

**REPORT ON EXAMINATION AS TO THE CONDITION OF
THE SERVICE INSURANCE COMPANY, INC.**

WEST ORANGE, NEW JERSEY 07052

AT DECEMBER 31, 2023

NAIC COMPANY CODE 28240



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PHIL MURPHY
Governor

State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF SOLVENCY REGULATION
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May 27, 2025

Honorable Justin Zimmerman
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:

The Service Insurance Company, Inc.
80 Main Street, Suite 330
West Orange, NJ 07052
NAIC Company Code 28240
Examination Warrant P&C 13

a property and liability insurance organization authorized to transact business in the State of New Jersey, and hereafter referred to in this report as "Service," "SIC" 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, 2018, the date of the last examination, to December 31, 2023, 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 \$3,378,850 from \$17,720,871 to \$21,099,721; liabilities decreased \$387,003 from \$8,626,661 to \$8,239,659; and policyholder surplus increased \$3,765,853 from \$9,094,210 to \$12,860,063.

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, systems of internal controls, and the annual audit work performed by **PKF O'Connor Davies, LLP ("PKF")**, the Company's independent certified public accountants. Examiners leveraged off the audit work prepared by PKF, 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 2023 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 formed pursuant to a Certificate of Incorporation ("Certificate") dated June 10, 1987, which was signed by ten incorporators and approved by the Attorney General of New Jersey on August 5, 1987. The Certificate provided that the Company is a stock company with a capital stock of \$200,000 divided into 20,000 shares of common stock with each share having a par value of \$10.00. The Certificate was filed in the Office of the Essex County Clerk on September 30, 1987, and then with the Department on October 21, 1987.

The Company is authorized to transact the business of fidelity and surety insurance as specified in paragraph "g" of N.J.S.A. 17:17-1, et seq., e.g., property and casualty. Service commenced business operations on December 21, 1987.

By resolution and unanimous consent of the Board of Directors on April 13, 1998, the Company restated and amended the Second article of the Certificate, which was approved by the Attorney General of New Jersey on May 7, 1998, to reflect a change of business location from 354 Park Avenue, Newark, New Jersey to 80 Main Street, West Orange, New Jersey.

On May 1, 1998, the Company amended the by-laws and changed the annual shareholders meeting from the second Monday in February to May 1 of each year.

On July 22, 1998, the Company executed a Certificate of Amendment to revise the Third and Fifth Articles of Incorporation. The Certificate of Amendment was filed with NJDOBI on October 26, 1998. The Third Article allowed SIC to transact the kind of insurance and reinsurance as authorized by paragraph "g" of Section 17:17-1 of the New Jersey Revised Statutes. The amendment to the Fifth Article raised the capital stock to \$500,000 divided into 50,000 shares, each of which will have a par value of \$10.00.

On December 20, 2000, the Company again executed a Certificate of Amendment to revise the Fifth Article of Incorporation authorizing an increase of the par value from \$10.00 per share to \$20.00 per share, and thereby raising the amount of capital stock from \$500,000 to \$1,000,000. The amendment was approved by the New Jersey Deputy Attorney General on January 25, 2001.

The Company's most recent and amended Certificate of Authority, dated December 10, 2001, provides that the transaction of any business of fidelity and surety insurance by Service in any jurisdiction is hereby subject to the following conditions:

"Service shall not expose itself to any loss on any one risk or hazard in this State to an amount exceeding 10% of its net asset (increased from 5% effective May 6, 1996).

"Prior approval must be obtained for the entering into any reinsurance arrangements.

"Net premiums written to surplus as regards policyholders shall not be greater than 3 to 1.

"Gross premiums written to surplus as regards policyholders shall be no greater than 5 to 1.

"Prior approval must be obtained before Service enters into any agreement between itself and an affiliate."

TERRITORY AND PLAN OF OPERATION

The Company specializes in underwriting contract surety, bid and performance bonds for small subcontractors and miscellaneous surety, tax, probate and notary bonds. As of December 31, 2023, in addition to New Jersey, the Company was authorized to transact business in the following twenty states:

Alabama	Georgia	Montana	Rhode Island
Connecticut	Kentucky	North Carolina	South Carolina
District of Columbia	Massachusetts	New Hampshire	Tennessee
Delaware	Maryland	New York	Virginia
Florida	Mississippi	Pennsylvania	West Virginia

The Company mostly distributes its surety bond products through independent agents in the various jurisdictions, as well as to some direct insureds. James Burger, the President of the Company, is primarily responsible for overseeing the underwriting of submissions and maintains a producer license in the State of New Jersey. The Company utilizes agency agreements and has no MGA relationships. The Company filed producer-controlled reports for each of the five years of the examination period in compliance with N.J.A.C.11:2-37.4 where it was determined that it is not producer-controlled.

Direct premiums written during the examination period were as follows:

2023 - \$6,228,571
2022 - \$6,659,959
2021 - \$5,241,277
2020 - \$4,134,646
2019 - \$5,373,662

The increase in premiums written since the last exam is in accordance with the Company's plan for continued measured and steady growth as it expands into additional states. The Company utilizes the services of insurance intermediaries for placing reinsurance contracts. These are licensed reinsurance intermediaries in compliance with N.J.S.A. 17:22E-2a and their intermediary contracts were reviewed and verified without exception. The Company has various other agreements in effect with several service providers that offer assistance to Service in the conduct of its business, such as premium programming and preparation and filing of statutory annual statements on behalf of the Company.

All of the Company's accounting and administrative functions are conducted at its home office located in West Orange, NJ, which is staffed by three employees. The Company also maintains a satellite office in Melville, New York mainly used as a back-up facility providing disaster recovery, miscellaneous and office support. The registered agent upon whom process may be served is James Burger, SIC's President, having an address at the Company's main office.

Policy Forms and Underwriting Practices

The Company utilizes forms with industry-standard language, a sampling of which is listed below:

Bid, Performance and Contractor's Application
Commercial and Court Bond Application
Site Plan Bond Application
Bond Request Form
Performance Bond Form
Bid Bond Form/Consent of Surety
General Indemnification Agreement
Collateral Agreement
Job Status Report
Principal Affidavit

The Company's policy for underwriting a new or existing account is to follow an underwriting checklist. Service feels these procedural guidelines are an effective way to communicate the requirements to the agent and principal. The Company's underwriting philosophy is focused on evaluating, among other things, the creditworthiness, competency, reputation, and overall character of the principal.

Advertising and Sales Material

A review and sampling of advertisement materials submitted by the Company determined SIC to be in compliance with N.J.S.A. 17:18-10, which requires a company that is advertising its assets to also advertise liabilities in an equally conspicuous manner.

Treatment of Policyholders

The NAIC Closed Complaint Trend Report revealed that the Company registered one complaint 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.

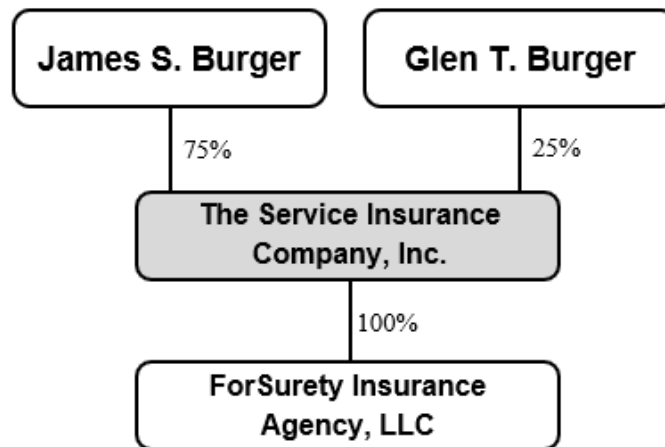
Statutory Deposit

As of December 31, 2023, the Company had on deposit with the State of New Jersey, its domiciliary state, cash and securities with a total par value of \$1,025,000, in compliance with N.J.S.A. 17:20-1c. These deposits are held for the benefit and security of the Company's policyholders.

HOLDING COMPANY SYSTEM

Affiliated Parties

The Company is a member of a holding company system as defined by N.J.S.A. 17:27A-1 and has, therefore, filed holding company registration statements with the Department 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, 2023:



ForSurety Insurance Agency, LLC ("FSIA"), is a New Jersey domiciled agency organized as a disregarded entity in November 2022 for the limited purpose of brokering surety bonds that exceed Service's bonding limits. A disregarded entity is an organization formed for tax purposes where income earned is passed through to a single owner.

Inter-Company Agreements

The Company effectuated an Operating Agreement with FSIA dated November 22, 2022, which outlines the structure, management, and operational procedures of the agency. FSIA generated \$9,137 in revenue and \$7,462 in net income during the exam period in connection with this agreement, all stemming from commissions on placements of bonds.

MANAGEMENT AND CONTROL

Stockholders

The Company's by-laws, amended on March 15, 2022, state that the Annual Meeting of shareholders shall be held between February 1 and March 1 of each year, or the next succeeding business day upon a legal holiday, at an hour to be named in the notice or waiver of notice of the meeting, for the election of directors and for the transaction of such other business as may properly come before the meeting.

Each shareholder shall be entitled to one vote, in person or by proxy, for each share entitled to vote held by such shareholder. Except as otherwise required by law, the Certificate of Incorporation or

the by-laws, the presence, in person or by proxy, of shareholders holding a majority of the shares of the corporation entitled to vote shall constitute a quorum at all meetings of the shareholders.

During the examination period, the two sole shareholders of the Company, James Burger and Glen Burger, called five annual meetings, the last of which ratified the list of directors currently in place as of December 31, 2023.

Board of Directors

The by-laws vest the management and corporate powers of the Company in a Board of Directors ("the Board"). The Board shall be composed of not less than three (3) or more than twelve (12) members and shall be elected at the annual meeting of the shareholders. Each director shall be elected to hold office until the next succeeding annual meeting and, subject to law and the by-laws, shall hold office for the term for which elected and until a successor shall be elected and shall qualify.

The Board shall elect one additional person to serve as Chairman to preside over all meetings and participate in the work and functions of the Board, except he or she shall cast no vote on any matter except in the case of a tie in the votes cast by other Board members.

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

<u>Name</u>	<u>Principal Occupation</u>
James Burger (Chair)	President/Underwriter The Service Insurance Company, Inc
Glen Burger	Vice President/CFO The Service Insurance Company, Inc
Michael Caro, Jr.	Certified Public Accountant Bederson, LLP
Andrew Durkin	Agency Partner Acrisure NJ Partners Insurance Services, LLC
Richard Feldman	Attorney Richard Feldman, PC
Richard Grodeck	Attorney Piro, Zina, Cifelli, Paris & Genitempo, PC
Donald Rogosin	Economic and Financial Consultant
Laura Shanahan	Reinsurance Management Consultant
Lynn Schubert	Consultant
Eric Van Elkan	Reinsurance Intermediary (retired)

In accordance with N.J.S.A. 17:27A-4d(3), the Company is required to have a Board composition of no less than one-third outside directors. The Company was determined to be in compliance with the provisions of this statute, as all Board members are considered outside directors, with the exception of James Burger and Glen Burger who are the owners of the Company.

Committees

The by-laws provide for the appointment of one or more committees, each to consist of two or more directors of the Board. At December 31, 2023, the Company had one committee consisting of the following members:

Audit Committee

Richard Grodeck, Chair

Michael Caro

Donald Rogosin

Lynn Schubert

The Audit Committee satisfies the statutory provisions of N.J.S.A. 17:27A-4d, paragraph 4, which requires 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 triannual 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 SIC home office in West Orange, New Jersey.

Officers

The by-laws of the Company stipulate that the officers of the Company shall be a President, one or more Vice Presidents, a Secretary, and a Treasurer, all of whom shall be elected by the Board and who shall hold office, subject to the by-laws, until their successors are elected and qualified. In addition, the Board may elect a Chairman of the Board and such Assistant Secretaries and Assistant Treasurers as the Board may deem advisable. One person may hold two or more offices, except that the offices of President and Secretary or Assistant Secretary may not be held by the same person.

The elected officers of the Company serving at December 31, 2023, were as follows:

<u>Name</u>	<u>Office</u>
James Burger	President
Glen Burger	Vice President, Treasurer
Nora Nellis	Secretary

Corporate Records

The by-laws stipulate that the Board shall meet in the months of March, August and November at a time and place of their choosing. A quorum is reached when a majority of directors are present. A review of the corporate minutes indicated that directors held their annual and regular meetings in accordance with the Company's by-laws, for the purpose of nominating officers and transacting business. Altogether, 15 meetings were held during the period. Attendance at the meetings of the Board during the period of this examination was at least 80% at all times. The Board's review and approval of the previous examination report, key investment transactions, and other strategically relevant and important matters were duly noted and documented in its minutes.

Policy on Conflicts of Interest

The Company has adopted a formal program for the identification of circumstances which would constitute a conflict of interest ("COI") between SIC and an officer or director thereof. Each year all officers and directors of the Company are required to complete and execute a COI questionnaire which requires the individual to disclose any act or affiliation that is likely to conflict with his or her official duties.

Service provided completed COI questionnaires applicable to the examination period. These forms are reviewed by the Audit Committee, which will make decisions as to whether an individual's outside interests constitute a conflict and will recommend if necessary that an individual reclude himself from matters which come before the Board if he or she were deemed to have a conflict.

Fidelity Bond Coverage

The Company maintains a financial institution bond with a single liability limit of \$2,000,000 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:

Directors and Officers Liability
Employment Practices Liability

REINSURANCE

At December 31, 2023, the Company maintained two reinsurance contracts as coverage for its core business. The Company ceded approximately \$3,324,000 in premiums and was contingently liable for approximately \$1,028,000 under these agreements. None of these contracts are retrospectively rated or subject to redetermination. All the reinsurers hold a A+ (Superior) 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.

Effective January 1, 2023, there is a variable quota share reinsurance agreement on file under which SIC cedes to the reinsurer the pro-rata portions of its premiums, losses and loss adjustment

expenses based on the limits of its surety bonds ranging from 0% to 70% of such premiums and losses. This agreement contains ceding commission and contingent ceding commission clauses whereby the Company is entitled to a portion of the reinsurer's profit based upon a stated formula. The Company has accrued an estimate for this provision totaling \$396,525 in the 2023 financial statement.

Effective January 1, 2023, the Company entered into an excess of loss reinsurance agreement under which it cedes to the reinsurer losses and loss adjustment expenses in excess of \$275,000, not to exceed a limit of \$2,500,000 individually or \$7,500,000 aggregate. This agreement is subject to certain minimum and deposit premium provisions. The Company has recorded an estimate for the actual premiums ceded of \$32,425 in the 2023 financial statement.

ACCOUNTS AND RECORDS

The Company's accounting records are maintained at the main administrative office. The Company utilizes a general ledger system to accommodate the specific needs of a small business. The accounting system is fully integrated for agent premium balances, accounts payable, premium invoicing, payroll, cash, investments, and adjusting journal entries reflecting the detailed activity of each account over a period with time. The Company's 2023 general ledger amounts were reconciled to the annual statement. The premiums are summarized monthly and electronically transferred to an outside service that provides the Company with the ability to monitor and report on premium earnings and to prepare detailed unearned premiums registers. An upgraded document management system was implemented in 2019 and is employed for all permanent records. The original signed indemnity agreements, bank collateral instruments and other permanent documents are stored in fireproof safes.

The Company does not rely on paper records for its operations. Administrative, financial, accounting, bond logs, broker powers, broker agreements, policy records, taxes, payroll, and other records are stored electronically and are accessible remotely in the event of a localized disaster. The full system, images and database are continuously backed up, are tested, and checked for consistency, and are completely portable and may be fully restored to a satellite office location as part of the Company's Disaster Recovery Plan.

All claims are handled by an officer of the Company. Proof of loss is always required, and inquiries are made to the principal as to ascertain the validity of any claim. Losses, when incurred, are directly expensed to a loss adjustment account in the general ledger. The Company maintains separate general ledger accounts for actual losses, loss reserves and loss adjustment expenses.

Independent Audit

Pursuant to N.J.A.C. 11:2-26.4 an annual audit was performed by PKF, based in New York, New York, and a financial statutory audit report for fiscal years 2023 and 2022 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

Service has a formal disaster recovery plan that includes backup procedures, failover precautions on backup files, emergency contacts, anti-virus support and an alternate location in order to maintain the stability and continuity of the Company's operations in the event of a man-made or natural disaster. Data restoration tests are performed quarterly with full recovery implemented at a satellite office should a localized catastrophe occur. The Company has also made provisions for the succession of officers in its by-laws.

FINANCIAL STATEMENTS

Financial Exhibits have been prepared based on the annual statutory financial statements filed by SIC with the NJDOBI in compliance with N.J.A.C. 11:12-1.4. These are summarized below and furnished fully in the next three pages.

- | | |
|-----------|--|
| Exhibit-A | Statement of Financial Position
as of December 31, 2023 |
| Exhibit-B | Statement of Operating Results
for the Five-Year Period ended December 31, 2023 |
| Exhibit-C | Surplus Account
for the Five-Year Period ended December 31, 2023 |

EXHIBIT-A: Statement of Financial Position

As of December 31, 2023

	<u>Per Examination</u> <u>12/31/23</u>	<u>Per Company</u> <u>12/31/23</u>	<u>Examination</u> <u>Change</u>	<u>Note</u>
<u>Assets</u>				
Bonds	\$ 13,551,863	\$ 13,551,863	\$ -	
Preffered Stocks	76,905	76,905	-	
Common Stocks	3,772,151	3,772,151	-	
Cash and Short Term Investments	2,585,074	2,585,074	-	
Investment Income Due and Accrued	101,403	101,403	-	
Uncollected Premiums	414,386	414,386	-	
Amounts Recoverable from Reinsurers	29,283	29,283	-	
Other Amounts Receivable from Reinsurers	367,242	367,242	-	
Current Fed Income Tax Recoverable	153,082	153,082	-	
Net Deferred Tax Asset	48,332	48,332	-	
Total Net Admitted Assets	\$ 21,099,721	\$ 21,099,721	\$ -	
<u>Liabilities</u>				
Losses	\$ 632,336	\$ 632,336	\$ -	1
Loss Adjustment Expenses	513,680	513,680	-	1
Other Expenses	582,210	582,210	-	
Taxes, Licenses and Fees	131,135	131,135	-	
Unearned Premiums	1,381,203	1,381,203	-	
Advance Premiums	37,669	37,669	-	
Dividends Declared and Unpaid: Stockholders	500,000	500,000	-	
Ceded Reinsurance Premiums Payable	32,425	32,425	-	
Amounts Withheld for Account of Others	4,034,257	4,034,257	-	
Payable to Parent, Subs and Affiliates	394,744	394,744	-	
Total Liabilities	\$ 8,239,658	\$ 8,239,658	\$ -	
<u>Surplus</u>				
Common Capital Stock	\$ 1,000,000	\$ 1,000,000	\$ -	
Gross Paid-in and Contributed Surplus	839,198	839,198	-	
Unassigned Funds	12,059,465	12,059,465	-	
Less: Treasury Stock at Cost	1,038,600	1,038,600	-	
Surplus as Regards Policyholders	\$ 12,860,063	\$ 12,860,063	\$ -	2
Total Liabilities and Surplus	\$ 21,099,721	\$ 21,099,721	\$ -	

EXHIBIT-B: Statement of Operating Results
For the Five-Year Period Ended December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Underwriting Income</u>					
Premiums Earned	<u>\$ 3,076,649</u>	<u>\$ 2,835,153</u>	<u>\$ 2,261,852</u>	<u>\$ 2,195,507</u>	<u>\$ 2,552,733</u>
<u>Deductions</u>					
Losses Incurred	185,955	80,303	(128,616)	100,240	28,601
Loss Adjustment Expenses Incurred	326,202	136,991	98,703	250,713	263,101
Other Underwriting Expenses Incurred	<u>1,881,782</u>	<u>1,577,215</u>	<u>1,351,190</u>	<u>1,318,349</u>	<u>1,358,471</u>
Total Deductions	<u>2,393,939</u>	<u>1,794,509</u>	<u>1,321,277</u>	<u>1,669,302</u>	<u>1,650,173</u>
Net Underwriting Gain	\$ 682,710	\$ 1,040,644	\$ 940,575	\$ 526,205	\$ 902,560
<u>Investment Income</u>					
Net Investment Income Earned	315,183	94,238	77,222	144,019	243,216
Net Realized Capital Gains/(Losses)	<u>(175,797)</u>	<u>(95,166)</u>	<u>138,004</u>	<u>132,695</u>	<u>78,583</u>
Net Investment Gain	<u>139,386</u>	<u>(928)</u>	<u>215,226</u>	<u>276,714</u>	<u>321,799</u>
<u>Other Income</u>					
Finance and Service Charges	26,347	24,726	17,234	27,138	26,177
Agg Write-ins for Misc. Income	<u>1,273</u>	<u>14,474</u>	<u>317,120</u>	<u>6,968</u>	<u>125</u>
Total Other Income	<u>27,620</u>	<u>39,200</u>	<u>334,354</u>	<u>34,106</u>	<u>26,302</u>
Net Income Before Taxes	\$ 849,716	\$ 1,078,916	\$ 1,490,155	\$ 837,025	\$ 1,250,661
Federal Income Taxes Incurred	173,066	235,951	318,525	137,991	323,870
Net Income	<u>\$ 676,650</u>	<u>\$ 842,965</u>	<u>\$ 1,171,630</u>	<u>\$ 699,034</u>	<u>\$ 926,791</u>

EXHIBIT-C: Surplus Account
For the Five-Year Period Ended December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Surplus as Regards Policyholders December 31, Previous Year	<u>\$ 12,376,536</u>	<u>\$ 11,830,559</u>	<u>\$ 10,875,234</u>	<u>\$ 10,299,766</u>	<u>\$ 9,094,210</u>
Net Income	676,651	842,965	1,171,629	699,035	926,793
<u>Other Surplus Adjustments</u>					
Change in Net Unreal Cap Gains/(Losses)	419,972	(483,591)	177,931	6,368	207,966
Change in Net Deferred Income Tax	(113,840)	135,323	(60,940)	5,439	(9,276)
Change in Nonadmitted Assets	744	51,280	166,705	(135,374)	80,073
Dividends to Stockholders	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>
Total Other Surplus Gains/(Losses)	<u>(193,124)</u>	<u>(296,988)</u>	<u>(216,304)</u>	<u>(123,567)</u>	<u>278,763</u>
Net Change in Surplus	483,527	545,977	955,325	575,468	1,205,556
Surplus as Regards Policyholders December 31, Current Year	<u>\$ 12,860,063</u>	<u>\$ 12,376,536</u>	<u>\$ 11,830,559</u>	<u>\$ 10,875,234</u>	<u>\$ 10,299,766</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Losses and Loss Adjustment Expenses

At December 31, 2023, the Company reported a net liability for Losses and Loss Adjustment Expenses of \$1,146,016. 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 2023 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

SIC's equity structure at year-end 2023 consisted of 50,000 authorized shares of common stock at a par value of \$20 per share for a total capital of \$1,000,00, in accordance with N.J.S.A. 17:17-8, with 32,000 shares issued and outstanding. There was no preferred stock authorized. The Company paid dividends in 2021 and 2023, totaling \$1,000,000, which were approved by the Department.

Treasury Stock

The reported balance represents 18,000 shares the Company redeemed from the estate of the former majority shareholder William Burger and his spouse, which was approved by the Department on June 18, 2012.

Gross Paid-in and Contributed Surplus

No capital contributions were made during the examination period. The balance under this account has, therefore, remained unchanged since the last exam.

Unassigned Funds

Total Unassigned Funds, as per the current examination review, amounted to \$12,059,465, which is \$3,765,853 more than the balance reported in the last examination, reflecting an increase of roughly 45%. The cumulative changes in surplus and other funds during the five-year examination period are reflected and summarized below:

Policyholder Surplus, December 31, 2018		\$ 9,094,210
Net Cumulative Income		4,317,073
Change in Net Unrealized Capital Gains	328,646	
Change in Net Deferred Income Tax	(43,294)	
Change in Nonadmitted Assets	163,428	
Dividends to Stockholders	(1,000,000)	
Surplus Adjustments: Examination Change	-0-	
Net Adjustments During Five-Year Period		(551,220)
Policyholder Surplus, December 31, 2023		<u>\$ 12,860,063</u>

In compliance with N.J.S.A. 17:17-6, the Company meets the statutorily required minimum surplus benchmark of \$1,250,000, an excess of \$11,610,063 remaining in surplus.

SUBSEQUENT EVENTS

No events or transactions of a significant nature were noted during the review of SIC's operating activities occurring or recorded after the examination date.

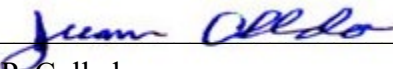
SUMMARY OF RECOMMENDATIONS

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

Under the supervision of:



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

THE SERVICE INSURANCE COMPANY, INC.
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, 2023, to the best of my 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

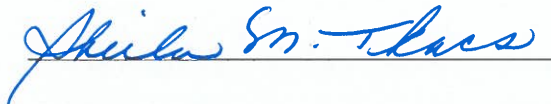
Under the supervision of:



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

State of New Jersey
County of Mercer

Subscribed and sworn to before me on this 27th day of May, 2025.



Notary Public of the State of New Jersey

My commission expires: July 2025