

**STATE OF NORTH DAKOTA  
BISMARCK, NORTH DAKOTA**

**REPORT OF EXAMINATION**

**OF**

**ADRIATIC INSURANCE COMPANY  
METAIRIE, LOUISIANA**

**AS OF  
DECEMBER 31, 2011**

STATE OF NORTH DAKOTA  
INSURANCE DEPARTMENT

I, the undersigned, Commissioner of Insurance of the State of North Dakota, do hereby certify that I have compared the annexed copy of the Report of Examination of the

**Adriatic Insurance Company**

**Metairie, Louisiana**

as of December 31, 2011, with the original on file in this Department and that the same is a correct transcript therefrom and of the whole of said original.



IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in the City of Bismarck, this 26<sup>th</sup> day of April, 2013.

  
\_\_\_\_\_  
Adam Hamm  
Commissioner

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Metairie, Louisiana  
February 28, 2013

Honorable Adam Hamm  
Insurance Commissioner  
State of North Dakota  
600 East Boulevard Avenue, Dept. 401  
Bismarck, ND 58505

Dear Commissioner:

Pursuant to your instructions, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2011, of the financial condition and corporate affairs of:

**Adriatic Insurance Company**  
**3501 North Causeway Boulevard, Suite 1000**  
**Metairie, Louisiana**

Adriatic Insurance Company, hereinafter referred to as the "Company", was last examined as of December 31, 2006, by Examiners from Eide Bailly, LLP representing the North Dakota Insurance Department and the Midwestern Zone.

## **SCOPE OF EXAMINATION**

This examination was a risk focused financial condition examination conducted in accordance with N.D.C.C. § 26.1-03-19.3 and observed guidelines and procedures contained in the NAIC *Financial Condition Examiners Handbook*. The examination was conducted to determine the Company's financial condition, its compliance with statutes, and to review the corporate affairs and insurance operations. This statutory examination covers the period of January 1, 2007, through December 31, 2011, including any material transactions or events occurring subsequent to the examination date and noted during the course of this statutory examination.

The examination was conducted in accordance with examination policies and standards established by the North Dakota Insurance Department and procedures recommended by the NAIC. In accordance with the NAIC *Financial Condition Examiners Handbook*, the examination was planned and performed the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles, Annual Statement instructions, and when applicable, domestic state regulations.

Work papers provided by the Company's independent auditor, Carr, Riggs & Ingram, LLC, were reviewed and, where deemed appropriate, certain procedures and conclusions documented in those work papers have been relied upon and copied for inclusion into the working papers for this examination.

This examination was conducted by Examiners from the North Dakota Insurance Department, representing the Midwestern Zone.

## **STATUS OF PRIOR EXAMINATION FINDINGS**

The examination included a review to determine the current status of the four exception conditions commented upon in our preceding Report on Examination which covered the period from January 1, 2002, to December 31, 2006. We determined that the Company had satisfactorily addressed all of these items, except the following:

<b><u>Recommendation</u></b>	<b><u>Response</u></b>
It is again recommended that the Company obtain insurance coverage protecting itself from losses resulting from dishonest acts committed by Company employees.	The Company did not comply. During the period under review, the Company did not obtain the recommended insurance coverages.

Findings and recommendations related to the above areas are addressed under various captions below for the current period under examination.

## **SUMMARY OF SIGNIFICANT FINDINGS**

There were no material adverse findings or material changes in the financial statements.

## **SUBSEQUENT EVENTS**

There were no significant subsequent events noted through the date of this report.

## **HISTORY**

### **General**

The Company was incorporated on July 16, 1992, in accordance with the North Dakota Business Corporation Act, N.D.C.C. Chapter 10-19.1, and the state insurance statutes, N.D.C.C. Chapter 26.1-05. Effective October 1, 1992, the Company was the surviving entity in a merger with Adriatic Insurance Company, a Delaware corporation that was originally organized on June 12, 1979, under the laws of the State of Delaware.

The Company's primary purpose is to engage in the business of property and casualty insurance. The Company is authorized to operate on the stock plan and is a wholly owned subsidiary of the Anglesey Corporation, A Delaware insurance holding company.

### **Capital Stock**

The Company's Articles of Incorporation authorize the Company to issue 1,500,000 shares of single class (common), no par value capital stock.

At December 31, 2011, the Company had issued all 1,500,000 shares to its parent, Anglesey Corporation. The ownership of Anglesey Corporation is primarily held by the ultimate controlling person, Anthony Ciervo, Jr., who controlled 53.39% of Anglesey's Class A, no par common stock as December 31, 2011.

On April 27, 1994, the Company's stockholder voted to change the par value of common stock from \$1 par value per share to no par. The amendment to the Articles was filed with an approval by the North Dakota Insurance Department effective August 17, 1994. The stockholder also approved a transfer of \$2,000,000 of unassigned surplus funds to capital stock on April 27, 1994, which increased the capital stock to \$3,500,000.

### **Dividends to Stockholders**

There were no dividends declared or paid during the examination period.

## **CORPORATE RECORDS**

### **Articles of Incorporation and Bylaws**

The Company did not amend and restate the Articles of Incorporation or Bylaws during the examination period.

The Bylaws provide that an annual meeting of the stockholders shall be held on the fourth Wednesday of April of each year, beginning with the year 1993 at the hour of 2:00 p.m.

The Bylaws also provide that the number of directors of the corporation shall be three and each director holds office until the next annual meeting of stockholders and until his successor has been elected and qualified. Regular meetings of the Board of Directors are held on or after the annual stockholders meeting.

### **Board of Directors, Stockholders, and Committee Minutes**

The recorded minutes of the Board of Directors (Board) for the Company and the annual stockholder meetings were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, including the authorization of investments in accordance with its Bylaws, N.D.C.C. § 26.1-05-18 and N.D. Admin. Code § 45-03-12-05.

**Conflict of Interest Procedure**

The Company had adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the guidelines of the NAIC Financial Condition Examiners Handbook. No issues or conflicts were noted within these disclosures.

**MANAGEMENT AND CONTROL**

**Stockholders**

Anglesey Corporation, a Delaware insurance holding company, owned 100% of the Company’s outstanding stock at December 31, 2011. The ultimate controlling person in the holding company system is Anthony Ciervo, Jr., who owned 4,605 or 53.39% of Anglesey Corporation Class A, no par common stock on December 31, 2011.

**Board of Directors**

Board of Directors serving as of December 31, 2011, were as follows:

<b><u>Name and Address</u></b>	<b><u>Principal Occupation</u></b>
Joseph Edmond Taylor Metairie, Louisiana	President Adriatic Insurance Company
Anthony Vandegrift Ciervo Metairie, Louisiana	Secretary Adriatic Insurance Company
Steven Michael Harris Mandeville, Louisiana	Treasurer Adriatic Insurance Company

**Officers**

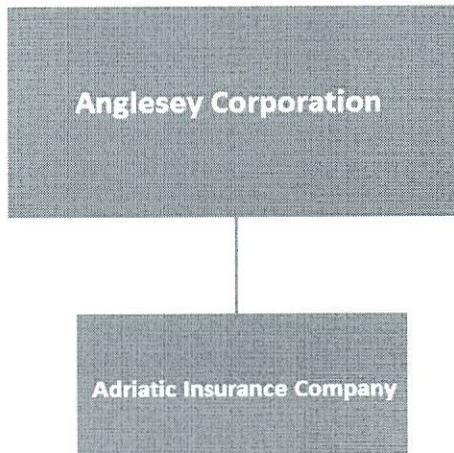
The Bylaws provide that the officers of the corporation shall be a President, a Vice President, a Secretary, and a Treasurer. The Board of Directors may also appoint other or additional officers as may be reasonably necessary for the conduct of the Company’s business.

Officers of the Company serving as of December 31, 2011, were as follows:

<b><u>Name</u></b>	<b><u>Position</u></b>
Joseph Edmond Taylor	President
Anthony Vandegrift Ciervo	Secretary and Vice President
Steven Michael Harris	Treasurer

## AFFILIATED COMPANIES

The Company's organizational structure is shown below:



As previously mentioned in the stockholder section, Anglesey Corporation is the Company's sole stockholder.

### **Intercompany Agreements**

#### *Tax Allocation Agreement*

A consolidated federal income tax return is filed for Adriatic Insurance Company and its parent Anglesey Corporation. The return is in the parent's name. During the exam period, the Company was a party to a Consolidated Tax Allocation Agreement with Anglesey Corp. that apportions federal income tax between Anglesey Corp. and Adriatic based on the net income of each. There is a charge back to Anglesey from Adriatic every year, but according to the agreement the amount may be carried over to the following year until the balance exceeds \$500 (if exceeded, payment is required by Anglesey by March 31 of the following year). During the exam period, the amount exceeded \$500 from 2008 through 2011 and Anglesey did not make the required payments to Adriatic.

**It is recommended that the Company either obtain all necessary payments from Anglesey Corp. per the requirements of SSAP No. 96, Paragraph 6 or report any uncollected receivable as nonadmitted.**

## FIDELITY BOND AND OTHER INSURANCE

At December 31, 2011, the Company did not have insurance coverage protecting it from losses resulting from dishonest acts committed by any of the Company's employees. At December 31, 2011, the minimum amount of coverage suggested by NAIC guidance was \$350,000.

**It is again recommended that the Company obtain insurance coverage protecting itself from losses resulting from dishonest acts committed by Company employees.**

The Company had in force insurance policies providing coverage for business personal property, general liability, loss of income, workers compensation, and employer's liability.

## PENSION, STOCK OWNERSHIP, AND OTHER INSURANCE PLANS

During the period under examination, the Company provided a health plan for employees. The Company also offers a SIMPLE-IRA to all permanent employees where the Company will match 100% of the employee's contribution up to a fixed percentage which varies from 1% to 3% as determined by the Company.

## TERRITORY AND PLAN OF OPERATION

The Company is licensed in North Dakota, Delaware, Nevada, and New Mexico, but writes no business in those states. The Company writes inland marine and auto physical damage lines of business in the District of Columbia and 37 other states on an excess and surplus lines basis.

The Company specializes in writing automobile physical damage coverage for commercial vehicles, including local and long-haul trucking, taxicabs and special automobile risks.

At December 31, 2011, the Company had 43 agents or agencies.

## GROWTH OF THE COMPANY

The following represents the Company's direct written premium activity as it relates to surplus over the period of our examination:

	<b>Premiums Written</b>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Direct	\$9,408,168	\$8,013,595	\$8,732,688	\$10,051,101	\$20,064,743
Assumed	0	0	0	0	0
Ceded	21,816	61,560	1,270,491	1,836,183	3,669,141
Net Written	<u>\$9,386,352</u>	<u>\$7,952,035</u>	<u>\$7,462,197</u>	<u>\$8,214,918</u>	<u>\$16,395,602</u>
Surplus	\$58,724,543	\$58,655,538	\$58,327,369	\$56,823,055	\$52,747,158
Premium-to-Surplus Ratio	16%	14%	13%	14%	31%

The Company's premium to surplus ratio remained fairly constant over the examination period with the exception of a 17 percentage point decline from 2007 to 2008 attributed to "soft market" conditions. Despite the 43% decline in net written premiums from 2007 to 2011, surplus increased by just over 11% due in large part to the Company's conservative investment philosophy.

## LOSS EXPERIENCE

The following represents the five-year history of the Company's loss reserves:

	2011	2010	2009	2008	2007
Loss reserves	\$1,799,532	\$2,623,675	\$1,762,349	\$2,846,213	\$5,010,110
LAE reserves	307,275	336,475	338,050	395,050	551,050
Total Reserves	\$2,106,807	\$2,960,150	\$2,100,399	\$3,241,263	\$5,561,160
Losses and LAE Incurred	\$4,892,735	\$5,411,130	\$3,239,558	\$5,244,997	\$7,816,953

The Company's loss reserves, losses and loss adjusting expenses have decreased consistent with the decrease in net premiums written.

## REINSURANCE

The Company ceded reinsurance premiums totaling \$21,816 to off-shore unauthorized reinsurers during 2011. The Company held \$1,152,637 and \$1,231,898 at December 31, 2011 and 2010, respectively to offset unearned premiums and loss reserves reinsured with these unauthorized insurers.

## ACCOUNTS AND RECORDS

The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the course of the examination. A trial balance as of December 31, 2011, was extracted from the general ledger and traced to the balance sheet and appropriate schedules of the Company's 2011 Annual Statement. Revenues and expenses were test checked to the extent deemed necessary. At December 31, 2011, the Company used Stone River software for general ledger processing, and used Aspire software program for policy and claims management.

The Company is audited annually by the independent certified public accountant firm of Carr, Riggs & Ingram. The work papers of this CPA were made available to the Examiners and were used to the extent deemed appropriate for this examination.

At the time of the examination, the Company did not have a formal investment policy that met the following requirements of N.D. Admin. Code § 45-03-12-05:

1. The board of directors shall adopt a written plan for acquiring and holding investments and for engaging in investment practices that specifies guidelines as to the quality, maturity, and diversification of investments and other specifications including investment strategies intended to assure that the investments and investment practices are appropriate for the business conducted by the insurer, its liquidity needs, and its capital and surplus. The board shall review and assess the insurer's technical

investment and administrative capabilities and expertise before adopting a written plan concerning an investment strategy or investment practice.

- ...
4. On no less than a quarterly basis, the board of directors or committee of the board of directors shall:
    - a. Receive and review a summary report on the insurer's investment portfolio, its investment activities, and investment practices engaged in under delegated authority, in order to determine whether the investment activity of the insurer is consistent with its written plan; and
    - b. Review and revise, as appropriate, the written plan.

**It is recommended that the Company develop a formal written investment policy that complies with N.D. Admin. Code § 45-03-12-05, and that the Board of Directors, or a committee thereof, review the insurer's investment portfolio for adherence to its written plan.**

The Company uses Sterne, Agee & Leach, Inc. (Sterne) as its broker-dealer for stock trading. Currently, the Company does not have a custodial agreement with Sterne that contains the following requirements as specified in N.D. Admin. Code § 45-03-23-02(2):

- a. Securities certificates held by the custodian must be held separate from the securities of the custodian and of all of its other customers.
- b. Securities held indirectly by the custodian and securities in a clearing corporation must be separately identified on the custodian's official records as being owned by the insurance company. The records must identify which securities are held by the custodian or by its agent and which securities are in a clearing corporation. If the securities are in a clearing corporation, the records must also identify where the securities are and, if in a clearing corporation, the name of the clearing corporation and, if through an agent, the name of the agent.
- c. All custodied securities that are registered must be registered in the name of the company or in the name of a nominee of the company or in the name of the custodian or its nominee or, if in a clearing corporation, in the name of the clearing corporation or its nominee.
- d. Custodied securities shall be held subject to the instructions of the insurance company and shall be withdrawable upon the demand of the insurance company,

except that custodied securities used to meet the deposit requirements set forth in North Dakota Century Code section 26.1-05-23 must, to the extent required by that section, be under the control of the insurance commissioner and must not be withdrawn by the insurance company without the commissioner's approval.

- e. The custodian shall be required to send or cause to be sent to the insurance company a confirmation of all transfers of custodied securities to or from the account of the insurance company. In addition, the custodian shall be required to furnish no less than monthly the insurance company with reports of holdings of custodied securities at such times and containing information as may be reasonably requested by the insurance company. The custodian's trust committee's annual reports of its review of the insurer's trust accounts shall also be provided to the insurer. Reports and verifications may be transmitted in electronic or paper form.
- f. During the course of the custodian's regular business hours, any officer or employee of the insurance company, any independent accountant selected by the insurance company, and any representative of an appropriate regulatory body shall be entitled to examine, on the premises of the custodian, the custodian's records relating to custodied securities, but only upon furnishing the custodian with written instructions to that effect from an appropriate officer of the insurance company.
- g. The custodian and its agents shall be required to send to the insurance company:
  - (1) All reports which they receive from a clearing corporation on their respective systems of internal accounting control; and
  - (2) Any reports prepared by outside auditors on the custodians or its agent's internal accounting control of custodied securities that the insurance company may reasonably request.
- h. The custodian shall maintain records sufficient to determine and verify information relating to custodied securities that may be reported in the insurance company's annual statement and supporting schedules and information required in any audit of the financial statements of the insurance company.
- i. The custodian shall provide, upon written request from an appropriate officer of the insurance company, the

appropriate affidavits, substantially in the form described in the appendices to this chapter, with respect to custodied securities.

- k. The custodian shall be obligated to indemnify the insurance company for any loss of custodied securities, except that the custodian shall not be so obligated to the extent that the loss was caused by other than the negligence or dishonesty of the custodian.
- l. The custodian shall be obligated to indemnify the insurance company for any loss of custodied securities occasioned by the negligence or dishonesty of the custodian's officers or employees, or burglary, robbery, holdup, theft, or mysterious disappearance, including loss by damage or destruction.
- m. In the event that there is a loss of custodied securities for which the custodian shall be obligated to indemnify the insurance company, the custodian shall promptly replace the securities or their value thereof and the value of any loss of rights or privileges resulting from the loss of securities.
- n. The agreement may provide that the custodian will not be liable for any failure to take any action required to be taken under the agreement in the event and to the extent that the taking of such action is prevented or delayed by war (whether declared or not and including existing wars), revolution, insurrection, riot, civil commotion, act of God, accident, fire, explosion, stoppage of labor, strikes or other differences with employees, laws, rules, orders, or other acts of any governmental authority, or any other cause whatever beyond its reasonable control.
- o. In the event that the custodian gains entry in a clearing corporation through an agent, there shall be an agreement between the custodian and the agent under which the agent shall be subject to the same liability for loss of custodied securities as the custodian; provided, however, that if the agent shall be subject to regulation under the laws of a jurisdiction which is different from the jurisdiction the laws of which regulate the custodian, the insurance commissioner of the state of domicile of the insurance company may accept a standard of liability applicable to the agent which is different from the standard of liability applicable to the custodian.
- p. The custodian shall provide written notification to the insurer's domiciliary commissioner if the custodial agreement with the insurer has been terminated or if one

hundred percent of the account assets in any one custody account have been withdrawn. This notification shall be remitted to the insurance commissioner within three business days of the receipt by the custodian of the insurer's written notice of termination or within three business days of the withdrawal of one hundred percent of the account assets.

**It is recommended that the Company enter into a custodial agreement with Sterne that contains the wording required by N.D. Admin. Code § 45-03-23-02(2).**

## STATUTORY DEPOSITS

Deposits held by or pledged to regulatory agencies at December 31, 2011, are as follows:

State	Type of Asset	Fair Value	Statement Value
Arkansas	CD	\$ 250,000	\$ 250,000
New Mexico	Treasury Bill	349,957	349,957
New York	CD	2,561,000	2,561,000
North Dakota	CD	2,500,000	2,500,000
Oklahoma	CD	100,000	100,000
South Carolina	CD	207,203	207,203
Total		\$5,968,160	\$5,968,160

The deposits held by North Dakota and New York are for the benefit of all policyholders, claimants, and creditors of the Company.

## FINANCIAL STATEMENTS

The financial statements of the Company are presented on the following pages in the sequence listed below:

- Statement of Assets, Liabilities, Surplus and Other Funds, December 31, 2011
- Underwriting and Investment Exhibit, Year 2011
- Reconciliation of Capital and Surplus, January 1, 2007 through December 31, 2011

**Adriatic Insurance Company**  
**Statement of Assets, Liabilities, Surplus and Other Funds**  
**As of December 31, 2011**

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Common Stocks	\$139,000		\$139,000
Cash	7,832,649		7,832,649
Short-Term Investments	56,681,449		56,681,449
Investment Income Due and Accrued	12,971		12,971
Premiums and Agents Balances in Course of Collection	1,563,516		1,563,516
Federal and Foreign Income Tax Recoverable	335,871		335,871
Receivable from Parent, Subsidiary and Affiliate	540		540
Totals	<u>\$66,565,996</u>		<u>\$66,565,996</u>

**Adriatic Insurance Company**  
**Statement of Assets, Liabilities, Surplus and Other Funds**  
**As of December 31, 2011**

Losses		\$ 1,799,532
Loss Adjustment Expenses		307,275
Other Expenses		680,297
Taxes, Licenses and Fees		2
Unearned Premiums		3,871,502
Funds Held by the Company Under Reinsurance Treaties		1,152,637
Amounts Withheld or Retained by Company for Account of Others		<u>30,208</u>
Total Liabilities		\$7,841,453
Common Capital Stock	\$3,500,000	
Gross Paid In and Contributed Surplus	1,100,042	
Unassigned Funds (Surplus)	<u>54,124,501</u>	
Surplus as Regards Policyholders		<u>58,724,543</u>
Total		<u><u>\$66,565,996</u></u>

**Adriatic Insurance Company  
Underwriting and Investment Exhibit  
for the year Ended December 31, 2011**

**UNDERWRITING INCOME**

Premiums Earned		\$8,128,054
Deductions:		
Losses Incurred	\$4,036,858	
Loss Expense Incurred	855,877	
Other Underwriting Expenses Incurred	<u>2,822,128</u>	
Total Underwriting Deductions		<u>7,714,863</u>
Net Underwriting Gain or (Loss)		\$ 413,191

**INVESTMENT INCOME**

Net Investment Income Earned	\$120,809	
Net Realized Capital Gains or Losses	<u>0</u>	
Net Investment Gain or (Loss)		120,809

**OTHER INCOME**

Net Loss from Agents' or Premium Balances Charged Off		<u>(229,718)</u>
Net Income Before Federal Income Taxes		\$ 304,282
Federal Income Taxes Incurred		<u>179,414</u>
Net Income		<u><u>\$ 124,868</u></u>

**Adriatic Insurance Company**  
**Reconciliation of Capital and Surplus Accounts**  
**January 1, 2007 Through December 31, 2011**

	Year Ended December 31				
	2007	2008	2009	2010	2011
Capital and Surplus, December 31, Previous Year	\$48,220,868	\$52,747,158	\$56,823,055	\$58,327,369	\$58,655,538
Net Income	4,526,290	4,075,897	1,504,314	328,169	124,868
Net Unrealized Capital Gains or (Losses)	0	0	0	0	(55,863)
Net Change in Capital and Surplus for the Year	4,526,290	4,075,897	1,504,314	328,169	69,005
Capital and Surplus, December 31, Current Year	52,747,158	56,823,055	58,327,369	58,655,538	58,724,543

## NOTES TO FINANCIAL STATEMENTS

Financial statement balances at December 31, 2011, are commented upon only if financial changes, recommendations, or special explanations are considered necessary.

### CONCLUSION

The financial condition of the Company, as of December 31, 2011, as determined by this examination is as follows:

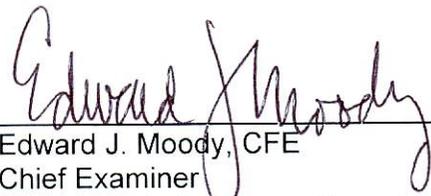
Admitted Assets:		<u>\$66,565,996</u>
Total Liabilities	\$ 7,841,453	
Common Capital Stock	\$ 3,500,000	
Gross Paid In & Contributed	1,100,042	
Unassigned Funds	<u>54,124,501</u>	
Surplus as Regards Policyholders	<u>58,724,543</u>	
Liabilities, Surplus and Other Funds		<u>\$66,565,996</u>

Since the last examination conducted as of December 31, 2006, the Company's admitted assets have increased \$2,393,249, its total liabilities have decreased \$8,110,426, and its surplus as regards policyholders has increased \$10,503,675.

The courteous cooperation extended by the officers and employees of the Company during the course of this examination is gratefully acknowledged.

In addition to the undersigned, Colton Schulz and Mary Raps, North Dakota Insurance Department Examiners, and Lisa Chanzit, FCAS, MAAA, ARM, Senior Consulting Actuary, David Wolfe, FCAS, MAAA, Consulting Actuary, and Jared Rubinstein, ACAS, Senior Actuarial Analyst of Risk & Regulatory Consulting, LLC, and Joseph W. Detrick, CPA, CISA, CFE, AES, Information Systems Auditor, of Jennan Enterprises, LLC, participated in this examination.

Respectfully submitted,

  
\_\_\_\_\_  
Edward J. Moody, CFE  
Chief Examiner  
North Dakota Insurance Department

## COMMENTS AND RECOMMENDATIONS

It is recommended that the Company develop a formal written investment policy that complies with N.D. Admin. Code § 45-03-12-05, and that the Board of Directors, or committee thereof, review the insurer's investment portfolio for adherence to its written plan.

It is recommended that the Company enter into a custodial agreement with Sterne that contains the wording required by N.D. Admin. Code § 45-03-23-02(2).

It is again recommended that the Company obtain insurance coverage protecting itself from losses resulting from dishonest acts committed by Company employees.

It is recommended that the Company either obtain all necessary payments from Anglesey Corp. per the requirements of SSAP No. 96, Paragraph 6 or report any uncollected receivable as nonadmitted.