

REPORT ON EXAMINATION AS TO CONDITION OF

CONVENTUS INTER-INSURANCE EXCHANGE

WOODBIDGE, NEW JERSEY 07095-1003

AS OF DECEMBER 31, 2023

NAIC COMPANY CODE 11535

FILED

May 8, 2025

Commissioner

New Jersey Department

Of

Banking and Insurance

TABLE OF CONTENTS

	<u>Page</u>
SCOPE OF EXAMINATION	2
HISTORY	3
TERRITORY AND PLAN OF OPERATION	3
MANAGEMENT AND CONTROL	4
REINSURANCE	6
CORPORATE RECORDS	9
POLICY ON CONFLICTS OF INTEREST	9
FIDELITY BOND AND OTHER INSURANCE COVERAGES	9
POLICY FORMS AND UNDERWRITING PRACTICES	10
ADVERTISING	10
TREATMENT OF POLICYHOLDERS	10
CONTINUITY OF OPERATIONS	10
ACCOUNTS AND RECORDS	11
FINANCIAL STATEMENTS AND OTHER EXHIBITS	11
NOTES TO FINANCIAL STATEMENTS	15
CONCLUSION	17
NOTARIZATION	18



State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

OFFICE OF SOLVENCY REGULATION

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TAHESHA L. WAY

Lt. Governor

JUSTIN ZIMMERMAN

Commissioner

May 5, 2025

Honorable Justin Zimmerman
Commissioner of Banking and Insurance
State of New Jersey
20 West State Street
P.O. Box 325
Trenton, New Jersey 08625-0325

Commissioner:

In accordance with the authority vested in you by N.J.S.A. 17:50-8 and N.J.S.A. 17:23-22, an examination has been made of the assets, liabilities, methods of conducting business and other affairs of the:

**CONVENTUS INTER-INSURANCE EXCHANGE
WOODBIDGE, NEW JERSEY 07095-1003
NAIC COMPANY CODE 11535**

Hereinafter referred to as the "Company."

SCOPE OF EXAMINATION

This comprehensive financial condition examination was called by the Commissioner of the New Jersey Department of Banking and Insurance (“Department”) pursuant to the authority granted by N.J.S.A. 17:50-8 and N.J.S.A. 17:23-22.

The New Jersey Department of Banking and Insurance conducted a financial condition examination of the Conventus Inter-Insurance Exchange for the five-year period ending December 31, 2023, which included a review of material transactions and/or events occurring subsequent to the examination date. The examination was conducted remotely.

The Department conducted the examination in accordance with the 2023 edition of the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (the “NAIC Handbook”). The NAIC Handbook requires the Department to plan and perform a risk focused examination in order to evaluate the financial condition and identify prospective risks of the Company. To meet these objectives, the Department obtained information regarding the Company’s corporate governance environment, identified and assessed inherent risks to which it is exposed and evaluated the Company’s system of internal controls and procedures used to mitigate identified risks. 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 the Accounting Practices and Procedures Manual and Annual Statement instructions adopted by the NAIC.

HISTORY

The Company was organized by NIP Group, Inc. ("NIP") to provide medical professional liability insurance to New Jersey physicians. Early in 2002, NIP began to track developments in the New Jersey physician marketplace. After determining that sharp price increases and a decrease in the number of available carriers were likely, NIP decided to establish a new physician-subscriber reciprocal insurance exchange. In order to file the required declarations pursuant to N.J.S.A. 17:50-3, the Company needed an Attorney-In-Fact ("AIF"). NIP Management Co. LLC. ("NIPM") was incorporated under the laws of the State of Delaware on June 18, 2002 for that purpose. NIPM is a Delaware limited liability corporation with its principal office located at 900 Route 9 North, Suite 404, Woodbridge, New Jersey 07095.

Pursuant to N.J.S.A. 17:50-10 and N.J.S.A. 11:1-28.8, NIPM requested approval to solicit powers of attorney and applications for such insurance contracts. NIPM filed the information required pursuant to N.J.A.C. 11:1-28.5, 28.6 and 28.7, including the Company's Rules and Regulations, the Power of Attorney, and the Attorney in Fact Agreement for review and approval by the Department and Commissioner. A Permit to Solicit Letter was issued by the Commissioner on September 6, 2002. A Certificate of Authority for the Company to engage in the business of exchanging medical malpractice insurance [N.J.S.A. 17:17-1(e)] was approved on December 5, 2002.

TERRITORY AND PLAN OF OPERATION

The Company is authorized to operate as a reciprocal insurance exchange in the state of New Jersey only. The lines of business offered by the Company are Medical Professional Liability - Occurrence and Claims Made, and Cyber Liability, to its insured Physicians and their offices.

The Company is overseen and controlled by a Board of Governors ("Board") comprised entirely of physician-subscribers within the Exchange. NIPM serves as the Attorney-in-Fact to the Exchange pursuant to Powers of Attorney executed by each subscriber ("Subscriber") to the Exchange.

Through a Management Agreement between the Company (executed by the Board's Chairman) and NIPM, NIPM provides services administrative, marketing, claim adjustment, loss control, staffing, underwriting, premium collection, and other functions as needed to run the Company's day-to-day operations. As compensation for these services to the Exchange, the Company pays a fee to NIPM equal to 19.5% of the Company's total gross written premiums excluding Cyber Liability, less premiums written off as uncollectible. The Management Agreement requires the fee to be paid in accordance with insurance accounting principles acceptable to the Department (including Statement of Statutory Accounting Principle No. 25). The Board has the authority to replace the Attorney-in-Fact pursuant to the Management Agreement.

In addition to the Attorney-in-Fact agreement with NIPM, the Company through NIPM has an agency agreement known as the Conventus Captive Agent program to produce business on behalf of the Company. The Company also has agreements with various brokerages to offer their products.

Sun Life Capital Management (“SLC”) serves as the investment advisor for the Company. Investments are managed in accordance with the Investment Guidelines as set forth by the Board and all investment transactions are reviewed by the Audit and Finance Committee of the Board. SLC provides advice and consultation to management on all investment transactions and is authorized to execute transactions which are in compliance with the Investment Guidelines.

The Company also has an agreement in effect with Princeton Public Affairs Group for legislative monitoring and public relations assistance. In placing reinsurance, the Company utilizes the services of Guy Carpenter as a reinsurance intermediary.

While reciprocal exchanges are subject to the New Jersey Insurance Holding Company Systems Act, N.J.S.A. 17:27A-1 et seq., the Company is currently not a member of an Insurance Holding Company System as defined by N.J.S.A. 17:27A-1(d) requiring registration pursuant to N.J.S.A. 17:27A-3.

NIPM is owned by NIP Group, Inc. Marketing services are provided by NIP.

MANAGEMENT AND CONTROL

The day-to-day operations of the Company are run by its Attorney in Fact, NIPM, with oversight and overall control provided by the Company’s Board. The Board is comprised entirely of Physician Subscribers (or “members”) and is divided into three classes. Each class contains five members all elected for three-year terms. The first class of the Board shall be selected by the Attorney in Fact. No other class of the Board shall be selected by the Attorney-in-Fact following their selection of their first class of the Board. The second, third and all subsequent classes of the Board shall be elected by the members at the annual meetings of the Company. Agents, employees and shareholders of the Attorney-in-Fact shall not be eligible to be members of the Board.

Any vacancy on the Board by reason of death, disability, resignation or removal shall be filled for the unexpired term by the remaining members of the Board in accordance with their majority vote.

The Board shall have the ultimate power and responsibility in the management and control of the affairs of the Company including but not limited to, the general supervision over the finances of the Company and its operations to the extent that said operations shall be in conformity with the Powers of Attorney.

The Members of the Board elected and serving at December 31, 2023 were as follows:

Governors

Albert A. Talone, D.O., Chair
Michael G. Faust, M.D., Vice Chair
Brett A. Garber, D.O.
Mark R. Leone, D.O.
Saraswati Dayal, M.D.
Jeffrey E. Levy, M.D.
Clement A. Maccia, M.D.
Bevon D. Miele, M.D.

Michael H. Rieber, M.D.
Clifford J. Schob, M.D.
Tariq S. Siddiqi, M.D.
Scott D. Lippe, M.D.
Georgios Giannakopoulos, D.O.
Anthony Wehbe, D.O.

The Board may, by a majority vote of those present, fix the number of members of, and elect from among their own members, an Executive Committee, consisting of not less than three (3) members.

After the third annual meeting, those members of the Board who, on the day of the annual meeting of members of the Company, are commencing the second year of a regular three-year term on the Board shall constitute a Nominating Committee for the ensuing year.

In addition to the Executive Committee and the Nominating Committee, the Board shall select from among the Subscribers, persons to serve on the following standing committees: Audit Committee, Claims Committee, Risk Control Committee, Underwriting Committee and Professional Affairs Committee. The Chairperson of each standing committee shall be a member of the Board. Members of the Executive Committee and Nominating Committee must be members of the Board. Members of the standing committees shall serve for a period of two (2) years or until their term as a member of the Board, if applicable, shall expire. Members of the Board may serve on more than one (1) standing committee.

The members of the Committees of the Board elected and serving at December 31, 2023 were as follows:

Executive Committee

Except for the power to amend the Rules and fill vacancies on the Board, the Executive Committee shall have the power to act for the Board during the interim period between meetings of the Board. Members serving at December 31, 2023 were as follows:

- Albert A. Talone, D.O., Chair
- Michael G. Faust, M.D.
- Michael H. Rieber, M.D.

Audit and Finance Committee

- Clement Maccia, M.D., Chair
- Jeffrey Levy, M.D.
- Michael Rieber, M.D.
- Georgios Giannakopoulos, D.O.
- Brett A. Garber, D.O.

Underwriting Committee

- Michael G. Faust, M.D., Chair
- Jayshree R. Patel, M.D.
- Clifford J. Schob, M.D.

- Lopa M. Patel, M.D.
- Steven Gronowitz, M.D.
- Anuj Shah, M.D.
- Sonia Simoes, M.D.
- Bevon D. Miele, M.D.

Risk Management Committee (also known as Risk Control)

- Anthony Wehbe, D.O., Temporary Chair
- Anthony L. Cuppari, M.D.
- Sarawati Dayal, M.D.
- Barbara Etheridge, M.D.
- LieLie Hong, M.D.
- Anita Kishen, M.D.

Claims Committee

- Mark R. Leone, D.O., Chair
- Stuart A. Sackstein, M.D.
- Carney T. DeSarno, M.D.
- Anton P. Kemps, D.O.

Professional Affairs Committee

- Bevon D. Miele, M.D., Chair
- Jeffrey Levy, M.D.
- Clement Maccia, M.D.
- Georgios Giannakopoulos, D.O.
- Brett A. Garber, D.O.
- Adrienne Lynn Salerno, M.D.

Nominating Committee

- Michael G. Faust, M.D., Chair
- Michael H. Rieber, M.D.
- Tariq S. Siddiqi, M.D.
- Albert A. Talone, D.O.

Conventus Officers serving at December 31, 2023 were as follows:

- Amy Jeanne Berezein, President, Chair
- Steven Strauss, Treasurer, Vice Chair
- Kathryn Ann Rivera, Secretary

REINSURANCE

The Company does not assume reinsurance business.

The Company provides medical professional liability coverage to its member policyholders on a claims-made and modified claims-made (occurrence) basis. The minimum coverage that may be purchased is \$1 million per risk and \$3 million in aggregate, while the maximum coverage that may be purchased is \$5 million per risk and \$7 million in aggregate. In the event of a policy cancellation or non-renewal, a claims-made insured has the right to purchase coverage for an extended reporting period, subject to the rules, rates, and rating plans then in effect. The limit of coverage that may be purchased for the extended reporting period shall not exceed the lowest limits available at any time during the last year of coverage.

The Company retains the first \$350,000 per each and every claim, each original policy.

Following is a summary of the reinsurance agreements in effect as of December 31, 2023:

Primary Excess of Loss

A. Section A – per claim

1. This Section A applies to each and every Claim, each Original Policy.
2. Wherever the Company has paid or advanced, or agreed to pay or advance, or becomes liable to pay a Claim in excess of \$350,000 Ultimate Net Loss each and every Claim, each Original Policy, the amount recoverable from the Reinsurer hereunder shall be the amount in excess of \$350,000 Ultimate Net Loss each and every Claim, each Original Policy, subject to a limit of \$1,650,000 Ultimate Net Loss each and every Claim, each Original Policy.

B. Section B – clash

1. This Section B applies to the Company's aggregated Section A retentions in respect of two or more Original Policies involved in the same Loss Occurrence.
2. Wherever two or more Original Policies are involved in the same Loss Occurrence, the amount recoverable from the Reinsurer hereunder shall be the amount in excess of \$350,000 Ultimate Net Loss each and every Loss Occurrence, subject to a limit of \$1,150,000 Ultimate Net Loss each and every Loss Occurrence.

C. Section C - Aggregate

1. This Section C applies to the Company's loss in the aggregate each Original Policy.
2. Wherever the Company has paid or advanced, or agreed to pay or advance, or becomes liable to pay a loss in excess of \$750,000 Ultimate Net Loss in the aggregate each Original Policy the amount recoverable from the reinsurer hereunder shall be the amount in excess of \$750,000 Ultimate Net Loss in the aggregate each Original Policy, subject to a limit of \$2,250,000 Ultimate Net Loss in the aggregate each Original Policy.

D. All Sections

Recoveries by the Company under Section A shall inure to the benefit of the Reinsurer under Section B.

Recoveries by the Company under Sections A and B above shall inure to the benefit of the Reinsurer under Section C.

For the purposes of recovery under this Contract, the maximum Original Policy limit is \$1,000,000 each and every Loss Occurrence, each Original Policy and/or \$3,000,000 in the aggregate each Original Policy, or so deemed, except as respects Excess of Original Policy Limits and Extra Contractual Obligations, both as more fully defined in this Contract,

where coverage hereon applies to Original Policies issued for limits up to a maximum of \$5,000,000 or so deemed.

First Excess Cession

Under this agreement, the Company shall cede, and the Reinsurer shall accept by way of reinsurance under this Contract, all liability in excess of underlying limits of \$1,000,000 each and every loss, each Original Policy and/or \$3,000,000 in the aggregate each Original Policy, where applicable.

With respect to each such cession, no Claim shall be made under this Contract unless and until the Company has paid or advanced, or agreed to pay or advance, or becomes liable to pay on account of a loss, an amount in excess of the said underlying limits. The Reinsurer shall then be liable for the amount in excess of the said underlying limits, but the amount recoverable hereunder shall not exceed the difference between \$5,000,000 each and every loss, each Original Policy and/or \$7,000,000 in the aggregate each Original Policy, where applicable and the aforementioned underlying limits of \$1,000,000 each and every loss each Original Policy, and/or \$3,000,000 in the aggregate each Original Policy, where applicable.

The Reinsurer shall allow to the Company a profit-sharing commission of 15.00% of the actual net profit to the Reinsurer, such profit commission being first calculated at January 1, 2026 and adjusted annually thereafter, payable by the debtor party within 30 days thereafter, if applicable.

Awards Made Coverage

The Reinsurer shall be liable under this Contract in respect of each and every Loss Occurrence, for the Company's Ultimate Net Loss in excess of the Company's applicable underlying reinsurance program (including the Company's retentions and co-reinsurances, if any), whether commuted, exhausted or otherwise, which for the purposes of this Contract are deemed to be in full force, subject to a limit of liability to the Reinsurer of \$7,000,000 Ultimate Net Loss each and every Loss Occurrence.

For the purposes of this Contract, it is agreed and expressly warranted that the maximum Original Policy limit subject to this Contract is \$5,000,000 each and every loss. The Company receives a no-claim bonus equal to 20% of the final gross reinsurance premium for this contract if the Company reports that there are no known or reported losses. Payment of the no-claims bonus shall constitute a full and final commutation of the Reinsurer's liability under this contract

Cyber Liability Coverage

The Company will cede to the Reinsurer, and the Reinsurer will accept, a 100% quota share participation in respect of the Company's liability for Loss and Loss Adjustment Expense arising from the Cyber Endorsement set forth in Exhibit B, attached to and forming part of this Contract, subject further to the provisions of the Extra Contractual Obligations and Excess Limits Liability Article, for all business classified by the Company as Cyber Liability. The liability of the Reinsurer with respect to each cession hereunder will commence obligatorily and simultaneously with that of the Company.

The Company's maximum coverage provided by any one cession shall be \$100,000 Per Claim and/or \$250,000 in the Aggregate each endorsement. The Reinsurer shall pay to the Company the Reinsurer's quota share of Losses under the endorsements, Loss Adjustment

Expense, Extra Contractual Obligations, and Excess Limits Liability covered under this Contract.

CORPORATE RECORDS

The minutes of the Board of the Company were reviewed during the period of examination and found to be in accordance with the Company's Rules and Regulations which reflect its By-laws. The review indicated that transactions and events of the Company were adequately approved and supported.

The Company's Rules and Regulations stipulate that the annual meeting of members of the Company shall be held on the first Wednesday of May of each year. The Board shall be divided into three (3) classes, with each class containing five (5) members, all of whom shall be elected for three (3) year terms, with one class elected at each successive annual meeting. The Board's annual meeting shall be held immediately after the annual meeting of members of the Company. Special meetings of the Board may be called by the Chairperson with at least five days' prior notice.

POLICY ON CONFLICTS OF INTEREST

The NIP Group has developed a formal policy on Conflicts of Interest and Business Ethics applicable to all employees. There is a conflict of interest policy applicable to the Board and officers of the Company. There are established procedures to report actual or potential conflicts of interests, and to assess the disclosed conflicts to determine the appropriate course of action.

FIDELITY BOND AND OTHER INSURANCE COVERAGES

The Company is a named insured in NIP's crimes coverage policy with a fidelity bond in the amount of \$5,000,000. The policy also includes coverage for computer crime, fund transfers, forgery or alteration among other coverages. Based on the NAIC exposure index guidelines for minimum amounts of fidelity insurance, the amount of coverage for the Company appears to be adequate.

In addition, the Company maintains the following insurance coverages: The Directors and Officers policy provides coverage to a total limit of \$3,000,000. The Workers Compensation & Employers policy provides coverage to a total limit of \$1,000,000 for bodily injury by accident/disease. The Professional Liability policy provides coverage to a total limit of \$1,000,000 for all claims.

The Commercial General Liability Policy provides coverage as follows:

General Aggregate (except products completed operations limit)	\$2,000,000
Products Completed Operations Aggregate Limit	\$2,000,000
Personal and Advertising Injury Limit	\$1,000,000
Each Occurrence Limit	\$1,000,000
Damages to Premises Rented	\$300,000
Medical Payments Limit (any one person)	\$5,000
Fine Arts	\$25,000

The policy is subject to a deductible of \$500 per occurrence for business owners' property coverage and building glass.

POLICY FORMS AND UNDERWRITING PRACTICES

The Company provides both claims-made and modified claims-made (occurrence) medical professional liability insurance coverage to its members. Members have the option when joining the Company to purchase its claims-made coverage with retroactive reporting dates to cover prior acts. The minimum coverage available is a \$1,000,000 per claim with a \$3,000,000 per year aggregate and the maximum coverage is a \$5,000,000 per claim with a \$7,000,000 per year aggregate.

In the event of policy cancellation or non-renewal, insureds purchasing claims made have the opportunity to purchase an extended reporting period on a claims-made policy. For modified claims-made the extended reporting period is automatically issued upon cancellation. The extending reporting period endorsement limit shall not exceed the lowest limits available at any time during the last year of coverage.

The MPL policy also provides sub-limits for Billing E&O defense and Licensing Board defense coverage. By endorsement and a separate reinsurance contract, Conventus also provides a separate set of limits for Cyber/HIPAA coverage.

Conventus offers a Group Policy to practices of 2 or more physicians. Under a group policy, para-medicals such as nurse practitioners may be issued their own limit for an additional premium. Physician Assistants are offered their own limits, as required under New Jersey law.

All underwriting functions are performed by personnel of NIPM.

ADVERTISING

The Company's advertising for the examination period was reviewed and found to be in compliance with N.J.S.A. 17:18-10.

TREATMENT OF POLICYHOLDERS

The Company maintains records of written complaints and has procedures in place for the resolution of those complaints. As such, the Company is deemed to be in compliance with N.J.S.A. 17:29B-4(10).

CONTINUITY OF OPERATIONS

The Company has a formal disaster recovery plan that includes backup procedures, failover precautions, emergency contacts, cybersecurity, anti-virus support and a dedicated offsite location in order to maintain the stability and continuity of the Company's operations in the event of a man-made or natural disaster. The Company performs annual data restoration tests in compliance with NAIC standards, the last of which was conducted between November - December 2023 without incident. The Company maintains formal and documented succession plans of officers that are reviewed and updated on an annual basis.

ACCOUNTS AND RECORDS

The Company utilizes the OASIS System for policy information including cash postings. Applied Epic is used for the General Ledger. NIPM has contracted with SLC to perform investment advisory services and preparation of annual statement investment schedules. Claim handling is provided by NIPM. NIPM has established a Claims Committee which reviews reserves and approves claim payments.

Premium application information is entered into the OASIS module called policy management and Salesforce a web-based system used for sales and marketing. When a check is received to the Citibank lockbox, the payment file is downloaded directly into the Oasis system. Payments mailed to the office address are entered manually into the systems. Payments received through automatic ACH withdrawal as well as one-time ACH and credit card payments made through Epay are also manually applied to the account in Oasis.

Pursuant to N.J.A.C. 11:2-26.4 an annual audit was performed by the CPA firm of Johnson Lambert & Co. and an audited financial/CPA report was filed with the Department. The report contains a synopsis of the major audit activities and results in the corporate area. An actuarial analysis was performed by the Actuarial Firm of Towers Watson.

FINANCIAL STATEMENTS AND OTHER EXHIBITS

<u>Exhibit - A</u>	Statement of Assets, Liabilities and Unassigned Funds as of December 31, 2023
<u>Exhibit - B</u>	Summary of Operations for the Five-Year Period Ended December 31, 2023
<u>Exhibit - C</u>	Surplus Account for the Five-Year Period Ended December 31, 2023

CONVENTUS INTER-INSURANCE EXCHANGE
STATEMENT OF ASSETS, LIABILITIES AND UNASSIGNED FUNDS AS OF
DECEMBER 31, 2023

	Balance Per Examination 12/31/2023	Balance Per Company 12/31/2023	Examination Change	Notes
<u>Assets</u>				
Bonds	\$ 91,404,285	\$ 91,404,285	\$ -	1
Cash	3,687,416	3,687,416	-	
Subtotals, cash and invested assets	<u>\$ 95,091,701</u>	<u>\$ 95,091,701</u>	<u>-</u>	
Investment income due and accrued	569,963	569,963		
Uncollected premiums and agents' balances in the course of collection	941,858	941,858	-	
Deferred premiums, agents' balances and installments booked not yet	6,016,633	6,016,633	-	
Amount recoverables from insurers	6,666,176	6,666,176	-	
Net deferred tax asset	<u>1,048,212</u>	<u>1,048,212</u>	<u>-</u>	
Total admitted assets	<u>\$ 110,334,543</u>	<u>\$ 110,334,543</u>	<u>\$ -</u>	
<u>Liabilities</u>				
Losses	\$ 38,284,125	\$ 38,284,125	\$ -	2
Loss adjustment expenses	9,179,694	9,179,694	-	2
Commissions payable and contingent commissions	516,132	516,132	-	
Other expenses	329,967	329,967	-	
Taxes, licenses and fees	164,220	164,220	-	
Current federal and foreign income taxes	48,053	48,053	-	
Unearned premiums	14,086,270	14,086,270	-	
Advance premium	451,594	451,594	-	
Ceded reinsurance premiums payable	<u>6,052,045</u>	<u>6,052,045</u>	<u>-</u>	
Total liabilities	<u>\$ 69,112,100</u>	<u>\$ 69,112,100</u>	<u>\$ -</u>	
Aggregate write-ins for other than special surplus	19,821,757	19,821,757	-	
Unassigned funds	<u>21,400,686</u>	<u>21,400,686</u>	<u>-</u>	
Total surplus as regards to policyholders	<u>\$ 41,222,443</u>	<u>\$ 41,222,443</u>	<u>\$ -</u>	4
Total liabilities and unassigned funds	<u>\$ 110,334,543</u>	<u>\$ 110,334,543</u>	<u>\$ -</u>	

CONVENTUS INTER-INSURANCE EXCHANGE
SUMMARY OF OPERATIONS FOR THE FIVE-YEAR PERIOD ENDED
DECEMBER 31, 2023

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Notes</u>
Premiums earned	\$ 12,752,253	\$ 13,808,669	\$ 15,871,585	\$ 16,188,702	\$ 21,216,757	
Losses incurred	5,491,912	6,057,452	7,359,545	7,511,024	10,456,718	
Loss adjustment expenses incurred	3,857,588	4,359,697	5,142,068	5,016,720	6,156,667	
Other underwriting expenses incurred	4,860,614	4,661,094	5,098,257	5,394,503	6,329,032	3
Total underwriting deductions	<u>\$ 14,210,114</u>	<u>\$ 15,078,243</u>	<u>\$ 17,599,870</u>	<u>\$ 17,922,247</u>	<u>\$ 22,942,417</u>	
Net underwriting gain (loss)	<u>\$ (1,457,861)</u>	<u>\$ (1,269,574)</u>	<u>\$ (1,728,285)</u>	<u>\$ (1,733,545)</u>	<u>\$ (1,725,660)</u>	
Net investment income earned	\$ 1,902,434	\$ 1,765,015	\$ 1,595,842	\$ 1,509,913	\$ 1,868,851	
Net realized capital gains (losses)	<u>\$ (16,672)</u>	<u>\$ 232,007</u>	<u>232,077</u>	<u>13,723</u>	<u>(9,914)</u>	
Net investment gain (loss)	<u>\$ 1,885,762</u>	<u>\$ 1,997,022</u>	<u>\$ 1,827,919</u>	<u>\$ 1,523,636</u>	<u>\$ 1,858,937</u>	
Finance and service charges not included in premiums	\$ -	\$ -	\$ -	\$ -	\$ -	
Aggregate write-ins for miscellaneous income	16,339	13,989	13,673	13,330	13,189	
Total other income	<u>16,339</u>	<u>13,989</u>	<u>13,673</u>	<u>13,330</u>	<u>13,189</u>	
Net income before and after dividends and before taxes	<u>444,240</u>	<u>741,437</u>	<u>113,307</u>	<u>(196,579)</u>	<u>146,466</u>	
Federal and foreign income taxes incurred	<u>35,450</u>	<u>190,641</u>	<u>83,931</u>	<u>38,675</u>	<u>133,482</u>	
Net income	<u>\$ 408,790</u>	<u>\$ 550,796</u>	<u>\$ 29,376</u>	<u>\$ (235,254)</u>	<u>\$ 12,984</u>	

CONVENTUS INTER-INSURANCE EXCHANGE
SURPLUS ACCOUNT FOR THE FIVE-YEAR PERIOD ENDED
DECEMBER 31, 2023

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Capital and surplus, December 31, prior year	<u>\$41,261,183</u>	<u>\$ 41,820,455</u>	<u>\$ 42,188,980</u>	<u>\$42,417,434</u>	<u>\$ 41,103,388</u>
Net income	\$ 408,790	\$ 550,796	\$ 29,376	\$ (235,254)	\$ 12,984
Change in net unrealized capital gains (losses)	-	-	-	-	-
Change in net unrealized foreign exchange capital gain (loss)	-	-	-	-	-
Change in net deferred income tax	63,214	119,223	137,747	107,817	96,552
Change in non-admitted assets	87,268	(301,494)	61,331	109,332	9,519
Aggregate write ins for gains and losses in surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,295,941)</u>	<u>-</u>
Net change in capital and surplus for the year	<u>559,272</u>	<u>368,525</u>	<u>228,454</u>	<u>(1,314,046)</u>	<u>119,055</u>
Capital and surplus, December 31, current year	<u><u>\$41,820,455</u></u>	<u><u>\$ 42,188,980</u></u>	<u><u>\$ 42,417,434</u></u>	<u><u>\$41,103,388</u></u>	<u><u>\$ 41,222,443</u></u>

NOTES TO FINANCIAL STATEMENTS

Note: 1

BONDS AND STOCKS

At December 31, 2023, the Company reported Bonds of \$91,404,285 and no common stocks.

Note: 2

LOSSES AND LOSS ADJUSTMENT EXPENSES

The Company's reported liabilities at December 31, 2023, for unpaid losses and unpaid loss adjustment expenses, net of reinsurance, amounted to \$38,284,125 and \$9,179,694, respectively.

Jeffrey A. Van Kley, FCAS, MAAA, associated with WTW, appointed by the Board of Directors, rendered an opinion on the reasonable provision for all unpaid loss and loss adjustment expense obligations recorded as of December 31, 2023.

The Department contracted INS Consultants, Inc., to review the Company's loss reserves and actuarial liabilities and the examination actuarial consultants determined the recorded amounts were reasonably stated.

The Property and Casualty Actuarial Unit of the Department, Office of Solvency Regulation performed a review and evaluation of the outstanding gross and net loss and loss adjustment expense reserves. This review determined the year-end loss provisions established by the Company were reasonably stated.

Note: 3

OTHER UNDERWRITING EXPENSES

The Company's AIF fee expenses incurred for the management agreement with NIPM amount to \$5,288,697 for 2023. Payables due to NIPM from the Company regarding AIF expenses and other expenses reimbursable at December 31, 2023 amount to \$516,133, respectively.

Note: 4

SURPLUS AS REGARDS POLICYHOLDERS

Aggregate Write-Ins for other than Special Surplus Funds

The Company has reported \$19,821,757 as Aggregate Write-Ins for other than Special Surplus Funds as of December 31, 2023. This consists of capital contributed by the Subscribers of the Company upon initial membership, net of write-offs and returns.

During the examination period, the Company continued the Conventus Owner Benefit Plan (the "Plan"). The Plan provides for a distribution of funds related to the return of capital to

former members who meet qualifying criteria such as death, disability and/or retirement, and eligible current members who meet the requirements of retirement for purposes of this plan and provides for dividends of current earnings to in-force members of record as of each calendar year-end in good standing. In order for funds to be distributed to members under Plan provisions, the Company must meet financial targets in the year prior to distribution to maintain current solvency and prevent erosion of surplus.

During the examination period, the Company distributed surplus funds to former members in the amount of \$1,134,205 in 2022. This was approved by Management, the Board and the Department.

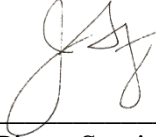
Unassigned Funds

The unassigned funds reported by the Company as of December 31, 2023, amounted to \$21,400,686.

CONCLUSION

The undersigned hereby certifies that an examination has been made of Conventus Inter-Insurance Exchange and the foregoing report is true to the best of my knowledge and belief.

Respectfully Submitted,



Jan Pierre Santiago, CFE, CPA
Examiner-in-Charge
INS Consultants, Inc.
Representing the State of New Jersey
Department of Banking and Insurance

Under the supervision of




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

CONVENTUS INTER-INSURANCE EXCHANGE


I, Jan Pierre Santiago, 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, 2023, to the best of my knowledge, and belief.

Respectfully Submitted,



Jan Pierre Santiago, CFE, CPA
Examiner-in-Charge
INS Consultants, Inc.
Representing the State of New Jersey
Department of Banking and Insurance

Under the supervision of



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

State of New Jersey
County of Mercer

Subscribed and sworn to before me, Sheila Tkacs, on this
7th day of May, 2025.



Notary Public of New Jersey

My commission expires: July 2025