

**REPORT ON EXAMINATION AS TO THE CONDITION OF**

**PALISADES PROPERTY AND CASUALTY INSURANCE COMPANY**

**WOODBIDGE, NEW JERSEY**

**AS OF DECEMBER 31, 2019**

**NAIC GROUP CODE 1227**

**NAIC COMPANY CODE 10100**

**FILED**  
**JUNE 23, 2021**  
**COMMISSIONER**  
**DEPARTMENT**  
**OF**  
**BANKING AND INSURANCE**

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**State of New Jersey**

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

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SHEILA OLIVER  
*Lt. Governor*

June 15, 2021

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

Commissioner:

In compliance with your instructions and pursuant to the Revised Statutes of the State of New Jersey, an examination has been made of the financial condition and affairs of:

PALISADES PROPERTY AND CASUALTY INSURANCE COMPANY

WOODBIDGE, NJ 07095

NAIC GROUP CODE 1227

NAIC COMPANY CODE 10100

a domestic insurer duly authorized to transact the business of insurance in the State of New Jersey. Hereinafter, the Palisades Property and Casualty Insurance Company will be referred to in this report as the "Company", "Palisades P&C" or "PPCIC".

## **SCOPE OF EXAMINATION**

This risk-focused examination was called by the Commissioner of Banking and Insurance of the State of New Jersey pursuant to the authority granted by N.J.S.A. Section 17:23-22 of the New Jersey Revised Statutes.

The examination was made as of December 31, 2019, and addressed the five-year period from January 1, 2015, to December 31, 2019, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination. During this period, the Company's reported admitted assets increased by \$39,331,006 to \$53,698,053 from \$14,367,047, liabilities increased by \$5,978,076 to \$8,600,260 from \$2,622,184, and total capital and surplus increased by \$33,352,930 to \$45,097,793 from \$11,744,863.

The examination was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition 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.

The Certified Public Accounting ("CPA") firm of PricewaterhouseCoopers, LLP ("PwC") provided an unqualified audit opinion on the fair presentation of the Company's year-end financial statements based on Statutory Accounting Principles for the reporting year period ending December 31, 2019. Relevant work performed by PwC during its annual audit of the Company was reviewed during the examination and incorporated into the examination work papers whenever feasible to facilitate efficiencies. Certain PwC work papers have been incorporated into the work papers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination.

## **COMPLIANCE WITH PRIOR REPORT ON EXAMINATION RECOMMENDATIONS**

There were no comments and/or recommendations in the Company's prior report on examination as of December 31, 2014.

## **HISTORY**

Palisades Property and Casualty Insurance Company, the former Proformance Insurance Company ("Proformance"), is a wholly-owned stock property and casualty insurance company subsidiary of High Point Preferred Insurance Company ("HPP") organized under New Jersey Statutes Annotated 17:17-1 et. seq. The Company was incorporated on September 26, 1994, and commenced business on December 12, 1994. The initial capitalization consisted of \$3,200,000 representing 1,500,000 common shares with a par value of \$1.20 per share, and additional paid-in and contributed surplus of \$1,400,000. All authorized shares are issued and outstanding.

On August 19, 1987, the Company's shareholder, National Atlantic Holdings Corporation ("National Atlantic"), approved and amended the Certificate of Incorporation to include additional lines of insurance to be transacted, change the par value of authorized shares of the capital stock from \$1.20 per share to \$2.10 per share, and to reflect a change in the location of the principal office. This amended Certificate of Incorporation was filed with the Deputy Attorney General of New Jersey on October 20, 1997, and filed with the New Jersey Department of Banking and Insurance ("NJDOBI" or "Department") on November 25, 1997.

The Company's sole shareholder, National Atlantic, approved and amended the Certificate of Incorporation to delete certain lines of insurance to be transacted and to change the par value of authorized shares of the capital stock from \$2.10 per share to \$1.20 per share. This amended Certificate of Incorporation was filed with the Deputy Attorney General of New Jersey on September 13, 2001, and filed with NJDOBI on October 25, 2001.

On January 18, 2006, National Atlantic approved and amended the Certificate of Incorporation to include an additional line of insurance to be transacted and to provide for a change in the par value of the authorized shares of the capital stock from \$1.20 per share to \$1.34 per share. This amended Certificate of Incorporation was filed with the Deputy Attorney General of New Jersey on January 30, 2006, and filed with NJDOBI on March 2, 2006.

On August 1, 2008, Palisades Safety and Insurance Association ("PSIA") purchased 100% of the outstanding stock of National Atlantic, the former parent of Proformance, and renamed the Company "Palisades Property and Casualty Insurance Company". Niagara Atlantic Holdings Corporation, a New York domiciled noninsurance company, and Mayfair Reinsurance Company Ltd. ("Mayfair"), a dormant Bermuda company, both subsidiaries of National Atlantic, were distributed to the Company. The remaining net assets of National Atlantic and two of its subsidiaries, Riverview Professional Services, Inc. ("Riverview") and National Atlantic Financial Corp. ("Financial Corp"), were distributed to the Company and a certificate of dissolution was filed for National Atlantic, Riverview and Financial Corp.

On August 1, 2008, the Company's Board of Directors approved and amended the Certificate of Incorporation, which changed the name of the Company to "Palisades Property and Casualty Insurance Company"; changed the location of the principal office of the corporation to 200 Connell

Drive, Berkeley Heights, NJ; and changed the number of shares and par value of the common capital stock to read as follows: “The amount of capital stock of the corporation shall be two million two hundred thousand dollars (\$2,200,000) divided into four hundred and forty (440) shares of common stock having a par value of five thousand dollars (\$5,000) per share.” This amended Certificate of Incorporation was filed with the Deputy Attorney General of New Jersey on August 6, 2008, and filed with NJDOBI on August 15, 2008.

On August 1, 2008, the Commissioner of NJDOBI issued a Certificate of Authority to Palisades Property and Casualty Insurance Company, authorizing it to transact the kinds of business specified in paragraphs "a", "b", "e", "j" and "o" of N.J.S.A. 17:17-1 et. seq.

On September 16, 2008, the Department granted approval to Palisades Safety and Insurance Association and Palisades Insurance Company (“PIC”) to become the replacement carriers for a portion of the private passenger automobile policies of the Company at renewal. Together PIC and PSIA assumed approximately 5,000 New Jersey private passenger automobile policies at renewal.

On September 29, 2008, the Company paid an extraordinary cash dividend to PSIA in the amount of \$50,005,610 with the prior approval of NJDOBI.

On November 19, 2008, NJDOBI permitted the Company to reclassify its unassigned funds (surplus) balance of \$89,490,427 at September 30, 2008, as gross paid in and contributed surplus. Net income and total unassigned surplus remained unchanged as a result of these adjustments.

On December 15, 2009, the Company made a return of capital to its then parent, PSIA, in the amount of \$15,000,000 with the prior approval of NJDOBI.

Effective July 1, 2011, due to the reorganization of the High Point Group, the Company amended its Stock Certificate to reflect that HPP now owns 100% of the issued and outstanding stock of the Company. HPP is a wholly owned subsidiary of High Point Property and Casualty Insurance Company, which itself is a wholly owned subsidiary of PSIA. As of this date, the Company also owned 100% of the outstanding stock of Mayfair and 80% of the outstanding stock of Niagara Atlantic Holdings Corp.

On January 13, 2014, the Company made a capital contribution of \$50,000 to Mayfair.

On January 19, 2016, Mayfair was sold to The Plymouth Rock Company for \$73,000.

On December 14, 2018, the Company’s Certificate of Incorporation was amended to reflect the change of location of the principal office in the State of New Jersey to Woodbridge, New Jersey, and additionally authorized the Company to transact the kinds of business specified in paragraphs (f), (k) and (o-2) of N.J.S.A. 17:17-1 et seq., and increased the common stock to 560 shares (par value \$5,000 per share). This amendment was approved by the New Jersey Deputy Attorney General on December 19, 2018, filed with the Middlesex County Clerk on December 21, 2018, and filed with NJDOBI on December 21, 2018.

## **STATUTORY DEPOSIT**

As of December 31, 2019, the Company, in accordance with N.J.S.A. 17:20-1c., had a market value of \$650,771 for the New Jersey statutory deposit.

## **TERRITORY AND PLAN OF OPERATIONS**

The Company is a New Jersey domestic property and casualty stock insurance company licensed in the States of New Jersey, New York and Pennsylvania to transact the following lines of business: Homeowners, Flood, Earthquake, Commercial Auto, Auto, and Aircraft. The Company is currently writing homeowners multiple peril and allied lines.

As a result of the reorganization of the Palisades and High Point Group of Companies in 2011, the Companies are now branded as Plymouth Rock Assurance. In addition, the outstanding shares of PPCIC are now owned 100% by HPP.

The Companies share a property catastrophe contract with HPP and other entities affiliated with Plymouth Rock Management Company of New Jersey (“PRNJ”). Effective July 2019, the internal layer covers losses up to \$93 million for all companies, subject to retentions of \$5 million each for PSIA, HPP and the entities affiliated with the management company.

PRNJ provides underwriting, marketing, product management and other administrative services on behalf of the Company. Investment services are contractually provided by SRB Corporation, an affiliate of PRNJ. Custodial investment services are provided by The Northern Trust Company. Information technology services are provided by STG Corporation, an affiliate of PRNJ.

The Company maintains its statutory home office at 581 Main Street, Suite 400, Woodbridge, NJ 07095-1144. The Company conducts its business operations from its main administrative office at 581 Main Street, Suite 400, Woodbridge, NJ 07095-1144, which serves as the primary location of the Company’s accounting books and records.

## **REINSURANCE**

At December 31, 2019, the Company had the following reinsurance in effect:

### **Homeowner and Misc. Property**

#### **Per Risk Excess of Loss**

Policy Limit: \$6 million [higher limits on scheduled policies]

Treaty Retention: \$1 million

Treaty Limit: 100% of \$5 million excess of \$1 million per risk with maximum of \$10 million per occurrence and \$20 million per year (NJ & New England combined)

#### **Facultative Per Risk Excess of Loss**

Policy Limit: Maximum Limit Offered

Treaty Retention: \$2 million

Treaty Limit: 100% of total coverage insured excess \$2 million

**Auto, Homeowner, Misc. Property**

**Catastrophe Excess of Loss – Internal Layer**

Treaty Retention: \$5 million for each HP Group and PSIA Group, as well as for insurance company affiliates of PRNJ

Treaty Limit: \$93 million less applicable retentions; PSIA and HPP assumed 47.0% and 13.7%, respectively, of any loss in this layer as of December 31, 2019.

**Catastrophe Excess of Loss**

Treaty Retention: \$93 million

Treaty Limit: \$557 million excess of \$93 million

**Personal Catastrophe**

**Quota Share**

Policy Limit: Maximum limit offered: \$5 million

Treaty Retention: 10% of first \$1 million per occurrence

Treaty Limit: 90% of the first \$1 million per occurrence and 100% of the excess up to \$5 million

**Limousine Liability**

**Excess of Loss**

Policy Limit: \$1.5 million

Treaty Retention: \$1 million

Treaty Limit: 100% of \$500,000 excess of \$1 million per risk

**Commercial Auto Facultative Program:**

**Excess of Loss on Individual Ceded Risk**

Policy Limit: \$1.5 million

Treaty Retention: \$500,000

Treaty Limit: 100% of \$1 million excess of \$500,000 per risk

**Intercompany Reinsurance:**

Under the terms of a Quota Share Reinsurance Agreement, as amended, PSIA assumes 100% of the direct private personal auto, commercial auto and other liability business written net of external reinsurance that insures to the benefit of the contract and involuntary pools and associations written by the Company, PIC, High Point Property and Casualty Insurance Company, HPP, Teachers Auto Insurance Company of New Jersey, Twin Lights Insurance Company, and Rider Insurance Company with the exception of: (i) PIC, wherein PSIA assumes 80% of PIC's direct business written in the states of Connecticut and New York, net of external reinsurance that inures to the benefit of the contract and involuntary pools and associations; and (ii) homeowners business written by the Company and homeowners and personal umbrella business written by HPP. PSIA guarantees the collection of all external reinsurance.

Under a separate treaty, HPP assumes 100% of the business written by PPCIC. HPP assumes all of the direct business, net of cessions to involuntary pools and associations, written by PPCIC, with the exception of direct business written in the State of New York, wherein HPP assumes 80% of PPCIC's direct business, net of cessions to involuntary pools and associations. HPP guarantees the collection of all external reinsurance.



## **CORPORATE RECORDS**

The Company's by-laws stipulate that the annual meeting of the stockholders shall be held at the time and at the place determined by the Board of Directors (the "Board"). The Board shall consist of not less than three or more than twelve Directors. Special meetings of the Directors may be held at any time or any place designated in the call of the meeting.

A review of the minutes of the Board meetings noted that all meetings were well attended. The Board minutes also indicated that the Company's overall transactions and events were adequately supported and approved.

## **MANAGEMENT AND CONTROL**

The business, property and affairs of the Company are managed by the President and the delegated officers under the guidance and direction of the Board.

The following directors were elected and serving as of December 31, 2019:

| <b><u>Name</u></b>   | <b><u>Principal Occupation</u></b>  |
|----------------------|---|
| Daniel C. Barrett    | Vice President, Property of PRNJ, and Vice President, Operations and Technology, Plymouth Rock Home Assurance Corporation |
| Richard D. Eisenberg | Lawyer, Partner - Eisenberg Tanchum & Levy, LLP   |
| Steven N. Klein      | Partner and Managing Director – First Infrastructure, Inc.  |

The Company is required to comply with the provisions of N.J.S.A. 17:27A-4d(3), which states that "not less than one-third of the directors of a domestic insurer shall be persons who are not officers or employees of that insurer or of any entity controlling, controlled by, or under common control with, that insurer and who are not beneficial owners of a controlling interest in the voting securities of that insurer or any such entity."

The Company was determined to be in compliance with the provisions of N.J.S.A. 17:27A-4d(3) as of the examination date, as the Board consists of three members of which two are considered outside directors.

## **Committees**

The Audit Committee (the "Committee") Charter indicates that the size of the Committee is set from time to time by the Board, but will always consist of at least two directors, and the members of the Committee shall be appointed annually by the Board who may replace Committee members at any time. At least one member of the Committee shall be an "audit committee financial expert" as determined by the Board. The Committee shall meet at least two times per year, and shall meet periodically with management, the internal auditors and the independent auditor in separate executive sessions. The Committee shall report directly and regularly to the Board and review any issues that arise with respect to the quality or integrity of the Company's financial statements; the

Company's compliance with legal or regulatory requirements; and the retention, termination, and performance of the independent auditors.

The following Audit Committee members were appointed and serving at December 31, 2019:

| <u>Name</u>          | <u>Position</u>      |
|----------------------|----------------------|
| Richard D. Eisenberg | Independent Director |
| Steven N. Klein      | Independent Director |

The Company is required to comply with the provisions of N.J.S.A. 17:27A-4d(4), which states that "the board of directors of a domestic insurer shall establish one or more committees comprised solely of directors who are not officers or employees of the insurer or of any entity controlling, controlled by, or under common control with, the insurer and who are not beneficial owners of a controlling interest in the voting securities of the insurer of any such entity. The committee shall be responsible for 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."

The Company was determined to be in compliance with the provisions of N.J.S.A. 17:27A-4d(4) as of the examination date, as the Audit Committee is comprised solely of two independent, outside directors who performed the functions indicated in this statute.

### Officers

The officers of the Company perform duties as designated by the Company's by-laws with respect to the offices they hold, or as otherwise indicated by the Board. The president, treasurer, and secretary shall be elected annually by the directors at their first meeting following the annual meeting of the stockholders. Other officers, if any, may be elected by the Board at this meeting or at any other time. Any two or more offices may be held by the same person, but no officer shall execute, acknowledge, or verify any instrument in more than one capacity, if such instrument is required by law or by the by-laws to be executed, acknowledged, or verified by two or more officers. Any officer may be required by the directors to give bond for the faithful performance of his duties to the corporation in such amount and with such sureties as the directors may determine.

The following officers were elected and serving the Company at December 31, 2019:

| <u>Name</u>            | <u>Title</u>   |
|------------------------|--|
| Daniel C. Barrett      | Chairman of the Board, President and Chief Executive Officer |
| Yogesh Sharad Deshmukh | Treasurer  |
| Harry M. Baumgartner   | Secretary  |
| Vito A. Nigro          | Assistant Treasurer  |
| Bonnie Banahan         | Assistant Secretary  |

N.J.S.A. 17:27A-4d(5) states, “The provisions of paragraphs (3) and (4) of this subsection d. shall not apply to a domestic insurer if the person controlling the insurer is an entity having a board of directors and committees thereof that substantially meet the requirements of those paragraphs.”

The Company satisfies the requirements of N.J.S.A. 17:27A-4d(5).

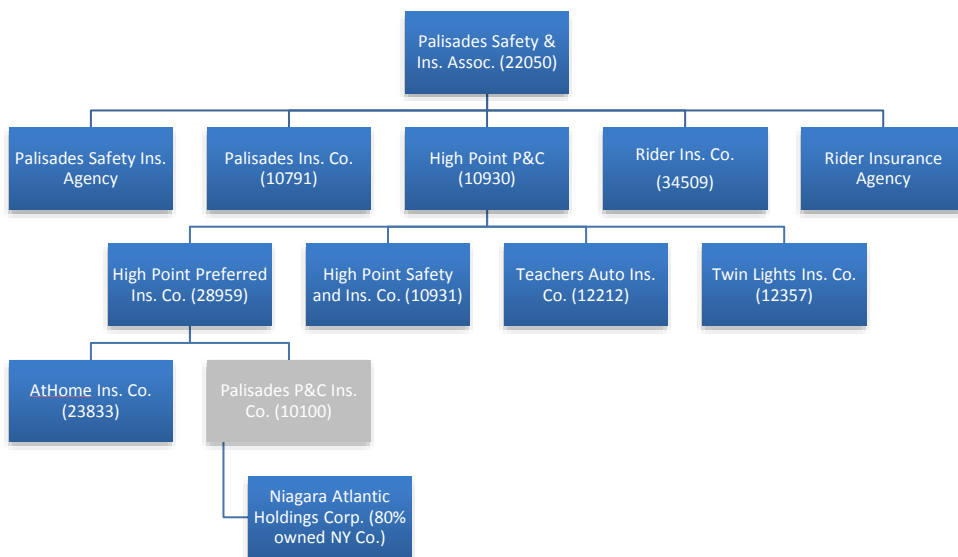
All transactions and actions taken by the officers of the Company on its behalf are ratified by the Board and by the Company shareholders at the Annual Shareholders Meeting.

**REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS**

The Company is a member of an insurance holding company system as defined by N.J.S.A. 17:27A-1.

A review of the holding company registration statement indicated that the Company was in compliance with N.J.S.A. 17:27A-3, Sections a-j, requiring registration of those insurers who qualify as determined by N.J.S.A. 17:27A-1.

The Company had one (1) subsidiary as of December 31, 2019. A holding company system organizational chart as of December 31, 2019 follows:



## **INTER-COMPANY AGREEMENTS / RELATED PARTY TRANSACTIONS**

### *Inter-Company Agreements*

The Company was a named party to the following affiliated agreements at the examination date:

#### **Consolidated Federal Income Tax Liability Allocation Agreement:**

Effective November 9, 1999, PSIA and affiliates entered into a consolidated tax agreement. Under the terms of this Agreement, the amount of federal income taxes payable by each party to the Agreement shall be equal to the amount of tax liability allocable to it as determined in accordance with the provisions of Treasury Regulation 1.1552-1(a)(2). The method of allocation among companies is subject to a written agreement effective November 1, 2003, which has been approved by NJDOBI. Taxes are allocated based on the separate return calculations of each Company, with current credit for net losses utilized as part of the consolidated return. Inter-company tax balances are settled quarterly through the payable to or receivable from accounts after the tax filing is made in October of each year.

#### **Services Agreement:**

The Company entered into a service agreement with the Palisades Safety and Insurance Management Corporation (“PSIMC”) on November 1, 2003. Effective April 20, 2011, PSIMC’s name was changed to PRNJ. Under the terms of this Agreement, PRNJ provides various administrative and employee welfare services to the Company in exchange for a management fee equal to 12.5% of premium written. The services provided include payroll, accounting and tax preparation, human resources, voucher processing and bill payment, appointment and termination of general servicing agents, investigation and defense of claims, policy issuance and administration, marketing development, and other services associated with the production and administration of policies of insurance.

#### **Operating Services Agreement:**

Effective January 1, 2009, PSIA entered into an operating services agreement with affiliates. The operating services to be provided by PSIA on behalf of the affiliates, including the Company, include the following:

- Payment of claims arising from any of the Companies’ policy of insurance. The Companies shall retain the ultimate responsibility for all adjustment and claims payments made on their behalf.
- Collection of premiums and payment of premium refunds on behalf of the Companies; provided such premiums shall be held in a fiduciary capacity, and further provided that all such net premiums shall be accounted for, pursuant to accounting procedures approved by the Companies.
- Payment of commissions, fees, assessments, governmental examination expenses, and other general and administrative expenses on behalf of the Companies.

- Payment and collection of external reinsurance amounts on behalf of the Companies; provided such amounts shall be held in fiduciary capacity, and further provided that all such amounts shall be accounted for, pursuant to accounting procedures approved by the Companies.

There will be no fee charged to any party subject to this Agreement. The Companies shall reimburse PSIA for actual costs and expenses paid by PSIA on behalf of the Companies and reimbursement will be within 45 days of the close of each quarter.

#### **100% Quota Share Reinsurance Agreement (Special Treaty):**

Effective May 1, 2012, a 100% Quota Share Reinsurance Agreement (Special Treaty), as amended, was entered into by PSIA (Reinsurer) and PPCIC, PIC, High Point Property and Casualty Insurance Company, HPP, Teachers Auto Insurance Company of New Jersey, and Twin Lights Insurance Company (the “Companies”). Please see “Reinsurance” section of this report for additional details.

#### **Investment Services Agreement:**

The Company entered into an investment services agreement with SRB Corporation, an affiliate of PRNJ, to provide a broad spectrum of investment services, including development of investment objectives, the development of investment policies and guidelines, the selection of investment managers, investment and management of assets, the measurement and evaluation of investment performance, accounting oversight, cash management of banking relationships, the creation and management of a custodial relationship, administrative support, and investment advice.

#### **Catastrophe Reinsurance (Affiliated):**

Effective July 1, 2019, the Company entered into a retention layer catastrophe reinsurance agreement between affiliated companies and their subsidiaries. Please see “Reinsurance” section of this report for additional details.

#### **Related Party Transactions**

During 2019, HPP made a capital contribution to the Company in the amount of \$30,000,000. The Department approved this request on March 29, 2019.

#### **POLICY ON CONFLICT OF INTEREST**

On an annual basis the Company’s officers and directors attest to an affirmation of ethical standards and a disclosure of possible activities that could construe as a possible conflict of interest.

The examination team reviewed all Conflict of Interest statements executed by officers and directors for the period under examination, noting that there were no apparent or potential conflicts of interest.

#### **INFORMATION SYSTEMS**

Information systems were reviewed at the Group level. The IT examination team’s procedures considered a customized range of IT risks contained within the NAIC Exhibit C Part 2 Work Program, focusing on both IT governance and IT operational controls. Overall, the IT examination team concluded that IT General Controls (ITGCs) are *Effective*. IT review conclusions were based on inquiry, inspection of documentation, observation, independent research and a review of third-

party work papers. The IT examination team's conclusion regarding control strength was discussed with, and accepted by, the Examiner-in-Charge at the conclusion of the IT review.

**CONTINUITY OF OPERATIONS**

The Company's by-laws provide for the election of directors and the appointment of officers to fill any vacancies caused by death, resignation, disqualification, or removal by the Board.

The Company has a disaster recovery plan that was reviewed in the course of the coordinated examination IT review. No material findings were noted.

**FINANCIAL STATEMENT EXHIBITS**

|                          |  |    |
|--------------------------|--|----|
| <b><u>Exhibit A:</u></b> | Statement of Assets, Liabilities, Surplus and Other Funds at<br>December 31, 2019 .....    | 11 |
| <b><u>Exhibit B:</u></b> | Summary of Revenue and Expenses for the<br>Five-Year Period ending December 31, 2019 ..... | 12 |
| <b><u>Exhibit C:</u></b> | Capital and Surplus Account for the<br>Five-Year Period ending December 31, 2019 .....     | 13 |

## Statement of Assets, Liabilities, Surplus and Other Funds at December 31, 2019

| Admitted Assets  | Current Examination<br>at 12/31/2019 | Balance per<br>Company<br>at 12/31/2019 | Examination<br>Change | Note<br>Number |
|--|--------------------------------------|---|-----------------------|----------------|
| Bonds  | \$ 23,412,583                        | \$ 23,412,583                           | \$ -                  | 1              |
| Stocks   |                                      |   |                       |                |
| Preferred  | -                                    | -                                       | -                     |                |
| Common   | 16,288,559                           | 16,288,559                              | -                     |                |
| Cash, cash equivalents and short-term investments  | 3,474,944                            | 3,474,944                               | -                     |                |
| Other Invested Assets  | -                                    | -                                       | -                     |                |
| Receivable for securities  | 3,875                                | 3,875                                   | -                     |                |
| Investment income due and accrued  | 175,070                              | 175,070                                 | -                     |                |
| Premiums and Considerations:   |                                      |   |                       |                |
| Uncollected premiums and agents' balances in the<br>course of collection                       | 628,153                              | 628,153                                 | -                     |                |
| Deferred premiums and agents' balances and<br>installments booked but deferred and not yet due | 6,974,437                            | 6,974,437                               | -                     |                |
| Amount recoverable from reinsurers   | -                                    | -                                       | -                     |                |
| Current federal and foreign income tax recoverable<br>and interest thereon                     | 6,495                                | 6,495                                   | -                     |                |
| Receivable from parent, subsidiaries and affiliates  | 2,733,937                            | 2,733,937                               | -                     |                |
| Aggregate write-ins for other than invested Assets   | -                                    | -                                       | -                     |                |
| <b>Total net admitted assets</b>   | <b>\$ 53,698,053</b>                 | <b>\$ 53,698,053</b>                    | <b>\$ -</b>           |                |
| <b>Liabilities</b>   |                                      |   |                       |                |
| Losses   | \$ 726                               | \$ 726                                  | \$ -                  | 2              |
| Reinsurance payable on paid losses and loss adjustment<br>expenses                             | -                                    | -                                       | -                     |                |
| Loss adjustment expenses   | 217                                  | 217                                     | -                     | 2              |
| Commissions payable, cotingent commissions and other<br>similar charges                        | -                                    | -                                       | -                     |                |
| Other expenses   | -                                    | -                                       | -                     |                |
| Taxes, licenses and fees   | -                                    | -                                       | -                     |                |
| Current federal and foreign income taxes   | -                                    | -                                       | -                     |                |
| Net deferred tax liability   | 519,153                              | 519,153                                 | -                     |                |
| Unearned Premiums  | 314,911                              | 314,911                                 | -                     |                |
| Advance Premium  | 1,232,859                            | 1,232,859                               | -                     |                |
| Ceded reinsurance premiums payable   | 6,530,819                            | 6,530,819                               | -                     |                |
| Remittances and items not allocated  | -                                    | -                                       | -                     |                |
| Payable to parent, subsidiaries and affiliates   | 1,575                                | 1,575                                   | -                     |                |
| Payable for securities   | -                                    | -                                       | -                     |                |
| Aggregate write-ins for other liabilities  | -                                    | -                                       | -                     |                |
| <b>Total liabilities</b>   | <b>8,600,260</b>                     | <b>8,600,260</b>                        | <b>-</b>              |                |
| <b>Surplus and Other Funds</b>   |                                      |   |                       |                |
| Common capital stock   | \$ 2,800,000                         | \$ 2,800,000                            | \$ -                  | 3              |
| Gross paid in and contributed surplus  | 32,979,545                           | 32,979,545                              | -                     | 3              |
| Unassigned funds (surplus)   | 9,318,248                            | 9,318,248                               | -                     | 3              |
| <b>Total Capital and Surplus</b>   | <b>45,097,793</b>                    | <b>45,097,793</b>                       | <b>-</b>              |                |
| <b>Total liabilities and surplus as regards policyholders</b>                                  | <b>\$ 53,698,053</b>                 | <b>\$ 53,698,053</b>                    | <b>\$ -</b>           |                |



Summary of Revenue and Expenses for the Five-Year Period Ending December 31, 2019

|  | <u>2015</u>       | <u>2016</u>        | <u>2017</u>       | <u>2018</u>       | <u>2019</u>       |
|--|-------------------|--------------------|-------------------|-------------------|-------------------|
| <b>Total Revenue:</b>  |                   |                    |                   |                   |                   |
| Premiums earned  | \$ -              | \$ -               | \$ -              | \$ -              | \$ 37,357         |
| <b>Expenses:</b>   |                   |                    |                   |                   |                   |
| Losses Incurred  | \$ -              | \$ -               | \$ -              | \$ -              | \$ 726            |
| Loss Adjustment expenses incurred  | -                 | -                  | -                 | -                 | 216               |
| Other underwriting expenses incurred   | -                 | -                  | -                 | -                 | 108,220           |
| Total Underwriting deductions  | -                 | -                  | -                 | -                 | 109,162           |
| Net underwriting gain (loss)   | -                 | -                  | -                 | -                 | (71,805)          |
| <b>Investment Income:</b>  |                   |                    |                   |                   |                   |
| Net investment income earned   | 112,189           | 140,826            | 158,882           | 194,569           | 637,019           |
| Net realized capital gains or loss (less capital gains tax)  | (8,268)           | (145,038)          | 1,611             | (21,266)          | (203,487)         |
| Net Investment gain (loss)   | 103,921           | (4,212)            | 160,493           | 173,303           | 433,532           |
| <b>Other Income:</b>   |                   |                    |                   |                   |                   |
| Net gain (Loss) from agents' or premium balance charge off   | \$ -              | \$ -               | \$ -              | \$ -              | \$ (42)           |
| Finance and service charges not included in premiums   | -                 | -                  | -                 | -                 | 50                |
| Aggregate write-ins for miscellaneous income   | -                 | -                  | -                 | 57,092            | 56,724            |
| Total other Income   | -                 | -                  | -                 | 57,092            | 56,732            |
| Net Income before dividends to policyholders, after capital gains tax<br>and before all other federal and foreign income taxes | 103,921           | (4,212)            | 160,493           | 230,395           | 418,459           |
| Dividends to policyholders   | -                 | -                  | -                 | -                 | -                 |
| Net Income after dividends to policyholders, after capital gains tax<br>and before all other federal and foreign income taxes  | 103,921           | (4,212)            | 160,493           | 230,395           | 418,459           |
| Federal and foreign income taxes incurred  | (109,598)         | 44,062             | 26,813            | 35,334            | 166,639           |
| Net Income   | <u>\$ 213,519</u> | <u>\$ (48,274)</u> | <u>\$ 133,680</u> | <u>\$ 195,061</u> | <u>\$ 251,820</u> |

Capital and Surplus Account for the Five-Year Period Ending December 31, 2019

|  | <u>2015</u>          | <u>2016</u>          | <u>2017</u>          | <u>2018</u>          | <u>2019</u>          |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Surplus as regards policyholders, December 31 prior year | \$ 11,744,863        | \$ 11,924,710        | \$ 12,343,829        | \$ 12,619,235        | \$ 12,939,777        |
| Net income   | 213,519              | (48,274)             | 133,680              | 195,061              | 251,820              |
| Change in net unrealized capital gains (losses)          | (113,162)            | 332,653              | 156,885              | 135,150              | 5,392,493            |
| Change in net deferred income tax                        | (266,992)            | 3,347                | (10,951)             | 375                  | 1,007,016            |
| Change in non-admitted assets                            | 388,612              | 54,393               | (4,208)              | (10,044)             | (121,544)            |
| Change in provision for reinsurance                      | (42,130)             |                      |                      |                      |                      |
| Capital changes:   |                      |                      |                      |                      |                      |
| Paid in  | -                    | -                    | -                    | 600,000              | -                    |
| Surplus adjustments:                                     |                      |                      |                      |                      |                      |
| Paid in  | -                    | -                    | -                    | -                    | 30,000,000           |
| Dividends to stockholders                                | -                    | -                    | -                    | -                    | -                    |
| Aggregate write-ins for gains and losses in surplus      | -                    | -                    | -                    | (600,000)            | (4,371,769)          |
| Net change in capital and surplus for the year           | <u>179,847</u>       | <u>419,119</u>       | <u>275,406</u>       | <u>320,542</u>       | <u>32,158,016</u>    |
| Capital and surplus, December 31, current year           | <u>\$ 11,924,710</u> | <u>\$ 12,343,829</u> | <u>\$ 12,619,235</u> | <u>\$ 12,939,777</u> | <u>\$ 45,097,793</u> |

## **NOTES TO THE FINANCIAL STATEMENTS**

There were no changes made to the assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2019. The surplus as regards policyholders, which totaled \$45,097,793 as of the examination date, was determined to be reasonably stated and in compliance with N.J.S.A 17:17-1 et seq.

### **Note 1 – Bonds**

Bonds totaling \$650,771 in fair value were held as statutory deposits by NJDOBI on behalf of the Company in accordance with N.J.S.A. 17:20-1c.

### **Note 2 - Unpaid Losses and Loss Adjustment Expenses**

At December 31, 2019, the Company reported unpaid Losses and unpaid Loss Adjustment Expenses of \$726 and \$217, respectively. No adjustments to reserves or surplus were indicated as a result of the actuarial portion of the examination. The assumptions used were generally found to be appropriately conservative.

The examination team collaborated with the actuaries to conduct all of the reviews of internal controls and risk analysis.

The aggregate net amounts reported by the Company, met or exceeded the statutory minimums of the State of New Jersey. The claims reserves and policy reserves, including Incurred but Not Reported (“IBNR”), as reported by the Company were deemed to be reasonable in light of the liabilities they support and materially in compliance with the Statutes of the State of New Jersey. This examination conclusion is not a guarantee that the reserves and any supporting assets will be adequate under every scenario of future experience; the results reached in this analysis are dependent on the assumptions used. Realized results may vary as actual experience differs from the assumptions.

### **Note 3 – Capital and Surplus**

The Company reported total capital and surplus in the amount of \$45,097,793 at December 31, 2019 as summarized:

The Company has 560 shares of \$5,000 par value of common stock authorized, issued and outstanding at December 31, 2019. Common Stock of the Company is 100% owned by High Point Preferred Insurance Company and increased by 120 shares in 2019 due to the expansion into the state of New York to meet the minimum capital stock required for the lines of business the companies are applying for.

During this examination period, the Company received a capital infusion from High Point Preferred Insurance Company of \$30,000,000 for years ended December 31, 2019. These capital contributions were verified as part of this examination bringing the total gross paid in and contributed surplus to \$32,979,545 at December 31, 2019.

At December 31, 2019, the Company had unassigned funds (surplus) of \$9,318,248.

The Company was determined to be in compliance with the minimum capital and surplus

requirements of the State of New Jersey at December 31, 2019.

### **SUMMARY OF EXAMINATION RECOMMENDATIONS**

There were no comments and/or recommendations deemed necessary for purposes of this examination report.

### **COMMITMENTS AND CONTINGENCIES**

Palisades Group and its subsidiaries (including the Company, and collectively known as “Palisades”) are routinely involved in numerous claims, lawsuits, regulatory audits, investigations and other legal matters arising, for the most part, in the ordinary course of managing a property and casualty business. Palisades believes that the legal actions, regulatory matters, proceedings and investigations currently pending against it should not have a material adverse effect on Palisades results of operations, financial condition or liquidity based upon current knowledge and taking into consideration current accruals. Disputed tax matters arising from audits by the Internal Revenue Service (“IRS”) or other state and foreign jurisdictions, including those resulting in litigation, are accounted for under the NAIC’s accounting guidance for tax loss contingencies.

### **SUBSEQUENT EVENTS**

On March 11, 2020, the outbreak of a novel strain of coronavirus, COVID-19, was declared a pandemic by the World Health Organization. The extent of the pandemic’s impact on the Company’s operational and financial performance cannot be predicted and will depend on various factors, such as the duration and spread of the outbreak, regulatory developments, and the impact on the financial markets. Due to the uncertainty of the pandemic, it is not feasible to assess the impact at this time.

**CONCLUSION**

A regular statutory financial condition examination was conducted by the undersigned with the assistance of examiners of the New Jersey Department of Banking and Insurance examination staff.

The examination was conducted remotely. The courteous assistance and cooperation of the Company's management is acknowledged.

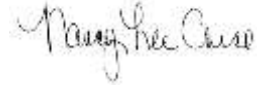
Respectfully submitted,



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Alex Quasnitschka, CFE  
Examiner-in-Charge  
Risk & Regulatory Consulting, LLC  
Representing the New Jersey Department of Banking and Insurance

Under the Supervision of,




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

**Palisades Property and Casualty Insurance Company.**

The undersigned hereby certifies that an examination has been made of Palisades Property and Casualty Insurance Company and the foregoing report is true to the best of my knowledge and belief.

Respectfully submitted,



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Alex Quasnitschka, CFE  
Examiner-in-Charge  
Risk & Regulatory Consulting, LLC  
Representing the New Jersey Department of Banking and Insurance

Under the Supervision of,




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

State of New Jersey  
County of Mercer

Subscribed and sworn to before me, on this 28 day of May, 2021.



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Notary Public of New Jersey

My commission expires: July 2025