

Karima M. Woods, Commissioner

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

Re: Report on Organization Examination – **Capital City Business Insurance Company** as of
April 30, 2021

ORDER

An Organization Examination of **Capital City Business Insurance Company** as of April 30, 2021 has been conducted by the District of Columbia Department of Insurance, Securities and Banking (“the Department”).

It is hereby ordered on this 16th day of July 2021, 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 ORGANIZATION EXAMINATION

CAPITAL CITY BUSINESS INSURANCE COMPANY, INC.

AS OF

APRIL 30, 2021

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Capital City Business Insurance Company, Inc.

Report on Organization Examination

April 30, 2021

Washington, D.C.

June 10, 2021

Honorable Karima 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 Sir:

In accordance with Section 31-2502.02 of the D.C. Official Code, we have examined the financial condition and activities of

CAPITAL CITY BUSINESS INSURANCE COMPANY, INC.

(hereinafter called the “Company”) and the following Report on Examination is submitted.

SCOPE OF EXAMINATION

This was an organization examination as of April 30, 2021 conducted by examiners of the District of Columbia Department of Insurance, Securities and Banking. The Company has made application for an original certificate of authority to establish and operate as a property and casualty insurer.

Our examination was conducted in accordance with examination policies and standards established by the District of Columbia Department of Insurance, Securities and Banking and procedures recommended by the National Association of Insurance Commissioners and, accordingly, included such tests of the accounting records and such other procedures as we considered necessary in the circumstances.

The purpose of our examination was to determine if the Company meets the minimum financial requirements to qualify for an original certificate of authority to transact business as a property and casualty insurance company. In this regard, our examination included a review of the Company’s business policies and practices, management and corporate matters, a verification and evaluation of assets and a determination of the existence of liabilities. In addition, our examination included tests to provide reasonable assurance that the Company, if licensed, would be in compliance with applicable laws, rules, and regulations. In planning and conducting our examination, we gave consideration to the concepts of materiality and risk, and our examination efforts were directed accordingly.

Capital City Business Insurance Company, Inc.

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HISTORY

General:

The Company was incorporated as Capital City Business Insurance Company, Inc., under the laws of the District of Columbia on July 29, 2020. According to its Articles of Incorporation which were reviewed by the Department, the primary purpose for which the Company was formed is to operate as a Property and Casualty insurance company to provide all kinds of insurance against loss of or damage to any property, to insure against any casualty risk which may lawfully be subject of insurance and to provide insurance upon the health of persons, or against liability of the assured for injuries to employees, in accordance to D.C Official Code §31-2502.15, formation of domestic companies.

Capital Stock:

The Company's Articles of Incorporation authorized the Company to issue 10,000 shares of common capital stock with a par value of \$100 U. S. dollars per share. As of April 30, 2021, the number of shares outstanding was 3,000. These shares had an aggregate par value of \$300,000 and were all issued to the Company's owner, Wehiba Kalifa. The amount of gross paid in and contributed surplus is \$398,330. The corporation's initial total capitalization is \$698,330, with three hundred thousand (\$300,000) dollars allocated to capital and \$398,000 allocated to surplus. This brings the Company's capital and surplus in compliance with D.C. Code Section 31-2502.13.

Management:

The following persons were serving as the Company's Directors as of April 30, 2021:

<u>Name and Address</u>	<u>Principal Occupation</u>
Wehiba Kalifa Alexandria, VA	President and Chief Executive Officer Capital City Business Ins. Co., Inc.
Yimaj Kalifa Alexandria, VA	Chief Financial Officer Capital City Business Ins. Co., Inc.
Kabaye G. Diriba Rockville, MD	Secretary Capital City Business Ins. Co., Inc.
John Murdock Falls Church, VA	Potter & Murdock P.C. Managing Counsel
Bikramjeet Singh Fairfax, VA	Singh CPA P.C. Owner

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Officers:

<u>Name and Address</u>	<u>Principal Occupation</u>
Wehiba Kalifa Alexandria, VA	President and Chief Executive Officer Capital City Business Ins. Co., Inc.
Yimaj Kalifa Alexandria, VA	Chief Financial Officer Capital City Business Ins. Co., Inc.
Kabaye G. Diriba Rockville, MD	Secretary Capital City Business Ins. Co., Inc.

Committees:

The Company's Bylaws allow for the Board of Directors from time to time to designate from among its members one or more committees, each consisting of at least three members with such power and authority (to the extent permitted by law and the Bylaws) as may be provided in such resolution. One third of the members in any Committee must be disinterested to the Corporation. Committees can be dissolved at the discretion of the Board with the exception of the Executive and Audit Committees which are governed by District of Columbia laws.

Capital City Business Insurance Company will have an Audit Committee which includes three Board of Directors members. The Chairperson of the Audit Committee is Wehiba Kalifa and the independent person is Bikramjeet Singh.

The Audit Committee's primary duties and responsibilities are to:

- a) Appoint, determine the compensation of, and oversee the work of the Company's independent auditor,
- b) Monitor the integrity of the Company's financial statements and accounting and financial reporting processes,
- c) Review the adequacy and effectiveness of the Company's systems of internal accounting and financial controls,
- d) Review the annual independent audit of the Company's financial statements, and
- e) Provide an avenue for open communication among the independent auditor, management, and the Board of Directors.

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Conflicts of Interest:

Directors and Officers of the Company have completed conflict of interest questionnaires. Our review of the questionnaires did not disclose any conflicts of interest that would adversely affect the Company. Furthermore, our examination did not disclose any conflicts of interest that would adversely affect the Company.

Corporate Records:

We reviewed the minutes of the organizational meeting of 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/INTER-COMPANY AGREEMENTS

The Company is part of a holding company system with affiliated companies. Ms. Wehiba Kalifa is the 100% owner of Palisades Healthcare Partners, Inc. dba. ASAP Services. ASAP Services is a local Certified Business Enterprise that provides home health care services. The staff of ASAP Services works in conjunction with medical providers to create patient centered plans of care. The services provided by the Company includes Skilled Nursing, Physical Therapy, Occupational Therapy, Speech Therapy, Medical Social Services, and Home Health Aide and Homemaker services.

INTER-COMPANY AGREEMENTS

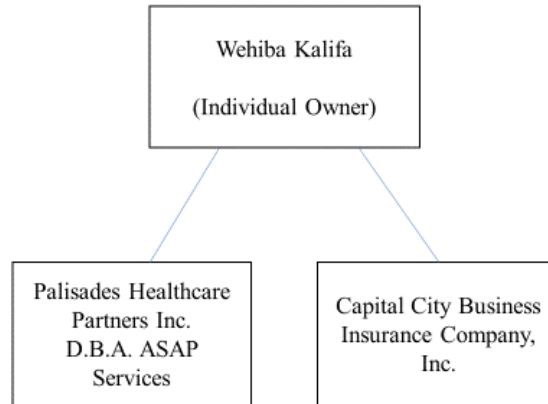
As of the date of the organization examination, the Company has not executed any inter-company agreements. Pursuant to DC Code § 31-706(a)(2)(D) the Company must notify the Department in writing at least 30 days before the execution of all inter-company management agreements, service contracts, tax allocation agreements, guarantees, and all cost-sharing arrangements.

Capital City Business Insurance Company, Inc.

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ORGANIZATIONAL CHART



Note: Wehiba Kalifa owns 100% of Palisades Healthcare Partners Inc., DBA ASAP Services and Capital City Business Insurance Company, Inc.

FIDELITY BOND AND OTHER INSURANCE

As of April 30, 2021, the Company does not have fidelity bond or other insurance coverage. See additional comments regarding fidelity bond and insurance coverage in the “Comments and Recommendations” section of the report, under the caption “Fidelity Bond and Other Insurance Coverage”.

STATUTORY DEPOSIT

The District of Columbia Department of Insurance, Securities and Banking does not require the Company to maintain a statutory deposit and has not made any such deposit.

TERRITORY AND PLAN OF OPERATION

Once licensed, the Company will underwrite commercial multiperil insurance and workers compensation insurance policies to small and medium sized businesses located in the District of Columbia. The Company will market its insurance products through independent agents and brokers.

Capital City Business Insurance Company, Inc.

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The Company's staff will include a general manager, sales & marketing department manager, underwriting & operations department manager, claims department manager, and support staff for information technology functions, and human resources functions, and finance functions.

REINSURANCE

As of the date of the organization examination, the Company did not have reinsurance contracts in place. Once licensed after the first year of operations the Company plans to procure reinsurance.

ACCOUNTS AND RECORDS

The Company intends to purchase two management information systems. Insurity, LLC, a provider of cloud-based software and analytics for insurance carriers, brokers, and MGAs will be procured for claims management and administration system for all lines of property and casualty insurance. Intuit Quick Books will be utilized initially for financial reporting, day-to-day accounting, payroll processing, and SS&C Technology will be utilized in the preparation of statutory financial statements.

FINANCIAL STATEMENTS

The following financial statements reflect the financial condition of the Company as of April 30, 2021, as determined by this organizational examination (**NOTE 1**):

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The accompanying Notes to Financial Statements are an integral part of these Financial Statements.

Capital City Business Insurance Company, Inc.
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STATEMENT OF ASSETS, LIABILITIES, CAPITAL AND SURPLUS

ASSETS

Assets

Cash	\$	<u>676,125.12</u>
<u>Total Assets</u>	\$	<u>676,125.12</u>

LIABILITIES, CAPITAL, AND SURPLUS

Liabilities

<u>Total Liabilities</u>	\$	_____ .00
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Capital and Surplus

Common Capital Stock	\$	300,000.00
Paid-In and Contributed Surplus	\$	398,330.00
Unassigned Surplus	\$	<u>(22,204.88)</u>
<u>Total Capital and Surplus Balance</u>	\$	<u>676,125.12</u>

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SUMMARY OF OPERATIONS
FOR THE ORGANIZATIONAL DATE ENDING APRIL 30, 2021

Income

Interest Earned	\$	0.00
Total Income		0.00
Expenses		
Consulting Expenses	\$	17,317.50
Miscellaneous Expenses		1,882.38
Total Expenses	\$	19,199.88
Net Income		\$(19,199.88)

RECONCILIATION OF CAPITAL AND SURPLUS
AS OF APRIL 30, 2021

Balance as of December 31, 2020	\$	695,325.00
Income January 1, 2021 to April 30, 2021		.00
Operating Expenses January 1, 2020 to April 30, 2021		<u>(19,199.88)</u>
Capital and Surplus, April 30 th , 2021	\$	<u>676,125.12</u>

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ANALYSIS OF EXAMINATION CHANGES TO SURPLUS

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

NOTES TO FINANCIAL STATEMENTS

1. Capital, Surplus and Risk-Based Capital Standards:

Chapter 25 ("FIRE, CASUALTY AND MARINE INSURANCE") of Title 31 ("Insurance and Securities") of the District of Columbia Official Code requires the Company to have and maintain minimum capital of \$300,000 and minimum surplus of \$300,000.

In addition, Chapter 20 ("RISK-BASED CAPITAL") of Title 31 of the District of Columbia Official Code requires the Company to maintain statutory capital and surplus levels as determined in accordance with the applicable risk-based capital formulas.

As of the date of our organizational examination, the Company meets the requirements of the aforementioned provisions of the District of Columbia Official Code.

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COMMENTS AND RECOMMENDATIONS

Fidelity Bond and Other Insurance:

As of April 30, 2021, the Company did not have fidelity insurance coverage. In order to provide protection from a potential loss that would be covered by a fidelity bond, it is the Department's position that the Company must maintain fidelity insurance. In this regard, the National Association of Insurance Commissioners' Financial Condition Examiners' Handbook ("the Handbook") includes suggested minimum amounts of fidelity insurance. The suggested amounts are based on the Company's admitted assets and premiums written, and for the Company, would be approximately \$25,000 both at the time of licensing and after the first year of operation, based on the Company's financial projections. In addition, as of April 30, 2021, the Company did not have any other insurance coverage. **We recommend that upon receiving its certificate of authority, the Company obtain and maintain, at a minimum, the fidelity insurance specified in the Handbook. In addition, we recommend that the Company obtain and maintain any other appropriate and adequate insurance coverage. The Company should notify the Department when coverage is obtained.**

Additional Comments and Recommendations:

The Company must meet the following additional conditions and requirements:

1. Must join the District of Columbia Guaranty Fund.
2. Must file Quarterly Financial Statements.
3. Must file reports on D.C. Escheatable Property, as required by Chapter 2 of Title 42 of the District of Columbia Related Laws to the Insurance Code.
4. Must prepare an Annual Audited Report in accordance with the statutory accounting practices as required by the District of Columbia Code, § 31-303.
5. Must pay its share of the Insurance Regulatory Trust Fund Assessments.
6. Must file an Annual Actuarial Opinion on the Company's reserves.
7. File policy forms and rates with the Department for approval.
8. Must limit net amount of risk retained for an individual risk to no more than 10% of capital and surplus as required by District of Columbia Code § 31-2502.12.
9. Must file the holding company system's reporting and compliance documents of Chapter 7 of Title 31 of the District of Columbia Code which include, but are not limited to, an Annual Registration Statement and Prior Notice of a Material Transaction and the Company must maintain compliance with requirements regarding the composition of the Board of Directors and Committees of the Board.

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The above stated requirements are not all inclusive, and the Company will have additional regulatory and compliance requirements, which must also be satisfied.

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CONCLUSION

Our organizational examination disclosed that as of April 30, 2021, the Company had:

Admitted Assets	<u>\$ 676,125.12</u>
Liabilities	<u>\$ 0</u>
Common Capital Stock	300,000.00
Gross Paid In and Contributed Surplus	398,330.00
Unassigned Funds (Surplus)	\$ (22,204.88)
Surplus as regards policyholders	\$ 676,125.12
Total Liabilities and Surplus	<u>\$ 676,125.12</u>

Based on our examination, the accompanying balance sheet properly presents the statutory financial position of the Company at April 30, 2021. The Company has requested an original certificate of authority to establish and operate a property and casualty insurance business in accordance with Title 31, Chapter 25 (“Fire, Casualty and Marine Insurance”) of the District of Columbia Official Code. Based on our examination, the Company meets the minimum net worth requirements of Section 31-2502.13 of the District of Columbia Official Code and is entitled to the issuance of a certificate of authority to transact a property and casualty insurance business.

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SIGNATURES

The following undersigned from the District of Columbia Department of Insurance, Securities and Banking participated in certain phases of this examination.

Respectfully submitted,



Samuel Merlo, AFE, CPA
Examiner-In-Charge
District of Columbia Department of
Insurance, Securities and Banking

Under the Supervision of,



Nathaniel Kevin Brown, CFE, CPA
Chief Financial Examiner
District of Columbia Department of
Insurance, Securities and Banking