

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

Re: Report on Examination – **Forge Insurance Company** as of December 31, 2023

ORDER

An Examination of **Forge Insurance Company** as of December 31, 2023 has been conducted by the District of Columbia Department of Insurance, Securities and Banking (“the Department”).

It is hereby ordered on this 19th day of May 2025, 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 Company 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.



Philip Barlow
Associate Commissioner

REPORT ON EXAMINATION
Forge Insurance Company
AS OF
DECEMBER 31, 2023

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
SUMMARY OF SIGNIFICANT FINDINGS	2
COMPANY HISTORY	2
Capitalization	3
Dividends to Stockholder	3
MANAGEMENT AND CONTROL	3
Board of Directors	3
Officers	4
Committees	5
Conflicts of Interest	5
Corporate Records	6
HOLDING COMPANY SYSTEM	6
Organizational Chart	7
AGREEMENTS AND TRANSACTIONS WITH AFFILIATES	8
FIDELITY BOND AND OTHER INSURANCE	9
TERRITORY AND PLAN OF OPERATION	9
REINSURANCE	9
ACCOUNTS AND RECORDS	10
FINANCIAL STATEMENTS	11
Statement of Assets, Liabilities, Capital and Surplus	12
Statement of Income	14
Statement of Changes in Capital and Surplus	15
Comparative Analysis of Changes in Capital and Surplus	16
NOTES TO FINANCIAL STATEMENTS	16
COMMENTS ON FINANCIAL STATEMENT ITEMS	16
SUMMARY OF RECOMMENDATIONS	16
SUBSEQUENT EVENTS	17
CONCLUSION	19
SIGNATURES	19

Washington, D.C.
April 22, 2025

The Honorable Karima M. Woods
Commissioner
Department of Insurance, Securities, and Banking
Government of the District of Columbia
1050 First Street, NE, Suite 801
Washington, D.C. 20002

Dear Commissioner Woods,

In accordance with Section 31-1402 of the District of Columbia Official Code (“D.C. Code”), we have examined the financial condition and activities of

Forge Insurance Company

hereinafter referred to in this report as the “FIC” or “Company.” The examination was conducted remotely. The Company’s statutory home office is located at 7910 Woodmont Avenue, Suite 925, Bethesda, MD 20814 and the following Report on Examination is submitted.

SCOPE OF EXAMINATION

We have performed our multi-state, full-scope risk-focused financial examination of the Company. This examination covered the period from January 1, 2019, through December 31, 2023, including any material relevant transactions and/or events occurring subsequent to the examination date, and was conducted by examiners representing the District of Columbia, Department of Insurance, Securities and Banking (the “Department”). The previous examination of the Company covered the period from January 1, 2014, through December 31, 2018.

The examination was conducted by representatives of the Department and Noble Consulting Services, Inc. (“Noble”).

We conducted our examination by observing the guidelines and procedures in the *National Association of Insurance Commissioners* (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”) and generally accepted statutory insurance examination standards consistent with the insurance laws and regulations of the Department. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating 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. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

The examination of FIC was called by the Department in accordance with the Handbook guidelines, through the NAIC’s *Financial Examination Electronic Tracking System*. Our examination did not cover market conduct-related areas.

This examination report includes significant findings of fact, as mentioned in Section 31-1404 of the D.C. 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 were separately communicated to the Company and/or other regulators.

The Company was audited annually for the years 2021 through 2023 by the accounting firm Crowe LLP (“Crowe”) and received an unmodified opinion. The Company was audited for the year 2020 by Johnson Lambert, LLP, and received an unmodified opinion. The Company was audited for the year 2019 by Burdette Smith & Bish, LLC, and received an unmodified opinion. Certain audit work papers for Crowe, relating to their audit for the year ended December 31, 2023, were reviewed and relied upon, where and when appropriate, to assist in the completion of examination procedures.

SUMMARY OF SIGNIFICANT FINDINGS

The Examination did not result in any material adverse findings or adjustments that impact the Company’s reported capital and surplus.

COMPANY HISTORY

General

The 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 is licensed to write property and casualty insurance policies in several states and territories across the nation. The period of existence of the Company is perpetual.

The Company converted from a mutual to a stock insurance company pursuant to a Plan of Conversion, which was adopted unanimously by the Company’s Board of Trustees on February 3, 2021. On November 9, 2021, the Board of Trustees (“the Board”) adopted an amended Plan of Conversion, which has been approved by the Department. In April 2022, the Company changed its legal name to Forge Insurance Company, formerly Amalgamated Casualty Insurance Company (ACIC). Following the

conversion, the Company became a wholly owned subsidiary of Forge Group, Inc. (FGI).

Capitalization

The Company has 300,000 shares of \$10 par value, Class A common stock issued and outstanding as of December 31, 2023.

On March 11, 2022, FGI completed the sale of 2,050,000 shares of common stock at \$10.00 per share for a total gross offering of \$20,500,000, thereby completing the conversion of the Company from mutual to stock form. Pursuant to the amended and restated Plan of Conversion, upon completion of the conversion and the offering, the Company distributed \$4,594 in cash to each eligible member.

Dividends to Stockholder

During the period under examination, the Company did not declare or pay any stockholder dividends.

MANAGEMENT AND CONTROL

FIC is a member of an insurance holding company system as defined by Section 31- 705 of the District of Columbia Official Code. FIC is a stock company with business produced by an agency, Forge Risk Management, Inc. (“FRM”), which is under the same ownership and control as FIC, thus creating an “affiliate relationship.” Forge Group, Inc. (“FGI”), a Pennsylvania holding company, owns 100% of the voting securities of both FRM and FIC. FGI is owned 24.1% by MCW Group and 22.8% by MCIF Group, both are considered “control groups.” FIC is the only insurance company in the FGI holding company system. However, other insurance entities in the MCIF Group are referenced in the “Subsequent Events” section of this Report.

Board of Directors and Committees

FIC is governed by a seven-member Board of Directors whose members are elected annually. FIC’s board is led by a Chairman. The Chairman is responsible for presiding over all meetings of the shareholders and Board of Directors. In the event no Chairman is elected or appointed, the Chief Executive Officer shall undertake such duties.

Board of Directors

The Company’s Bylaws call for a board consisting of not less than three (3) individuals and not more than eleven (11). The number of directors may be fixed by the board from time to time. The directors of the corporation shall be divided into three classes: Class I, Class II, and Class III. Each Class shall be as nearly equal in number as possible. If the number of Class I, Class II or Class III Directors is fixed for any term of office, it shall not be increased during that term, except by a majority vote of the board of directors.

The Company’s directors and their principal business affiliations as of December 31, 2023, were as

Forge Insurance Company

Report on Examination

As of December 31, 2023



DC DEPARTMENT OF
INSURANCE, SECURITIES
AND BANKING

follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Patrick J. Bracewell Washington, District of Columbia	Chairman, President and CEO Forge Insurance Company
Joseph S. Bracewell III Washington, District of Columbia	Chairman Trustar Bank
Shaza L. Andersen Great Falls, Virginia	Chief Executive Officer Trustar Bank
Fred L. Brewer Alexandria, Virginia	Retired
Thomas E. Hampton Washington, District of Columbia	Principal TE Hampton Consulting
James C. Roumell Chevy Chase, Maryland	Chief Executive Officer Roumell Asset Management, LLC
Jason K. Wolfe Cleveland Heights, Ohio	Chief Executive Officer Mutual Capital Investment Advisors

D.C. Code § 31-706(c)(3) requires 1/3 of the directors of 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 any entity controlling, controlled by or under common control with the Company, and who are not beneficial owners of a controlling interest in the voting stock of the insurer or such an entity. The Company's board and committees are in compliance with D.C. Code § 31-706(c)(3).

Officers

The Company's Bylaws state the officers shall consist of a President, a Treasurer, a Secretary, and such other officers, including a Chairman of the Board, a Chief Executive Officer, one or more Vice Presidents, Assistant Secretaries, or Assistant Treasurers, as the board of directors may elect or appoint. Any two or more offices may be held by the same person. Each officer shall hold office until a successor has been duly appointed and qualified, or until an earlier resignation, removal from office, or death.

The principal officers appointed by the Board and holding office at the Company as of December 31, 2023, were as follows:

<u>Name</u>	<u>Title</u>
Patrick J. Bracewell	Chairman, President, CEO

Brian T. Mancino
Michael A. McColley
Stephanie E. Taylor
Dale A Willis

Secretary, Senior Vice President
Vice President
Treasurer, CFO, Vice President
Vice President

Committees

The Company's Bylaws allow the board of directors, by resolution adopted by a majority of the full board of directors, to designate from among its members an executive committee and one or more other committees each of which, to the extent provided in such resolution, or in the articles of incorporation of the corporation, shall have and may exercise all the authority of the board of directors with certain limitations.

As of December 31, 2023, the Company has appointed the following members to serve on various committees:

Audit Committee

Jason Wolfe, Chair
Shaza Anderson
Fred Brewer
Thomas Hampton

Finance & Investment Committee

Jim Roumell, Chair
Joseph Bracewell
Patrick Bracewell

Human Capital & Compensation

Shaza Anderson, Chair
Patrick Bracewell
Thomas Hampton
Jason Wolfe

Nominating & Governance Committee

Jason Wolfe, Chair
Joseph Bracewell
Fred Brewer

Strategy & Risk Committee

Patrick Bracewell, Chair
Shaza Anderson
Joseph Bracewell
Fred Brewer
Thomas Hampton
Jim Roumell
Jason Wolfe

Through these committees, the committee members provide oversight of the Company's strategies, financials, and operations.

Conflicts of Interest

FIC has established a formal conflict of interest policy. This policy required the Board of Directors and management of FIC to annually complete a conflicts-of-interest questionnaire and statement. The conflict-of-interest questionnaires completed by the board members and employees of FIC for the period under examination disclosed no material conflicts of interest.

Corporate Records

The recorded minutes of the meetings of the shareholder(s), Board of Directors and delegated internal committees were reviewed for the period under examination as well as for the subsequent period through the date of this Report. The recorded minutes of the Board meetings clearly documented its meetings and approval of company transactions and events, including the designation of the independent auditor, the appointment of the actuary, and the election of directors and officers.

HOLDING COMPANY SYSTEM

FIC is a member of an insurance holding company system pursuant to the provisions of Section 31- 705 of the District of Columbia Official Code. As described in FIC’s Form B filing, there are two (2) “control groups” in the insurance holding company system, each of which controls greater than 10% of the voting securities of FIC through their ownership in FGI (and thus greater than 10% of the beneficial voting interests):

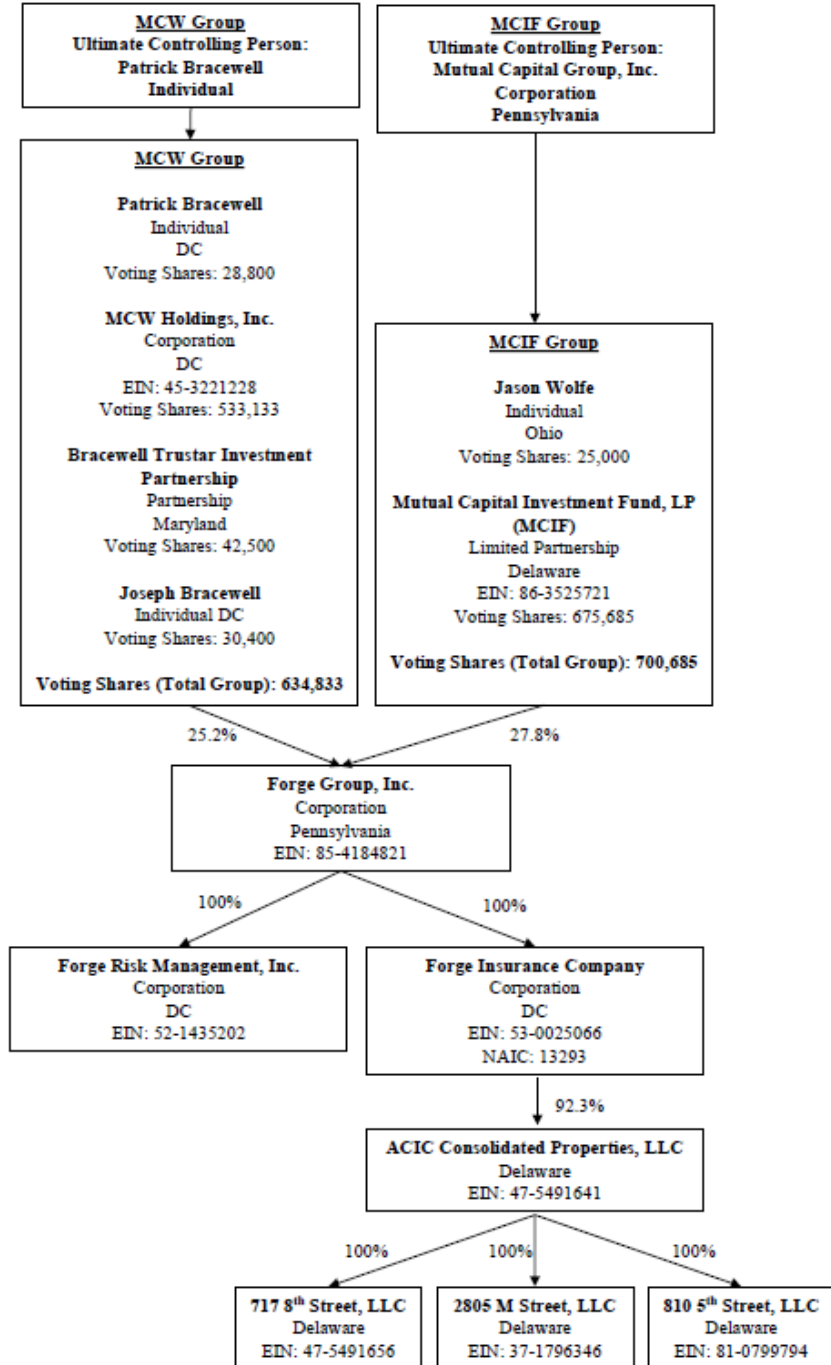
1. Patrick Bracewell, Joseph Bracewell, and controlled affiliates (the “MCW Group”). The MCW Group is comprised of the following entities: (i) MCW Holdings, Inc., (ii) MCW Investment Holdings, LP, and (iii) Bracewell Trustar Investment Partnership. The ultimate controlling person within the MCW Group is Patrick Bracewell, who has a beneficial voting interest of greater than 10%.

2. Jason Wolfe and Mutual Capital Investment Fund, LP (the “MCIF Group”). The MCIF Group is comprised of the following individuals and entities: (i) Jason Wolfe and (ii) Mutual Capital Investment Fund, LP (“MCIF”). The ultimate controlling person within the MCIF Group is Mutual Capital Group, Inc. (“MCG”), which has a beneficial voting interest of greater than 10%. Mutual Capital Investment Fund, LP (the “Fund”) submitted a Form A dated November 22, 2021, to the Department, requesting approval for the acquisition of common stock of FGI after the demutualization. The Form A was approved by the Department.

On March 11, 2022, FGI completed the sale of 2,050,000 shares of common stock at \$10 per share (the "Offering") for a total gross offering of \$20.5 million. Participants in the Offering included ACIC policyholders, an employee stock ownership plan (“ESOP”), directors, officers, employees, and members of the general public. The Offering was conducted in connection with the conversion of ACIC from a mutual to stock insurance company, as noted above.

Organizational Chart

The following organizational chart depicts FIC’s relationship within the holding company system, as reported by the Company, as of December 31, 2023.



AGREEMENTS AND TRANSACTIONS WITH AFFILIATES

The Company has entered into several arrangements with affiliated companies. The agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the Department, as required, in accordance with District of Columbia Code Section 31- 706(a)(2). The examination team performed a review, and the significant agreements are described below and under the Reinsurance section of this Report:

Cost Sharing Agreement

The Company and FRM entered into a Cost Sharing Agreement effective October 4, 2011. The agreement was initially effective through December 31, 2014, but subsequently amended to a termination date of December 31, 2020; provided that the agreement shall automatically renew for successive terms of one (1) year unless prior written notice of nonrenewal is furnished not later than one hundred twenty (120) days prior to the then-current renewal term. Under the terms of the agreement, FRM shall reimburse FIC 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 charged, per year. As of year-end 2023, FRM paid \$3,440.39 in reimbursable expenses to FIC. The Company received rent from FRM totaling \$71,711.30 for 2023.

Tax Sharing Agreement

The Company and its affiliates entered into an agreement by which they intend to file consolidated income tax returns as permitted by federal and state regulations. Pursuant to this agreement, each company shall compute its tax expense as if it were a separate company, and then remit such tax to the parent, Forge Group, Inc. The effective date of this Tax Sharing Agreement is November 30, 2022. The Tax Sharing Agreement was approved by the Department on November 3, 2022.

Non-Exclusive Agency Agreement

The Company entered into a Non-Exclusive Agency Agreement with FRM effective October 1, 2011. The agreement has been amended several times since then, to extend the termination date and to increase the authority of FRM. The agreement provides that FRM can solicit on behalf of and submit applications for insurance to FIC, to issue and deliver policies, certificates, endorsements, and binders that FIC may, from time to time, authorize to be issued and delivered. In addition, the agreement authorizes FRM to collect premiums on any policy issued by FIC, and to cancel any of the policies placed with FIC by or through FRM in FRM’s sole discretion (where such cancellation is legally possible). Additionally, FRM is obligated to pay, within ten days after the due date, all money due to FIC on policies placed with FIC by FRM.

The Non-Exclusive Agency Agreement describes the subject business FRM is authorized to solicit on FIC’s behalf as well as the commission payable on the subject business. During 2023, FIC paid net commissions pursuant to this agreement totaling \$2,763,673. The agreement is effective through December 31, 2023, but shall automatically renew for successive one-year terms unless either party

chooses not to renew and provides notification to the other party within 120 days of the scheduled end of the term.

FIDELITY BOND AND OTHER INSURANCE

Pursuant to Section 31-3405(b) of the D.C. Code, as of December 31, 2023, the Company, along with its Parent, was included as a named insured in the Parent's blanket fidelity insurance policy. The amount of the fidelity insurance coverage was \$1,000,000 aggregate loss coverage with a \$50,000 deductible.

In addition to the coverage provided under the fidelity bond, the Company carries several insurance policies to cover the hazards to which it is exposed. Coverages include workers' compensation, directors and officers, business owners, general liability, and commercial umbrella liability for the period of examination.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2023, FIC was licensed in 34 states and the District of Columbia to write property and casualty insurance. Based on 2023 direct premiums written, approximately 72% of the Company's writings were concentrated in the states of Virginia, Minnesota, Ohio, Maryland, and Pennsylvania. The Company is predominately writing its business in commercial auto liability and physical damage coverage to taxicabs, sedans, and other vehicles for hire. Based on direct premiums written by lines of business, 99.95% of the Company's business was written in the commercial automobile line. Business is produced through an affiliate, FRM. Under an agency agreement, FRM is paid a commission as the Company's policy writing agent.

During the examination period, the Company reported both underwriting gains and losses, and no material loss development trends were noted.

REINSURANCE

Assumed

The Company had no material reinsurance business assumed during the period under examination.

Ceded

Effective June 1, 2023, the Company entered into a reinsurance agreement, which provides the Company with excess of loss reinsurance coverage for commercial automobile liability losses. Under the agreement, coverage is provided for 100 percent of losses in excess of \$500,000 up to \$1.5 million per occurrence per policy, including 100 percent of losses in excess of policy limits and 100 percent of extra contractual obligations. Aggregate limits under the reinsurance treaties are \$5.5 million for losses under \$1.0 million and \$3.0 million for losses in excess \$1.0 million.

The subscribing reinsurers and corresponding percentages to the agreement are:

Insurance Company of the West: 15% First and Second Excess
Renaissance Re US: 30% First and Second Excess
Swiss Re America: 55% First and Second Excess

The Company also submits certain policies on a facultative basis to General Reinsurance Corporation. As of the examination date, the Company has placed 16 such policies with the reinsurer.

ACCOUNTS AND RECORDS

The Company's statutory home office and main administrative office is located at 7910 Woodmont Avenue, Suite 925, Bethesda, MD, 20814. This location also serves as the primary location of the Company's books and records. Pursuant to the requirements of Section 31-3431 of the D.C. Code, the principal office of the Company shall be within the District and shall keep its books, records, and files therein or at a location approved by the Commissioner. The Company made a request and received permission from the Department to have the books and records held at an alternate location.

The Company's general accounting records consisted of enterprise-wide general ledger, accounts payable, accounts receivable, and billing systems maintained by the Company and housed internally.

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. A review of the Company's Information Technology General Controls and General Application Controls was also performed as required by the Handbook. The review did not disclose any significant deficiencies in these records.

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition and results of operations as reported by the Company for the period ending December 31, 2023. No adjustments were made to the financial statements as a result of this examination.

Admitted Assets, Liabilities, Capital and Surplus
Statement of Income
Statement of Changes in Capital and Surplus
Comparative Analysis of Changes in Capital and Surplus
Comments on Financial Statement Items

Financial statements are the responsibility of the Company's management. The accompanying "Comments on Financial Statement Items" (if any) should be considered an integral part of the financial statements.

Statement of Assets, Liabilities, Capital and Surplus

December 31, 2023

Assets	
Bonds	\$ 28,992,773
Preferred stocks	2,044,230
Common stocks	1,691,319
Cash, cash equivalents and short-term investments	5,324,164
Other invested assets	12,467,674
Receivables for Securities	185,027
Subtotal, Cash and invested assets	<u>50,705,189</u>
Investment income due and accrued	296,547
Uncollected premiums and agents' balances	1,898,122
Deferred Premiums, agents balances and installments booked but deferred and not yet due	6,654,570
Amounts recoverable from reinsurers	225,743
Current federal income tax recoverable	206,908
Payroll tax recoverable	158,307
Claim suspense - recovery	<u>300</u>
Total admitted assets	<u><u>\$ 60,145,685</u></u>

Liabilities

Losses (Note 1)	\$ 6,391,259
Loss Adjustment Expense (Note 1)	1,344,259
Commissions Payable, contingent commissions and other similar charges	2,117,514
Other expenses	1,085,003
Taxes, Licenses and Fees	183,650
Unearned Premium (less unearned premiums for ceded reinsurance of \$70,565)	10,212,038
Advance Premium	528,186
Ceded Reinsurance Premiums Payable	36,306
Amounts withheld or retained by company for account of others	125,304
Payable to parent, subsidiaries and affiliates	485,531
Payable for securities	109,988
Reserve for escheatable properties	156,402
Deferred rent	45,691
Lease liability	540,626
Pensions	333,127
Total liabilities	\$ 23,694,883

Capital and Surplus

Common capital Stock	\$ 3,000,000
Gross paid in and contributed surplus	9,340,485
Unassigned funds (surplus)	24,110,316
Total capital and surplus	36,450,801
Total liabilities, surplus	\$ 60,145,685

*Immaterial differences may exist in certain line items of the financial statements, due to rounding.

Statement of Income

For the Year Ended December 31, 2023

UNDERWRITING INCOME

Premiums earned	\$15,009,028
Losses incurred	6,191,224
Loss adjustment expenses incurred	1,405,640
Other underwriting expenses incurred	10,229,217
Aggregate write-ins for underwriting deductions	291,850
Total underwriting deductions	18,117,931
Net underwriting gain (loss)	<u>(3,108,903)</u>

INVESTMENT INCOME

Net investment income earned	1,477,109
Net realized capital gains (losses) less capital gains tax	(872,635)
Net investment gain (loss)	<u>604,474</u>

OTHER INCOME

Net gain (loss) from agents' or premium balances charged off	(78,420)
Finance and service charges not included in premiums	71,946
Aggregate write-ins for miscellaneous income	527
Total other income	<u>(5,947)</u>
Net Inc Before Policy Div, Inc Tax; After CG Tax	(2,510,376)
Dividends to policyholders	0
Net Inc After Inc Tax; After CG Tax, Policy Div	(2,510,376)
Federal and foreign income taxes incurred	(235,213)
Net income	<u><u>(\$2,275,163)</u></u>

Statement of Changes in Capital and Surplus

	2023	2022	2021	2020	2019
Capital and surplus, December 31, prior year	\$37,423,599	\$35,875,124	\$39,081,965	\$35,185,948	\$36,215,860
Net income or (loss)	(2,275,163)	(8,773,632)	(1,682,085)	2,895,485	(1,212,300)
Change in net unrealized capital gains or (losses)	879,085	(2,417,049)	518,030	364,521	483,609
Change in net deferred income tax	0	0	0	1,556,641	30,214
Change in nonadmitted assets	(12,541)	976,380	(1,597,304)	32,964	(224,963)
Aggregate write-ins for gains and losses in surplus	181,320	(323,109)	(445,482)	(953,593)	(106,472)
Capital changes paid in	2,999,000	1,000	0	0	0
Surplus adjustments paid in	(2,744,401)	12,084,886	0	0	0
Capital and surplus, December 31, current year	<u>\$36,450,899</u>	<u>\$37,423,599</u>	<u>\$35,875,124</u>	<u>\$39,081,965</u>	<u>\$35,185,948</u>
Exam adjustments	0	0	0	0	0
Capital and surplus, December 31, current year	<u>\$36,450,899</u>	<u>\$37,423,599</u>	<u>\$35,875,124</u>	<u>\$39,081,965</u>	<u>\$35,185,948</u>

*Immaterial differences may exist in certain line items of the financial statements, due to rounding.

Comparative Analysis of Changes in Capital and Surplus

There were no changes to the Company's surplus as a result of this examination.

NOTES TO FINANCIAL STATEMENTS

1. Claims Unpaid and Unpaid Claims Adjustment Expense

The Company reported "Claims unpaid" and "Claims adjustment expenses unpaid" reserves totaling \$6,391,259 and \$1,344,259, 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, 2023. The Company's Board of Directors appointed Derek W. Freihaut, FSA, MAAA, Principal and Consulting Actuary with the firm of Pinnacle Actuarial Resources to render the Company's Statement of Actuarial Opinion ("Opinion") in connection with the preparation of the Company's December 31, 2023 Annual Statement. Mr. Freihaut concluded that the actuarial liabilities, as presented in the Opinion, are reasonable/sufficient in the aggregate and meet the requirements of the District of Columbia's insurance laws and regulations. As part of our review, we relied on the Company's independent actuary.

In addition, the methods utilized by the Company to compute these reserves and the adequacy of the loss reserves and loss adjustment expense reserves were reviewed by the Department's actuary engaged as part of the examination. Our actuary specifically reviewed the assumptions, methodologies, and conclusions reached by the Company's independent actuarial firm in their report/opinion and the related financial statements as of December 31, 2023. No significant adverse issues were noted as a result of that review.

COMMENTS ON FINANCIAL STATEMENT ITEMS

As a result of the examination, no adverse findings affecting the financial statements, or material changes to the financial statements were identified.

SUMMARY OF RECOMMENDATIONS

Reinsurance Intermediary Agreement

DC Official Code § 31-1803 provides specifications with respect to required terms and provisions of transactions between reinsurance brokers and insurers. The Code stipulates that "Transactions between a reinsurance broker and the insurer it represents shall only be entered into pursuant to a written authorization, specifying the responsibilities of each party." During the examination, the Company was unable to provide a written agreement between its reinsurance broker, Guy Carpenter, and the Company, as required by D.C. Code § 31-1803.

Recommendation:

It is recommended that the Company enter into an agreement with its reinsurance broker that meets the requirements set forth in DC Code § 31–1803.

Custodial Agreements

During a review of the Company’s custodial agreements, the examiners identified and communicated to management certain areas of non-compliance with NAIC Model Laws # 295 and # 298. The Model Laws pertain to custodial agreement, protective covenants, and safekeeping provisions recommended by the NAIC and adopted by D.C. law pursuant to Code § 31– 3411.

Recommendation:

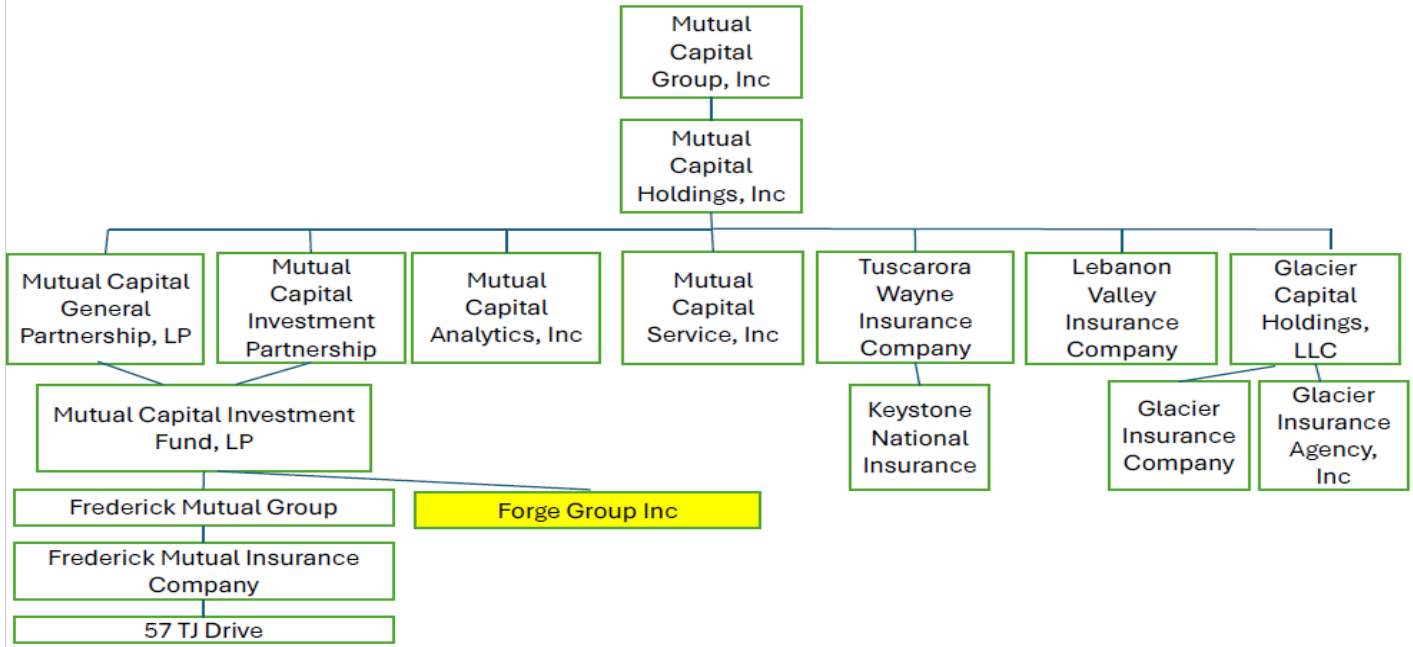
It is recommended that the Company amend its custodial agreements to be compliant with the NAIC Model Laws and DC insurance Code.

SUBSEQUENT EVENTS

On December 19, 2024, the Company’s Shareholder elected a slate of Group III members of the Board. Patrick Bracewell, Thomas Hampton, and Ted Crawford were appointed for a term ending at the annual meeting of shareholders to be held in 2027. Ted Crawford replaced Jim Roumell who did not seek reelection in 2024.

Subsequent to the examination period, the Company identified a discrepancy in the amount of premium ceded to its reinsurers for certain prior periods. These errors related to collision and comprehensive lines of business in error under an excess of loss reinsurance treaty, which was designed to transfer risk only for its liability line of business. Per management, the errors resulted in an overstatement of ceded premiums and an understatement of net written and net earned premiums for the years from 2020 through 2023. The Company asserted that the entirety of the excess premiums ceded to its reinsurers is recoverable, and the cumulative impact of this correction totals \$301,149. Furthermore, the Company asserted that in no individual year was the amount of the error of a material nature, and there was no material impact on the financial position, results of operations, or cash flows for any of the periods involved.

Subsequent to the examination period, the Company updated its reported Schedule Y to reflect reporting in compliance with the NAIC Annual Statement Instructions. This reporting led to the identification of additional affiliated insurance entities not previously reported. Refer to the “Holding Company System” section of this Report and the schedule below for the additional MCG ownership group.



Mutual Capital Group – NAIC Group Number: 3407
 Tuscarora Wayne Insurance Company NAIC#17825, owned 100%
 Lebanon Valley Insurance Company NAIC#14370, owned 100%
 Keystone National Insurance Company NAIC# 12199, owned 90.1%
 Mutual Capital Analytics, Inc, owned 60%
 Mutual Capital Holdings, owned 60% (remaining 40% owned by Jason Wolfe)
 Glacier Capital Holdings, owned 51%
 Forge Group Inc, owned 20% (additional 8% owned by Jason Wolfe)
 Frederick Mutual Insurance Company, owned 49.9%

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Forge Insurance Company**, consistent with the insurance laws of the District of Columbia. Such procedures performed on this examination do not constitute an audit that follows generally accepted auditing standards, and no audit opinion is expressed on the financial statements in this Report. No material adjustments were identified during the examination.

In addition to the undersigned, Grant Myers, CFE, Matthew Jones, CFE, MCM and Melissa Greiner of Noble also participated in the examination.

The information technology review portion of this examination was completed by Stefan Obereichholz-Bangert, AES, CISA, CISM, CRISC, CDPSE and Carol Riley, AES, CISA, CGEIT, CRISC, CDPSE of Noble. The actuarial risks were considered by the Department actuary, David Christhlf, ACAS, MAAA.

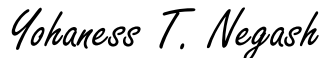
Acknowledgment is made of the cooperation and assistance extended by the Company's officers and employees during the course of the examination.

SIGNATURES

Respectfully submitted,



Matthew Milford, CFE
Examiner-In-Charge
Noble Consulting Services, Inc.



Yohanness Negash, CFE, CFE (Fraud), PIR, CIA, CISA
Examination Manager
District of Columbia, Department of Insurance, Securities and Banking