

REPORT ON EXAMINATION AS TO THE CONDITION OF
21ST CENTURY AUTO INSURANCE COMPANY OF NEW JERSEY

WILMINGTON, DELAWARE 19803

AS OF DECEMBER 31, 2021

NAIC GROUP CODE 0069

NAIC COMPANY CODE 10184

FILED

May 23, 2023

COMMISSIONER

NEW JERSEY DEPARTMENT

OF

BANKING AND INSURANCE

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State of New Jersey

PHILIP D. MURPHY

Governor

DEPARTMENT OF BANKING AND INSURANCE

OFFICE OF SOLVENCY REGULATION

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April 21, 2023

Honorable Marlene Caride
Commissioner of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625-0325

Commissioner:

In accordance with the authority vested in you by the Revised Statutes of New Jersey, an examination has been made of the assets and liabilities, method of conducting business and other affairs of the:

21st Century Auto Insurance Company of New Jersey
WILMINGTON, DELAWARE
NAIC GROUP CODE 0069
NAIC COMPANY CODE 10184

a domestic insurer duly authorized to transact the business of insurance in the State of New Jersey. Hereinafter, the 21st Century Auto Insurance Company of New Jersey will be referred to in this report as the "Company" or "21st Century Auto".

SCOPE OF EXAMINATION

The New Jersey Department of Banking and Insurance (“NJDOBI”) conducted a risk-focused examination of 21st Century Auto. The examination was made as of December 31, 2021 and addressed the four-year period from January 1, 2018 to December 31, 2021.

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 conducted remotely due to the COVID-19 pandemic, and there was no travel by the NJDOBI to the Company’s Home Office located at 3 Beaver Valley Road, Wilmington, DE, 19803. NJDOBI conducted the examination in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (the “NAIC Handbook”). The NAIC Handbook requires that NJDOBI plan and performs the examination to evaluate the financial condition and identify prospective risks of the Company. In order to meet these objectives, 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.

The NJDOBI examiners were responsible for identifying significant deviations from New Jersey laws and regulations. Additional substantive procedures were performed where deemed necessary.

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

The full-scope coordinated multi-state risk focused 2017 examination of the Company yielded one reportable recommendation. During the course of this examination, some books and records were not made available to the examination team in accordance with N.J.S.A. 17:23-23(b). . “Every person being examined, the person’s officers, attorneys, employees, agents and representatives, shall make freely available to the Commissioner, or the Commissioner’s examiners, the accounts, records, documents, files, information, assets and matters of such person, in the person’s possession or control, relating to the subject of the examination and shall facilitate the examination”.

The NJDOBI examiners did not encounter issues during the current examination in regards to the availability and access to books and records upon request. The books and records were made available to the NJDOBI examination team.

HISTORY AND KIND OF BUSINESS

On December 12, 1994, Bayside Casualty Insurance Company (“Bayside”) was incorporated as a stock insurance company under the laws of the State of New Jersey. On January 23, 1995, Bayside became a member of the Leucadia National Corporation insurance holding company system through the acquisition of all the issued and outstanding stock of Bayside by Colonial Penn Insurance Company (“CPI”). Also, the fifth paragraph of the Company’s Certificate of Incorporation reads as follows: “The amount of capital stock of the corporation shall be \$4,200,000 divided into forty two thousand (42,000) shares of common stock having a par value of one hundred dollars (\$100.00) per share.” The Company commenced business on January 23, 1995.

The Company was formed in order for CPI to terminate its reinsurance agreement with the National Consumer Insurance Company pool. The Company assumed the CPI share of the National Consumer Insurance Company business in the New Jersey Private Passenger Voluntary Automobile Insurance Pool.

The Articles of Incorporation were amended twice. The first amendment was approved by the shareholders and the Board of Directors on January 12, 1995. It was filed with the Attorney General of New Jersey and signed in that office on January 17, 1995. This amendment amends paragraphs 2 and 3 of the Articles of Incorporation. Paragraph 2 amends the registered agent upon whom due process could be served. The amendment to paragraph 3 deleted paragraph “d” which allowed the Company to insure against bodily injury or death by accident, and deleted paragraph “g” which allowed the Company to insure against defaults of persons in positions of trust. The second amendment was approved by the shareholders and the Board of Directors on May 15, 1995 and May 18, 1995. It was submitted for review by the Attorney General of New Jersey and signed in that office on September 18, 1995. This amendment changes the principal office of the Corporation to Parsippany, New Jersey.

On January 23, 1995, the New Jersey Commissioner of Banking and Insurance issued an initial Certificate of Authority to the Company. This certificate authorizes Bayside to transact the kinds of insurance authorized by paragraphs “a”, “b”, “e”, “f”, “j”, “k”, “l”, “n”, “o-1” and “o-3” of N.J.S.A. 17:17-1 et seq.

On January 25, 1995, Bayside and CPI became parties to a guaranty whereby CPI guarantees that this Company will maintain a premium to surplus ratio of 2.0 to 1 for the 5 years beginning April 1, 1995. This was required by the NJDOBI as a condition of CPI’s withdrawal from the New Jersey Voluntary Private Passenger Automobile Insurance Pool.

On November 4, 1997, 100% of the issued and outstanding stock of CPI was sold to General Electric Capital Corporation. On that date, General Electric Capital Corporation contributed all of the issued and outstanding stock of CPI to its affiliate, GE Financial Assurance Holdings, Inc. The ultimate parent is General Electric Company. The purchase by General Electric Capital Corporation was approved by NJDOBI in Order No. A97-110, dated November 3, 1997.

On May 22, 2000, NJDOBI did not fully execute the “Original Consent Order” which approved the withdrawal of Bayside, pursuant to N.J.A.C. 11:2-29, from writing private passenger automobile business in New Jersey and allowed for the non-renewal of all policies expiring on July 26, 2000 and

thereafter. Both parties have been adhering to the terms and conditions of the Original Consent Order since its effective date of May 22, 2000.

On November 30, 2004, NJDOBI issued a fully executed Consent Order No. C04-110, which refers to the Original Consent Order, effective May 22, 2000. The following are the terms and conditions of this Order: 1.) When the last policies expire in New Jersey, the NJDOBI shall withdraw the rating system of Bayside, 2.) Bayside shall not be required to surrender their Certificate of Authority, 3.) Bayside and GE Property & Casualty, formally CPI, shall execute both Reinsurance and Administration Agreement and a Capital and Surplus Guaranty Agreement, and 4.) Bayside shall not be required to seek a replacement carrier for its New Jersey private passenger automobile business pursuant to N.J.A.C. 11:2-29.5.

The Company's amendment to its Certificate of Incorporation was approved by the shareholders and the Board of Directors on July 17, 2000. It was approved by the Deputy Attorney General on December 18, 2000 and filed with NJDOBI on December 29, 2000. This amendment updated the third paragraph which reads as follows: "The kind of insurance to be transacted by the corporation shall be the kinds of insurance specified under N.J.S.A. 17:17-1 of the New Jersey Revised Statutes is: "b" and "e"."

The Company's amendment to its Certificate of Incorporation was approved by the shareholders and the Board of Directors on December 4, 2000. It was approved by the Deputy Attorney General on January 3, 2001 and filed with NJDOBI on March 21, 2001. This amendment updated the second paragraph which reads as follows: "The statutory home office of the corporation in the State of New Jersey, which shall also be its registered office, is to be located at 4 Research Way, Princeton, Township of Plainsboro, County of Middlesex, State of New Jersey, and the registered agent upon whom due process may be served shall be Mark R. O'Leary."

On July 1, 2002 the Company amended its stock certificate to reflect GE Property and Casualty Insurance Company, formerly CPI, owns 100% of the issued and outstanding stock of Bayside.

On August 29, 2003, NJDOBI issued Administrative Order No. A03-144 in the matter of the acquisition of control of Bayside by Lexington Insurance Company and American International Group, Inc. (the applicants). The applicants acquired control of Bayside through the acquisition of all the issued and outstanding shares of GE Property & Casualty Insurance Company by Lexington Insurance Company. The ultimate parent is American International Group, Inc. and the Company's new N.A.I.C. Group Code is 0012.

The Company's amendment to its Certificate of Incorporation was approved by the Board of Directors on August 29, 2003. It was submitted for review with the Deputy Attorney General on April 14, 2004 and filed with NJDOBI on July 20, 2004. This amendment updated the first paragraph to read as follows: "The name of the corporation shall be: AIG Auto Insurance Company of New Jersey." Also, the second paragraph was updated to read as follows: "The statutory home office of the corporation in the State of New Jersey, which shall be its registered office, is to be located at 830 Bear Tavern Drive, West Trenton, County of Mercer, State of New Jersey, and the registered agent upon whom process may be served shall be Corporation Services Company."

On April 1, 2004, the Company's parent, GE Property & Casualty Insurance Company, was subsequently renamed "AIG Centennial Insurance Company".

On July 20, 2004, the New Jersey Commissioner of Banking and Insurance issued an amended Certificate of Authority to the Company. This certificate authorized "AIG Auto Insurance Company of New Jersey" to transact the kinds of insurance authorized by paragraphs "b" and "e" of N.J.S.A. 17:17-1 et seq.

On July 20, 2004, the Company amended its stock certificate to reflect AIG Centennial Insurance Company owns 100% of the issued and outstanding stock of the Company.

On September 1, 2005, the Settlement and Release Agreement, per Consent Order C04-110, was entered into by and between the Company and AIG Centennial Insurance Company. This Settlement and Release Agreement shall operate as a full and final settlement for present and future actual and alleged liabilities for each company under the Reinsurance and Administration Agreement.

The Company amended and restated, in its entirety, its original Certificate of Incorporation and all amendments thereto. This superseded Certificate of Incorporation was approved by the Board of Directors on April 12, 2007. It was submitted for review with the Deputy Attorney General on April 24, 2007 and filed with the NJDOBI on May 3, 2007. The amendment updated the third paragraph which reads as follows: "The kinds of insurance to be transacted by the corporation shall be the kinds of insurance specified by the following paragraphs under N.J.S.A. 17:17-1 and 17B:17-4 of the New Jersey Revised Statutes: "a", "b", "e", "f", "g", "i", "j", "k", "l", "m", "n", "o" and "Health Insurance". The seventh paragraph is amended to read as follows: "The principal officers of this corporation shall be a President, a Vice President, a Secretary, a Treasurer, and such other officers as the Board of Directors may determine to elect in accordance with the provisions of the By-laws of this corporation by resolution adopted by a majority of the entire Board. All officers shall hold office for a term as specified in the By-laws." Also, the tenth and eleventh paragraphs are amended by deleting in their entirety the names and addresses of the incorporators and the names, addresses and titles of the initial Board of Directors and Officers of the corporation, respectively.

On May 3, 2007, the New Jersey Commissioner of Banking and Insurance issued an amended Certificate of Authority to the Company. This certificate authorizes "AIG Auto Insurance Company of New Jersey" to transact the kinds of insurance authorized by paragraphs "a", "*b", "*e", "f", "g", "i", "j", "k", "l", "m", "n" and "o" of N.J.S.A. 17:17-1 et seq. (*Except that only those kinds of insurance described in paragraphs "b" and "e" may be written on a direct basis.) The rating system for the Company was withdrawn in 2001, as per the condition of Consent Order No. C04-110. This current Certificate of Authority allows the Company to do business on a "Reinsurance Basis Only" due to their 2% participation in the AIG Reinsurance Pool.

On June 9, 2008, the Company amended and restated their By-laws which were filed with NJDOBI on June 30, 2008. This amendment reflects the Board of Director's approved change to Article VIII – Section 8.3: "Indemnification of Officers, Directors, etc." which all wording was deleted in its entirety and substituted with the wording in paragraphs: a, b, c, d, e, f and g.

Dated as of April 16, 2009, but effective July 1, 2009, the "Acquisition of Control" of Personal Auto Group Companies (PAG Companies) is detailed in the following agreements:

- Purchase Agreement, dated as of April 16, 2009, is by and among American International Group, Inc. (AIG), AIU Holdings, Inc., New Hampshire Insurance Company, National Union Fire Insurance Company of Pittsburgh, Pa., Lexington Insurance Company, Commerce and Industry Insurance Company, American Home Assurance Company, AIG Casualty Company and The Insurance Company of the State of Pennsylvania (collectively the “Sellers”) and Farmers Group, Inc. (the “Acquirer”).

The Sellers own directly all the outstanding Capital Stock in each of the following entities: American International Insurance Company of Delaware., AIG Hawaii Insurance Company Inc., American International Insurance Company, AIG Centennial Insurance Company, American International Pacific Insurance Company, New Hampshire Indemnity Company Inc., 21st Century Insurance Group, AIG Marketing, Inc. and Hawaii Insurance Consultants, Ltd. (collectively, the “Companies”).

The Companies own, directly or indirectly, all of the outstanding Capital Stock in each of the entities set forth in Schedule 1 (collectively, the “Transferred Subsidiaries”), of which AIG Auto is a party.

As part of the Purchase Agreement, AIG Centennial Insurance Company’s (“AIG-CIC”) capital stock was purchased by the Farmers Group, Inc. (“FGI”); however, AIG-CIC still owns 100% of the Company’s common capital stock.

- Purchase and Sale Agreement, dated as of April 16, 2009, is by and among FGI, and Farmers Insurance Exchange (“FIE”), Fire Insurance Exchange (“Fire”), and Truck Insurance Exchange (“Truck”), (FIE, Fire and Truck, collectively the “Exchange Buyers”). FGI will transfer to the Exchange Buyers all of the rights, title and interest in and to the Companies, of which AIG-CIC is a party, and the Transferred Subsidiaries, of which the Company is a party, as set forth on Schedule 2(b). As a result of this Purchase and Sale Agreement, the Company’s parent, AIG-CIC, is owned by the Exchange Buyers in the following percentages: FIE (80%), Fire (10%), and Truck (10%). The Company’s stock shares are still owned 100% by their parent, AIG-CIC. On April 28, 2009, a Multistate Form A was filed regarding the “Acquisition of Control” of or Merger with a Domestic Insurer of the Personal Auto Group Insurers (PAG) of American International Group, Inc. (AIG) by FGI (a subsidiary of Zurich Financial Services, LTD.), FIE, Fire and Truck.
- On June 29, 2009, NJDOBI issued Order No. A09-107, in the matter of the “Acquisition of Control” of the Company and American International Insurance Company of New Jersey by FGI (a subsidiary of Zurich Financial Services Ltd.), and subsequently by the Exchange Buyers. Based on N.J.S.A. 17:27A-2d(1), the hearing panel and the NJDOBI recommend the proposed “Acquisition of Control” to be approved.

Subsequently, all outstanding shares of AIG-CIC were owned by FIE (80%), Truck (10%) and Fire (10%). The Company’s new NAIC Group Code was then 0212.

- Effective July 1, 2009, per the approved “Acquisition of Control”, the following agreements were approved by NJDOBI on June 19, 2009:

- Master Termination of Inter-Company Agreements
- Amended and Restated Inter-Company Pooling Agreement
- PCG Business Reinsurance and Administration Agreement

Subsequently, all outstanding shares of 21st Century Centennial Insurance Company were owned by FIE (80%), Truck (10%) and Fire (10%).

The Company's Amended and Restated Certificate of Incorporation was approved by the shareholders and the Board of Directors on March 24, 2010. It was approved by the Deputy Attorney General on March 31, 2010 and filed with the NJDOBI on April 20, 2010. The amendment updated the first paragraph to read as follows: "The name of the corporation shall be: 21st Century Auto Insurance Company of New Jersey". On April 1, 2010, the New Jersey Commissioner of Banking and Insurance issued an Amended Certificate of Authority which changed the Company's name to: "21st Auto.

On April 1, 2010, the Company amended and restated their By-laws which were filed with NJDOBI. This amendment reflects the Board of Director's approved change of the Company's name from "AIG Auto Insurance Company of New Jersey" to 21st Auto.

On April 1, 2010, the Company amended its stock certificate to reflect 21st Century Centennial Insurance Company (formerly – AIG Centennial Insurance Company) owns 100% of the issued and outstanding stock of 21st Century Auto (formerly – AIG Auto Insurance Company of New Jersey).

As of December 2013, approval was received for the Reciprocal Exchanges, their subsidiaries and affiliated companies to reestablish a separate NAIC Group Code of 0069 and no longer be under the Zurich NAIC Group Code of 0212. . As such, Zurich is no longer named as an Ultimate Controlling Person. FIE is named as the sole ultimate controlling person. FIE is a California domiciled inter-insurance exchange owned by its policyholders. FGI has been named as a Significant Related Party to the Ultimate Controlling Person.

On December 28, 2021, the New Jersey Commissioner of Banking and Insurance issued an Order Approving Acquisition, which approved the acquisition of the Company by Everspan Insurance Company ("EIC"). . The acquisition was finalized after the end of the examination period; effective January 1, 2022, the Company became 100% wholly-owned by EIC, which is indirectly wholly-owned by Ambac Financial Group, Inc., a publicly traded financial services holding company based in New York, New York.

The principal office of the Company as of December 31, 2021 was 830 Bear Tavern Drive, West Trenton, New Jersey. The current principal office of the Company in 2023 is located at One World Trade Center, Floor 41, New York, NY 10007 and the registered agent upon whom process may be served shall be Corporation Services Company.

STATUTORY DEPOSIT

As of December 31, 2021, the Company maintained two securities on deposit with the State of New Jersey, in trust for the benefit and security of the Company's policyholders.

<u>State</u>	<u>Securities</u>	<u>Par Value</u>
	U.S. Treasury Note	
New Jersey	2.250% due March 15, 2022	\$ 400,000
	U.S. Treasury Bond	
New Jersey	0.250% due November 15, 2022	<u>120,000</u>
Total		<u>\$ 520,000</u>

TERRITORY AND PLAN OF OPERATIONS

The Company is a domestic property and casualty stock insurance company licensed to transact business only in the State of New Jersey.

The Company did not write any direct business during the examination period, and the Company did not assume or cede any business during the examination period.

CORPORATE RECORDS

The Company's By-laws were not amended during the exam period.

A review of the minutes of the Board of Directors meetings noted that they were well attended by the Company's Directors, and that the proceedings of the meetings were done in compliance with the Company's State Charter and By-laws. 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 his delegated officers under the guidance of the Board of Directors.

Directors

The Company's By-laws specify that the Board of Directors shall consist of not less than three (3) nor more than twenty (20) Directors, one of whom shall be elected as Chairman of the Board. The number of Directors to serve each year may be fixed annually by the Shareholders or at any time between Annual Shareholders Meetings by vote of the Board of Directors. The elected Directors shall hold office until their successors have been duly elected and qualified.

The annual meeting of the Board of Directors shall be held without notice immediately after the Shareholders annual meeting, at the place where the annual Shareholders meeting is held. The Board may hold meetings at such place or places within or without the State of New Jersey as the Board may from time to time determine. The Shareholders annual meeting shall be held on such date as may be fixed by the President, the Chairman of the Board, or a majority of the Directors, at such time and place as the notice calling the meeting shall indicate. The presence of a majority of the Directors in office shall be requisite to, and constitute a quorum at, all meetings of the Board for the transaction of business. Any action taken by a majority of the Directors present at a meeting at which a quorum is

present shall constitute the action of the Board of Directors, except as may be otherwise provided by statute.

A listing of the Directors serving the Company at December 31, 2021 is as follows:

<u>Name and Location</u>	<u>Principle Business Affiliation</u>
Kris M. Bidlingmaier Apollo Beach, FL	Head of 21st Century
Joe D. Bryant Moore, OK	Owner, Military Medal Manufacturing
Guy M. Hanson Missoula, MT	Officer/ Director, John Gault Ranch, LLC
Gail N. Jackson Playa del Rey, CA	Physician
Sherman L. Lewis III Pearland, TX	President, The Lewis Group

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”. However, in accordance with N.J.S.A. 17:27A-4d(5), the provisions of paragraph (3) shall not apply to a domestic insurer if the person controlling the insurer is an entity having a board of directors that substantially meet the requirements of this paragraph. Under N.J.S.A. 17:27A-4d(5), the Company’s ultimate controlling entities are FIE, Fire and Truck (the “Exchange Group”). It has been determined by this examination that the Exchange Group are Reciprocals and are subject to compliance with N.J.S.A. 17:50-1 et. al. Therefore, it has been determined, by NJDOBI - Office of Solvency Regulation Division, that the Company’s controlling entities are exempt from compliance with N.J.S.A. 17:27A-4d(3).

Committees

The Company does not have an Executive, Finance or Audit Committee in place as of December 31, 2021. However, the Company’s ultimate parent, the Exchange Group, has committees in place which include an Exchange Executive Committee, Exchange Audit Committee and Investment Committee.

Officers

The Officers of the Company shall be chosen by the Board of Directors at its first meeting after the election of Directors by the Stockholders and shall consist of the President, one or more Vice-Presidents, a Secretary, a Finance and Administration Officer, and one or more Assistant Vice-Presidents. The Board may also elect with such additional title(s), if any, as the Board may deem appropriate, such Officers and Assistant Officers and agents as it shall deem necessary. 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. Officers are elected for one year and shall hold their respective offices until the next annual election of officers by the Board and until their successors shall have been elected and qualified or until the earlier of their death, resignation or removal.

The following Officers have been elected and were serving the Company at December 31, 2021:

<u>Name</u>	<u>Office</u>
Kris M. Bidlingmaier	President
Robert P. Howard	Vice President
Thomas S. Noh	Vice President
Theresa L. Harm	Treasurer
James L. Nutting	Actuary
Doren E. Hohl	Secretary

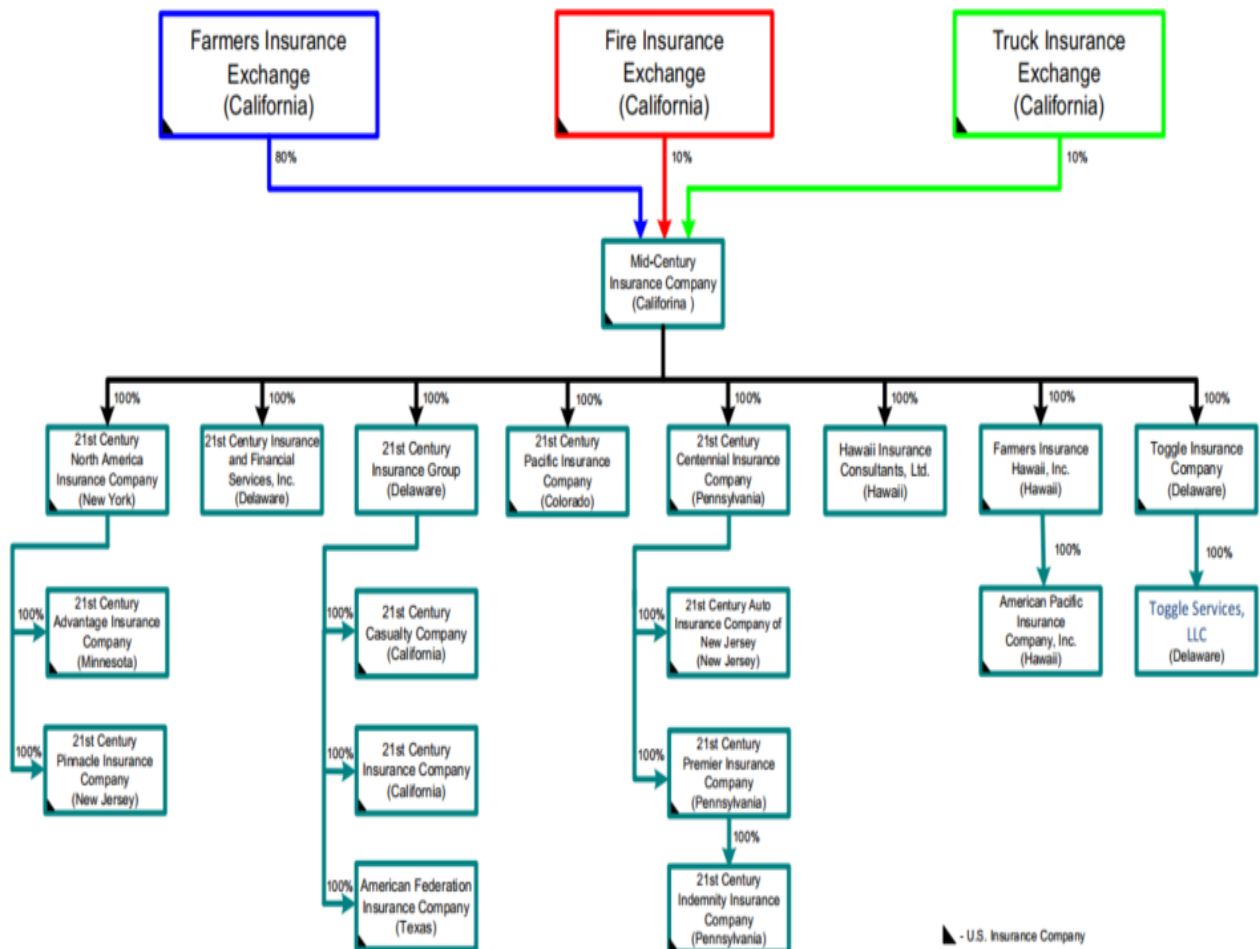
REINSURANCE

The Company was not a party to any reinsurance agreements during the examination period.

REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS

21st Century Auto is a member of an insurance holding company system as defined in N.J.S.A. 17:27A-1 and is subject to the registration requirements of N.J.S.A. 17:27A-3. The Company is a wholly owned subsidiary of 21st Century Centennial Insurance Company, who is owned 80% by FIE, 10% by Fire, and 10% by Truck (the “Reciprocal Exchanges”). It was determined that the Company did file their holding company registration statements, for the period under examination, in compliance with the requirements and standards of N.J.S.A. 17:27A-3.

An abbreviated organizational chart of the Exchanges holding company system as of December 31, 2021, is as follows (ownership of subsidiaries is 100% unless otherwise noted):



Agreements with Affiliates

The Company was formerly a party to an intercompany pooling agreement. . In accordance with the terms and conditions of the agreement, 100% of the net business written by each of the participants was ceded to 21st Century North America Insurance Company (“21CNAI”), the lead company in the Intercompany Pool. . Under the terms of the intercompany pooling agreement, liabilities relating to losses with a date of loss prior to July 1, 2009 were ceded to the pool members by 21CNAI based on each pool member’s fixed pooling participation percentage. . The pooling percentage for the Company was 0%. .

Effective June 1, 2016, an Assignment, Transfer, Assumption and Novation Agreement was entered into among 21CNAI, 21st Century Insurance Company of the Southwest (“21CSW”), 21st Century Superior Insurance Company (“21CSI”) and the Company. . In conjunction with these transactions,

21CNAI replaced 21CSW, 21CSI, and the Company under the pooling agreement with 21CSW, 21CSI, and the Company was no longer a party to the agreement.

Amendment No.1 of the 21st Century Intercompany Pooling Agreement, effective January 1, 2017, resulted in the termination of the pool share for the Company and the remaining downstream 21st Century company pool participants.

Tax Sharing Agreement

Effective September 1, 2013, the Company entered into a Tax Sharing Agreement with FIE and its various insurance and non-insurance affiliates and subsidiaries. . The Exchange is the party primarily responsible for filing and making all tax payments on behalf of the parties to this agreement. . Allocation of taxes is based upon separate return calculations with intercompany tax balances payable or receivable being settled in amounts equal to the amounts which would be due to or from federal taxing authorities as if separate returns were filed. . Intercompany balances are settled monthly, and the final settlement is made within 30 days after the final filing date of the consolidated return. .

Agreements with Non-affiliates

Management Agreements -

Investment Management Agreement: FGI, acting on behalf of the FIE, FIRE, and Truck, appointed third party advisors to act as the investment manager, as follows:

- Deutsche Investment Management Americas, Inc.: FGI entered into an Investment Management Agreement dated July 1, 1998, amended January 31, 2009 and April 12, 2011, with its affiliate, Scudder Kemper Investments Inc. (“Scudder”). . In 2002, Scudder was acquired and replaced by Deutsche Asset Management, and the name changed to Deutsche Investment Management Americas, Inc. (“Deutsche”). Deutsche, a non-affiliate, manages the fixed income and equity asset portfolios. . Fees are based on a sliding scale percentage on the value of the portfolio being managed.

Agency Agreements -

- FX Insurance Agency, LLC: Effective January 1, 2019, FX Insurance Agency, LLC entered into an Agency Agreement with the Company, 21stCentury Pinnacle Insurance Company and other insurers.

POLICY ON CONFLICT OF INTEREST

During the examination period, the Company participated in the Farmers Code of Business Ethics which addresses employee conduct, professional standards, accountability and compliance, conflicts of interest, fraud policy and guidelines on business ethical matters for all employees, officers, and directors. The policy stipulates the various conditions and actions that are, and or may be, deemed to be inappropriate, potential conflicts of interest and/or violations of said policy statement.

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

ACCOUNTS AND RECORDS

During the examination period, the Company's accounting books and records were maintained at its main administrative office then located at 3 Beaver Valley Road, Wilmington, Delaware 19803. Financial information needed in conjunction with the verification of assets and the determination of liabilities was made available in detail and summary form. The general ledger system was tested and reconciled to the annual statement.

The Company records premium and losses through the use of in-house computerized systems. Premiums are derived from direct billing. Various reports are derived from the systems for annual statement and financial report preparation and were used in conjunction with this examination.

The Company must comply with N.J.S.A. 17:23-23(b). "Every person being examined, the person's officers, attorneys, employees, agents and representatives, shall make freely available to the Commissioner, or the Commissioner's examiners, the accounts, records, documents, files, information, assets and matters of such person, in the person's possession or control, relating to the subject of the examination and shall facilitate the examination".

During the examination period, all claims in New Jersey were processed on the Guidewire Claims System and all policyholder claims services provided by Farmers' Claims Group. All accounting activity had been transitioned to the Farmers General Ledger, SAP.

TREATMENT OF POLICYHOLDERS AND CLAIMANTS

The Company's complaint handling procedures as well as its complaint logs were reviewed for the years 2018 through 2021. The review of these complaint logs determined that the Company was in compliance with N.J.S.A. 17:29B-4(10) which states: "This record shall indicate the total number of complaints, their classification by line of business, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint."

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 was reviewed as part of the coordinated examination. There were no exceptions noted or recommendations made.

FINANCIAL STATEMENTS AND OTHER EXHIBITS

Exhibit A Balance Sheet at December 31, 2021

Exhibit B Summary of Operations for the Four-Year Period Ending December 31, 2021

Exhibit C Capital and Surplus Account for the Four-Year Period Ending December 31, 2021

Statement of Assets and Liabilities
As of December 31, 2021
Exhibit A

	Current Examination at 12/31/21	Balance Per Company at 12/31/21	Examination Change	Note Number
<u>ASSETS</u>				
Bonds	\$ 520,536	\$ 520,536	0	1
Cash	6,137,501	6,137,501	0	
Receivables from parent, subsidiaries and affiliates	22,275	22,275	0	
Investment Income Due and Accrued	2,092	2,092	0	
	<u>6,682,404</u>	<u>6,682,404</u>	<u>\$0</u>	
Total Admitted Assets	<u>\$ 6,682,404</u>	<u>\$ 6,682,404</u>	<u>\$0</u>	
<u>LIABILITIES, CAPITAL AND SURPLUS</u>				
Losses	\$ -	\$ -	\$0	2
Loss Adjustment Expenses	0	0	0	2
Taxes, licenses and fees	0	0	0	
Amounts Due to Parent, Subsidiaries and Affiliates	0	0	0	
Net deferred tax liability	5	5	0	
	<u>5</u>	<u>5</u>	<u>\$0</u>	
Total Liabilities	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$0</u>	
<u>SURPLUS AND OTHER FUNDS</u>				
Common Capital Stock	\$ 4,200,000	\$ 4,200,000	0	3
Gross Paid In and Contributed Surplus	27,760,000	27,760,000	0	3
Unassigned Funds (Surplus)	(25,277,601)	(25,277,601)	0	3
	<u>6,682,399</u>	<u>6,682,399</u>	<u>\$0</u>	
Total Capital and Surplus	<u>\$ 6,682,399</u>	<u>\$ 6,682,399</u>	<u>\$0</u>	3
Total Liabilities, Surplus and Other Funds	<u>\$ 6,682,404</u>	<u>\$ 6,682,404</u>	<u>\$0</u>	

Statement of Income
For the Four Year Period Ended December 31, 2021
Exhibit B

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Premiums earned	\$ -	\$ -	\$ -	\$ -
Total underwriting deductions	\$ -	\$ -	\$ -	\$ -
Net underwriting gain (loss)	\$ -	\$ -	\$ -	\$ -
Net investment income earned	79,089	117,458	173,987	356,731
Net realized capital gains or (losses)	(17,948)		(124,768)	
Net investment gain (loss)	\$ 61,141	\$ 117,458	\$ 49,219	\$ 356,731
Total other income	\$ -	\$ -	\$ -	\$ -
Net income after dividends to policyholders	\$ 61,141	\$ 117,458	\$ 49,219	\$ 356,731
Dividends to policyholders	-			
Net income, after dividends to policyholders	\$ 61,141	117,458	49,219	356,731
Federal and foreign income taxes incurred	17,200	24,493	42,883	71,904
Net income	\$ 43,942	\$ 92,966	\$ 6,337	\$ 284,828
Surplus as regards policyholders, December 31st prior year	\$ 6,637,828	6,545,036	25,627,807	25,370,829
Net income (losses)	\$ 43,942	\$ 92,966	\$ 6,337	\$ 284,828
Change in net deferred income tax	629	-173	10,893	-27,849
Surplus adjustment: Paid in	-	0	-19,100,000	
Net change in capital and surplus for the year	\$ 44,571	\$ 92,793	\$ (19,082,770)	\$ 256,979
Surplus as regards policyholders, December 31, 2021	<u>\$ 6,682,399</u>	<u>\$ 6,637,829</u>	<u>\$ 6,545,037</u>	<u>\$ 25,627,808</u>

Reconciliation of Capital and Surplus
For the Four-Year Period Ended
December 31, 2021
Exhibit C

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Capital and Surplus, Prior Year	<u>\$ 6,637,828</u>	<u>\$ 6,545,036</u>	<u>\$ 25,627,807</u>	<u>\$ 25,370,829</u>
Net Income	\$ 43,942	\$ 92,965	\$ 6,336	\$ 284,827
Change in Net Deferred Income Tax	629	(173)	10,893	(27,849)
Surplus Adjustments Paid In	0		(19,100,000)	
Dividends to Stockholders	0		0	
Aggregate Write-ins for Losses in Surplus	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Capital and Surplus	<u>\$ 44,571</u>	<u>\$ 92,792</u>	<u>\$ (19,082,771)</u>	<u>\$ 256,978</u>
Capital and Surplus, Current Year	<u><u>\$ 6,682,399</u></u>	<u><u>\$ 6,637,828</u></u>	<u><u>\$ 6,545,036</u></u>	<u><u>\$ 25,627,807</u></u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BONDS

The Company reported an admitted asset for bonds of \$520,536 at December 31, 2021. These amounts will be accepted as stated by this examination.

NOTE 2: LOSS AND LOSS ADJUSTMENT EXPENSES

At December 31, 2021, the Company reported a net liability for Losses and Loss Adjustment Expenses of \$0. The actuarial review of the Loss and Loss Adjustment Expenses Reserves was performed in conjunction with the coordinated exam. The Property & Casualty Actuarial Division of the NJDOBI reviewed the Report on the Actuarial Examination.

NOTE 3: SURPLUS AS REGARDS POLICYHOLDERS

The Company reported surplus as regards to policyholders at December 31, 2021 of \$6,682,399 which consisted of common capital stock of \$4,200,000, gross paid in and contributed surplus of \$27,760,000 and a negative unassigned funds balance of \$25,277,601.

SUBSEQUENT EVENTS

EIC entered into a stock purchase agreement to acquire 21st Century Auto from 21st Century Centennial Insurance Company for \$6.7 million on April 23, 2021. EIC acquired all the issued and outstanding common stock of 21st Century Auto totaling 0.042 million shares. As consideration, EIC paid to 21st Century Centennial Insurance Company an aggregate amount equal to the capital and surplus of 21st Century Auto as of the closing date, plus \$0.112 million per license of 21st Century Auto.

Following the closing of the deal, the legacy liabilities of 21st Century Auto remained with 21st Century Centennial Insurance Company. The total consideration of approximately \$6.7 million was contributed by Ambac Financial Group, Inc. (“AFG”), the ultimate parent of EIC, as a surplus contribution. No part of the consideration used to acquire control was borrowed.

Post-completion, 21st Century Auto is to be renamed Consolidated Specialty Insurance Company. EIC elected a new slate of Directors to the Board of 21st Century Auto, who then elected Executive Officers to manage day-to-day business operations. EIC completed the acquisition of 21st Century Auto from 21st Century Centennial Insurance Company on January 3, 2022. No people, processes, systems technology were transferred as part of the sale. .

EIC plans to develop a portfolio of specialty admitted property and casualty insurance businesses across a diverse class of risks, operating exclusively in the program business model. EIC intends to include the Company in such portfolio. Accordingly, and pursuant to EIC’s underwriting guidelines and close operational oversight, policies will be distributed and administered by program administrators and/or managing general agents.

Subsequent to the Company's acquisition, the following new officers were appointed to serve:

<u>Name</u>	<u>Office</u>
Claude LeBlanc	CEO
Steven J. Murray	CFO
Wyatt D. Blackburn	President
Nicholas T. Scott	General Counsel, Secretary, Chief Compliance Officer
Steven K. Dresner	Chief Underwriting Officer, Chief Reinsurance Officer

Subsequent to the Company's acquisition, the following new directors were appointed:

<u>Name</u>	<u>Principal Business Affiliation</u>
Wyatt D. Blackburn	President, Everspan Group
Stephen M. Ksenak	General Counsel, AFG
Claude LeBlanc	CEO, AFG
R. Sharon Smith	Chief of Staff, AFG
David Trick	CFO, AFG

Subsequent to the Company's acquisition, the Company entered into the following intercompany transactions:

Amended and Restated Expense Sharing and Cost Allocation Agreement: Effective January 1, 2022, the Company entered into the Joinder to the Amended and Restated Expense Sharing and Cost Allocation Agreement. The Amended and Restated Expense Sharing and Cost Allocation Agreement, effective May 1, 2021, as amended, governs the allocation and reimbursement of shared service departments such as legal, treasury, tax, finance, accounting, risk management, investment portfolio management, investor relations, corporate services and executive officers, overhead department costs such as premises, depreciation, corporate insurance, and costs related to public disclosure and obligations as a publicly traded company. The Company incurred net charges of \$53,168 under this Agreement during 2022.

Tax Sharing Agreement: The Company entered into the Joinder to Tax Sharing Agreement, effective January 1, 2022. . AFG, the ultimate controlling parent of the Company, and its subsidiaries entered into the Tax Sharing Agreement, as amended, on March 14, 2012. This Agreement sets forth the methods for allocating consolidated, combined, or unitary income taxes among the members and provisions concerning the administration of returns.

Amended and Restated Reinsurance Pooling Agreement: The Company entered into the Joinder to Reinsurance Pooling Agreement ("Joinder") and the Amended and Restated

Reinsurance Pooling Agreement (“Amended Pooling Agreement”), effective April 1, 2022. The purpose of the Amended Pooling Agreement is to achieve equitable division of operating expenses, increasing capacity and risks, and pool the results of underwriting operations. The parties to this transaction agreed to form a pool for the purposes of insuring and reinsuring all business written by or on behalf of each party, with the intention that each party shall participate, jointly and severally, in the fortunes of the combined underwriting, reinsurance, retrocessions and claims operations of the other party to the extent of their fixed percentages in the pool. Everspan Indemnity Insurance Company is deemed the lead pool participant. The participant pooling percentages are as follows:

Company Name	Role	Participation Percentage
Everspan Indemnity Insurance Company	Lead	48.00%
Everspan Insurance Company	Participant	30.00%
21st Century Auto Insurance Company of NJ	Participant	6.00%
Consolidated National Insurance Company	Participant	8.00%
Greenwood Insurance Company	Participant	8.00%

CONCLUSION

A risk focused examination was conducted by the undersigned with the assistance of fellow examiners of the NJDOBI examination staff.

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

Respectfully Submitted,

Frank Taylor Phillips

Frank Taylor Phillips, CFE
Examiner-In-Charge
Risk and Regulatory Consulting, LLC
Representing the State of New Jersey
Department of Banking and Insurance

Nancy Lee Chice

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

EXAMINER'S AFFIDAVIT

21st Century Auto Insurance Company of New Jersey

I, Frank Taylor Phillips, 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, 2021 to the best of my information, knowledge and belief.

Respectfully submitted,

Frank Taylor Phillips

Frank Taylor Phillips, CFE
Examiner-In-Charge
Risk and Regulatory Consulting, LLC
Representing the State of New Jersey
Department of Banking and Insurance

Under the supervision of:

Nancy Lee Chice

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

State of New Jersey
County of Mercer

Subscribed and sworn to before me,

this *Nancy Lee Chice* on
21st day of *April*, 2023.

Sheila M. Thack
Notary Public of New Jersey

My commission expires:

July 2025