REPORT ON EXAMINATION AS TO THE CONDITION OF

MAPFRE INSURANCE COMPANY

FLORHAM PARK, NEW JERSEY 07932

AT DECEMBER 31, 2018

NAIC COMPANY CODE 23876

NAIC GROUP CODE 0411

FILED

JUNE 18,2020

COMMISSIONER

DEPARTMENT
OF
BANKING AND INSURANCE

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State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF SOLVENCY REGULATION
PO BOX 325
TRENTON, NJ 08625-0325

TEL (609) 292-7272
FAX (609) 292-6765

PHIL MURPHY
Governor

SHEILA OLIVER
Lt. Governor

MARLENE CARIDE
Commissioner

May 31, 2020

Honorable Marlene Caride
Commissioner of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625

Commissioner:

A financial examination has been made of the condition and affairs of the:

MAPFRE Insurance Company
100 Campus Drive
Florham Park, New Jersey 07932
NAIC Company Code 23876

a property and liability insurance organization authorized to transact business in the State of New Jersey, and hereinafter referred to in this report as "MIC," "Mapfre" or "the Company."

SCOPE OF EXAMINATION

This comprehensive financial condition examination was called by the Commissioner of the New Jersey Department of Banking and Insurance (hereafter "NJDOBI" or "the Department") pursuant to the authority granted by Section 17:23-22 of the New Jersey Annotated Revised Statutes.

The examination was conducted using the risk-focused examination approach and addressed the five-year period from December 31, 2013, the date of the last examination, including material transactions and/or significant events occurring subsequent to the examination date. The examination followed procedures formulated by the National Association of Insurance Commissioners ("NAIC") as permitted by the Department. During this five-year period under examination, the Company's assets increased $28,533,627 from $52,455,312 to $80,988,939; liabilities increased $25,472,676 from $33,685,091 to $59,157,767 and policyholder surplus increased $3,060,952 from $18,770,221 to $21,831,173.

The NJDOBI conducted our examination in accordance with the 2019 edition of the NAIC Financial Condition Examiners Handbook ("NAIC Handbook"). The NAIC Handbook requires that the Department plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company. In order to meet these objectives, the NJDOBI obtained information regarding the Company's corporate governance environment, identified and assessed inherent risks to which it is exposed and evaluated its system of internal controls and procedures used to mitigate those risks identified. The examination also included 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 and annual statement instructions when applicable to domestic state regulations.

According to the NAIC Handbook, "One of the increased benefits of the enhanced risk focused approach is to include … consideration of other than financial risks that could impact the insurer's future solvency. By utilizing the enhanced approach, the examiner reviewed the 'financial' and 'enterprise' risks that existed at the examination 'as of' date and will be positioned to assess 'financial' and 'enterprise' risks that extend or commence during the time the examination was conducted and 'prospective' risks which are anticipated to arise or extend past the point of examination completion. Using this approach, examiners will be better positioned to make recommendations for appropriate future supervisory plans (i.e., earlier statutory exams, limited-scope exams, key areas for financial analysts to monitor, etc.) for each insurer."

All accounts and activities of the Company were considered in accordance with the risk focused examination process. The examination report only addresses regulatory information revealed by the examination process in accordance with the NAIC Handbook. All other financial matters were reviewed and determined not to be material for discussion in this report.

COMPLIANCE WITH PRIOR EXAMINATION REPORT RECOMMENDATIONS

In the prior examination report dated December 31, 2013, the following recommendations were made:

Corporate Records

1. It was recommended that each member of the Board of Directors sign an affidavit stating that they have received and reviewed a copy of the 2013 risk focused examination report.

Losses and Loss Adjustment Expenses

2. It was recommended that the MAPFRE USA Group maintain gross and net loss and loss adjustment expense reserves at a level adequate to meet its ultimate loss and loss adjustment expense obligations.

Examination review indicated that the Company has complied with all the above recommendations.

COMPANY HISTORY

The Company was incorporated under the laws of the State of California on February 21, 1985, as **"The New Zealand Reinsurance Company of America"** to serve as the corporate vehicle for the domestication of the United States Branch of The New Zealand Insurance Company Ltd. Business operations commenced on March 6, 1986.

On April 18, 1991, Chatham Holdings Inc., a Delaware general business corporation, purchased all of MIC's issued and outstanding capital stock. The Company's name was changed the following month to **"English & American Insurance Corporation"** on May 15, 1991 and then to **"Chatham Reinsurance Corporation"** on June 25, 1993.

On June 7, 2000, the Company was sold to **MAPFRE Re, Compañia de Reaseguros, S.A.** ("MAPFRE Re") a subsidiary of MAPFRE Group, the leading insurance entity in Spain. Following the transaction, the Company was renamed **"MAPFRE Reinsurance Corporation"** and was capitalized with an additional $80 million from MAPFRE Re to increase capital to $100 million. By written consent of the sole shareholder on November 21, 2001, and by resolution of the Board of Directors on the same date, the Company was authorized to re-domesticate (for the purpose of administrative and operational efficiency) from the State of California to the State of New Jersey. A transfer of $700,000 was authorized on November 21, 2001, to be made from the paid-in and contributed surplus account to the common capital stock account. The transfer was made to meet State of New Jersey minimum capital requirements of $4.2 million per N.J.S.A. 17:17-6.

In December 2003, the Company filed an application with the Office of Superintendent of Financial Institutions ("OSFI") to open a Canadian Branch. On November 15, 2004, the Company's application was approved, and a license limited to the business of reinsurance was granted by the OSFI.

The Company received capital contributions from MAPFRE Re in the amount of $15,000,000 on February 24, 2003, and $20,000,000 on April 27, 2004.

In September 2006, the Company received permission from the NJDOBI to make an extraordinary distribution of capital in the amount of $111,965,715.

Effective May 23, 2007, the name of the Company was changed to "**Mapfre Insurance Company**" through an amendment to the Certificate of Incorporation dated May 10, 2007, which was filed with the NJDOBI on May 23, 2007. In addition, the Company received permission to make a second extraordinary distribution of capital of $22,100,000.

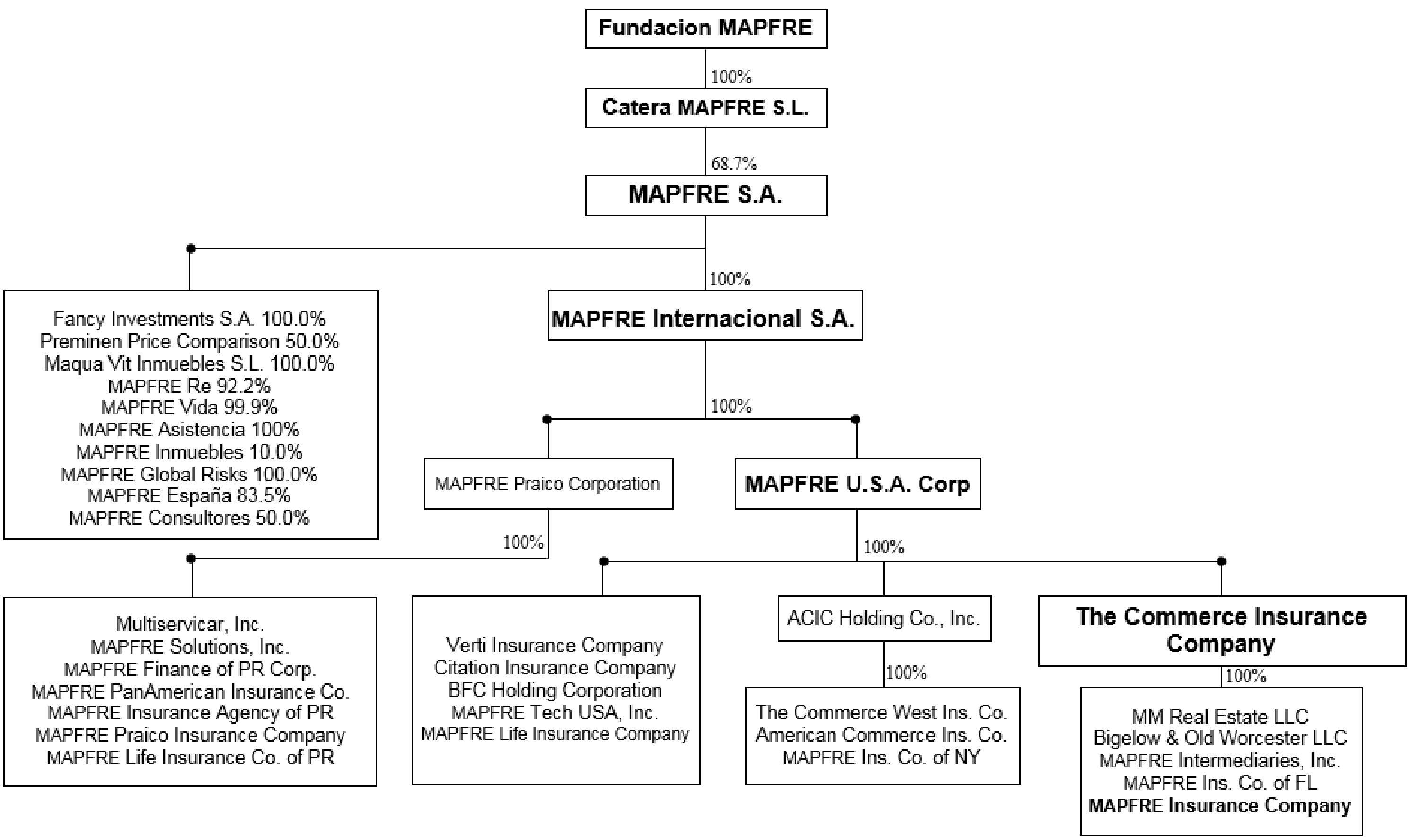
In July 2007, the Company was sold to **MAPFRE U.S.A. Corp. ("MUSAC")**, an affiliated Massachusetts holding company. On July 1, 2009, the Company was transferred to **The Commerce Insurance Company ("CIC" or "Commerce")**, a subsidiary of MUSAC, thus making MUSAC the Company's intermediate parent.

HOLDING COMPANY SYSTEM

Affiliated Parties

The Company is a member of a holding company system as defined under N.J.S.A. 17:27A-1 and is thus subject to registration requirements defined in N.J.S.A. 17:27A-3. MUSAC, the intermediate parent, has filed registration statements in behalf of its subsidiaries for all years of the examination period in compliance with the stated statute.

Below is an abridged organizational chart illustrating the interrelationship of the companies within the holding company system as of December 31, 2018. Bolded companies are the focus of the present examination showing the line of ownership down to MIC.



Inter-Company Agreements

The Company is a party to the following inter-company agreements in force at December 31, 2018:

Seventh Amended and Restated Reinsurance Pooling Agreement

The Company and its insurance affiliates agree to share underwriting profit and losses in proportion to stated pool participation percentages. The pooling agreement permits all companies to rely on the capacity of the entire pool rather than on their own capital and surplus.

The pool participation percentages reflect the ratio of each subsidiary's policyholders' surplus (PHS) to the aggregate policyholders' surplus. The percentages follow:

• The Commerce Insurance Company	65.2%
• American Commerce Insurance Company	11.2%
• Citation Insurance Company	7.7%
• Commerce West Insurance Company	5.6%
• MAPFRE Insurance Company of New York	4.8%
• MAPFRE Insurance Company of Florida	3.2%
• MAPFRE Insurance Company	2.3%

Commerce, as the lead company, assumes the direct business of its affiliates. All external reinsurance, in the form of catastrophe, quota share, facultative and excess of loss contracts, is ceded to the external reinsurers by Commerce Insurance Company under the terms of the reinsurance contracts. Commerce then cedes the net business after external reinsurance back to its affiliates at the stated pooled participation percentages.

Sixth Amended and Restated Management Cost Allocation Agreement

The agreement provides that the Company is charged or reimbursed for investment and non-investment related services rendered by the Company or its insurance affiliates.

The following are the participating companies:

- The Commerce Insurance Company
- Citation Insurance Company
- American Commerce Insurance Company
- Commerce West Insurance Company
- Verti Insurance Company
- MAPFRE Insurance Company of New York
- MAPFRE Insurance Company of Florida
- MAPFRE Insurance Company

Costs pertaining to investment related services are actual costs borne by the Company which, per the agreement, were determined to be the total rate of 15 basis points per annum times the investment balance at each regular calendar quarter. The non-investment related charges are costs borne by the Company and or its affiliates for functions supporting the affiliated companies. Loss adjustment expenses will be apportioned through studies in accordance with **SSAP No. 70** which such studies shall be conducted no less than annually.

Expenses other than investment related expenses and loss adjustment expenses will be apportioned to each company based on its direct written premium relative to that of the other companies.

Management Cost Allocation Agreement

This agreement is between the Company, Commerce and MAPFRE Tepeyac S.A. (d.b.a. "MAPFRE Mexico"), a Mexico domiciled insurer and an indirect subsidiary of MAPFRE S.A. The agreement is effective as of January 1, 2014 and allows the parties to provide each other certain management services, including leasing of company space, filing of public documents, and legal and regulatory advice, among other similar support functions. Compensation is based on actual cost and expenses borne by the party providing the service, with the management fee based upon the recorded time spent by the personnel providing the management service.

Fifth Amended and Restated Tax Allocation Agreement

Participating companies listed below agree that each party, separate from the other parties, would prepare and file federal and state tax returns on a consolidated basis and allocate all tax liabilities as shown on such returns. The agreement applies to consolidated tax returns for year ending December 31, 2018 and to each taxable year thereafter until terminated by mutual agreement of the parties.

Participating companies:

- MAPFRE U.S.A. Corp
- The Commerce Insurance Company
- ACIC Holding Company, Inc.
- American Commerce Insurance Company
- Citation Insurance Company
- Commerce West Insurance Company
- BFC Holding Corporation
- Verti Insurance Company
- MAPFRE Intermediaries, Inc.
- MAPFRE Tech U.S.A., Inc.
- MAPFRE Insurance Company of Florida
- MAPFRE Insurance Company

The liability of each affiliate in the group is calculated separately with benefit for losses, deductions and credits used in consolidation. The Commerce Insurance Company is responsible for paying the consolidated liability on behalf of the affiliated group for all returns. MAPFRE U.S.A. Corp is designated as the agent of the group for the purpose of taking actions necessary in connection with the filing of the consolidated returns.

TERRITORY AND PLAN OF OPERATION

The Company is a New Jersey domestic property and casualty insurance company authorized to write the types of insurance specified in paragraphs "a" "b" "e" "f" "g" "i" "j" "k" "l" "m" "n" and "o" of N.J.S.A. 17:17-1 and health insurance as defined in N.J.S.A. 17B:17-4. The ultimate parent, **Fundacion MAPFRE**, is a worldwide insurance holding company which, through its insurance subsidiaries, writes a broad range of insurance products, including coverages for automobiles, homes, motorcycles, watercraft and businesses. MAPFRE, a leading name brand in Latin America, is a Spanish acronym which stands for "Mutualidad Agrupación Propietarios Fincas Rústicas de España." The English translation is "**Rural Farm Owners Mutuality Grouping of Spain**."

At December 31, 2018, in addition to New Jersey, the Company was licensed in thirty-six (36) states and the District of Columbia, but only produced business in four states. Five of the states also grant the Company authority to write reinsurance. Products were marketed through approximately 1,587 independent agents across the states of Arizona, California, Massachusetts, and Pennsylvania with California contributing the bulk of the premium volume (48%) followed by Massachusetts (25%). The Company did not write any business in New Jersey during any year of the examination period.

The Company also received revenue in the country of Mexico through an arrangement with its affiliate **MAPFRE Tepayac S.A.** (dba "MAPFRE Mexico"), whereby the Company offers coverage to Mexican citizens traveling to the U.S. via a provision of an endorsement to insurance policies issued by MAPFRE Mexico. MAPFRE Mexico is an indirect subsidiary of **MAPFRE Internacional S.A.**

At year-end 2018, the Company produced a total of $86,317,834 in direct written premiums (including $944,983 from business connected with Mexico) across the following product lines:

Line of Business	**DWP**
Fire	$233,116
Inland Marine	$108,228
Other Liability - Occurrence	$266,290
Homeowners Multiple Peril	$11,473,020
Commercial Multiple Peril	$23,138,827
Commercial Auto Liability	$5,084,720
Commercial Auto Physical Damage	$1,177,076
Private Passenger Auto Liability	$25,294,385
Private Passenger Auto Physical Damage	$19,542,172

The following are the total direct written premiums produced for the other years of the examination period:

Year	**Total DWP**
2018	$86,317,834
2017	$96,126,075
2016	$93,997,351
2015	$93,192,121
2014	$56,771,403

All of the Company's direct business is ceded to Commerce with Mapfre then assuming 2.3% of the pooled liabilities, reflecting the PHS percentage under the Reinsurance Pooling Agreement. In connection with this pooling arrangement, the Company assumed affiliated written premiums of $46,923,235 covering fire and commercial auto liability at year-end 2018.

In addition to the above, the Company, along with **Commerce West Insurance Company** ("CWIC"), also has a fronting agreement in place with the **California Earthquake Authority** ("CEA") dated effective December 1, 2008. CEA is a privately funded, publicly managed organization that sells California earthquake insurance policies through participating insurance companies. Both MIC and CWIC participate in the program by writing policies in behalf of CEA and then in turn ceding 100% to CEA in exchange for a 10% commission.

The Company's statutory home office is located at 100 Campus Drive, Florham Park, New Jersey 07932. The main administrative office, which is the parent company's home office, is located at 211 Main Street, Webster, Massachusetts 01570. The registered agent upon whom process may be served is Daniel Patrick Olohan, MUSAC's General Counsel.

MANAGEMENT AND CONTROL

The business and affairs of the Company are managed by the President and his delegated officers under the guidance of the Board of Directors (hereafter "the Board").

Stockholders

According to the Company's by-laws, stockholders are to have an annual meeting for the purpose of electing directors and for the transaction of such other proper business as may come before the meeting. On June 28, 2018, The Commerce Insurance Company, as the sole shareholder of the Company, executed a written consent authorizing actions in lieu of a meeting in order to elect and confirm MIC's roster of directors identified in the next section below.

Board of Directors

The Company's by-laws specify that the Board shall not have less than three (3) nor more than the maximum number of directors allowed by law. The elected directors shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified or the shareholders have determined to elect no successor.

The duly elected members of the Board serving at December 31, 2018, were as follows:

Name	Principal Occupation
Alfredo Castelo Marin (Chairman)	President, Chief Executive Officer MAPFRE U.S.A. Corp
Daniel P. Olohan	Executive VP, Chief Compliance Officer MAPFRE North America
Edward L. Timmes	Managing Director, Chief Executive Officer TCE Associates Consulting LLC

The Board's composition meets the prerequisites of N.J.S.A. 17:27A-4d, paragraph 3, which requires that at least one-third of the membership (exclusive of the Audit Committee) be made up of outside directors only.

Committees

The Company's by-laws call for the establishment of one or more committees, with each committee to consist of three or more directors. Additionally, per the provisions of N.J.S.A. 17:27A-4d(4), a domestic insurer domiciled in the state of New Jersey is required to create one or more committees comprised solely of outside directors which are charged with "recommending the selection of independent certified public accountants, reviewing the insurer's financial condition, the scope and results of the independent audit and any internal audit, nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed to be principal officers of the insurer and recommending to the board of directors the selection and compensation, including bonuses or other special payments, of the principal officers."

However, in accordance with N.J.S.A. 17:27A-4d(5), the above statutory provisions shall not apply if the insurer is controlled by an entity that has one or more committees that substantially meet the requirements of paragraph (4). The Company has satisfied the requirements of these statutory provisions through its intermediate parent, MAPFRE U.S.A. Corp, which has established ten management committees. One of these committees is the Audit Committee, comprised solely of outside directors, which performs the designated responsibilities detailed in N.J.S.A. 17:27A-4d(5). The following are members of the committee as of December 31, 2018:

Audit Committee
Edward Timmes (Chairman)
Randall Becker
Maureen Brundage
Alan Solomont

Officers

The by-laws specify that the principal officers of the Company shall be a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, and a Treasurer. The Secretary and President shall not be the same person. The by-laws also give power to the Board or the President to appoint such other officers as the Company may require.

The elected principal officers of the Company serving at December 31, 2018, were as follows:

Name	Office
Alfredo Castelo Marin	Chairman, President
Francois J. Facon	Vice President
Michael S. Sher	Secretary
Robert E. McKenna	Treasurer

Corporate Records

The by-laws stipulate that the Board shall meet immediately following the annual shareholders' meeting for the purpose of electing officers and conducting any other business that may come before the meeting. A quorum is reached when a majority of directors are present. There shall be at least four (4) regular meetings each year, once each calendar quarter. The Board may take any action without a meeting that may be required or permitted to be taken by the Board at a meeting, if all members of the Board individually or collectively consent in writing to the action. The action of the written consent shall have the same effect as a unanimous vote of directors.

A review of the corporate minutes indicated that the Board executed twenty (20) written consents authorizing actions in lieu of a meeting, reflecting quarterly transactions for all five years of the exam period, in compliance with the by-laws. The Board's review and approval of key investment transactions, and other strategically relevant and important matters were duly noted and documented in its minutes. Attendance at the meetings of the Board during the period of this examination was at least 66% at all times.

Policy on Conflicts of Interest

The examiner has verified the existence of a Conflict of Interest policy, which requires that disclosures be made when a director, officer or employee sees a conflict between his or her personal interests and that of the Company. Prior to engaging in any conduct or activity that may result in a conflict of interest, the facts and circumstances of the proposed conduct or activity must be disclosed to the supervisor or manager and to the Chair of the Corporate Compliance Committee in accordance with the Conflict of Interest Policy.

FIDELITY BOND AND OTHER INSURANCE COVERAGES

At December 31, 2018, MUSAC possessed a Financial Institution Bond underwritten by Travelers Casualty and Surety Company of America for all of its entities including the Company. The fidelity bond provides MUSAC and its subsidiaries with fidelity coverage up to a liability limit of $10,000,000 on a single loss basis. The amount of fidelity coverage carried on this policy meets the suggested minimum amount of fidelity coverage as measured on a group basis using the NAIC formula and exposure index.

ACCOUNTS AND RECORDS

The Company utilizes TronWeb, MAPFRE's core insurance processing system, for administering its agency, policy and claims business. TronWeb is an internally developed integrated system designed for managing insurance activities like underwriting, claims, treasury, print, interfaces, reports, and product definition. Originally created by MAPFRE in Spain, it has been modified to adapt to specifications of U.S. operations.

Claim payment authorization is performed either by Claim Representatives within their individual authority or by their Supervisor if the amount exceeds their authority. Likewise, if this exceeds the supervisor's authority, it would be handled by the Claim Manager. This process continues to follow the chain of command if authority limits are exceeded.

Premiums are collected via four methods: (1) Checks, (2) Electronic Funds Transfer (EFT/ACH), (3) Credit/Debit Cards and E-Checks, and (4) Agent Sweep. Dividends are authorized by vote of the Board of Directors and paid via wire transfer.

The Company's investment portfolio is accounted for via SunGard's Analytics program and is in safekeeping at the Bank of New York.

The Company uses the accounting SAP software package as its general ledger and for the preparation of the Annual Statement. The general ledger system was tested, and 2018 general ledger amounts were reconciled to the annual statement without major exceptions. Financial information in conjunction with the verification of assets and the determination of liabilities was made available in detail and summary form. The Company's accounting books and records are maintained at its main administrative office located at 211 Main Street, Webster MA.

Pursuant to N.J.A.C. 11:2-26.4 an annual audit was performed by the CPA firm **KPMG LLP** and a combined financial statutory audit report for fiscal years 2017 and 2018 was filed with the Commissioner of the NJDOBI. The report contains a synopsis of the major audit activities and results in the corporate area. The auditors issued a qualified opinion and no areas of major concern were reported.

CONTINUITY OF OPERATIONS

A business continuity plan is necessary to help ensure the Company can adequately recover from a system failure or business interruption in a timely fashion and without the loss of significant data. Management should assess how the Company's reputation and financial status would be impacted in the event of a major processing disruption and, based on this assessment, develop an appropriate continuity plan that would help to ensure the Company can adequately recover from a system failure or business disruption in a timely fashion.

The Company's comprehensive Business Continuity Plan, which includes a Disaster Recovery Plan, was reviewed by Baker Tilly Virchow Krause, LLP ("BakerTilly") as part of the Massachusetts Division of Insurance Examination, and confirmed that the Company performs periodic data restoration tests in compliance with NAIC standards, the last of which was conducted on June 2019 without materially exceptional incidents. The Company has also made provisions for the succession of officers in its by-laws.

FINANCIAL STATEMENTS

Financial statements are presented in the following three pages as listed below:

Exhibit-A	Statement of Financial Position as of December 31, 2018
Exhibit-B	Statement of Operating Results for the Five-Year Period ended December 31, 2018
Exhibit-C	Capital and Surplus Account for the Five-Year Period ended December 31, 2018

EXHIBIT-A: Statement of Financial Position

As of December 31, 2018

ASSETS	Balance per Examination @ 12/31/18	Balance per Company @ 12/31/18	Examination Change	Note
Bonds	$ 39,972,674	$ 39,972,674	$ -	
Cash and Short-term Investments	9,517,791	9,517,791		
Investment Income Due and Accrued	334,543	334,543		
Uncollected Premiums	23,314,884	23,314,884		
Reinsurance: Amounts Recoverable	6,191,381	6,191,381		
Current Fed Income Tax Recoverable	15,215	15,215		
Net Deferred Tax Asset	1,271,907	1,271,907		
Aggregate Write-ins for Other Than Invested Assets	370,544	370,544		
Total Admitted Assets	**$ 80,988,939**	**$ 80,988,939**	**$ -**	
LIABILITIES				
Losses	$ 20,402,429	$ 20,402,429	$ -	1
Reinsurance Payable on Paid Losses and LAEs	2,227,069	2,227,069		
Loss Adjustment Expenses	3,823,111	3,823,111		1
Commissions Payable	1,481,567	1,481,567		
Other Expenses (excluding federal/foreign taxes)	495,573	495,573		
Taxes, Licenses, and Fees	227	227		
Unearned Premiums	24,112,311	24,112,311		
Ceded Reinsurance Premiums Payable	4,025,909	4,025,909		
Payable to Parent, Subsidiaries and Affiliates	1,527,357	1,527,357		
Aggregate Write-ins for Liabilities	1,062,214	1,062,214		
Total Liabilities	**$ 59,157,767**	**$ 59,157,767**	**$ -**	
CAPITAL AND SURPLUS				
Common Capital Stock	$ 5,100,000	$ 5,100,000	$ -	
Gross Paid-in and Contributed Surplus	7,150,000	7,150,000		
Unassigned Funds (surplus)	9,581,173	9,581,173		2
Surplus as Regards Policyholders	**$ 21,831,173**	**$ 21,831,173**	**$ -**	2
Total Liabilities, Capital and Surplus	**$ 80,988,939**	**$ 80,988,939**	**$ -**	

EXHIBIT-B: Statement of Operating Results

For the Five-Year Period Ended December 31, 2018

	2014	2015	2016	2017	2018
UNDERWRITING INCOME					
Premiums Earned	$ 32,068,160	$ 45,511,074	$ 46,175,428	$ 47,446,911	$ 46,445,093
Deductions:					
Losses Incurred	20,961,336	32,491,424	30,478,786	32,052,445	30,287,964
Loss Adjustment Expenses Incurred	3,597,801	5,769,694	5,605,154	5,856,583	5,719,625
Other Underwriting Expenses Incurred	9,004,685	11,968,551	11,940,204	12,127,355	13,300,635
Aggregate Write-ins UW Deductions	(2,975)	(1,080)	-	-	-
Total Deductions	33,560,847	50,228,589	48,024,144	50,036,383	49,308,224
Net Underwriting Gain or (Loss)	$ (1,492,687)	$ (4,717,515)	$ (1,848,716)	$ (2,589,472)	$ (2,863,131)
INVESTMENT INCOME					
Net Investment Income Earned	1,062,444	978,306	948,960	1,064,672	1,107,652
Net Realized Capital Gains or (Losses)	452,327	311,761	175,541	83,904	6,830
Net Investment Gain or (Loss)	$ 1,514,771	$ 1,290,067	$ 1,124,501	$ 1,148,576	$ 1,114,482
OTHER INCOME					
Finance and Service Charges	396,755	747,037	846,589	1,054,450	1,079,971
Aggregate Write-ins for Misc. Income	2,776	74	-	223	15
Total Other Income	$ 399,531	$ 747,111	$ 846,589	$ 1,054,673	$ 1,079,986
Dividends to Policyholders	-	-	-	-	-
Federal and Foreign Income Taxes Incurred	(218,729)	(486,594)	(296,602)	138,553	(50,352)
Net Income	$ 640,344	$ (2,193,743)	$ 418,976	$ (524,776)	$ (618,311)

EXHIBIT-C: Capital and Surplus Account

For the Five-Year Period Ended December 31, 2018

	2014	2015	2016	2017	2018
Surplus as Regards Policyholders December 31, Previous Year	$ 18,770,221	$ 25,191,659	$ 21,904,383	$ 22,290,992	$ 21,216,315
Net Income	640,344	(2,193,743)	418,976	(524,776)	(618,311)
Change in Net Deferred Income Tax	(190,514)	885,653	(417,376)	(981,993)	(170,691)
Change in Non-admitted Assets	(37,066)	(140,395)	74,712	(40,444)	43,822
Paid-in Surplus Adjustment	6,000,000	-	-	-	-
Aggregate Write-ins for Surplus Gains/(Losses)	8,674	(1,838,791)	310,297	472,536	1,360,037
Total Adjustments	$ 5,781,094	$ (1,093,533)	$ (32,367)	$ (549,901)	$ 1,233,168
Change in Surplus for the Year	6,421,438	(3,287,276)	386,609	(1,074,677)	614,857
Surplus as Regards Policyholders Decemebr 31, Current Year	$ 25,191,659	$ 21,904,383	$ 22,290,992	$ 21,216,315	$ 21,831,173

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Losses and Loss Adjustment Expenses

The Company reported reserves for loss and loss adjustment expenses of $20,402,429 and $3,823,111, respectively. An actuarial review was conducted by KPMG as part of the coordinated examination of Commerce Insurance Group. The KPMG Actuarial report was reviewed by the Massachusetts Division of Insurance, through its consultant BakerTilly, and concluded that the loss reserves established by the Company were reasonable and adequately stated.

Note 2 - Capital and Surplus

Unassigned Funds

Total Unassigned Funds, as per the current examination review, amounted to $9,581,173, which is $614,858 more than the amount reported in the last examination, reflecting a 6.8% increase.

Surplus as Regards Policyholders

The cumulative changes in surplus and other funds during the five-year examination period is reflected and summarized below:

Policyholder Surplus, December 31, 2013 ……..…….....		$ 18,770,221
Net Cumulative Income or (Loss) ……………………….		(2,277,510)
Change in Net Deferred Income Tax …………………....	(874,921)	
Change in Non-Admitted Assets ………………………...	(99,371)	
Aggregate Write-ins for Surplus Gains/(Losses)	312,753	
Surplus Adjustments: Paid-in ……………………………	6,000,000	
Surplus Adjustments: Examination Change …………….	-0-	
Net Adjustments During Five-Year Period ……..…..…..		5,338,461
Policyholder Surplus, December 31, 2018 ……………		$ 21,831,173

The Company meets the statutorily required minimum capital and surplus benchmark of $10,350,000, an excess of $11,481,173 remaining PHS.

SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared Coronavirus disease (COVID-19) a pandemic. On March 13, 2020, the U.S. President declared the coronavirus pandemic a national emergency in the United States. As of the date of this report, there was significant uncertainty on the effect that the pandemic would have on the insurance industry, economy, and society at large. Any impact to the Company will take time to assess and will be specific to the class and mix of business they underwrite. The Department will continue to monitor how the pandemic might impact the Company.

Effective January 1, 2019, MAPFRE Insurance Company of New York ceased to be a member of the Group, thus changing the participating percentages under the Reinsurance Pooling Agreement. The new percentage rates for Commerce and the Company from that point forward changed to 69.2% and 2.4%, respectively. The agreement was again amended on February 18, 2020, changing the percentage rates to 66.2% and 2.4%, respectively.

CONCLUSION

The statutory condition examination was conducted by the undersigned with the support of the NJDOBI field and office staff, away from the Company's home office.

The courteous cooperation and assistance extended during the course of this examination by the Officers of the Company and members of the office staff are hereby acknowledged.

Respectfully submitted,

Juan P. Collado
Examiner-In-Charge

Under the supervision of:

Nancy Lee Chice

Nancy Lee Chice, CFE
CFE Reviewer – Supervising Examiner
New Jersey Department of Banking and Insurance

MAPFRE INSURANCE COMPANY
NOTARIZATION

I, Juan Collado, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2018, to the best of my information, knowledge and belief.

Respectfully submitted,

Juan Collado

Juan P. Collado
Insurance Examiner I
Representing the NJDOBI
Office of Solvency Regulation
Field Examination Unit

Under the supervision of:

Nancy Lee Chice

Nancy Lee Chice, CFE
CFE Reviewer – Supervising Examiner
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me, on this 31st day of December, 20 18.

Sheila M. Thaca

Notary Public of the State of New Jersey
My commission expires: July 2025