

**REPORT ON EXAMINATION AS TO THE CONDITION OF
AMERICAN PROPERTY INSURANCE COMPANY**

EATONTOWN, NEW JERSEY 07724

AT DECEMBER 31, 2021

NAIC COMPANY CODE 21806

NAIC GROUP CODE 0000

FILED

June 21, 2023

Commissioner

New Jersey Department

Of

Banking and Insurance

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State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF SOLVENCY REGULATION
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May 24, 2023

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

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:

American Property Insurance Company
4 Industrial Way West, Suite 102
Eatontown, NJ 07724
NAIC Company Code 21806
NAIC Group Code 0000
Examination Warrant P&C 9

a domestic stock insurance company authorized to transact business in the State of New Jersey, and hereafter referred to in this report as "American Property," "APIC" or "Company."

SCOPE OF EXAMINATION

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

The Company was not part of a group or coordinated exam. The examination was conducted using a risk-focused examination approach and covered the five-year period from December 31, 2016, the date of the last examination, to December 31, 2021, including material transactions and/or significant events occurring after the examination date. The examination followed procedures formulated by the National Association of Insurance Commissioners ("NAIC") as permitted by the Department. During this five-year exam period, the Company's assets increased \$19,940,946 from \$21,729,965 to \$41,670,911; liabilities increased \$15,371,351 from \$14,250,064 to \$29,621,415 and policyholder surplus increased \$4,569,595 from \$7,479,901 to \$12,049,496.

The scope of this examination was framed around specific key risk areas as determined by a risk assessment analysis, which attempted to measure the impact of these risks upon the Company's financial condition and future viability. This entailed an evaluation of the Company's management, corporate governance, information systems, accounting methods, system of internal control, and the annual audit work performed by **WithumSmith & Brown, PC ("WSB")**, the Company's independent certified public accountants. Examiners leveraged off the audit work prepared by WSB, where appropriate. Test procedures encompassed the following objectives:

- Identification of significant deviations from New Jersey insurance laws, regulations, and directives.
- Compliance with the guidelines outlined in the 2021 edition of the NAIC Financial Condition Examiners Handbook, NAIC Annual Statement Instructions, NAIC accreditation/codification standards, Statements of Statutory Accounting Principles, and NJDOBI policies and procedures.
- Assessment of the Company's surplus and that it is not materially misstated.
- Provision of a foundation for a profile of the Company's operations, risks, and results to be utilized by regulatory authorities.

Only significant findings of fact, statutory deviations and general information about the Company and its financial condition are included in this examination report. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information), are not included but which were separately communicated internally to other regulators and/or the Company.

COMPANY HISTORY

The Company was incorporated under the laws of the State of Georgia on July 2, 1981, as "First of Georgia Fire and Casualty Insurance Company" and commenced business on October 1, 1981. On September 8, 1995, the Company was acquired by the **Clarendon Insurance Group ("CIG")**, a subsidiary of Enstar Ltd., and domiciled to the State of New Jersey on November 9, 1995, at which time it changed its name to **Harbor Specialty Insurance Company ("Harbor")**.

During 1996, the Company became a subsidiary of **Clarendon National Insurance Company ("Clarendon")** through a corporate restructuring of the CIG.

In 1999, CIG became a wholly owned subsidiary of Hannover Finance Incorporated, a Delaware corporation, making **Hannover Ruckversicherung AG ("Hannover")** the ultimate parent of the Company.

On March 7, 2006, Hannover announced a fundamental restructuring of its U.S. primary insurance business by transferring, through an indemnity reinsurance agreement, most of the specialty business of the HFI group insurance subsidiaries to Praetorian Insurance Company and Redland Insurance Company. Effective May 31, 2007, the sale of Praetorian Insurance Group to QBE Insurance Group was closed upon receipt of the required approval from regulators.

On August 14, 2013, Clarendon entered a Stock Purchase Agreement to sell all the issued and outstanding shares of the Company to **Relational Group Partners, Inc. ("RGP")**, a subsidiary of Blue Warrior Capital, LLC. The sale was approved by the Department on February 28, 2014. RGP acquired the Company for its licenses. The Company restarted underwriting operations in New Jersey on March 3, 2014, with a focus on commercial lines of insurance. On March 14, 2014, the Commissioner issued an Amended Certificate of Authority, which authorized the Company to write the kinds of insurance specified in paragraphs "a," "b," "e," "f," "i," "j," "k," "l," "m," "n," and "o" of N.J.S.A. 17:17-1 et seq. Along with the issuance of the Certificate, effective the same date, the Company also changed its legal name from Harbor to APIC.

In 2015, the Company expanded its underwriting operations to the state of South Carolina to address a lack of commercial property insurance capacity from existing South Carolina licensed and admitted insurance carriers.

In 2016, the Company again expanded its underwriting operations to the state of Florida to bring a new commercial underwriting insurer to Florida's business owners in conjunction with one of the leading independent insurance agency associations.

On August 11, 2017, the Company filed with the Department a Certificate of Amendment to the Amended and Restated Charter, Certificate of Incorporation and Articles of Redomestication. The purpose of the amendment was to update the second article of said documents, which changed the location of the Company's principal office from 36 Corbett Way, Eatontown, NJ 07724 to its current home address at 4 Industrial Way West, Suite 102, Eatontown, NJ 07724.

On December 31, 2021, the Commissioner issued a Certificate of Compliance confirming the Certificate of Authority issued in 2014 and further delineating paragraph "o" of N.J.S.A. 17:17-1 et seq. as paragraphs "o-1," "o-2," and "o-3" of said statute.

TERRITORY AND PLAN OF OPERATION

The Company operates as a for profit regional insurance company licensed in 21 states focused on Commercial Inland Marine, Commercial Property, Commercial General Liability, and Commercial Umbrella products. As of December 31, 2021, APIC wrote the following lines of business, which produced \$32,743,716 in direct written premiums:

- Inland Marine
- Commercial Multiple Peril
- Other Liability - Occurrence
- Other Liability - Claims Made
- Commercial Auto Liability

The Company markets its products predominately through a network of 87 independent agents. The Company does not use managing general agents. The process of adding new agents is slow and measured to ensure "the right fit" for both the Company and the agent. The Company helps to ensure compliance to its underwriting guidelines by maintaining all binding authority. The Company mainly utilizes the services of Guy Carpenter as its reinsurance intermediary for placing reinsurance contracts. Guy Carpenter is licensed as a reinsurance intermediary in compliance with N.J.S.A. 17:22E-2a and the intermediary contract was reviewed and verified without exception.

The Company maintains a Net Retained Liability Agreement ("NRLA") with Clarendon, its former parent, whereby Clarendon agreed to reinsure and administer the run-off of all claims, including incurred but not reported claims, with a date of loss prior to February 28, 2014 ("Historic Claims"). The agreement was entered into as part of the sale of the Company to RGP as described herein under the section *Company History*. Clarendon will continue the management and administration of the existing run off book under current arrangements in place with Enstar (US) Inc., a service provider and affiliate of Clarendon, until those claims are settled and closed. Enstar (US) Inc. provides all necessary executive and administrative services, legal, data processing, treasury, corporate secretarial, premium collection, record keeping, claims services and other services with a focus on the orderly administration, including prompt claims payment, of the run-off business.

RGP did not assume any pre-sale liabilities and Clarendon is responsible for the management and administration of the Historic Claims. Prior to its acquisition, the Company assumed premium and losses as a member of the Clarendon pool. As of February 28, 2014, all prior intercompany pooling arrangements were terminated coinciding with the acquisition of the Company. On November 16, 2021, the Company filed for a permitted practice which provides for the NRLA to be accounted for on a prospective basis. The filing was approved by the Department on December 7, 2021.

The Company utilizes a manual system for reporting, monitoring, and setting formula reserves. The Company currently does not have a separate claims management software and uses an Excel-based spreadsheet developed internally. Claims settlements are handled exclusively by the Executive Vice President of Claims.

The Company conducts its everyday business operations from its statutory home and main administrative office located at Eatontown, New Jersey, which is staffed by 18 fulltime employees. This location handles administrative functions for the entire company as well as the personal and commercial lines underwriting, claims and marketing for New Jersey. The Company does not have any other offices, branches, or service centers. The registered agent upon whom process may be served is Jason A. Teret, APIC's Treasurer, having an address at the Company's main office.

Policy Forms and Underwriting Practices

APIC is a member of the Insurance Services Office, Inc. and uses ISO policy forms. These forms are approved by the Department. The Company takes a broad underwriting approach, preferring to select policyholders which are better than average risks versus the class-of-business underwriting approach taken by most competing carriers. The Company's underwriting goal of its commercial lines department is to write profitable commercial property-driven business, risks where the property exposures are key in the account placement process of the Company's partner agents in New Jersey.

Advertising and Sales Material

The Company did not advertise during the exam period.

Treatment of Policyholders

The NAIC Closed Complaint Trend Report registered 11 complaints against the Company during the examination period. The review of the Company's complaint log indicated that it was in compliance with N.J.S.A. 17:29B-4(10), which requires the maintenance of a complete record of all written grievances.

Statutory Deposit

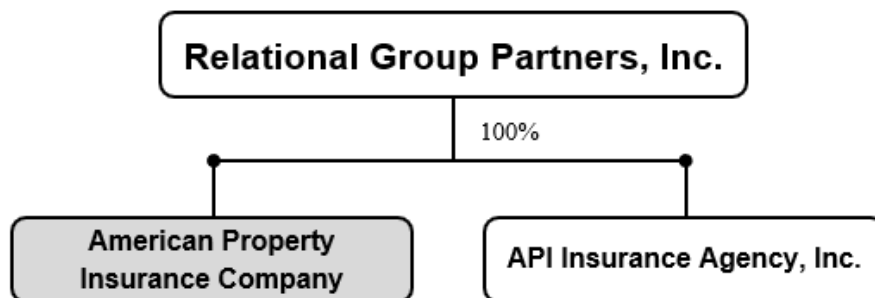
As of December 31, 2021, the Company had on deposit with the State of New Jersey, its domiciliary state, cash and securities with a total par value of \$1,954,000, in compliance with N.J.S.A. 17:20-1c. The Company also had deposits with eight other states as shown below. These deposits are held for the benefit and security of the Company's policyholders.

<u>State</u>	<u>Par Value</u>
California	\$110,000
Delaware	\$100,000
Florida	\$150,000
Georgia	\$85,000
Nevada	\$315,000
North Carolina	\$530,000
South Carolina	\$130,000
Virginia	\$445,000

HOLDING COMPANY SYSTEM

Affiliated Parties

The Company, as a wholly owned subsidiary of RGP, is a member of a holding company system as defined by N.J.S.A. 17:27A-1. RGP has filed holding company registration statements with the Department on behalf of APIC in compliance with N.J.S.A. 17:27A-3. The chart below illustrates the interrelationship of the companies within the holding company system as of December 31, 2021:



RGP is a Delaware class "C" for-profit corporation. API Insurance Agency, Inc. is an insurance agency that was inactive as of the date of the examination.

Inter-Company Agreements

The Company did not have affiliated agreements in force at December 31, 2021.

MANAGEMENT AND CONTROL

Board of Directors

The Company's by-laws specify that the affairs of the corporation shall be managed by a Board of Directors ("the Board"), which number of members shall be fixed from time to time by resolution of the Board or stockholders. Each director shall hold office until the next annual meeting of shareholders or until his or her successor shall have been elected and qualified.

A listing of board members serving the Company as of December 31, 2021, is as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>
James V. Gorman (Chair) Colts Neck, NJ	CEO, American Property
Douglas C. Gorman Jersey City, NJ	COO, American Property
Jason A. Teret Jackson, NJ	EVP, American Property

Thomas Considine Spring Lake Heights, NJ	CEO, Nat'l Conf of Ins Legislators
Dr. Martin I. Krupnick Marlboro, NJ	CEO, IEP Youth Services, Inc.
Andrew C. Harris Colts Neck, NJ	CEO, Liberty Insurance Associates
Susan A. Kyrillos Middletown, NJ	Former Director, Monmouth University
Scott S. Littlejohn Summit, NJ	Director, BNP Paribas Securities Corp
Steven C. Radespiel Hillsdale, NJ	CEO, Insurance Center of New Jersey

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

Committees

The Company's by-laws provide for the designation of one or two committees, each committee to consist of at least three directors, such designation made via resolution passed by a majority of the whole Board. To the extent provided in the board resolution and permitted by law, committees shall have all the powers and authority of the Board in the management of the business and affairs of the Company. At December 31, 2021, the Company had one committee consisting of the following members:

Audit Committee

Dr. Martin Krupnick (Chair)
Thomas Considine
Susan Kyrillos

The Audit Committee satisfies the statutory provisions of N.J.S.A. 17:27A-4d, paragraph 4, which require the establishment of at least one committee to be composed entirely of outside directors who are not officers, employees, or beneficial owners of a controlling interest in the voting securities of the Company. The Audit Committee meets on a quarterly basis with management and annually with the external auditors to discuss the results of the prior year audit.

The Board's location for all correspondence and meetings is the APIC home office located in Eatontown, NJ.

Officers

According to the by-laws, the officers of the corporation shall be a Chairman, a Vice Chairman, a President, one or more Vice Presidents, a Secretary and a Treasurer who shall be elected at the annual meeting of the Board for a period of one year and until their successors are elected and qualified. The Board may appoint assistant officers as they shall deem necessary. Any two or more officers of the corporation, other than the offices of President and Secretary, may be held by one person.

The elected officers of the Company serving at December 31, 2021, were as follows:

<u>Name</u>	<u>Title</u>
James V. Gorman	Chairman, President
Douglas C. Gorman	Secretary, Executive Vice President
Jason A. Teret	Treasurer, Executive Vice President
Mark A. Heid	Chief Financial Officer

Corporate Records

The Board shall hold a regular meeting without notice at the same time and place as the annual meeting of the shareholders. Other regular meetings may be held by resolution. Special meetings may be called at the request of a majority of the Board.

A review of the corporate minutes indicated that directors held their annual and regular meetings in accordance with the by-laws, for the purpose of transacting business. Altogether, 25 board and committee meetings were held during the period. All transactions and events of the Company were adequately approved and supported. The Board's review of the prior financial condition examination report dated December 31, 2016, was noted in the minutes of the meeting held on November 9, 2017.

Policy on Conflicts of Interest

The Company does not have a written, formal Conflict of Interest (COI) Policy. However, the Company maintains an annual COI questionnaire that must be completed and signed by all its directors, officers, and key employees. The examination team reviewed COI questionnaires submitted by the Company for the period under examination and noted there were no apparent or potential conflicts of interest reported.

Fidelity Bond Coverage

The Company maintains a financial institution bond with a single liability limit of \$400,000, for protection against employee dishonesty. The amount of fidelity coverage meets the minimum suggested amount of coverage as measured by the NAIC exposure index.

Other management insurance coverages included the following:

Employers' Liability Insurance
Employment Practices Liability

REINSURANCE

At December 31, 2021, the Company maintained six reinsurance contracts as coverage for its core business, along with the NRLA discussed herein under the section *Territory and Plan of Operation* covering Historic Claims. At year-end 2021, the Company ceded approximately \$11,940,000 in premiums and was contingently liable for approximately \$19,531,000 under these agreements. None of these contracts are retrospectively rated or subject to redetermination.

The majority of reinsurers hold at least an A rating from AM Best. Reinsurance agreements were reviewed to ensure contracts had acceptable clauses and conditions. Below is a summary of the Company's reinsurance program.

Property and Casualty Multi-Line XOL

For policies in force at the inception of the treaty or written/renewed during the term of the treaty by or on behalf of the Company.

Property:

First Layer	\$700,000 xs \$300,000 \$2,100,000 limit each loss, each risk
Second Layer	\$1,000,000 xs \$1,000,000 \$2,000,000 limit each loss, each risk
Third Layer	\$1,000,000 xs \$2,000,000 \$2,000,000 limit each loss, each risk

Casualty:

First Layer	\$800,000 xs \$200,000 \$800,000 limit each loss
Second Layer	\$1,000,000 xs \$1,000,000 \$1,000,000 limit each loss

Combined:

First Layer	\$800,000 xs \$200,000 each loss \$800,000 limit each loss
Second Layer	\$6,000,000 aggregate limit all losses
Third Layer	\$6,000,000 aggregate limit all losses

The following are the reinsurers providing coverage on all three layers with their participation percentages:

AXIS Re	25.0%
Renaissance Re	25.0%
Farm Mutual Re	12.5%
American Agricultural	12.5%
Allied World Insurance Co	25.0%

Property Catastrophe XOL

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 single loss occurrences, subject to aggregate limits on all loss occurrences during term of treaty.

Property:

Underlying	\$250,000 xs \$500,000 \$250,000 limit each loss
First Layer	\$750,000 xs \$750,000 \$1,500,000 agg limit
Second Layer	\$3,500,000 xs \$1,500,000 \$7,000,000 agg limit
Third Layer	\$15,000,000 xs \$5,000,000 \$30,000,000 agg limit
Fourth Layer	\$25,000,000 xs \$20,000,000 \$50,000,000 agg limit

The following are reinsurers providing coverage for the underling layer with their participating percentages:

AXIS Re	22.5%
Farm Mutual Re	25.0%
Allied World Insurance Co	52.5%

The following is a partial listing of the major reinsurers providing coverage on the next four layers:

	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>
AXIS Re	22.5%	22.5%	15.0%	17.5%
SCOR Re	4.0%	10.0%	10.0%	10.0%
Renaissance Re	0.0%	15.0%	12.5%	12.5%
Farm Mutual Re	8.0%	8.5%	8.5%	8.5%
American Agricultural	10.0%	5.0%	5.0%	5.0%
Allied World Insurance Co	45.0%	15.0%	5.0%	5.0%

Commercial Umbrella

This is an agreement whereby General Reinsurance Corporation agrees to pay the Company 95% of first \$1,000,000 of each loss occurrence and 100% of the difference, if any, between the policy limit and the first \$1,000,000 each occurrence.

Commercial Property Facultative

The Company has a facultative agreement with General Reinsurance Corporation covering business property for risks classified as fire, allied lines, commercial multiple peril, apartments/condominiums, offices, retail, and restaurants. The reinsurance structure is \$12,000,000 xs \$3,000,000 subject to a limit of \$26,000,000 on all risks in one occurrence.

The Company also has non-proportional facultative agreements with Swiss Reinsurance America Corporation where the reinsurer accepts 100% of cession above net retentions of at least \$10,000,000 per occurrence for risks classified as fire.

Cyber Liability QS

Houston Casualty Company agrees to cover APIC for losses under policies classified by the Company as Cyber Liability, written or renewed during the term of the treaty by or on behalf of the Company. Cession is 100% quota share of losses subject to limits of \$25,000 per claim, \$25,000 per first party insured event, \$25,000 aggregate, any one policy.

ACCOUNTS AND RECORDS

All the Company's books and records are maintained at its administrative office located in Eatontown, New Jersey. The Company uses QuickBooks Online as its general ledger and Portman to account for the investment portfolio. The Company's general ledger was reviewed and reconciled to the 2021 annual statement. Financial information in conjunction with the verification of assets and the determination of liabilities was made available in detail and summary form.

The Company utilizes a manual system for reporting, monitoring, and setting formula reserves. Claims settlements are handled by desk adjusters and reviewed by the Executive Vice President of Claims. The Company's external actuary, Ernst & Young LLP, issued an unqualified opinion on its Statement of Actuarial Opinion dated as of December 31, 2021. The Opinion was provided by Christian Lemay, FCAS, MAAA.

Independent Audit

Pursuant to N.J.A.C. 11:2-26.4 an annual audit was performed by WSB, based in East Brunswick, New Jersey, and a financial statutory audit report for fiscal years 2021 and 2020 was filed with the Commissioner. The auditors concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company.

Continuity of Operations

A disaster recovery and business continuity (DR/BC) 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.

Examiners reviewed the DR/BC plan and confirmed that the Company performs periodic data restoration tests in compliance with NAIC standards. Additionally, examiners further confirmed that the Company has also made provisions for the succession of officers in its by-laws.

COVID-19 Economic Impact

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

FINANCIAL STATEMENTS

Financial Exhibits have been prepared based on the annual statutory financial statements filed by APIC with the NJDOBI. These are summarized below and furnished fully in the next three pages.

Exhibit-A Statement of Financial Position
 as of December 31, 2021

Exhibit-B Statement of Operating Results
 for the Five-Year Period ended December 31, 2021

Exhibit-C Surplus Account
 for the Five-Year Period ended December 31, 2021

EXHIBIT-A: Statement of Financial Position

As of December 31, 2021

	<u>Balance</u> <u>Per Examination</u> <u>12/31/21</u>	<u>Balance</u> <u>Per Company</u> <u>12/31/21</u>	<u>Examination</u> <u>Change</u>	<u>Note</u>
<u>Assets</u>				
Bonds	\$ 28,559,223	\$ 28,559,223	\$ -	
Cash and Short Term Investments	3,490,852	3,490,852	-	
Investment Income Due and Accrued	232,593	232,593	-	
Uncollected Premiums	7,611,660	7,611,660	-	
Amounts Recoverable from Reinsurers	675,375	675,375	-	
Net Deferred Tax Asset	989,747	989,747	-	
Receivables from Parent, Subs and Affiliates	111,461	111,461	-	
Total Net Admitted Assets	<u>\$ 41,670,911</u>	<u>\$ 41,670,911</u>	<u>\$ -</u>	
<u>Liabilities</u>				
Losses	\$ 9,476,624	\$ 9,476,624	\$ -	1
Loss Adjustment Expenses	606,841	606,841	-	1
Commissions Payable	646,651	646,651	-	
Other Expenses	888,052	888,052	-	
Current Federal Income Taxes	273,693	273,693	-	
Unearned Premiums	14,870,302	14,870,302	-	
Advance Premium	226,110	226,110	-	
Ceded Reinsurance Premiums Payable	1,973,540	1,973,540	-	
Payable to Parent, Subs and Affiliates	780	780	-	
Aggregate Write-ins for Liabilities	658,822	658,822	-	
Total Liabilities	<u>\$ 29,621,415</u>	<u>\$ 29,621,415</u>	<u>\$ -</u>	
<u>Surplus</u>				
Common Capital Stock	\$ 3,500,000	\$ 3,500,000	\$ -	
Gross Paid-in and Contributed Surplus	3,567,122	3,567,122	-	
Unassigned Funds (Surplus)	4,982,374	4,982,374	-	
Surplus as Regards Policyholders	<u>\$ 12,049,496</u>	<u>\$ 12,049,496</u>	<u>\$ -</u>	2
Total Liabilities and Surplus	<u>\$ 41,670,911</u>	<u>\$ 41,670,911</u>	<u>\$ -</u>	

EXHIBIT-B: Statement of Operating Results
For the Five-Year Period Ended December 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Underwriting Income</u>					
Premiums Earned	\$ 18,815,862	\$ 17,037,325	\$ 14,698,823	\$ 12,447,158	\$ 11,467,093
<u>Deductions</u>					
Losses Incurred	9,721,044	8,870,807	6,937,068	4,410,078	4,450,812
Loss Adjustment Expenses Incurred	2,125,701	1,722,509	1,058,182	1,966,021	1,155,059
Other Underwriting Expenses Incurred	7,073,996	6,324,907	5,955,084	4,590,926	4,101,623
Total Deductions	18,920,741	16,918,223	13,950,334	10,967,025	9,707,494
Net Underwriting Gain	\$ (104,879)	\$ 119,102	\$ 748,489	\$ 1,480,133	\$ 1,759,599
<u>Investment Income</u>					
Net Investment Income Earned	482,471	497,813	520,616	438,058	291,564
Net Realized Capital Gains	10,585	21,879	1,141	-	-
Net Investment Gain	493,056	519,692	521,757	438,058	291,564
<u>Other Income</u>					
Net Loss from Premium Bal Charged Off	-	-	(109,442)	(3,053)	-
Finance and Service Charges	62,222	57,633	72,681	53,628	43,582
Total Other Income	62,222	57,633	(36,761)	50,575	43,582
Net Income Before Fed Income Taxes	\$ 450,399	\$ 696,427	\$ 1,233,485	\$ 1,968,766	\$ 2,094,745
Federal and Foreign Income Taxes Incurred	273,693	219,071	380,239	496,123	834,042
Net Income	\$ 176,706	\$ 477,356	\$ 853,246	\$ 1,472,643	\$ 1,260,703

EXHIBIT-C: Surplus Account
For the Five-Year Period Ended December 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Surplus as Regards Policyholders December 31, Previous Year	\$ 11,687,511	\$ 11,146,969	\$ 10,156,891	\$ 8,564,511	\$ 7,479,901
Net Income	176,706	477,356	853,246	1,472,643	1,260,703
<u>Other Surplus Adjustments</u>					
Change in Net Unreal Cap Gains/(Losses)	-	66	(66)	-	-
Change in Net Deferred Income Tax	185,506	62,142	137,472	101,106	(187,857)
Change in Nonadmitted Assets	(227)	978	(574)	18,631	(18,099)
Surplus Adjustments: Paid-in	-	-	-	-	29,863
Total Other Surplus Gains/(Losses)	\$ 185,279	\$ 63,186	\$ 136,832	\$ 119,737	\$ (176,093)
Change in Surplus as Regards Policyholders for the Year	361,985	540,542	990,078	1,592,380	1,084,610
Surplus as Regards Policyholders December 31, Current Year	\$ 12,049,496	\$ 11,687,511	\$ 11,146,969	\$ 10,156,891	\$ 8,564,511

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Losses and Loss Adjustment Expenses

At December 31, 2021 the Company reported a net liability for Losses and Loss Adjustment Expenses of \$10,083,465. A review by the NJDOBI Actuarial Unit indicated the reserves established by the Company were reasonably stated. Data supplied to the actuaries were tested for completeness and accuracy and reconciled to the Company's 2021 annual statement without material exception. Random samples of case reserves and loss payments were selected and verified to source documents.

Note 2 - Surplus as Regards Policyholders

Common Capital Stock

APIC's equity structure at year-end 2021 consisted of 3,500,000 authorized, issued, and outstanding shares of common stock at a par value of \$1 per share for a total capital of \$3,500,000. The Company had no preferred stock authorized. The Company has not declared or paid dividends since the date of acquisition. It is currently disallowed from paying dividends without the approval of the Department.

Gross Paid-in and Contributed Surplus

The Company received a capital contribution of \$29,863 from RGP in 2017, which was the only paid-in capital made during the exam period, bringing the balance total to \$3,567,122.

Unassigned Funds

Total Unassigned Funds, as per the current examination review, amounted to \$4,982,374, which is \$4,539,732 more than the balance reported in the last examination, reflecting an increase of over 1000%.

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

Policyholder Surplus, December 31, 2016		\$ 7,479,901
Net Cumulative Income		4,240,654
Change in Net Deferred Income Tax	298,369	
Change in Nonadmitted Assets	709	
Surplus Adjustments: Paid-in	29,863	
Surplus Adjustments: Examination Change	<u>-0-</u>	
Net Adjustments During Five-Year Period		<u>328,941</u>
Policyholder Surplus, December 31, 2021		<u>\$ 12,049,496</u>

In compliance with N.J.S.A. 17:17-6, the Company meets the statutorily required minimum surplus benchmark of \$5,600,000, an excess of \$6,449,496 remaining in surplus.

SUBSEQUENT EVENTS

Interest Rate Environment

The Federal Reserve ("Fed") increased rates by 25 basis points and set the federal funds target rate range between 4.75% and 5% following the second Federal Open Market Committee meeting of 2023 on March 21 and 22. Prior to the March increase, the Fed increased the rate by 25 basis points in February 2023 and 50 basis points in December 2022. Increases follow four consecutive increases of 75 basis points and increases of 50 basis points in May and 25 basis points in March 2022.

Market interest rates are a key driver of liquidity and capital positions, cash flows, results of operations and financial position. Changes in interest rates can affect the Company in several ways, including, but not limited to, favorable or adverse impacts to investment-related activity, including: investment income returns, the valuation of fixed income investments and derivative instruments, collateral posting requirements, hedging costs and other risk mitigation activities, customer account values and assets under management, insurance reserve levels, policyholder behavior, including surrender or withdrawal activity, etc. The Department is in regular communication with management and is closely monitoring the progress.

SUMMARY OF RECOMMENDATIONS

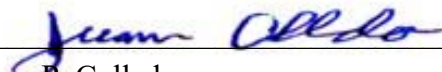
The full scope risk-focused examination of the Company did not yield any reportable recommendations.

CONCLUSION

The statutory condition examination was conducted by the undersigned with the assistance of the NJDOBI field and office staff.

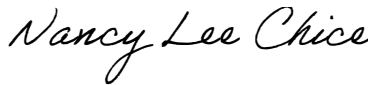
The courteous cooperation and assistance extended during the course of this examination by the Officers of the Company and members of the office staff are hereby acknowledged.

Respectfully submitted,



Juan P. Collado
Examiner-In-Charge
NJ Department of Banking and Insurance

Examination oversight by,

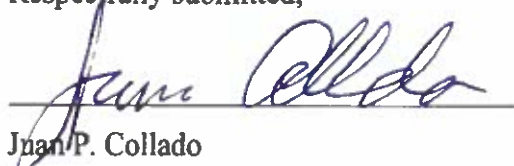


Nancy Lee Chice, CFE
CFE Reviewer
NJ Department of Banking and Insurance

AMERICAN PROPERTY INSURANCE COMPANY
EXAMINER-IN-CHARGE AFFIDAVIT

I, Juan P. Collado, Examiner-in-Charge, in accordance with N.J.S.A. 17:23-24 5.b., 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 and that the examination was performed in a manner consistent with the standards and procedures required by the State of New Jersey as per N.J.S.A. 17:23-23 4.a.

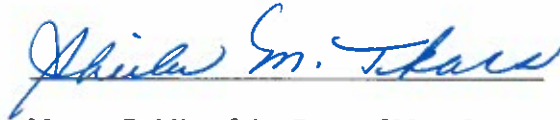
Respectfully submitted,



Juan P. Collado
Insurance Examiner I
NJ Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me on this 26th day of May, 2023



Notary Public of the State of New Jersey

My commission expires: July 2025