

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

**GREAT BAY INSURANCE COMPANY**

**WEST ATLANTIC CITY, NEW JERSEY 08232**

**AS OF DECEMBER 31, 2023**

**NAIC COMPANY CODE 16620**

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**State of New Jersey**

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

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JUSTIN ZIMMERMAN  
*Commissioner*

January 6, 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 the revised statutes of New Jersey N.J.S.A. 17:44B-27 an examination has been made of the assets, liabilities, methods of conducting business and other affairs of the:

**GREAT BAY INSURANCE COMPANY  
WEST ATLANTIC CITY, NEW JERSEY 08232  
NAIC COMPANY CODE 16620**

Hereinafter referred to as the "Company", or "GBIC".

## **SCOPE OF EXAMINATION**

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

The New Jersey Department of Banking and Insurance conducted a financial condition examination of the Great Bay Insurance Company 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. This is the first examination of the Company. The examination was conducted remotely.

The New Jersey Department of Banking and Insurance (“NJDOBI”) 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 NJDOBI 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 NJDOBI 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 Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations.

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

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

Pursuant to the provisions of N.J.A.C. 11:2-26.4, an annual independent audit was performed by the CPA firm of Mazars USA LLP (Mazars) and filed with the New Jersey Commissioner of Banking and Insurance. Mazars provided an unmodified opinion on the basis of accounting in accordance with accounting practices prescribed or permitted by the New Jersey State Department of Banking and Insurance for the reporting year period ending December 31, 2023. Relevant work performed by the CPA firm during its annual audit of the Company was reviewed during the examination and incorporated into the examination work papers whenever feasible to facilitate efficiencies.

## **HISTORY**

Great Bay Insurance Company, Inc. is a property and casualty insurance company domiciled and headquartered in New Jersey. The Company was incorporated and organized on June 26, 2019 and commenced business on September 9, 2019.

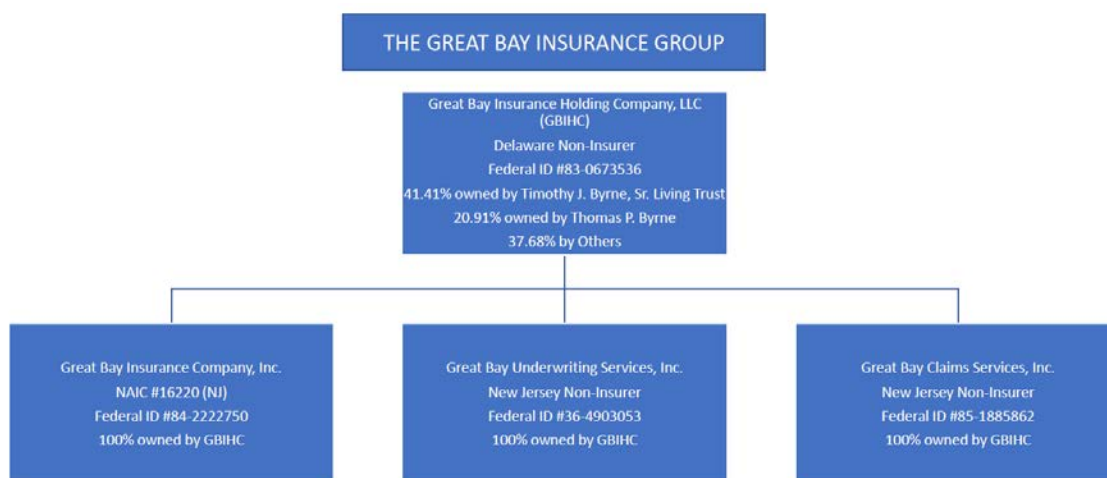
The Company is currently authorized to transact the business of insurance as specified in N.J.S.A. 17:17-1 et seq. The Company's principal and registered office is located at 8025 Black Horse Pike, Suite 400, West Atlantic City, New Jersey 08232, and the registered agent in charge, upon whom process may be served shall be the Company.

## **HOLDING COMPANY SYSTEM**

GBIC is part of a holding company system and is a wholly owned subsidiary of Great Bay Insurance Holding Company, LLC ("GBIH", "GBIHC" or "Parent"), a Delaware-domiciled holding company. The group consists of the following wholly owned subsidiaries:

- Great Bay Insurance Company, Inc., a New Jersey-domiciled stock insurance company. The Company has no subsidiaries.
- Great Bay Underwriting Services, Inc., a New Jersey-domiciled licensed producer-entity that provides all non-claims services for policies written through GBIC, and
- Great Bay Claims Services, Inc., a New Jersey-domiciled corporation, which handles all claims for policies written through GBIC.

The chart below illustrates the interrelationship of the companies within the holding company system as of December 31, 2023:



## **Inter-Company Agreements**

The Company amended its management services agreement on August 1, 2021 with GBIH for GBIH to perform ongoing management services including but not limited to management and oversight of all executives of the Company; oversee all aspects of human resources, including without limitation, staffing and payroll; and maintain all physical

facilities within which Company operates, including buildings and other improvements; finance; accounting; investments; manage relationships with applicable insurance rating agencies; internal controls and auditing; reporting requirements under local, state, federal and international laws; regulatory matters, including without limitation, addressing compliance issues with all governmental entities; legal compliance issues; and legislative matters including lobbying (collectively known as “Services”). The Company will reimburse all costs incurred by the Parent in providing the Services to the Company. In addition to the reimbursement of all costs, the Company will pay the Parent the Secured Overnight Financing Rate plus one percent calculated per annum, but pro-rated on a monthly basis on the amount of costs then outstanding (“SOFR Adjustment”). As of December 31, 2023, the Company reported \$213,407 as amounts payable to the Parent. The terms of the agreement require these amounts to be settled within 20 days after each month end.

The Company entered into a management services agreement with its affiliate, Great Bay Underwriting Services Inc. (“GBUS”), a wholly owned subsidiary of GBIH, to perform ongoing management services including but not limited to management of agency relationships, policy administration support, management of reinsurance products and customer related services. In exchange for these services, GBUS will charge the Company a structured tier fee based on the amount of direct written premiums related to insurance policies (including renewals). Under the tier structure, the fee will be 29% on the first \$22,500,000 of direct written premium and 25% thereafter. As of December 31, 2023, the Company reported \$910,183 as amounts due to GBUS. The terms of the agreement require these amounts to be settled within 10 days after each month end.

The Company entered into a claims services agreement with its affiliate, Great Bay Claims Services Inc. (“GBCS”), a wholly owned subsidiary of GBIH, to perform ongoing claims management services. GBCS will charge the Company a structured tier fee based on a per claim basis. As of December 31, 2023, the Company reported \$189,859 as amounts due to GBCS. The terms of the agreement require these amounts to be settled within 20 days after each month end.

## **MANAGEMENT AND CONTROL**

The Company has six (6) directors, two of whom are non-employees. The following is a listing of the Board of Directors serving at December 31, 2023:

- Timothy J. Byrne, Sr. – CEO of the Company. He has been a director since 2019.
- Timothy J. Byrne, Jr. – COO/VP of the Company. He has been a director since 2019.
- Ronald R. Lovatt – CUO and Chief Claims Officer of the Company. He has been a director since 2019.
- David DeWeese – Mr. DeWeese is an investor in Great Bay Insurance Holding Company, the Company’s Parent. He practices law. Mr. DeWeese has been a director since April 2020.
- Casey Byrne – Mr. Casey Byrne is an investor in Great Bay Insurance Holding Company, the Company’s Parent. Mr. Casey Byrne serves as President of the J. Byrne Agency, an independent insurance agency that places business with the Company. Mr. Casey Byrne has been a director since 2019.

- Brian Schleider – CFO of the Company. Mr. Schleider has been a director since March 2020.

The following is a list of the Audit committee members serving at December 31, 2023:

- David DeWeese, Chair
- John G. Zimitski, CPA\*
- Casey Byrne

\*John G. Zimitski is considered the Audit Committee Financial Expert.

The following is a list of the Investment committee members serving at December 31, 2023:

- Timothy J Byrne, Sr. – CEO of the Company
- Timothy J Byrne Jr. – COO of the Company, VP of the Company
- Ronald Lovatt – CUO and Chief Claims Officer of the Company
- Logan Byrne – Product Manager, GBUS

#### Investment Committee Independence

N.J.S.A. 17:27A-4(d)3 and 4 are quoted as follows:

“(3) Not less than one-third of the directors of a domestic insurer, and not less than one-third of the members of each committee of the board of directors of any 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. At least one such person shall be included in any quorum for the transaction of business at any meeting of the board of directors or any committee thereof.

The Investment Committee consists of four (4) members as of December 31, 2023:

- Timothy J Byrne, Sr. - CEO of the Company. Mr. Byrne Sr. has been a director since 2019.
- Timothy J Byrne Jr. - COO/VP of the Company. Mr. Byrne Jr. has been a director since 2019.
- Ronald Lovatt - CUO and Chief Claims Officer of the Company. Mr. Lovatt has been a director since 2019.
- Logan Byrne - Product Manager, GBUS (appointed to Investment Committee on July 22, 2022)

During the examination, the Investment Committee has four (4) out of four (4), or a hundred percent of the members, who are either employees or officers of the Company or its Parent or affiliates. This is not in compliance with N.J.S.A. 17:27A-4(d)3.

Subsequently, both Timothy J. Byrne, Jr. and Ronald R. Lovatt resigned as members of the Investment Company. Casey Byrne, a GBHIC stockholder, was appointed to serve as

member of the Investment Committee. These changes bring the Company into compliance with N.J.S.A. 17:27A-4(d)3.

The following is a list of the Nominating committee members serving at December 31, 2023:

- Timothy J Byrne, Sr. – CEO of the Company
- Timothy J Byrne Jr. – COO of the Company, VP of the Company
- Casey Byrne

The following is a listing of the Senior Management/Officers serving at December 31, 2023:

- Timothy J. Byrne, Sr. CEO and founder of The Great Bay Insurance Group
- Brian Schleider, CFO, Treasurer and Secretary
- Timothy J. Byrne, Jr. COO and President of Great Bay Underwriting Services
- Ron Lovatt – CUO, Chief Claims Officer and CEO of Great Bay Claims Services
- Anthony Ruggeri, President, Great Bay Claims Services.

## **REINSURANCE**

The Company does not assume reinsurance business.

For the purposes of managing underwriting risk, the Company uses reinsurance to protect its policyholder surplus against material adverse loss experience. The Company has a quota share treaty and a catastrophic excess of loss treaty. The Company also has a per risk property excess of loss facultative reinsurance agreement.

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

### **Property and Casualty Quota Share**

The Company maintains quota share reinsurance coverage to minimize the financial impact from significant losses. From January 1, 2023 to June 30, 2023, the Company participated in a 90% quota share reinsurance agreement subject to ceding sliding scale commissions. Effective July 1, 2023, the Company entered into a 75% quota share reinsurance agreement.

### **Excess per Risk Reinsurance**

The Company entered into an excess liability reinsurance agreement effective July 1, 2023 for policies in force at the inception or written/renewed during the term of the treaty by or on behalf of the Company with respect to the sum of individual loss occurrences for one event. The Company's retention is \$2,000,000 and the reinsurer liability is the ultimate net loss in excess of the retention, subject to a \$2,000,00 per each occurrence, per one risk limit, and \$4,000,000 limit for each occurrence. However, as regards to losses resulting from acts of terrorism, the liability of the Reinsurer shall not exceed \$2,000,000 each loss occurrence. The treaty is subject to a reinstatement if the ultimate net loss exceeds the reinsurer's per occurrence limit.



### Excess Catastrophe Reinsurance

The Company entered into an excess catastrophe reinsurance agreement effective July 1, 2023 for policies in force at the inception or written/renewed during the term of the treaty by or on behalf of the Company with respect to the sum of individual loss occurrences for one event, subject to per occurrence and aggregate limits for each layer on all loss occurrences during term of treaty. The treaty is subject to a reinstatement if the ultimate net loss exceeds the reinsurer's per occurrence limit.

### Reinsurance Premium Protection

The Company entered into an indemnity reinsurance premium protection agreement for any reinstatement premium which the Company pays or becomes liable to pay as a result of loss occurrences covered under the First and Second Excess Layers of the Company's Excess Catastrophe Reinsurance Contract, effective July 1, 2023

### Equipment Breakdown Semi-Automatic Reinsurance Agreement

The Company entered into a treaty and facultative reinsurance indemnity agreement effective July 1, 2019 with Travelers Indemnity Contract for equipment breakdown and buried utility coverages on subject homeowners policies with a \$10,000 reinsurance limit.

## **CORPORATE RECORDS**

GBIC maintains a Board of Directors, an Audit Committee, an Investment Committee and a Nominating Committee. GBIHC maintains a Board of Directors consisting of GBIC Directors plus two (2) additional Directors.

GBIHC and GBIC Boards meet quarterly to discuss and review the business of the Companies. The Investment Committee meets twice a year to review and update the investment guidelines, if necessary, and review the performance of the portfolio. The Audit Committee meets twice a year; in the August/September timeframe to appoint and approve the auditors and related fees for the upcoming audit and in May to review and approve the issued audit report with the Company's independent auditors. The Nominating Committee has issued resolutions in lieu of meetings for the appointment of various Board Committee members; but has not met during the examination period. Other corporate actions for the election of Officers and Directors and appointment of officers or Board committee members have been made by resolution by the GBIC Board or the duly authorized General Manager of GBHIC.

The minutes of meetings of directors and committees adequately approved and supported the Company's transactions and events.

### Common Capital Stock

The Company has an issued and outstanding stock certificate of 100 shares at \$75K par value (PV) for a total initial capital funding of \$7.5M. This is in agreement with the Company's certificate of incorporation and its stock certificate.

The Company's stock certificate states 100 shares at \$75K for a total initial capital funding of \$7.5M. This is in agreement with Company's certificate of incorporation and its stock

certificate. However, in line with note 13 of the 2023 A/S, the 12/31/23 common capital stock is \$2,800,000 equating to a \$28K PV with the remainder recorded as gross paid in.

The initial funding of \$7,500,000 was allocated by the Company to comply with the required capital per N.J.S.A 17:17-1. (2023 A/S page 3 - \$2.8M to Line 30, common capital stock and \$4.7M to Line 34, Gross Paid in and contributed surplus). As such, the Company re-stated the PV of the 100 common stock shares to \$28K per share to equate \$2.8M; but did not amend its stock certificate, accordingly.

While the Company meets the minimum capital and surplus requirements; and the total of record equity (common capital stock and gross paid and contributed surplus) matches the total initial capital funding, the accounting allocation made by the Company results on a mismatch of the presentation of the A/S to the corporate records. This is a classification issue and has no impact to total capital and surplus.

Subsequently, the Company amended the 2023 Annual Statement to reflect the reclassification.

### **POLICY ON CONFLICTS OF INTEREST**

The Company has a conflict-of-interest statement as part of its Code of Conduct policy, which is signed annually by directors, officers and employees (“personnel”). Personnel must disclose, and take appropriate steps to avoid, any potential, actual or apparent conflict of interest with the Company. Personnel must disclose to the Company any self-employment, other employment positions or consulting assignments. Any such activities shall not involve the use of Company resources, property or assets.

Responses to the annual declaration are reviewed and monitored by the Secretary of the Company. Reportable events are reported to the Board for action. To date, there have been no reportable events.

### **FIDELITY BOND AND OTHER INSURANCE COVERAGES**

At December 31, 2023, the Company maintained a crime policy with a fidelity bond coverage in the amount of \$1,000,000. The crime policy also includes coverage for computer crime, fund transfer funds, 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 also maintains the following insurance coverages:

<u>COVERAGE</u>	<u>LIMITATIONS</u>
Management Liability	\$ 1,000,000 Aggregate
Derivate Costs	\$ 250,000 Aggregate
Employment Practices Liability	\$ 1,000,000 Aggregate
Policy Aggregate	\$ 1,000,000 Maximum Liability
Business Income/Interruption	12 months of actual losses sustained 30 days (action of civil authority) 30 consecutive days (extended business income)

	\$ 50,000	Hazardous Substances
	\$ 50,000	Expediting Expenses
	\$ 15,000	Identify Recovery Coverage
Commercial Business Liability	\$ 2,000,000	Liability and Medical Expenses
	\$ 4,000,000	General Aggregate
	\$ 4,000,000	Products Completed Aggregate
	\$ 2,000,000	Personal and Advertising Injury
	\$ 2,000,000	Hired and Non-Owned Auto
	\$ 1,000,000	Damage to Premises Rented (any one premises)
	\$ 10,000	Medical Expense (any one person)
	\$ 10,000	Employment Practices Liability (each claim/aggregate)
Workers' Compensation	\$ 500,000	Injury (each accident)
	\$ 500,000	Disease (each employee)
	\$ 500,000	Disease (policy limit)
Cyber Liability	Various coverages ranging from \$25,000 to \$ 1,000,000 on a per claim or aggregate basis \$ 1,000,000 Maximum Policy Aggregate Limit	

### **POLICY FORMS AND UNDERWRITING PRACTICES**

The Company is approved to write the following types of homeowners policy products: The Company utilizes HO-3 & HO-5 (ISO Forms), Dwelling Fire (ISO HO-3 Form) and other propriety forms.

Following are the primary coverages offered by the Company:

<b>COVERAGES</b>		<b>HO-3</b>	<b>HO-5</b>
Coverage "A"- Dwelling	Minimum	\$100,000	\$300,000
	Maximum	\$4,000,000 (Maximum Total Insurable Value \$4,000,000)	\$4,000,000 (Maximum Total Insurable Value \$4,000,000)
Coverage "B" - Other Structures <i>OPTIONAL</i>	Minimum	0%	0%
	Maximum	100% of Coverage A	100% of Coverage A
Coverage "C" - Contents <i>OPTIONAL</i>	Minimum	0%	0%
	Maximum	100% of Coverage A	100% of Coverage A
Coverage "D" - Loss of Use <i>OPTIONAL</i>	Minimum	0%	0%
	Maximum	50% of Coverage A	50% of Coverage A

Coverage "E" - Liability <i>OPTIONAL</i>	Limits Available	Exclude (\$0), \$100,000, \$300,000, \$500,000 & \$1,000,000 options	Exclude (\$0), \$100,000, \$300,000, \$500,000 & \$1,000,000 options
Coverage "F" - Medical Payments <i>OPTIONAL</i>	Limits	Exclude (\$0), \$1,000, \$2,500, \$5,000 or \$10,000	Exclude (\$0), \$1,000, \$2,500, \$5,000 or \$10,000

The policies have deductible mandatory and optional deductibles for all other perils, wind and hurricane deductibles.

Available endorsements include extended replacement cost, mechanical breakdown, water back up, loss assessment, jewelry, valuable and collectables, personal injury, replacement cost on contents coverage C – all perils, mold and fungi and increased ordinance and law.

### **TERRITORY AND PLAN OF OPERATION**

The Company offers homeowners insurance to individuals, families, and associations. The Company focuses on coastally situated residential properties in the State of New Jersey. In October 2022, the Company received a license to write business in the Commonwealth of Massachusetts.

As of December 31, 2023, the Company only writes business in the State of New Jersey.

The Company markets solely through independent agencies. Agencies are appointed by Great Bay as “agencies” rather than as “brokerages”. The appointed agencies & their respective agents are provided access to the Company’s on-line quoting system portal through which they can develop quotations for coverage, submit quotations for binding, and submit associated policy payments on behalf of insureds.

GBIC is a Producer-Controlled Insurer, per the N.J.S.A. 17:22D, and does not utilize a TPA or MGA, but rather has authorized its affiliated, Great Bay Underwriting Services, to perform all non-claims operating functions on its behalf via a NJDOBI-approved inter-company services agreement.

### **Reinsurance Intermediary Contract**

#### **Examination Finding**

The Company has contracted TigerRisk Partners LLC as reinsurance intermediary in February 2024 to commence placement for the Company’s reinsurance treaty year commencing July 1, 2024. Per review of the contract, it does not fully satisfy the minimum requirements as per N.J.S.A. 17:22E-6.

#### **Reference**

N.J.S.A.17:22E-6. Written contract required for transactions between reinsurance intermediary-broker and insurer

6. Transactions between a reinsurance intermediary-broker and the insurer it represents in that capacity shall only be entered into pursuant to a written contract, specifying the responsibilities of each party. The contract shall, at a minimum, provide that:

- a. The insurer may terminate the reinsurance intermediary-broker's authority at any time;
- b. The reinsurance intermediary-broker shall render accounts to the insurer accurately detailing all material transactions, including information necessary to support all commissions, charges and other fees received by, or owing to, the reinsurance intermediary-broker, and remit all funds due to the insurer within 30 days of receipt
- c. All funds collected for the insurer's account shall be held by the reinsurance intermediary-broker in a fiduciary capacity in a qualified United States financial institution;
- d. The reinsurance intermediary-broker shall comply with sections 7 and 8 of this act;
- e. The reinsurance intermediary-broker shall comply with the written standards established by the insurer for the cession or retrocession of all risks; and
- f. The reinsurance intermediary-broker shall disclose to the insurer any relationship with any reinsurer to which business will be ceded or retroceded.

Subsequently, the Company amended its reinsurance intermediary contract to comply with the provisions of N.J.S.A. 17:22E-6.

### **ADVERTISING**

Great Bay does not market directly to the public nor to agencies, and therefore has not produced nor utilized any advertising literature or materials during its existence. The only public-facing item would be its website, which provides information and allows agents and insureds to make payments, submit claims, request quotes (which are then routed to its independent agencies for actual quoting), and submit other informational requests to the Company. The website address is [greatbayinsurancegroup.com](http://greatbayinsurancegroup.com). Its information was reviewed and deemed to be in compliance with N.J.S.A.17:18-10.

### **TREATMENT OF POLICYHOLDERS**

The Company maintains records of all 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**

IT functions are administered and outsourced to a third-party provider, Contemporary Technologies. The Company also is supported by Next Level Solutions for any needed Britecore programming needs.

The Company maintains a disaster recovery and business continuity program. The plan has processes in place to maintain access to critical systems and data in the event of a disaster and continue its business operations whether at home office or remotely.

## **ACCOUNTS AND RECORDS**

The Company utilizes BriteCore, a cloud-based underwriting, policy administration, and claims management system. All premiums and claims data are generated from BriteCore, and are processed and recorded into Sapiens Financial Pro, a cloud-based accounting and financial reporting system. All commissions are calculated based on premium reports from BriteCore and recorded into the general ledger. Effective January 1, 2024; the Company migrated from Sapiens to FIS Insurance Accounting, also a cloud-based accounting and financial reporting system.

The Company utilizes Clearwater Analytics, a cloud-based investment reporting tool and uses it to generate investment accounting entries into its legacy or current accounting system. Clearwater Analytics reports are reconciled monthly to the custodian statements.

The Company uses Paysafe Payment XP (“Paysafe”), a cloud-based third-party payment processor for the collection of premium payments and ACH payments from policyholders. Credit card credits, when necessary, are refunded to the policyholder via Paysafe. Policyholders can also elect to make ACH payments via the Company’s website (<https://greatbay.britecorepro.com/login/securePayment>). ACH’s are also processed and remitted to the Company by Paysafe. The Company also receives direct premium via checks from banks or insureds. The checks are received and processed in the main office. The Company disburses payments through ACH and its online payment processor Bill.com.

### **Custodial Agreements**

Specific requirements related to an insurance company’s utilization of systems for holding and transferring securities are included in the NAIC’s *Model Act on Custodial Agreements and the use of Clearing Corporations* (Model # 295) and the NAIC’s *Model Regulation on Custodial Agreements and the use of Clearing Corporations* (Model #298).

The Company has two (2) custodial or safekeeping agreements with J.P. Morgan Securities LLC, that do not have and shall contain satisfactory safeguards and controls to comply with the aforementioned NAIC models, which include but are not limited to the following provisions requirements as quoted below:

“2. Custodial or safekeeping agreements with an agent, or clearing corporation meeting the requirements herein should contain satisfactory safeguards and controls, including but not limited to the provisions provided below. For the purpose of this guidance, an agent is a national bank, federal home loan bank, trust company or broker/dealer with an account in a clearing corporation, or a member of the Federal Reserve System. A clearing corporation is a corporation as defined in Article 8 of the Uniform Commercial Code that is organized for the purpose of effecting transactions in securities by computerized book-entry, including the Treasury/Reserve Automated Debt Entry Securities System (TRADES) and Treasury Direct book entry securities systems, except those securities issued under the laws of a foreign country.

a. The custodian is obligated to indemnify the insurance company for any insurance company’s loss of securities in the custodian’s custody, except that, unless domiciliary state law, regulation or administrative action otherwise require a stricter standard, the

custodian shall not be so obligated to the extent that such loss was caused by other than the negligence or dishonesty of the custodian;

c. In the event of a loss of the securities for which the custodian is obligated to indemnify the insurance company, the securities shall be promptly replaced or the value of the securities and the value of any loss of rights or privileges resulting from said loss of securities shall be promptly replaced.”

Subsequently, the Company amended its custodial agreements to comply with the provision requirements of the NAIC Models #295 and #298.

#### **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

**GREAT BAY INSURANCE COMPANY**  
**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	\$ 6,878,308	\$ 6,878,308	\$ -	
Cash	16,239,025	16,239,025	-	
Receivables for securities	700,000	700,000	-	
Subtotals, cash and invested assets	\$ 23,817,333	\$ 23,817,333	-	
Investment income due and accrued	105,132	105,132	-	
Uncollected premiums and agents' balances in the course of collection	2,022,778	2,022,778	-	
Amount recoverables from insurers	439,617	439,617	-	
Net deferred tax asset	281,145	281,145	-	
Electronic data processing equipment and software	56,715	56,715	-	
Receivables from parent, subsidiaries and affiliates	2,000,000	2,000,000	-	
 Total admitted assets	 \$ 28,722,720	 \$ 28,722,720	 \$ -	
<u>Liabilities</u>				
Losses	\$ 1,218,782	\$ 1,218,782	\$ -	1
Loss adjustment expenses	42,507	42,507	-	1
Commissions payable and contingent commissions	927,045	927,045	-	
Other expenses	846,523	846,523	-	
Taxes, licenses and fees	63,598	63,598	-	
Current federal and foreign income taxes	236,701	236,701	-	
Unearned premiums	3,941,829	3,941,829	-	
Advance premium	939,688	939,688	-	
Ceded reinsurance premiums payable	10,001,854	10,001,854	-	
Payable to parent, subsidiaries and affiliates	386,404	386,404	-	
 Total liabilities	 \$ 18,604,931	 \$ 18,604,931	 \$ -	
 Common capital stock	 7,500,000	 2,800,000	 4,700,000	 2
Gross paid in and contributed surplus	2,950,000	7,650,000	(4,700,000)	2
Unassigned funds	(332,211)	(332,211)	-	2
Total surplus as regards to policyholders	\$ 10,117,789	\$ 10,117,789	\$ -	
 Total liabilities and unassigned funds	 \$ 28,722,720	 \$ 28,722,720	 \$ -	



**GREAT BAY INSURANCE COMPANY**  
**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>
Premiums earned	\$ (117,716)	\$ 74,202	\$ 153,665	\$ 96,561	\$ 1,622,404
Losses incurred	5,772	215,056	391,623	1,020,093	1,048,110
Loss adjustment expenses incurred	1,471	51,224	27,753	123,572	231,617
Other underwriting expenses incurred	413,381	855,504	(181,926)	(1,088,129)	595,760
Total underwriting deductions	<u>\$ 420,624</u>	<u>\$ 1,121,784</u>	<u>\$ 237,450</u>	<u>\$ 55,536</u>	<u>\$ 1,875,487</u>
Net underwriting gain (loss)	<u>\$ (538,340)</u>	<u>\$ (1,047,582)</u>	<u>\$ (83,785)</u>	<u>\$ 41,025</u>	<u>\$ (253,083)</u>
Net investment income earned	\$ 46,963	\$ 63,014	\$ 75,892	\$ 164,493	\$ 479,622
Net realized capital gains (losses)	<u>\$ (2,066)</u>	<u>\$ 47,437</u>	<u>(32,259)</u>	<u>(58,480)</u>	<u>(129,998)</u>
Net investment gain (loss)	<u>\$ 44,897</u>	<u>\$ 110,451</u>	<u>\$ 43,633</u>	<u>\$ 106,013</u>	<u>\$ 349,624</u>
Finance and service charges not included in premiums	\$ -	\$ -	\$ 187,716	\$ 288,125	385,795
Aggregate write-ins for miscellaneous income	48	390	6,186	210,020	(185,406)
Total other income	<u>48</u>	<u>390</u>	<u>193,902</u>	<u>498,145</u>	<u>200,389</u>
Net income before and after dividends and before taxes	<u>(493,395)</u>	<u>(936,741)</u>	<u>153,750</u>	<u>645,183</u>	<u>296,930</u>
Federal and foreign income taxes incurred	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,701</u>
Net income	<u>\$ (493,395)</u>	<u>\$ (936,741)</u>	<u>\$ 153,750</u>	<u>\$ 645,183</u>	<u>\$ 60,229</u>

**GREAT BAY INSURANCE COMPANY**  
**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	\$ -	\$ 6,957,068	\$ 6,024,266	\$ 6,360,345	\$ 7,695,655 *
Net income	\$ (493,395)	\$ (936,741)	\$ 153,750	\$ 645,183	\$ 60,229
Change in net unrealized capital gains (losses)	486	(376)	(943)	(57,316)	60,690
Change in net deferred income tax	-	-	-	-	281,145
Change in non-admitted assets	(50,023)	4,315	(16,728)	(2,558)	20,071
Capital changes:					
Paid in	2,800,000	-	-	-	-
Surplus adjustments:					
Paid in	4,700,000	-	200,000	750,000	2,000,000
Dividends to stockholders	-	-	-	-	-
Aggregate write ins for gains and losses in surplus	-	-	-	-	-
Net change in capital and surplus for the year	<u>6,957,068</u>	<u>(932,802)</u>	<u>336,079</u>	<u>1,335,309</u>	<u>2,422,135</u>
Capital and surplus, December 31, current year	<u>\$ 6,957,068</u>	<u>\$ 6,024,266</u>	<u>\$ 6,360,345</u>	<u>\$ 7,695,654</u>	<u>* \$ 10,117,790 *</u>

\* \$1 off due to rounding

## **NOTES TO FINANCIAL STATEMENTS**

### **Note: 1**

#### **LOSSES AND LOSS ADJUSTMENT EXPENSES**

The Company reported a net liability of Losses and Loss Adjustment Expenses of \$1,261,289 as of December 31, 2023. It is the opinion of the Company's appointed actuary, Kim E. Piersol, Huggins Actuarial Services Inc. 111 Veteran Square, Third Floor, Media, PA 19063, who signs off on the actuarial opinion on behalf of the Company, that the reserves established by the Company are adequately stated.

Data supplied to the actuaries were tested for completeness and accuracy and reconciled to the Company's 2023 annual statement without material exception. Random samples of case reserves and loss payments were selected and verified to source documents.

The examination actuary concurs with the conclusions reached by the appointed actuary.

The Property and Casualty Actuarial Division of the NJDOBI reviewed the report on the actuarial examination of the Company and accepted the reported reserves without adjustment.

### **Note: 2**

#### **SURPLUS AS REGARDS POLICYHOLDERS**

##### **Common Capital Stock**

As per the examination adjustment, the reported common capital stock of \$2,800,000 was adjusted to \$7,500,00 and the gross paid-in and contributed surplus was adjusted from \$7,650,000 to \$2,950,000 to account for the reclassification of \$4,700,000.

As such, GBIC's equity structure at year-end 2023 consisted of 100 authorized, issued, and outstanding shares of common stock at a par value of \$75,000 per share for a total capital of \$7,500,000. The Company has no preferred stock. The Company has not declared or paid dividends during the examination period.

##### **Gross Paid-in and Contributed Surplus**

The Company received the following capital contributions during the exam period:

<u>Date of Contribution</u>	<u>Amount</u>	
07/2019	\$4,700,000	(Initial funding of \$7.5M consisting of \$2.8M common capital stock and \$4.7M gross paid- in and contributed surplus)
04/2021	\$200,000	
06/2022	\$500,000	
10/2022	\$250,000	
02/2024	<u>\$2,000,000</u>	(recorded as receivable at 12/31/23 year-end)
	<u>\$7,650,000</u>	

As per the examination adjustment, the gross paid in and contributed surplus as of December 31, 2023 is \$2,950,000.

#### Unassigned Funds

The unassigned funds reported by the Company as of December 31, 2023 amounted to (\$332,211).

As of December 31, 2023, total capital and surplus is \$10,117,789. In compliance with N.J.S.A. 17:17-6, the Company meets the statutorily required minimum capital and surplus of \$5,000,000, with an excess of \$5,117,789.

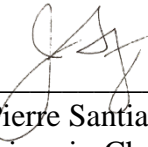
#### **SUBSEQUENT EVENTS**

Effective July 1, 2024, the Company changed its reinsurance quota share agreements from 75% to 95%.

## **CONCLUSION**

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


Respectfully Submitted,



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Jan Pierre Santiago, CFE, CPA  
Examiner-in-Charge  
INS Consultants, Inc.

Under the supervision of:



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

**GREAT BAY INSURANCE COMPANY**

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 information, knowledge, and belief.

Respectfully Submitted,



\_\_\_\_\_  
Jan Pierre Santiago, CFE, CPA  
Examiner-in-Charge  
INS Consultants, Inc.

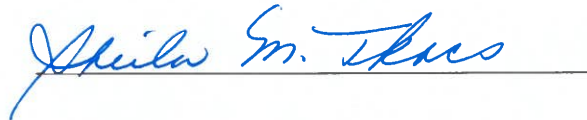
Under the supervision of:



\_\_\_\_\_  
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 M. Tkacs, on  
this 15<sup>th</sup> day of January, 2025.



Notary Public of New Jersey

My commission expires: July 2025