



Chester A. McPherson
Acting Commissioner

**BEFORE THE
INSURANCE COMMISSIONER OF
THE DISTRICT OF COLUMBIA**

Re: Report on Examination – **Amalgamated Casualty Insurance Company** as of December 31, 2013

ORDER


An Examination of **Amalgamated Casualty Insurance Company** as of December 31, 2013 has been conducted by the District of Columbia Department of Insurance, Securities and Banking (“the Department”).

It is hereby ordered on this 15th day of June, 2015, that the attached financial condition examination report be adopted and filed as an official record of this Department.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, this Order is considered a final administrative decision and may be appealed pursuant to Section 31-4332 of the D.C. Official Code.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the issuance of the adopted report, the Association shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.

Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the Department will continue to hold the content of the report as private and confidential information for a period of 10 days from the date of this Order.



Chester A. McPherson
Acting Commissioner

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF INSURANCE, SECURITIES AND BANKING



REPORT ON EXAMINATION

AMALGAMATED CASUALTY INSURANCE COMPANY

AS OF

DECEMBER 31, 2013

NAIC COMPANY CODE 13293

Amalgamated Casualty Insurance Company
Report on Examination
December 31, 2013

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Washington, D.C.
May 29, 2015

Honorable Chester McPherson
Acting Commissioner
Department of Insurance, Securities and Banking (DISB)
Government of the District of Columbia
810 First Street, NE, Suite 701
Washington, D.C. 20002

Dear Commissioner:

In accordance with Section 31-1402 of the District of Columbia Official Code, we have examined the financial condition and activities of

Amalgamated Casualty Insurance Company

(Hereinafter called the Company and/or ACIC) at its home office located at 500 Morse Street NE, Washington DC 20002-7012 and the following Report on Examination is submitted.

SCOPE OF EXAMINATION

We have performed our full-scope examination of Amalgamated Casualty Insurance Company. The last examination covered the period of January 1, 2004 to December 31, 2008. This examination covers the period of January 1, 2009 to December 31, 2013, including any material transactions and/or events noted occurring subsequent to December 31, 2013.

We conducted our examination in accordance with examination policies and standards established by the District of Columbia Department of Insurance, Securities and Banking and procedures recommended by the NAIC's *Financial Condition Examiners Handbook* and, accordingly, included such tests of the accounting records and such other procedures as we considered necessary in the circumstances. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. Key activities of the Company were determined to include Premiums and Underwriting, Claims Handling, Reserves, Investments and Related Party Transactions. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the

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examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination includes significant findings of fact, as mentioned in Section 31-1404 of the District of Columbia Official Code, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.) are not included within the examination report but separately communicated to other regulators and/or the company.

SUMMARY OF SIGNIFICANT FINDINGS

Our examination included a review to determine the current status of the seven recommendations made in our preceding Report on Examination, which covered the period from January 1, 2004 to December 31, 2008. Each of the recommendations made in our prior Report on Examination were adequately addressed by the Company.

The examination did not disclose any material adverse findings or any adjustments that impacted the Company's reported capital and surplus.

HISTORY

General:

Amalgamated Casualty Insurance Company was incorporated as a mutual insurance company with no capital stock on August 2, 1938, in the District of Columbia, as per Act of Congress, Public Law Number 162, of the 67th Congress. The purpose of the Company, as per the Certificate of Incorporation is to "write any and all insurance or reinsurance on property and rents and use and occupancy against loss or damage..." The Company primarily writes liability insurance on its member taxi cab drivers in the District of Columbia and Maryland. The period of existence of the Company is perpetual.

Until 1996, the Company was licensed in the States of Virginia and Maryland and the District of Columbia. As a result of a Board of Trustees' resolution, the Company did not renew its license in Virginia as of 1996. However, in 2014 the Company reentered into the state of Virginia.

The Company's Articles of Incorporation and bylaws provide that the responsibility for the control and management of the affairs, property and interests of the Company is vested in its Board of Trustees composed of not less than three (3) trustees who shall be elected annually by the policyholders. The bylaws provide that the officers of the Company shall consist of a Chairman of the Board, President, a Secretary, a Treasurer, and such other officers, and Vice Presidents, as the Board of Trustees may from time to time deem advisable. The Board of Trustees shall elect the officers of the Company at the regular annual meeting of the Trustees following the annual meeting of policyholders.

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Capital Stock:

The Company is a mutual insurance company; consequently there is no capital stock.

Dividends to Policyholders:

The Company did not declare or pay any dividends to policyholders during the period under examination.

Management:

Board of Trustees (Directors)

As provided in the Certificate of Incorporation and the bylaws, the property, business, and affairs of the Company, except as otherwise provided by the Certificate of Incorporation, shall be managed by a Board of Trustees. The trustees shall be divided into three (3) classes, each, as nearly as possible, consisting of one-third of the whole number of the Board of Trustees and all trustees of the corporation shall hold office until their successors are elected and qualified. At the first annual meeting held after January 26, 1999, the trustee(s) of the first class shall be elected for a term of three (3) years; the trustee(s) of the second class shall be elected for a term of two (2) years; and the trustee(s) of the third class shall be elected for a term of one (1) year; and at each annual meeting thereafter, the successors to the class of trustee(s) whose term shall expire that year shall be elected to hold office for the term of three (3) years, so that the term of office of one class of trustee(s) shall expire in each year. A trustee designated to fill a vacancy occurring during a term shall serve only for the unexpired period of that term.

The number of trustees may be changed from time to time by a vote of the majority of the entire Board, but should never be less than three. In March of 2013, the Board of Trustees was increased to seven (7) members.

As of December 31, 2013, the Board of ACIC was comprised of the following seven (7) Directors:

1. Patrick Joseph Bracewell, Chairman of the Board
2. Fred Lewis Brewer, President
3. Mark Alan Gilder, Secretary
4. Shaza Lynne Andersen, Outside Director
5. Jason Kelly Wolfe, Outside Director
6. Joseph Searcy Bracewell, III, Director
7. Kirk Allan Goeldner, Outside Director

The Company is in compliance with District of Columbia Code Section 31-405 and 31-706(c)(3) which states that no less than 1/3 of the directors of a domestic insurer and not less than 1/3 of the members of each committee of the board of directors of any domestic insurer shall be persons who are not officers or employees of the insurer or of any entity controlling, controlled by, or

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under common control with the insurer and who are not beneficial owners of a controlling interest in the voting stock of the insurer or such an entity.

Officers

The by-laws provide that the officers of the Company shall consist of a Chairman of the Board, a President, one or more Vice-Presidents, a Secretary and a Treasurer. The officers shall be elected by the Board of Trustees and shall be elected for one year and serve until his/her successor is duly elected and qualified or the officer is removed. Any two of the said offices may, at the discretion of the Board, be held by the same person.

The following officers have been appointed by the Board of Trustees and were serving at December 31, 2013:

<u>Name</u>	<u>Title</u>
Patrick Joseph Bracewell	Chairman
Fred Lewis Brewer	President
Mark Alan Gilder	Vice President and Secretary
Jacqueline Leach Plenty	Treasurer
Edward David Arovas	Chief Operating Officer

Committees:

As of December 31, 2013, the Company was in compliance with District of Columbia Official Code Section 31-706(c)(4), which requires that the Board establish one or more committees comprised of individuals who are not officers or employees of the Company, or of any entity controlling, controlled by or under common control with the Company. This committee or committees shall have responsibility for recommending the selection of independent certified public accountants, reviewing the Company's financial condition, nominating candidates for director, evaluating the performance of officers of the Company, and recommending to the Board the selection and compensation of principal officers. As of December 31, 2013, ACIC also has the following Committees of the Board of Directors:

Audit Committee:

1. Shaza Lynne Andersen
2. Jason Kelly Wolfe

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Investment Committee:

1. Patrick Joseph Bracewell
2. Fred Lewis Brewer
3. Shaza Lynne Andersen
4. Jason Kelly Wolfe
5. Joseph Searcy Bracewell III

Conflicts of Interest:

Directors and officers of the Company regularly respond to conflict of interest questionnaires. Our review of the responses to the questionnaires completed for 2013 did not disclose any material conflicts that would affect the Company.

Proxies

The Company's mutual policyholders are solicited to sign a proxy which remains in effect as long as the policyholder has an in-force policy at the Company. The proxy appoints ARM as the policyholder's attorney to vote at policyholder meetings, including the annual policyholder meeting where each Board of Trustees is elected. The proxy is revocable at any time either in writing or in person at policyholder meetings.

Corporate Records:

We reviewed the minutes of the meetings of the policyholders and board of directors for the period under examination. Based on our review, it appeared that the minutes documented the Company's significant transactions and events, and that the directors approved those transactions and events.

AFFILIATED COMPANIES

The Company is a mutual company with business produced by an agency, American Risk Management, Inc. (ARM), which is beneficially owned by the Chairman of the Company, thus creating an "affiliate relationship". The statutory definition of an affiliate is "a person that directly, or indirectly, through 1 or more intermediaries, controls, or is controlled by, or is under common control..." ARM also meets the statutory definition of a 'producer controlled insurer' as ARM "directly controls" the Company.

In its Report on Examination issued on June 29, 2010, the DISB determined that ACIC is part of a holding company system along with its affiliated insurance agency, ARM. On October 5, 2011,

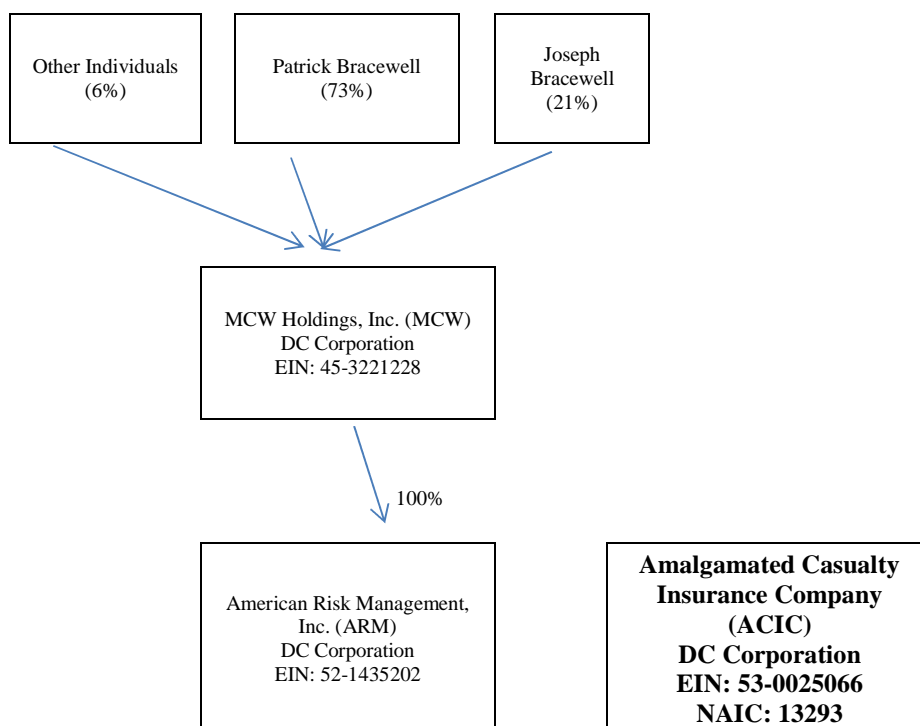
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after receiving approval from the DISB, MCW Holdings, Inc.¹ (MCW) acquired 100% of the voting securities of ARM. MCW's voting securities are owned by the following:

- Patrick Joseph Bracewell (73%)
- Joseph Searcy Bracewell III (21%)
- Other members of the Bracewell family (6%)



As of December 31, 2013, the Company was a party to the following significant intercompany agreements:

Agency Agreement

Commencing October, 1, 2011, ACIC entered into a Non-Exclusive Agency Agreement with American Risk Management, Inc. (ARM), which as noted above is an entity related through common ownership. The agreement was originally effective through December 31, 2014 but has subsequently been amended to a termination date of December 31, 2017. Under Section 1 of the initial agreement, ARM was granted non-exclusive authority to solicit (i) in the State of

¹ According to its Form B filing dated April 18, 2014, MCW was formed for the principal purpose of acquiring ARM.

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Maryland, taxicab and limousine physical damage and liability insurance business providing bodily injury and property damage coverage and personal injury and uninsured motorist protection, (ii) in the District of Columbia, (a) taxicab physical damage and liability insurance business providing bodily injury and property damage coverage and personal injury and uninsured motorist protection, (b) limousine liability insurance business providing bodily injury and property damage coverage and personal injury and uninsured motorist protection, and (c) private passenger automobile physical damage and liability insurance business providing bodily injury and property damage coverage and personal injury and uninsured motorist protection. Effective May 1, 2014, section 1 of the agreement was amended to include commercial automobile insurance in the States of Florida, Virginia and Georgia.

Effective March 1, 2015, Section 1 of the agreement was again amended to grant ARM non-exclusive authority to solicit (i) in the District of Columbia, commercial auto insurance except for physical damage coverage for limousines and (ii) in all other states in which both the Company and the Agent are properly licensed to transact business, commercial automobile insurance; all within the policy limits set by the Company with respect to the applicable jurisdiction, and subject to any restrictions placed upon the Agent by the laws of the jurisdictions in which such Agent is authorized to write insurance.

ARM is paid a commission rate of 18.3% (\$927,750 in 2013), as the Company's policy writing agent, on premiums collected for all policies. The agreement requires ARM to pay, within 10 days after the due date, all money due ACIC on policies placed with the Company.

Cost Sharing Agreement

On October 4, 2011, ACIC entered into a Cost-Sharing Agreement with ARM. The agreement was originally effective through December 31, 2014 but has subsequently been amended to a termination date of December 31, 2017. Under the terms of the agreement, ARM is to reimburse ACIC 10% of "reimbursable expenses" (janitorial fees, pest extermination fees, security, cleaning supplies, utilities, trash removal, property and liability insurance premiums for the premises, fidelity bond premiums, and the salary of one lead underwriter), plus basic rent of \$4,000 per year. Effective January 1, 2015, the agreement was amended to change the basic rent from \$4,000 per year to \$6,800 per year.

Tax Sharing Agreement:

The Company does not file a combined tax return with its affiliate and therefore, there are no tax sharing agreements between the Company and the Affiliate.

TERRITORY AND PLAN OF OPERATION

As of the examination date, business was marketed only in the State of Maryland and the District of Columbia. The Company primarily writes low limit commercial automobile liability coverage for taxicabs operating in the District of Columbia and Maryland. The Company also offers automobile physical damage coverage to its insureds.

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Subsequent to the examination date, ACIC has received Certificates of Authority to operate in the following states:

- Florida
- Virginia (received certificate of authority in late 2013)
- Georgia
- Maine
- South Carolina
- Indiana
- Kentucky
- Ohio
- Pennsylvania
- Mississippi, and
- Texas

Business is produced through an affiliate, ARM. Under an agency agreement, ARM is paid a commission as the Company's policy writing agent. As of the examination date, MCW Holdings, Inc. owns ARM. Refer to the **Affiliated Companies** Section above for additional information.

REINSURANCE

As of December 31, 2013, the Company had no ceded or assumed reinsurance business.

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FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the DISB and present the financial condition of the Company for the period ending December 31, 2013. The accompanying Note and Comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

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ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets	Examination Adjustment Increase (Decrease)	Net Admitted Assets per Examination
Bonds	\$32,001,809	\$0	\$32,001,809	\$0	\$32,001,809
Common stocks	1,200,259		1,200,259		1,200,259
Real estate	813,677		813,677		813,677
Cash (\$312,034), cash equivalents (\$0) and short term investments (\$9,009,794)	9,321,828		9,321,828		9,321,828
Receivables for securities	499,440		499,440		499,440
Subtotals, cash and invested assets	\$43,837,013	\$0	\$43,837,013	\$0	\$43,837,013
Investment income due and accrued	548,848		548,848		548,848
Uncollected premiums and agents' balances in the course of collection	539,844		539,844		539,844
Electronic data processing equipment and software	198,952		198,952		198,952
Net deferred tax asset	107,612	107,612	0		0
Furniture and equipment	194,342	194,342	0		0
Aggregate write-ins for other than invested assets	801,468	782,444	19,024		19,024
Totals	\$46,228,079	\$1,084,398	\$45,143,681		\$45,143,681

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LIABILITIES, SURPLUS AND OTHER FUNDS

	Amounts per Annual Statement	Examination Adjustments	Amounts per Examination
Losses (NOTE)	\$ 4,946,595	\$	\$ 4,946,595
Loss adjustment expenses (NOTE)	1,246,860		1,246,860
Other expenses (excluding taxes, licenses and fees)	335,202		335,202
Taxes, licenses and fees (excluding federal and foreign income taxes)	46,102		46,102
Current federal income tax	95,662		95,662
Unearned premiums	0		0
Advance premiums	213,281		213,281
Remittances and items not allocated	120,770		120,770
Payable for securities	40,427		40,427
Aggregate write-ins for liabilities	<u>4,190</u>	<u> </u>	<u>4,190</u>
Total liabilities	<u>\$ 7,049,088</u>	<u>\$ 0</u>	<u>\$ 7,049,088</u>
Unassigned funds (surplus)	<u>38,094,593</u>		<u>38,094,593</u>
Surplus as regards policyholders	<u>\$ 38,094,593</u>	<u> 0</u>	<u>\$ 38,094,593</u>
Total liabilities and surplus	<u><u>\$ 45,143,681</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 45,143,681</u></u>

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STATEMENT OF INCOME

Underwriting Income:

Premiums earned	\$ 5,236,735
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Underwriting deductions:

Losses incurred	\$ 2,238,819
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Loss adjustment expenses incurred	1,271,742
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Other underwriting expenses incurred	1,606,189
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Total underwriting deductions	\$ 5,116,751
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Net underwriting gain	\$ 119,984
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Investment Income:

Net investment income earned	\$ 1,003,152
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Net realized capital gains	29,036
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Net investment gain	\$ 1,032,187
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Net income after dividends to policyholders and before federal and foreign income taxes	\$ 1,152,171
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Federal and foreign income taxes incurred	86,350
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Net income	\$ 1,065,821
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CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2008	\$ 31,054,536
Net income, 2009	\$ 1,918,535
Change in net unrealized capital gains or (losses)	12,611
Change in net deferred income tax	(20,808)
Change in nonadmitted assets	(126,943)
Aggregate write-ins for gains and losses in surplus	10,748
Net change in surplus as regards policyholders, 2009	<u>1,794,143</u>
Surplus as regards policyholders, December 31, 2009	\$ 32,848,679
Net income, 2010	1,798,600
Change in net unrealized capital gains or (losses)	21,341
Change in net deferred income tax	(3,832)
Change in nonadmitted assets	(257,369)
Net change in surplus as regards policyholders, 2010	<u>1,558,740</u>
Surplus as regards policyholders, December 31, 2010	\$ 34,407,419
Net income, 2011	\$ 1,771,250
Change in net unrealized capital gains or (losses)	(7,866)
Change in net deferred income tax	(15,625)
Change in nonadmitted assets	41,389
Net change in surplus as regards policyholders, 2011	<u>1,789,148</u>
Surplus as regards policyholders, December 31, 2011	\$ 36,196,567
Net income, 2012	\$ 1,175,057
Change in net unrealized capital gains or (losses)	20,451
Change in net deferred income tax	(15,363)
Change in nonadmitted assets	(60,537)
Net change in surplus as regards policyholders, 2012	<u>1,119,608</u>
Surplus as regards policyholders, December 31, 2012	\$ 37,316,175
Net income, 2013	\$ 1,065,821
Change in net unrealized capital gains or (losses)	144,320
Change in nonadmitted assets	(399,622)
Change in net deferred income tax	(32,101)
Net change in surplus as regards policyholders, 2013	<u>778,418</u>
Surplus as regards policyholders, December 31, 2013	<u><u>\$ 38,094,593</u></u>

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ANALYSIS OF EXAMINATION CHANGES TO SURPLUS

Surplus as regards policyholders per Annual Statement, December 31, 2013	\$38,094,593
Change in unassigned funds	<u>0</u>
Surplus as regards policyholders per examination, December 31, 2013	<u><u>\$38,094,593</u></u>

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COMPARATIVE FINANCIAL POSITION OF THE COMPANY

The comparative financial position of the Company for the five-year period ended December 31, 2013, is as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets	\$45,143,681	\$44,256,551	\$42,746,840	\$41,561,828	\$40,279,169
Liabilities	7,049,088	6,940,377	6,550,273	7,154,410	7,430,491
Policyholders surplus	38,094,593	37,316,174	36,196,567	34,407,418	32,848,678
Premiums earned	5,236,735	4,847,210	4,664,583	4,575,676	4,056,934
Net underwriting gain (loss)	119,984	(100,723)	12,399	93,170	47,056
Net investment gain (loss)	1,032,187	1,341,422	1,796,258	1,838,727	1,929,667
Net income (loss)	1,065,821	1,175,057	1,771,250	1,798,600	1,918,535

Note: Amounts for the years ended December 31, 2009 through 2012 were taken from the Company's Annual Statements as filed with the Department. Amounts for the year ended December 31, 2013 are amounts per examination.

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NOTE TO FINANCIAL STATEMENTS

Losses and Loss Adjustment Expenses:

The Company reported “Losses” and “Loss adjustment expenses” reserves totaling \$4,946,595 and \$1,246,860 respectively. These reserves represent management’s best estimate of the amounts necessary to pay all claims and related expenses incurred but still unpaid as of December 31, 2013.

The methodologies utilized by the Company to compute reserves, and the adequacy of the loss and loss adjustment expense reserves as of December 31, 2013, were reviewed as part of our examination. As part of our review, we relied on the Company’s independent actuary, who concluded that the methodologies and reserves appeared to be sufficient. In addition, the methodologies utilized by the Company to compute these reserves, and the adequacy of the loss reserves and loss adjustment expense reserves were reviewed by an independent actuary engaged as part of our examination. This independent actuary engaged as part of our examination also concluded that the methodologies and reserves appeared to be sufficient.

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COMMENTS AND RECOMMENDATIONS

There were no significant adverse findings as a result of the examination.

Additional Comments and Recommendations

During our examination we made certain suggestions and recommendations to the Company with regard to record keeping and other procedures relating to its operations in a management letter. These additional suggestions and recommendations were not deemed significant for purposes of our Report on Examination, and are not included in our Report on Examination.

SUBSEQUENT EVENTS

The Company is in the process of expanding into additional states in 2014 and 2015. Refer to the **Territory and Plan of Operations** section above.

The Company has entered into an excess of loss reinsurance contract effective in 2015, and is a 20% participant.

In 2014 the President, Fred Brewer, retired and the Chief Operating Officer, Edward D. Arovas, was appointed President.

In 2014, the Company adopted a new investment policy statement.

On January 1, 2015, Edward D. Arovas exercised options to purchase 5.2% of MCW Holdings, Inc. Refer to the **Affiliated Companies** section.

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CONCLUSION

Our examination disclosed that as of December 31, 2013, the Company had:

Admitted assets	<u>\$ 45,143,681</u>
Liabilities	<u>\$ 7,049,088</u>
Unassigned funds (surplus)	38,094,593
Surplus as regards policyholders	<u>\$ 38,094,593</u>
Total liabilities, capital and surplus	<u>\$ 45,143,681</u>

Based on our examination, the accompanying balance sheet properly presents the statutory financial position of the Company as of December 31, 2013, and the accompanying statement of income properly presents the statutory results of operations for the period then ended. The supporting financial statements properly present the information prescribed by the District of Columbia Official Code and the National Association of Insurance Commissioners.

Chapters 20 (“RISK-BASED CAPITAL”) and 25 (“FIRE, CASUALTY AND MARINE INSURANCE”) of Title 31 (“Insurance and Securities”) of the District of Columbia Official Code specify the level of capital and surplus required for the Company. We concluded that the Company’s capital and surplus funds exceeded the minimum requirements during the period under examination.

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SIGNATURES

In addition to the undersigned, the following examiners participated in certain phases of this examination:

INS Consultants Inc. – Financial Examination Team

Barry Armstrong

Barry Lupus

Michael Morro

Claude Granese

Kevin Ralston

Examination Supervisor

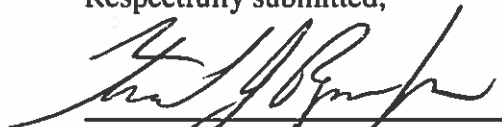
Financial Examiner

Actuary

IT Specialist

IT Specialist

Respectfully submitted,



Frank J. Ryan JR. CPA, CFE
Examiner-In-Charge

District of Columbia Department of
Insurance, Securities and Banking



Nathaniel Kevin Brown. CPA, CFE
Chief Examiner

District of Columbia Department of
Insurance, Securities and Banking

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IN ADDITION TO THE EXAMINATION OF THE AMALGAMATED CASUALTY INSURANCE COMPANY, A REVIEW WAS MADE OF MCW HOLDINGS, INC. AND THE REPORT THEREON IS AS FOLLOWS:

On October 5, 2011, after receiving approval from the DISB, MCW Holdings, Inc. (MCW) acquired 100% of the voting securities of American Risk Management, Inc. (ARM). As previously noted above in the **Affiliated Companies** section of this report, MCW's voting securities are owned by the following:

- Patrick Joseph Bracewell (73%)
- Joseph Searcy Bracewell III (21%)
- Other members of the Bracewell family (6%)

MCW's and ARM's principal place of business is located in 500 Morse Street, NE., Washington, DC 20002, the same address as ACIC.

The Unaudited (Compiled) Balance Sheet and Statement of Operations and Retained Earnings of MCW for the year ended December 31, 2013, accompany this report.

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MCW Holdings

Balance Sheet – Assets

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Assets

Current assets:

Cash and cash equivalents	\$303,453
Restricted cash	376,321
Investment in Monument Partners	3,600
Prepaid taxes	6,720
Other current assets	460
Total current assets	<u>690,554</u>

Other assets:

Goodwill	4,500,000
Loan fee - net of accumulated amortization	16,157
Other tangible assets	109,664
Total other assets	<u>4,625,821</u>

Total assets	<u><u>\$5,316,375</u></u>
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Amalgamated Casualty Insurance Company
Report on Examination
December 31, 2013

MCW Holdings, Inc.

Balance Sheet – Liabilities and Stockholder's Equity

December 31, 2013

Liabilities and stockholder's equity

Current liabilities:

Accrued occupancy payable	\$20,025
Accrued interest	25,894
Credit card payable	229
Premiums collected and payable	376,321
Notes payable, current portion	461,118
Total current liabilities	<u>883,587</u>

Long-term liabilities:

Notes payable, net of current portion	2,445,849
Deferred tax liability	59,995
Stock purchase payable, net of current portion	1,050,000
Total long-term liabilities	<u>3,555,844</u>

Total liabilities	<u>4,439,431</u>
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Stockholder's equity:

Common stock - \$.01 par value, 10,000 shares authorized; 730 shares issued and outstanding	7
Retained earnings	876,937
Total stockholder's equity	<u>876,944</u>

Total liabilities and stockholder's equity	<u><u>\$5,316,375</u></u>
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Amalgamated Casualty Insurance Company
Report on Examination
December 31, 2013

MCW Holdings, Inc.

Statements of Operations and Retained Earnings

December 31, 2013

		%
		<u> </u>
Revenue	\$935,181	100.0%
Operating expenses	<u>231,291</u>	<u>24.7%</u>
Income from operations	<u>703,890</u>	<u>75.3%</u>
Other income (expense):		
Interest expense	(146,981)	-15.7%
Amortization expense	<u>(5,876)</u>	<u>-0.6%</u>
Total other income (expense)	<u>(152,857)</u>	<u>-16.3%</u>
Income before provision for income taxes	551,033	58.9%
Provision for income tax	<u>(55,145)</u>	<u>-5.9%</u>
Net Income	495,888	<u><u>53.0%</u></u>
Retained earnings- beginning	567,089	
Distributions to stockholders	<u>(186,040)</u>	
Retained earnings - ending	<u><u>\$876,937</u></u>	