

REPORT ON EXAMINATION AS TO THE CONDITION OF
MERCER INSURANCE COMPANY OF NEW JERSEY, INC.

WEST TRENTON, NEW JERSEY 08628

AS OF DECEMBER 31, 2023

NAIC GROUP CODE 0248

NAIC COMPANY CODE 43540

FILED

April 15, 2025

Commissioner

New Jersey Department

Of

Banking and Insurance

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State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

OFFICE OF SOLVENCY REGULATION

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April 2, 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, an examination has been made of the assets and liabilities, method of conducting business and other affairs of the:

MERCER INSURANCE COMPANY OF NEW JERSEY, INC.
WEST TRENTON, NEW JERSEY
NAIC GROUP CODE 0248
NAIC COMPANY CODE 43540

a domestic insurer duly authorized to transact the business of insurance in the State of New Jersey. Hereinafter, the Mercer Insurance Company of New Jersey, Inc. will be referred to in this report as the "Company".

SCOPE OF EXAMINATION

The New Jersey Department of Banking and Insurance ("NJDOBI") conducted a risk-focused examination of the Company. The examination was made as of December 31, 2023, and addressed the five-year period from January 1, 2019, to December 31, 2023.

This risk-focused examination was called by the Commissioner of Banking and Insurance of the State of New Jersey pursuant to the authority granted by N.J.S.A. Section 17:23-22 of the New Jersey Revised Statutes.

The examination was performed as a coordinated group examination concurrently with the following companies:

United Fire & Casualty Company (UF&CC)
Addison Insurance Company (ADD)
Lafayette Insurance Company (LAF)
United Fire & Indemnity Company (UF&IC)
United Fire Lloyds (UFL)
Mercer Insurance Company (MIC)
Mercer Insurance Company of New Jersey, Inc.
Franklin Insurance Company (FIC)
Financial Pacific Insurance Company (FPIC)

The Company's Main Administrative Office located at 118 Second Avenue SE, Cedar Rapids, IA, 11561. NJDOBI conducted the examination in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook (the "NAIC Handbook"). The NAIC Handbook requires that NJDOBI plan and performs the examination to evaluate the financial condition and identify prospective risks of the Company. In order to meet these objectives, NJDOBI obtained information regarding the Company's corporate governance environment, identified and assessed inherent risks to which it is exposed, and evaluated its system of internal controls and procedures used to mitigate those risks identified. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

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

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

HISTORY AND KIND OF BUSINESS

The Company was incorporated under the laws of New Jersey dated October 14, 1981, and commenced business on September 15, 1982.

The Company's initial certificate of authority permitted the Company to write the kinds of insurance specified in paragraphs "a", "b", "e", "j", "k", "l" and "o" of N.J.S.A. 17:17-1 of the Revised Statutes of New Jersey.

The Company's Certificate of Amendment to the Certificate of Incorporation dated January 16, 1996, enabled the Company to write the kinds of insurance authorized by paragraph "e" of N.J.S.A. 17:17-1 et seq., except only that authority granted under paragraph "e" to write automobile bodily injury liability and automobile property damage liability, is specifically excluded.

The Company's Certificate of Amendment to the Certificate of Incorporation dated December 17, 1997, occurred due to a name change from Mercer Insurance Company to Mercer Insurance Company of New Jersey, Inc.

The Company's certificate of Amendment to the Certificate of Incorporation dated August 12, 1998, fifth paragraph of N.J.S.A. 17:17-1 increased the common capital stock and gross paid in and contributed surplus from \$1,000,000 to \$3,500,000.

The Company's Certificate of Amendment to the Certificate of Incorporation dated August 12, 1998, third paragraph of N.J.S.A. 17:17-1 granted the Company authorization to transact the kinds of business specified in paragraph "a", "b", "e", "f", "g", "j", "k", "l", "m", "n", "o-1" and "o-3ii".

The Company's Certificate of Amendment to the Certificate of Incorporation dated January 1, 2002, third paragraph of N.J.S.A. 17:17-1 granted the Company authorization to transact the kinds of business specified in paragraph "a", "b", "e", "f", "g", "j", "k", "l", "m", "n", "o".

On December 31, 2009, two of the Company's holding companies, Queenstown Holding Company, Inc. (QHC) and Franklin Holding Company, Inc. (FHC), were liquidated. As a result, the Company and Franklin Insurance Company became directly owned by MIC, which is a member of Mercer Insurance Group, Inc., a Pennsylvania holding company.

On March 28, 2011, and pursuant to a Merger Agreement December 28, 2010, UF&CC purchased and acquired ownership of 100% of the outstanding securities of Mercer Insurance Group, Inc., thereby acquiring complete ownership of the insurance operating subsidiaries of the former Mercer Insurance Group.

On February 1, 2012, a reorganization of the UF&CC and all the subsidiary/affiliated companies was completed. United Fire Group, Inc., an Iowa corporation, replaced UF&CC, an Iowa corporation, as the publicly held corporation. The prior holders of UF&CC Common Stock were issued the same number of shares and same ownership percentage of United Fire Group, Inc. as they held prior to the reorganization.

At December 31, 2018 the authorized capital stock of the Company is \$3,500,000 divided into 350,000 shares of common stock having a par value of \$10 per share. All authorized shares are issued and outstanding, and owned by MIC, a member of the United Fire Group, Inc. holding company.

The Company's gross paid in and contributed surplus remained \$8,575,060 for the five-year period ending December 31, 2018.

As of the examination date, the statutory office of the Company is at 820 Bear Tavern Road, West Trenton, New Jersey, 08648. The administrative office of the corporation is located at 118 Second Avenue SE, Cedar Rapids, Iowa, 52401. The registered agent on whom process may be served is CT Corporation, 820 Bear Tavern Road West, Trenton, New Jersey, 08648.

STATUTORY DEPOSIT

As of December 31, 2023, the Company maintained one security on deposit with the State of New Jersey, in trust for the benefit and security of the Company's policyholders.

<u>State</u>	<u>Securities</u>	<u>Par Value</u>
	Federal Home Loan Bank	
New Jersey	3.27% due January 1, 2033	<u>600,000</u>
Total		<u>\$ 600,000</u>

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed in the states of New Jersey and New York. The Company's accounts and data are maintained at 118 Second Avenue SE, Cedar Rapids, Iowa 52407-3909.

The Company is authorized to write homeowner's and commercial lines coverages, including workers' compensation, commercial automobile and a religious institution package policy. Commercial products target mercantile, light manufacturing business owners, artisans and contractors' coverage.

The Company utilizes independent agents to write its business and is not producer controlled. Broker and agents' commissions are authorized in accordance with their respective agreements.

CONFLICT OF INTEREST

The Company, as part of the United Fire Group, Inc. and its ultimate parent, has a formal code of conduct and ethics policy, which includes a conflicts of interest policy and procedure for the annual disclosure to its Board of Directors and Audit Committee of any material interest or affiliation on the part of its directors, officers or key employees which is in, or likely to, conflict with the official duties of such person. A review of senior management and the Board of Directors questionnaires for the examination period revealed no conflicts of interest.

CORPORATE RECORDS

The minutes of the Board of Directors, Stockholders and Audit Committee were reviewed during the period of examination and found to be in accordance with the By-laws. The review indicated corporate transactions were adequately presented and approved.

MANAGEMENT AND CONTROL

The business, property and affairs of the Company are managed by the President and his delegated officers under the guidance of the Board of Directors.

Directors

The Company's By-laws specify that the Board of Directors shall consist of not less than five (5) or more than twenty-five (25) Directors. The number of Directors to serve each year may be fixed annually by the Shareholders or at any time between Annual Shareholders Meetings by vote of the Board of Directors. The elected Directors shall hold office until their successors have been duly elected and qualified. No Directors may serve on the Board after the age of 75. This age restriction does not apply any Directors turning 75 prior to March 1, 2004.

Amended By laws and Article of Incorporation were approved during third quarter 2021.

The Board has six standing committees: an Audit Committee, Compensation and Human Capital Committee, Executive Committee, Investment Committee, Nominating and Governance Committee and Risk Management Committee. Only independent Directors may serve on the Audit Committee, Compensation Committee and Nominating and Governance Committee. Each Committee is governed by a written charter that is reviewed annually by the applicable Committee, Nominating and Governance Committee, and the full Board of Directors.

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

The business, property and affairs of the Company are under the direction of its management and its Board Members. The Company operates under common management with UF&CC. Officers and Board Members serving the Company are as follows:

1. Kevin James Leidwinger, President
2. James William Noyce
3. Sarah Emily Madsen, Secretary
4. Corey Lynn Ruehle
5. Eric John Martin, Treasurer
6. Julie Ann Stephenson, EVP and COO of UFG

Audit Committee

The Audit Committee is governed by a charter, which requires that each member of the Audit Committee be an independent Director, and the Committee must meet at least 4 times per year. All of the members of the Audit Committee are independent under the Nasdaq Listing Rules, applicable law and the applicable rules and regulations of the SEC, including Section 10A(m)(3) of the Exchange Act.

The following are current members of the Audit Committee:

James Noyce, Chairman - Retired Insurance Executive - FBL Financial Group John
John-Paul Besong – Retired Senior VP of e-business of Rockwell Collins
Scott Carlton - President of SGL Carbon, LLC
Brenda K Clancy – Chair - Former Chief Technology Officer for AEGON N.V.
Christopher Drahozal - Professor of Law, University of Kansas School of Law
George Milligan - President of the Graham Group Inc.

The Audit Committee is comprised entirely of outside directors who are not employees of the Company and is complying with N.J.S.A. 17:27A-4(d)(4).

The Company is required to comply with the provisions of N.J.S.A. 17:27A-4d(3) which states that, “not less than one-third of the directors of a domestic insurer shall be persons who are not officers or employees of that insurer or of any entity controlling, controlled by, or under common control with that insurer and who are not beneficial owners of a controlling interest in the voting securities of that insurer or any such entity”. However, in accordance with N.J.S.A. 17:27A-4d(5), the provisions of paragraph (3) shall not apply to a domestic insurer if the person controlling the insurer is an entity having a board of directors that substantially meet the requirements of this paragraph. Under N.J.S.A. 17:27A-4d (5), the Company’s ultimate controlling entities is CSIH. It has been determined by this examination that CSIH are subject to compliance with N.J.S.A. 17:50-1 et. al. Therefore, it has been determined, by NJDOBI - Office of Solvency Regulation Division, that the Company’s controlling entities are in compliance with N.J.S.A. 17:27A-4d(3).

Committees

In addition to the above, the Company also maintained the following committees:

- Investment Committee
- Compensation and Human Capital Committee
- Nominating & Governance Committee
- Risk Management Committee
- Executive Committee

Officers

The Officers of the Company shall be chosen by the Board of Directors at its first meeting after the election of Directors by the Stockholders and shall consist of the President, and Executive Vice President, one or more Vice-Presidents, a Secretary, and Treasurer. The Board may also elect with such additional title(s), if any, as the Board may deem appropriate, such Officers and Assistant Officers and agents as it shall deem necessary. Any two or more offices may be held by the same person, but no officer shall execute, acknowledge, or verify any instrument in more than one capacity. Officers are elected for one year and shall hold their respective offices until the next annual election of officers by the Board and until their successors shall have been elected and qualified or until the earlier of their death, resignation, or removal.

Officers serving the Company at December 31, 2023, are as follows:

Kevin James Leidwinger – President
Eric John Martin – Executive Vice President
Julie Ann Stephenson – Executive Vice President
Janice Ann Martin – Treasurer
Sarah Emily Madsen – Vice President and Secretary
Brian Joseph Frese – Vice President

REINSURANCE

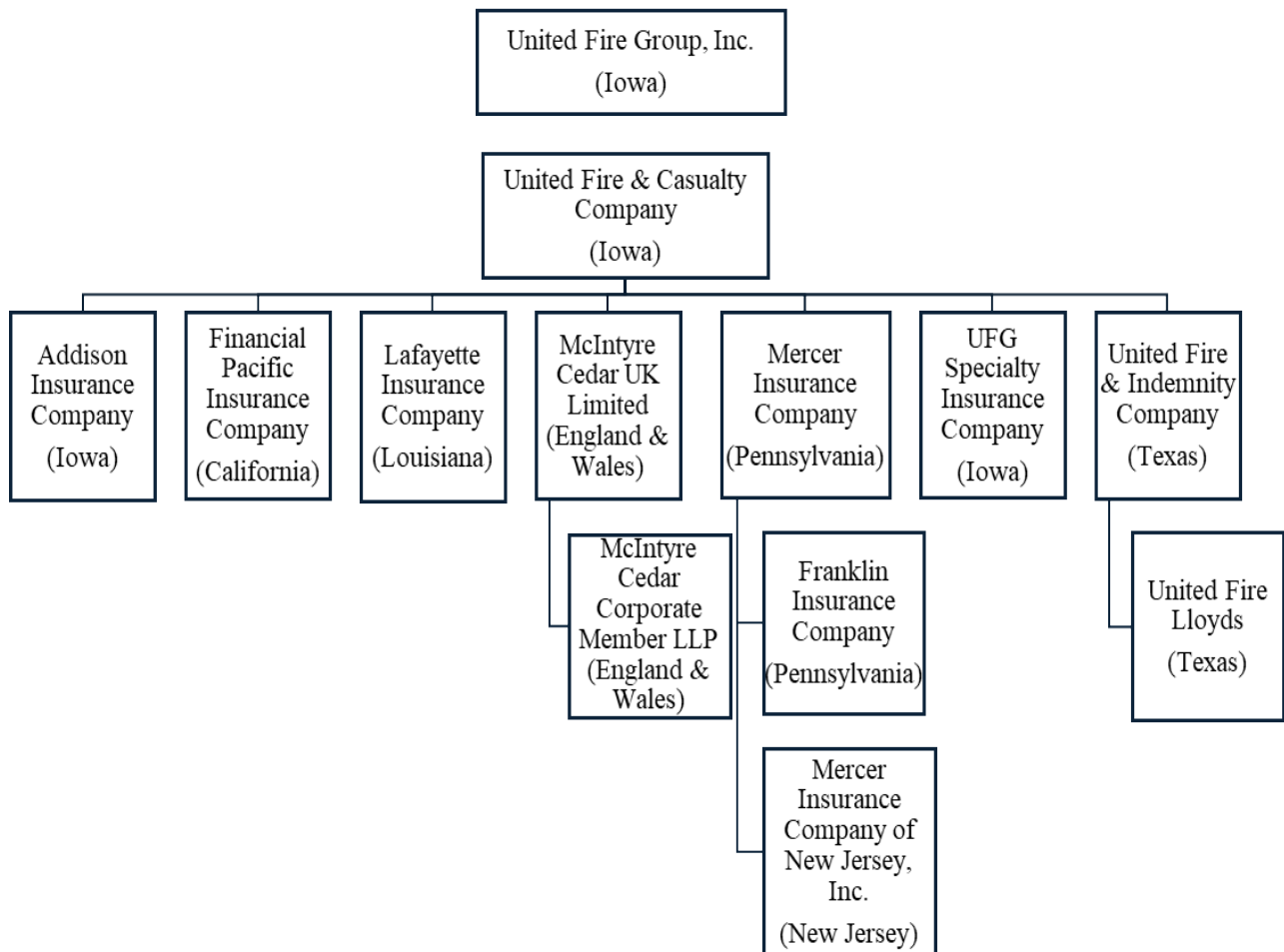
Subsidiaries of UF&CC, along with United Fire, are participants to an intercompany pooling arrangement initiated on January 1, 2012. Each of these “subsidiary participants” cede direct premiums, losses, loss adjustment expenses and other underwriting expenses to UF&CC. The business that is ceded plus the direct business of United Fire is accumulated and ceded to unaffiliated reinsurers by United Fire with net premiums subject to pooling. Sixty-four percent of the pooled business is retained by UF&CC. The remaining 36% is ceded by United Fire to the subsidiary participants. Each of the subsidiary participants records their allocation from the pool as assumed business. Investment expenses and investment income are not pooled. The following is a list of those companies and the percentage of business assumed:

Company Name	Pool Percentages
United Fire & Casualty Company {UF&CC}	64%
Addison Insurance Company (ADD)	4%
Lafayette Insurance Company (LAF)	7%
United Fire & Indemnity Company (UF&IC)	2%
United Fire Lloyds (UFL)	1%
Mercer Insurance Company (MIC)	9%
Mercer Insurance Company of New Jersey, Inc.	3%
Franklin Insurance Company (FIC)	1%
Financial Pacific Insurance Company (FPIC)	8%
UFG Specialty Insurance Company	1%

REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS

The Company is a member of an insurance holding company system as defined in N.J.S.A. 17:27A-1 and is subject to the registration requirements of N.J.S.A. 17:27A-3. The Company is a wholly-owned subsidiary of MIC. The ultimate controlling entity for the group is UFG. It was determined that the Company did file their holding company registration statements, for the period under examination, in compliance with the requirements and standards of N.J.S.A. 17:27A-3.

An abbreviated organizational chart of the United Fire Group, Inc. holding company system as of December 31, 2023, is as follows (ownership of subsidiaries is 100% unless otherwise noted):



AGREEMENT WITH AFFILIATES

Intercompany Reinsurance Pooling Agreement

All the insurance subsidiaries belong to an intercompany reinsurance pooling arrangement. On July 1, 2015, UFG Specialty Insurance Company entered the pooling arrangement. Under the agreement, each of the subsidiary/affiliate participant cedes their premiums, losses, loss adjustment expenses and other underwriting expenses to UF&CC. The business that is ceded to UF&CC pursuant to the terms of the intercompany pooling agreement, plus the direct, assumed and ceded business of UF&CC is accumulated for pooling. Business ceded to external reinsurers for the pooled group is recorded on behalf of the pooled group by UF&CC. 64% of the net pooled business is retained by UF&CC and UF&CC cedes the remaining 36% to the subsidiary/affiliate participants in the following percentages:

- United Fire & Casualty Company – 64%
- Mercer Insurance Company – 9%
- Financial Pacific Insurance Company – 8%
- Lafayette Insurance Company – 7%
- Addison Insurance Company – 4%
- Mercer Insurance Company of New Jersey – 3%
- United Fire & Indemnity Company – 2%
- UFG Specialty Insurance Company – 1%
- Franklin Insurance Company – 1%
- United Fire Lloyds – 1%

Agents' Balances Payment and Reimbursement Agreement

UF&CC makes all payments to and receives all payments from appointed agents and insureds on behalf of the other insurance entities in the United Fire Group. All amounts due from agents are recorded as agents' balances on the books of UF&CC. A corresponding 'payable to affiliate' is recorded by UF&CC for agents' balances related to the other agreement members. Affiliated members record a 'receivable from affiliate' for the amounts due for their direct premiums written, less the direct commissions paid. Settlement of amounts payable for agents' balances shall be within 30 days following the end of each month. Any uncollected intercompany balances more than 60 days past due shall accrue interest at the rate of .25 percent. All non-admitted amounts and amounts collected which are considered 'unallocated remittances' are recorded on the books of UF&CC.

Intercompany Investment Apportionment Agreement

Under the terms of the agreement UF&CC will provide investment management services for itself and for the benefit of its subsidiary/affiliate companies. Each company to this Agreement will pay a proportionate share of the projected investment expenses incurred by UF&CC on a monthly basis. In exchange, UF&CC will charge each subsidiary/affiliate a pro-rata share of consolidated investment expenses based on the sum of the par value of its bonds and market value of its nonaffiliated securities in relation to that of the consolidated group. The projected investment expenses are calculated on an annual basis.

Intercompany Credit Agreements

UF&CC as the "Lender" - This Agreement allows each other group member to borrow a maximum of \$5 million from UF&CC on a short-term basis and at prevailing interest rates. Settlement of all minimum principal payments, interest, fees or other liabilities due under any of the Loan Documents will occur within 30 days from the end of the month in which they are incurred. Promissory notes issued as part of any Loan Documents will contain a duration no longer than one year.

UF&CC as the "Borrower" - This Agreement allows UF&CC to borrow funds, on a short-term basis and at prevailing interest rates from other member companies of the group. UF&CC may borrow up to 10% of any individual member company's statutory surplus, up to an aggregate amount of \$50 million. This will enable UF&CC to fund its own working capital requirements. Borrowers' obligation to repay advances under the Line of Credit shall be evidenced by a promissory note subjects to the terms and conditions stated in the Agreement. Settlement of all minimum principal payments, interest, fees or other liabilities due under any of the Loan Documents will occur within 30 days from the end of the month in which they are incurred. Promissory notes issued as part of any Loan Documents will contain a duration no longer than one year.

Tax Allocation Agreement

The United Fire Group, Inc. files a consolidated Federal income tax return with the method of allocation between the companies subject to a written agreement approved by the Board of Directors. The allocated tax liability for each insurer will not be greater than the tax liability it would have incurred if it had been filing separate tax returns. Intercompany balances are settled within 30 days after the filing of a return, an amendment, or receipt of a refund.

ACCOUNT AND RECORDS

During the examination period, the Company's accounting books and records were maintained at its main administrative office, located at 118 Second Avenue SE, Cedar Rapids, Iowa 52407-3909. Financial information needed in conjunction with the verification of assets and the determination of liabilities was made available in detail and summary form. The general ledger system was tested and reconciled to the annual statement.

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

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

TREATMENT OF POLICYHOLDERS AND CLAIMANTS

The Company's complaint handling procedures as well as its complaint logs were reviewed for the years 2020 through 2023. The review of these complaint logs determined that the Company was in compliance with N.J.S.A. 17:29B-4(10) which states: "This record shall indicate the total number of complaints, their classification by line of business, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint."

CONTINUITY OF OPERATIONS

A business continuity plan is necessary to help ensure the Company can adequately recover from a system failure or business interruption in a timely fashion and without the loss of significant data. Management should assess how the Company's reputation and financial status would be impacted in the event of a major processing disruption and based on this assessment, develop an appropriate continuity plan that would help to ensure the Company can adequately recover from a system failure or business disruption in a timely fashion. The Company's comprehensive Business Continuity Plan was reviewed as part of the coordinated examination. There were no exceptions noted or recommendations made.

FINANCIAL STATEMENTS AND OTHER EXHIBITS

Exhibit A Balance Sheet at December 31, 2023

Exhibit B Summary of Operations for the Five-Year Period Ending December 31, 2023,

Exhibit C Capital and Surplus Account for the Five-Year Period Ending December 31, 2023

Balance Sheet
as of December 31, 2023
Exhibit A

					Balance per <u>Examination</u>	Balance per <u>Company</u>	Examination <u>Change</u>	Note <u>Number</u>
<u>Assets</u>								
Bonds					\$ 84,731,158	84,731,158		1
Cash and cash equivalents					2,770,702	2,770,702		
Investment income due and accrued					620,409	620,409		
Premiums and considerations								
Uncollected premiums and agents balances in course of collection					2,634,074	2,634,074		
Reinsurance								
Amounts recoverable from reinsurers					1,502,536	1,502,536		
Current federal and foreign income taxes recoverable and interest					236,524	236,524		
Net deferred tax asset					1,112,786	1,112,786		
Total Admitted Assets					\$ 93,608,189	\$ 93,608,189		
<u>Liabilities, surplus and other funds</u>								
Losses					\$ 35,068,149	\$ 35,068,149		2
Reinsurance payable on paid losses and loss adjustment expenses					2,818,972	2,818,972		
Loss adjustment expenses					6,570,329	6,570,329		2
Commissions payable, contingent commissions and other charges					935,398	935,398		
Other expenses					575,553	575,553		
Taxes, licenses and fees					147,787	147,787		
Unearned premiums					14,726,912	14,726,912		
Ceded reinsurance premiums payable					259,303	259,303		
Payable to parent, subsidiaries and affiliates					731,404	731,404		
Aggregate write-ins for liabilities					191,087	191,087		
Total Liabilities					\$ 62,024,894	\$ 62,024,894		
<u>Liabilities, surplus and other funds</u>								
Common capital stock					\$ 3,500,000	\$ 3,500,000		
Gross paid-in and contributed surplus					8,575,060	8,575,060		
Unassigned funds					<u>19,508,235</u>	<u>19,508,235</u>		
Surplus as regards policyholders					\$ 31,583,295	\$ 31,583,295		3
Total liabilities, surplus and other funds					\$ 93,608,189	\$ 93,608,189		

**Underwriting and Investment Exhibit For the Five-Year Period Ended
December 31, 2023
Exhibit B**

					<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Underwriting Income</u>									
Premiums earned					\$ 29,516,837	\$ 27,394,709	\$ 28,448,846	\$ 31,652,467	\$ 32,609,170
Losses incurred					\$ 19,903,487	17,145,281	\$ 16,238,498	\$ 21,803,382	20,302,916
Loss adjustment expenses incurred					2,889,665	1,322,219	3,062,686	4,295,138	4,619,451
Aggregate write-ins for underwriting deductions					11,091,447	9,854,041	9,173,641	10,426,377	10,610,249
Net Underwriting Gain of (Loss)					\$ (4,367,762)	\$ (926,832)	\$ (25,979)	(4,872,430)	(2,923,446)
<u>Investment Income</u>									
Net investment income earned					\$ 2,760,209	\$ 2,501,802	\$ 2,083,756	\$ 2,320,707	\$ 2,631,458
Net realized capital gains of (losses) les capital gains tax					903,102	(4,097)	551,002	(9,594)	(1,813)
Net investment income					\$ 3,663,311	\$ 2,497,705	\$ 2,634,758	\$ 2,311,113	2,629,645
<u>Other Income</u>									
Net gain from agents' or premium balances charged off					\$ -	\$ -	\$ -	\$ -	\$ 3,608
Finance and service charges not included in premiums					41,451	78,744	125,091	\$ 156,538	205,355
Aggregate write-ins for miscellaneous income					-	-	\$ -	(265)	1,717
Total other income					\$ 41,451	\$ 78,744	\$ 125,091	\$ 156,273	\$ 210,680
Net income before dividends to policyholders, after capital									
gains tax and before all other federal and foreign tax					\$ (663,000)	\$ 1,649,617	\$ 2,733,870	(2,405,044)	\$ (83,121)
Dividends to policyholders					45,745	227,032		600,503	-
Federal and foreign income taxes incurred					(509,826)	3,403	89,511	(1,216,375)	(209,203)
Net Income					\$ (198,919)	\$ 1,419,182	\$ 2,644,359	\$ (1,789,172)	\$ 126,082

Capital and Surplus Account
For the Five-Year Period
Ended December 31, 2023
Exhibit C

					<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Surplus as regards policyholders, prior year					\$ 32,377,700	\$ 30,982,752	\$ 28,837,650	\$ 33,712,808	\$ 36,281,787
Net income					(198,919)	1,419,182	2,644,359	(1,789,172)	126,082
Change in net unrealized capital gains or (losses)					(839,598)	(126,916)	(304,394)	206,011	318,760
Change in net deferred income tax					9,067	102,682	(194,863)	8,003	(46,234)
Change in non-admitted assets					(181,463)				32,413
Cumulative effect in accounting principles					416,508				
Dividends to stockholders								(3,300,000)	(3,000,000)
Change in surplus in regards of surplus					(794,405)	1,394,948	2,145,102	(4,875,158)	(2,568,979)
Surplus as regards policyholders, current year					\$ 31,583,295	\$ 32,377,700	\$ 30,982,752	\$ 28,837,650	\$ 33,712,808

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BONDS

The Company reported an admitted asset for bonds of \$84,731,158 at December 31, 2023. The Company did not have any investment in preferred or common stock at December 31, 2023. These amounts will be accepted as stated by this examination.

NOTE 2: LOSS AND LOSS ADJUSTMENT EXPENSES

At December 31, 2023, the Company reported a net liability for Losses and Loss Adjustment Expenses of \$35,068,149 and \$6,570,329, respectively. The actuarial review of the Loss and Loss Adjustment Expenses Reserves was performed in conjunction with the coordinated exam. The Property & Casualty Actuarial Division of the NJDOBI reviewed the Report on the Actuarial Examination.

NOTE 3: SURPLUS AS REGARDS POLICYHOLDERS

The Company reported surplus as regards to policyholders at December 31, 2023 of \$31,583,295 which consisted of common capital stock of \$3,500,000, gross paid in and contributed surplus of \$8,575,060 and unassigned funds balance of \$19,508,235.

SUBSEQUENT EVENTS

Subsequent to the examination date, no significant subsequent events occurred.

CONCLUSION

The undersigned hereby certifies that an examination has been made of the Company and the foregoing report is true to the best of my knowledge and belief. The courteous assistance and cooperation of the Company's officers and employees is acknowledged.

Respectfully Submitted,

Lori Ruggiero

Lori Ruggiero, CFE
Examiner-In-Charge
The NOVO Consulting Group, LLC
Representing the State of New Jersey
Department of Banking and Insurance

Nancy Lee Chice

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

EXAMINER'S AFFIDAVIT

Mercer Insurance Company of New Jersey

I, Lori Rillo-Ruggiero, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2023, to the best of my knowledge and belief.

Respectfully submitted,

Lori Ruggiero

Lori Ruggiero, CFE Examiner-In-Charge
The NOVO Consulting Group, LLC
Representing the State of New Jersey
Department of Banking and Insurance

Under the supervision of:

Nancy Lee Chice

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

State of New Jersey
County of Mercer

Subscribed and sworn to before me, Margaret M. Greco on this 4th day of April, 2025.

[Signature]

Notary Public of New Jersey

My commission expires: 6/17/2025

