corporate headquarters in Ridgeland, Mississippi
4. AmFirst Insurance Company contributed \$5,000,000 to the Company in February 2021.

Each of the transactions received all required regulatory approvals prior to execution.

On March 11, 2020, the World Health Organization declared coronavirus disease (COVID-19) a pandemic. As of the date of this report, significant uncertainty remains on the effect that the pandemic will have on the insurance industry, economy and the Company at large. The

examination's review of the impact to the Company through the date of this report noted that there has not been a significant impact to the Company; however, due to the various uncertainties with the pandemic, it is unclear whether this will continue to have a minimal impact to the Company or if it will escalate.

Effective July 1, 2020, the Company entered into a reinsurance agreement to include policies as part of the AmFirst Specialty Manufactured Home Program written or renewed during the term of the contract. Lyndon Southern Insurance Company is listed as the subscribing reinsurer. In addition, the Company will reinsure Lyndon Southern Insurance Company once their policies are filed. The Agreement may be terminated July 1 of any year with 90 days' prior written notice. Maximum policy limits include: (1) Commercial Property: \$5,000,000; (2) Inland Marine \$500,000; (3) Homeowners \$300,000.

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: Robin Brown, CFE
Supervising Examiner: John Humphries, CFE
Actuary: Dave Heppen, FCAS, 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