Government of the District of Columbia
Department of Insurance, Securities and Banking

Karima Woods
Acting Commissioner

BEFORE THE
INSURANCE COMMISSIONER OF
THE DISTRICT OF COLUMBIA

Re: Report on Examination – **Amalgamated Casualty Insurance Company** as of December 31, 2018

ORDER

An Examination of **Amalgamated Casualty Insurance Company** (the "Company") as of December 31, 2018, has been conducted by the District of Columbia Department of Insurance, Securities and Banking ("the Department").

It is hereby ordered on this 30th day of June 2020, 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

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

REPORT ON EXAMINATION

OF

AMALGAMATED CASUALTY INSURANCE COMPANY

AS OF

DECEMBER 31, 2018

NAIC COMPANY CODE: 13293

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Washington, D.C.
June 29, 2020

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

Dear Acting Commissioner Woods:

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 referred to as the "Company" or "ACIC." The Company was incorporated under the laws of the District of Columbia as a mutual insurance company with its registered principal place of business located at 4400 MacArthur Blvd, NW, Suite 301, Washington, D.C. 20007. The examination was conducted at the Company's administrative offices located at 8401 Connecticut Ave, Suite 105, Chevy Chase, Maryland 20815. The following Report on Examination ("Report") is hereby respectfully submitted.

SCOPE OF EXAMINATION

The District of Columbia Department of Insurance, Securities, and Banking (the "Department") last examined the Company as of December 31, 2013. The current examination is a full-scope examination of the Company covering the period from January 1, 2014, through December 31, 2018, including any material relevant transactions and/or events occurring after the examination date, conducted by examiners representing the Department.

The examination was conducted 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, assess corporate governance, identify current and prospective risks that could cause the Company's surplus to be materially misstated, and evaluate controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the Company's compliance with Statutory Accounting Principles, Annual Statement Instructions, and all applicable state statutes. The examination, however, 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 commented upon separately following the Company's financial statements section of this Report.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process as promulgated by the Handbook. During the course of this examination, we also reviewed and relied upon work performed by the Company's independent external auditing firm, Burdette Smith & Bish LLC, whenever possible and applicable to assist in the completion of examination procedures.

This examination report 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 were separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

The Examination did not disclose 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.

Until 1996, the Company was licensed in the States of Virginia, 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, from 2014 to 2018, the Company expanded into several additional states, including reentry into Virginia.

Capitalization

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 AND CONTROL

Board of Trustees

The Company's Articles of Incorporation and By-laws 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) members who shall be elected annually by the policyholders. As of December 31, 2018, the Board of the Company was comprised of the following seven (7) Directors:

Name and address	Principal Occupation
Patrick J. Bracewell Washington, DC	Chairman of the Board and President ACIC
Edward Arovas[1] Bethesda, MD	President and Chief Operations Officer ACIC
Fred L. Brewer Alexandria, VA	Retired
James C. Roumell Chevy Chase, MD	Founder and President Roumell Asset Management, LLC
Jason K. Wolfe Cleveland Heights, OH	Founder and Managing Member Arbor Hills Asset Management, LLC
Joseph S. Bracewell, III Washington, DC	Organizer and Chairman Trustar Bank
Shaza L. Andersen Great Falls, VA	Chief Executive Officer Trustar Bank

The Company is in compliance with District of Columbia Code Section 31-405 and 31-706(c)(3) which states that no less than one-third of the directors of a domestic insurer and not less than one-third 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 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.

[1] Mr. Arovas resigned his position on the Board of Trustees of ACIC effective March 4, 2019.

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 except those of President and Vice President may, at the discretion of the Trustees, be held by the same person.

The following officers have been elected by the Board of Trustees and were serving at December 31, 2018:

Name	Title
Patrick Bracewell	Chairman of the Board
Edward Arovas[2]	President and Chief Operations Officer
Brian Mancino	Vice-President and Secretary
Richard Kleinschmidt[3]	Vice President of Business Development and Underwriting
Jacqueline Plenty	Treasurer

Committees

As of December 31, 2018, the Company's Board of Trustees had established the following standing committees:

Investment Committee	Audit Committee
Patrick J. Bracewell, Chairman	Jason K. Wolfe, Chairman
Fred L. Brewer	Shaza L. Andersen
James C. Roumell	
Jason K. Wolfe	
Joseph S. Bracewell, III	

The Company complied with the District of Columbia Official Code Section 31-706(c)(4), which requires that the Trustees 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. In addition, the Company complied with DC Official Code § 31-706(c)(3) which requires 1/3 of the members of each committee of the board of directors of any domestic insurer

[2] Mr. Arovas resigned effective March 4, 2019 and Patrick Bracewell assumed the duties of President upon the resignation of Mr. Arovas. The company also appointed Daniel McFadden as VP – Finance and Controller and Mike McColley as VP – Claims in May 2019.
[3] Mr. Kleinschmidt retired from his position effective June 30, 2019.

to be persons who are not officers or employees of the Company, or of any entity controlling, controlled by or under common control with the Company.

Conflict of Interest

Trustees and officers of the Company regularly respond to conflict of interest questionnaires. Our review of the responses to the questionnaires completed for the examination period did not disclose any material conflicts that would affect the Company. The Company established a Conflict of Interest Policy, which requires disclosure of any potential conflicts prior to board or committee action on a contract or transaction involving a Conflict of Interest. The Conflict of Interest Policy is acknowledged by all board of trustees, officers and key employees.

Corporate Records:

The Company's Article of Incorporation and By-laws were reviewed. The minutes of the policyholders and the Board of Trustees for the period under examination through the fieldwork date were also reviewed. Based on our review, it appeared that the minutes documented the Company's significant transactions and events, and that the trustees approved those transactions and events.

Pension and Other Benefit Plans

The Company sponsored a non-contributory defined benefit pension plan (the Plan) covering substantially all of its employees. The benefits are based on years of service and the employee's compensation. The normal retirement benefit is 2.5% of average monthly compensation multiplied by total years of service, limited to 35 years, but in no event, less than $12.00 per month multiplied by total years of service, limited to 35 years. As of December 31, 2018, the plan is fully funded. As of June 20, 2016, the Company decided to freeze the accrual of future benefits for the Plan. There will be no future additional benefits credited to plan participants after June 20, 2006.

The Company also provides other insurance and benefits including, 401K, medical, dental, vision, short and long term disability insurance, and group life insurance to its employees.

<u>HOLDING COMPANY SYSTEM</u>

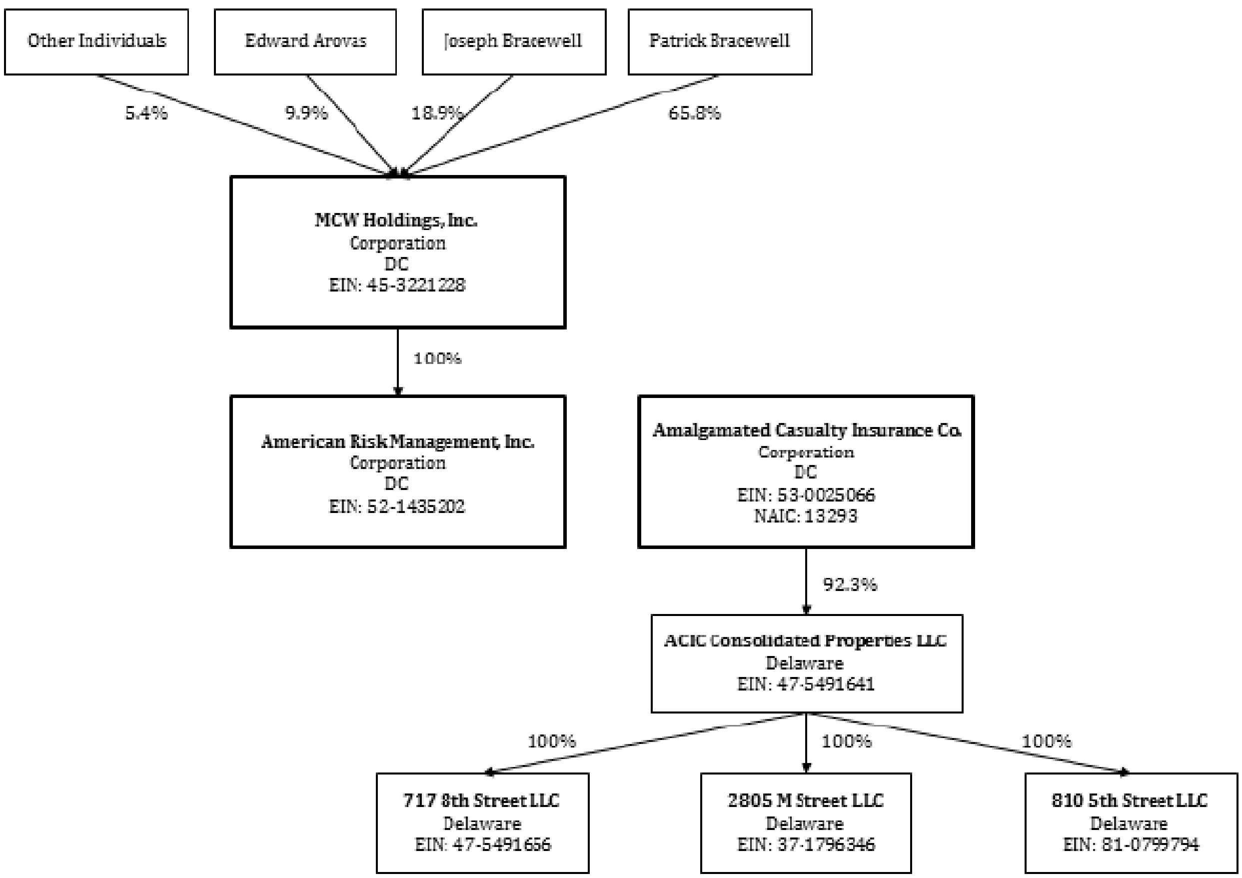
The Company is a member of an insurance holding company system as defined by section 31-705 of the District of Columbia Official Code. The Company is a mutual company with business produced by an agency, American Risk Management, Inc. (ARM), which is beneficially owned by the Chairman of the Company, thus creating an "affiliate relationship." The Company also meets the statutory definition of a 'producer controlled insurer' pursuant to Title 31, Chapter 4 of D.C. Official Code, as ARM is a controlling producer of the Company.

MCW Holdings, Inc. owns 100% of the voting securities of ARM. In July 2015, the Company sold its previous home office at a substantial gain, which was subject to tax. After exploring potential options, the management of the Company and the board of trustees determined to pursue a like-kind exchange transaction for the benefit of deferring capital gain tax. As part of the like-kind exchange, the Company acquired investment properties from the proceeds of the sale. After the purchase of investment properties, the Company formed an intermediate pass-through entity, ACIC Consolidated Properties, LLC, to manage the investment properties. As of the examination date, the Company owns 92.3% of ACIC Consolidated Properties, LLC.

As of December 31, 2018, MCW's voting securities are owned by the following[4]:

- Patrick Joseph Bracewell (65.8%)
- Joseph Searcy Bracewell III (18.9%)
- Edward Arovas (9.9%)
- Other individuals (5.4%)

An organizational chart as of December 31, 2018, reflecting the holding company system is shown below.



AGREEMENTS AND TRANSACTIONS WITH AFFILIATES

The following is a summary of each of the Intercompany Agreements between the entities within the holding company structure:

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[4] After Edward Arovas resigned from the company in 2019, current ownership allocation is adjusted to: Patrick Bracewell (73%); Joseph Bracewell (21%); and Other Individuals (6%).

Non-exclusive Agency Agreement**:**

Commencing October 1, 2011, and amended March 1, 2015, ACIC entered into a Non-Exclusive Agency Agreement with ARM. The agreement has been amended several times since then, to extend the termination date and to increase the authority of ARM. The agreement provides that ARM can solicit on behalf of and submit applications for insurance to ACIC, to issue and deliver policies, certificates, endorsements, and binders that ACIC may, from time to time, authorize to be issued and delivered. In addition, the agreement authorizes ARM to collect premiums on any policy issued by ACIC, and to cancel any of the policies placed with ACIC by or through ARM in ARM's sole discretion (where such cancellation is legally possible). Additionally, ARM is obligated to pay, within ten days after the due date, all money due to ACIC on policies placed with ACIC by ARM. The non-exclusive agency agreement describes the subject business ARM is authorized to solicit on ACIC's behalf as well as the commission payable on the subject business. During 2018, ACIC incurred net commissions pursuant to agreement totaling $2.2 million. The agreement is effective through December 31, 2020, 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.

Cost-sharing Agreement**:**

On October 4, 2011, ACIC entered into a Cost-Sharing Agreement with ARM. The agreement was initially effective through December 31, 2014, but subsequently amended to a termination date of December 31, 2020. 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 $6,800 per year. As of year-end 2018, ARM paid $6,975 reimbursable expenses to ACIC. Effective January 15, 2017, the agreement was amended to change the basic rent from $6,800 per year to an amount specified in a schedule of rent due, which is 10% of the ACIC office lease expense. For the lease year beginning July 1, 2018, the rent paid by ARM totaled $22, 654.

FIDELITY BOND AND OTHER INSURANCE

Pursuant to the Municipal Regulation 26-803.1 of the District of Columbia, as of December 31, 2018, the Company has a fidelity bond policy which provides coverages for fidelity, forgery or alteration, securities, computer fraud, destruction of data or programs by hacker or virus with a $500,000 single loss limit of liability and single loss deductible of $50,000 for each insuring agreement.

In addition to the coverage provided under the fidelity bond, the Company maintained coverage for workers' compensation, directors and officers, business owners, general liability, and commercial umbrella liability for the period of examination.

STATUTORY DEPOSIT

As of December 31, 2018, $2.5 million in deposits were held on behalf of policyholders in the District of Columbia, Florida, Georgia, Maryland, and Virginia. Deposits were held in the form of bonds.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2018, ACIC was licensed in 29 states and the District of Columbia to write property and casualty insurance. Based on 2018 direct premiums written, approximately 70% of the Company's writings were concentrated in the District of Columbia, Florida, Ohio, Texas, and Virginia. 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% of the Company's business was written in the commercial automobile line. Business is produced through an affiliate, ARM. Under an agency agreement, ARM is paid a commission as the Company's policy writing agent.

Prior to 2015, the Company primarily wrote liability insurance on its member taxi-cab drivers in the District of Columbia and Maryland. During the exam period, production in the District of Columbia and Maryland has been declining while writing in new states such as Florida, Virginia, Texas, Ohio, and South Carolina has increased significantly, accounting for roughly 30-50% of total premiums written since 2015. During 2017, the Company entered into non-emergency medical transport (NEMT) business, and by early 2018 this block grew to greater than $500,000 in written premiums.

To improve underwriting performance and stop continued losses from geographical and business expansion, during 2018 and 2019 Company took de-risking actions by exiting unprofitable and non-core segments. NEMT and all vehicle classes in underperforming states (Florida, Kentucky, Georgia, Mississippi) will be in run-off.

REINSURANCE

Assumed Reinsurance

The Company is not a party to any agreements for assumed reinsurance.

Ceded Reinsurance

Effective January 26, 2015, the Company entered into an excess of loss reinsurance contract which provides the Company with excess of loss reinsurance coverage for commercial automobile liability losses occurring on or after January 26, 2015 for 80% of losses in excess of $200,000 up to $1.0 million per occurrence per policy. Subject to the terms of the contract, the Company has retained, net, a 20% share of the $800,000 liability in excess of $200,000, which is not reinsured. Participating reinsurers and corresponding percentages are Maiden Re 35%; Aspen Re 25%; and

Swiss RE 20%. The January 26, 2015 excess of loss reinsurance contract was terminated effective April 1, 2017.

Effective April 1, 2017, the Company entered into an excess of loss reinsurance contract with General Reinsurance Corporation which provides the Company with excess of loss reinsurance coverage for commercial automobile liability losses, including 100% of losses in excess of policy limits and 100% of extra-contractual obligations, occurring on or after April 1, 2017. Under the agreement coverage is provided for 80% of losses in excess of $200,000 up to $1.0 million per occurrence per policy. Subject to the terms of the contract, the Company has retained net, a 20% share of the $800,000 liability in excess of $200,000, which is not reinsured. The Company has purchased excess of loss coverage for commercial automobile liability losses, including 95% of losses in excess of policy limits and 95% of extra contractual obligations, occurring on or after January 1, 2017. Under the agreement, coverage is limited to $1.0 million per policy in excess of $1.0 million of underlying coverage, with an aggregate limit of reinsurance of $2.0 million.

Under a separate arrangement with General Reinsurance Corporation effective April 1, 2017, when policy limits exceed $1.0 million, the Company purchases reinsurance coverage on a facultative basis to reinsure the commercial automobile liability losses in excess of $1.0 million not subject to underlying reinsurance coverage. The Company has purchased coverage in line with the subject policy limits of up to $4.0 million excess of $1.0 million per occurrence, per policy.

Due to changes in the company’s book of business, in 2019, the Company engaged with a third-party reinsurance broker and replaced its current reinsurance program. The current reinsurance program is described in the subsequent event section of the Report.

ACCOUNTS AND RECORDS

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 (ITGC) and General Application Controls (GAC) was also performed as required by the Handbook. Based on the scope of the Information Technology (IT) examination, certain items were noted and discussed with the Company.

The Company’s statutory home and main administrative office is located at 8401 Connecticut Ave, Suite 105, Chevy Chase, MD. The primary location of the Company’s books and records is 4400 MacArthur Blvd, NW, Suite 301, Washington, D.C. This satisfies the requirements of Section 31-5204 of the District of Columbia Official Code, which requires that any corporation now or hereafter formed or organized under any provision of law in force and effect in the District of Columbia to engage in insurance business shall maintain its principal office within said District and shall keep its books, records, and files therein, and shall not remove from said District either its principal office or its books, records, or files without the permission of the Mayor of the District of Columbia first.

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 of the Company for the period ending December 31, 2018. All financial statements were prepared by the Company's management and are therefore the responsibility of the Company's management. The accompanying comments on financial statements reflect any examination adjustment to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

Admitted Assets, Liabilities, Capital and Surplus

December 31, 2018

	Per Company	Examination Adjustments	Per Examination
Admitted Assets			
Bonds	$ 34,958,771	$ -	$ 34,958,771
Stocks	3,034,276	-	3,034,276
Other invested assets (Schedule BA)	12,035,862	-	12,035,862
Cash, cash equivalents and short-term investments	1,041,053	-	1,041,053
Subtotal cash and invested assets	$ 51,069,961	$ -	$ 51,069,961
Investment income due and accrued	350,884	-	350,884
Uncollected premiums and agents' balances	4,191,978	-	4,191,978
Aggregate write-ins for other than invested assets	34,128	-	34,128
Total admitted assets	$ 55,646,950	$ -	$ 55,646,950
Liabilities			
Losses	$ 9,117,494	$ -	$ 9,117,494
Loss adjustment expenses	2,759,118	-	2,759,118
Other expenses	392,871	-	392,871
Taxes, licenses and fees	41,293	-	41,293
Net deferred tax liability	1,878,987	-	1,878,987
Unearned premiums	4,382,970	-	4,382,970
Advance premium	121,402	-	121,402
Ceded reinsurance premiums payable	309,911	-	309,911
Aggregate write-ins for liabilities	427,044	-	427,044
Total liabilities	$ 19,431,090	$ -	$ 19,431,090
Capital and Surplus			
Unassigned funds (deficit)	$ 36,215,860	$ -	$ 36,215,860
Total capital and surplus	$ 36,215,860	$ -	$ 36,215,860
Total liabilities, capital and surplus	$ 55,646,950	$ -	$ 55,646,950

Statement of Revenue and Expenses

Year Ended December 31, 2018

Underwriting Income:		
Premiums earned		$ 12,475,501
Underwriting Deductions:		
Losses incurred	$ 11,246,972	
Loss adjustment expenses incurred	3,002,902	
Other underwriting expenses incurred	5,141,910	
Total underwriting deductions		$ 19,391,784
Net underwriting loss		$ (6,916,283)
Investment Income:		
Net investment income earned	$ 1,371,270	
Net realized capital gains (losses)	689,915	
Net investment gain (loss)		$ 2,061,185
Other Income:		
Finance and service charges	$ 60,637	
Aggregate write-ins for miscellaneous income	1,347	
Total other income		$ 61,984
Net loss before federal income tax		$ (4,793,114)
Federal income tax		
Net loss		$ (4,793,114)

Statement of Changes in Capital and Surplus Account

Five Years Ended December 31, 2018

Capital and surplus - December 31, 2013	$	38,094,593
Net income 2014	$	651,390
Change in net unrealized capital gains or (losses)		(272,394)
Change in net deferred income tax		(15,118)
Change in nonadmitted assets		(231,715)
Net change in surplus as regards policyholders, 2014		132,163
Surplus as regards policyholders, December 31, 2014	$	38,226,756
Net income 2015	$	1,707,960
Change in net unrealized capital gains or (losses)		198,546
Change in net deferred income tax		3,122,660
Change in nonadmitted assets		(1,210,123)
Net change in surplus as regards policyholders, 2015		3,819,043
Surplus as regards policyholders, December 31, 2015	$	42,045,799
Net income 2016	$	449,809
Change in net unrealized capital gains or (losses)		(1,141,127)
Change in net deferred income tax		118,866
Change in nonadmitted assets		1,348,124
Net change in surplus as regards policyholders, 2016		775,672
Surplus as regards policyholders, December 31, 2016	$	42,821,471
Net income 2017	$	(2,708,993)
Change in net unrealized capital gains or (losses)		1,849,465
Change in net deferred income tax		(240,525)
Change in nonadmitted assets		(266,315)
Aggregate write-ins for gains and losses in surplus		1,163,183
Net change in surplus as regards policyholders, 2017		(203,185)
Surplus as regards policyholders, December 31, 2017	$	42,618,286
Net income 2018	$	(4,793,114)
Change in net unrealized capital gains or (losses)		(1,687,726)
Change in net deferred income tax		263,726
Change in nonadmitted assets		415,669
Aggregate write-ins for gains and losses in surplus		(600,980)
Net change in surplus as regards policyholders, 2018		(6,402,426)
Surplus as regards policyholders, December 31, 2018	$	36,215,860

Comparative Analysis of Changes in Capital and Surplus

The following is a reconciliation of capital and surplus between that reported by the Company and as determined by the examination.

	Per Company	Per Examination	Increase (Decrease) In Capital & Surplus	
Capital and surplus, December 31, 2018 - per annual statement				$ 36,215,860
Total assets	$ 55,646,950	$ 55,646,950	$ -	
Total liabilities	$ 19,431,090	$ 19,431,090	$ -	-
Capital and surplus, December 31, 2018 - per examination				$ 36,215,860

COMMENTS ON FINANCIAL STATEMENT ITEMS

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

NOTE TO FINANCIAL STATEMENTS

Losses and Loss Adjustment Expenses:

The Company reported "Losses" and "Loss adjustment expenses" reserves totaling $9,117,494 and $2,759,118 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, 2018.

The methodologies utilized by the Company to compute reserves, and the adequacy of the loss and loss adjustment expense reserves as of December 31, 2018, 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 from the Department as part of our examination. The Department actuary also concluded that the methodologies and reserves appeared to be sufficient.

SUBSEQUENT EVENTS

During the course of fieldwork and subsequent to the examination date, December 31, 2018, the following significant subsequent events were noted:

- Effective June 1, 2019, ACI entered into a new reinsurance program through Guy Carpenter. This program provides excess of loss and Extra Contractual Obligations/Loss in Excess of Policy Limits coverage. This treaty provides coverage of $1.6 million in excess of an ACI's retention of $400,000 per occurrence. Based on guidance from Guy Carpenter's reinsurance optimization analysis, and taking into account certain underwriting actions taken by the company (e.g. exit of Florida and non-emergency medical transportation business – both of which had been the major drivers of loss severity), the company determined that increasing its net retention from $200,000 to $400,000 was beneficial. The Guy Carpenter program provides coverage in two layers: (1) $600,000 per occurrence in excess of ACI's $400,000 retention with a $6.0 million aggregate limit and (2) $1 million per occurrence in excess of $1 million underlying coverage with a $2, million aggregate limit. The participation of reinsurers shown below is the same for both layers of the program:

    - Swiss Re - 60%
    - Odyssey Re - 20%
    - Renaissance Re - 20%

  The Guy Carpenter program has an annual minimum premium of $470,000 for the policy year ended May 31, 2020 and $243,000 for the policy year beginning June 1, 2020. Facultative reinsurance was/is purchased for limited risks above the former and current treaty limits.

- During March of 2020, SARS-CoV-2 or the coronavirus disease 2019 (collectively, "COVID-19") evolved into a pandemic scale. In response to the evolving COVID-19 pandemic, many state jurisdictions issued "Stay at Home" orders in which all non-essential business and operations must cease. Business can continue with employees working from home. The District of Columbia and states that the Company has key operations also issued similar lockdown orders. It is anticipated that the Company will be impacted both operationally and financially by this pandemic. The examination team discussed pandemic related matters with the Company's management throughout the exam, and noted the following:

    - The Company transitioned to fully remote operations by March 2020 and continued to operate in this manner through the date of this Report. Company anticipates being able to provide continuous service to policyholders and maintain critical operations for an extended period with employees working remotely until the health crisis is resolved. A limited number of employees will staff the retail office when appropriate. The Company maintains a relationship with a claim service provider providing capacity if certain employees are unavailable for a period of time.

    - As a result of Coronavirus, ACIC's in-force premium has declined from approximately $11.9 mm as of March 15, 2020 to approximately $7.52 mm at May 31, 2020. During the same period, the Company has also experienced a decline in the number of insured vehicles from 4,085 to 2,766. Under worst-case stressed scenarios, the Company is projecting a modest pre-tax operating loss as compared to a projected pre-tax gain as of year-end 2020.

- A significant portion of the Company's investment portfolio is invested in high quality investment grade corporate and municipal securities. Lower interest rates may result in the calling of securities before maturity. Funds will be reinvested at lower interest rates. The magnitude impact will be determined by the ultimate timing and strength of the recovery.
- The Company intends to take a paycheck Protection Program loan to reduce the pressure to make workforce reductions.
- The Company expects that even after stay-at-home orders are lifted, the level of activity (namely, the movement of people to and from locations, which drives the demand for taxis and sedans) will remain significantly below February 2020 levels. Even as the economy is "reopened", the Company believes that its business (which is focused on taxis and sedans) will continue to be impacted as long as air travel and transportation activity remains at below pre-Coronavirus levels.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Amalgamated Casualty Insurance Company, consistent with the insurance laws of the District of Columbia.

Chapter 34A ("RISK-BASED CAPITAL") of Title 31 of the D.C. Official Code requires the Company to maintain statutory capital and surplus levels as determined in accordance with the applicable risk-based capital formulas. At December 31, 2018, the Company's capital and surplus was $36,215,860, and the Company complied with the minimum capital and surplus requirement.

In addition to the undersigned, Junjie Pan, CFE and Kyra Brown, of Baker Tilly, also participated in the examination. The Information Technology review portion of this examination was completed by and under the supervision of Damion Rhudd, CISA of Baker Tilly. The actuarial portion of this examination was completed under the supervision of David A. Christhilf, ACAS, MAAA, of DISB.

Respectfully submitted,

Lester C. Schott, CFE
Examiner-in-Charge
Baker Tilly Virchow Krause, LLP
Representing the District of Columbia
Department of Insurance, Securities and Banking

Under the Supervision of

Yohaness Negash, CFE
Examination Manager
District of Columbia Department of Insurance, Securities and Banking