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

WE ARE WASHINGTON DC GOVERNMENT OF THE DISTRICT OF COLUMBIA
MURIEL BOWSER, MAYOR

Karima M. Woods, Commissioner

BEFORE THE INSURANCE COMMISSIONER OF THE DISTRICT OF COLUMBIA

Re: Report on Examination – **Equitable Liability Insurance Company** as of December 31, 2020

ORDER

An Organization Examination of **Equitable Liability Insurance Company** as of December 31, 2020 has been conducted by the District of Columbia Department of Insurance, Securities and Banking ("the Department").

It is hereby ordered on this 22nd day of December 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 Examination

OF

Equitable Liability Insurance Company

AS OF

DECEMBER 31, 2020

NAIC COMPANY CODE 10183

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Equitable Liability Insurance Company
Report on Examination as of December 31, 2020

Washington, D.C.
December 21, 2021

The Honorable Karima M. Woods
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 Commissioner Woods:

In accordance with Section 31-1402 of the District of Columbia Official Code, an examination has been made of the affairs, financial condition, and management of

Equitable Liability Insurance Company

hereinafter referred to as ELIC or the Company. The Company was incorporated under the laws of the District of Columbia as a stock company with its registered office located at 3399 Benning Road, N.E., Washington, DC 20019. The examination was conducted remotely, given office closures and travel restrictions in connection with the COVID-19 pandemic. The Report ("Report") of Examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

We have performed our single state examination of the Company covering the period from January 1, 2016, to December 31, 2020, and including any material transactions and/or events noted occurring subsequent to December 31, 2020. The examination was conducted by examiners of the District of Columbia Department of Insurance, Securities and Banking (Department). The last examination was conducted by the Department as of December 31, 2015.

We conducted our examination in accordance with guidelines prescribed by the *National Association of Insurance Commissioners* (NAIC) *Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the District of Columbia. 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. In planning and conducting our examination, we considered the concepts of materiality and risk, and our examination efforts were directed accordingly. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment was identified and considered material, the impact of such adjustment was documented separately in this Report following the Company's financial statements. Our examination did not cover market conduct-related areas.

The Report includes significant findings of facts, pursuant Section 31-1404 of the District of Columbia Code, along with general information about the Company 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.

The Company was audited annually by an independent public accounting firm, Adeptus Partners, LLC. During the course of this examination, consideration was given to work performed by the auditing firm, and certain work papers of this firm's 2020 audit of the Company have been incorporated into the work papers of the examiners. The work papers were utilized in determining the scope, areas of emphasis in conducting the examination, and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

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

The examination also included a review in determining the current status of the comments and recommendations in the preceding Examination Report, dated January 24, 2017, covering January 1, 2011 to December 31, 2015. We determined that the Company had satisfactorily addressed all of the conditions noted in that exam.

HISTORY

General

The Company was incorporated in the District of Columbia on October 27, 1992 and commenced business on December 18, 1994. The purpose of the Company, as stated in the Articles of Incorporation is to make and sell insurance on taxicabs against loss from collision, theft and against liability of owner or user for injury to person or property caused by taxicab, as well as all and every risk or peril to which the subject of insurance may be exposed against, which is not contrary to public policy to insure.

On March 8, 2001, the Company's stockholders transferred all of the issued and outstanding shares of the Company to Anacostia Holdings Company, Inc., (AHC), a Maryland corporation owned by Gerald H. Schaeffer in exchange for consideration of $800,000.

Currently, the Company is only licensed to write insurance policies in the District of Columbia. The organizational chart (See 'Holding Company System' section of this Report) identifies the holding company system members as of December 31, 2020.

Capitalization

The Company's Article of Incorporation authorized the issue of One Thousand (1,000) shares of common stock, without subdivision into classes, each share having Three Hundred Dollar ($300) par value. As of December 31, 2020, the Company had 1,000 common shares issued and outstanding totaling $300,000. They were all issued to the Company's parent, Anacostia Holding Company, Inc. The number of shares and the par value per share was unchanged during the examination period. The amount of the gross paid in, and contributed surplus remains unchanged at $400,000. During the first quarter of 2018, AHC contributed $50,000 to the Company. This amount is reflected in Additional Paid-in Capital.

Surplus Note

The Company had issued no surplus notes during the examination period.

Dividends to Stockholders:

The Municipal Regulations of the District of Columbia require prior approval by the Company's domiciliary commissioner for any dividends to shareholders. The Company's Board of Directors did not approve, declare or pay any dividends during the period covered by the examination.

MANAGEMENT AND CONTROL

Board of Directors

Pursuant to the *General Corporation Laws* of the District of Columbia, as implemented by the Company's Artiles of Incorporation and bylaws, the property and affairs of the Company shall be governed by or under the direction of its Board of Directors (Board). The By-Laws currently call for at least three (3) members. All board members are elected at the annual meeting of shareholders. Directors duly elected and serving as of December 31, 2020, were as follows:

Name and Address	Principal Business Affiliate
Gerald H. Schaeffer - Chairman Washington, DC	CEO, President, and Treasurer Equitable Liability Insurance Company
Jeffrey M. Schaeffer[a] Bethesda, Maryland.	Vice President and Secretary Equitable Liability Insurance Company
Alisa S. Halle Potomac, MD	Independent Director

(a) Subsequent to the examination period, Jeffrey M. Schaeffer resigned from his position as a Board member and was replaced by Jennifer S. Miller effective April 26, 2021.

Officers

The By-Laws provide that the officers of the Company shall consist of a President, a Secretary/Treasurer, and such other officers, including one or more Vice-Presidents. The Board elects these officers of the Company and other officer positions at its annual meeting. Each officer serves until a successor is elected or until removed by the Board. The primary officers serving as of December 31, 2020, were as follows:

Name	Title
Gerald H. Schaeffer	CEO, President, and Treasurer
Jeffrey M. Schaeffer[(a)]	Vice President
Edith F. Schaeffer	Vice President

(a) Subsequent to the examination period, Jeffrey M. Schaeffer resigned from his position as a Vice President effective April 26, 2021.

Committees

The Company's Bylaws allow the Board, by resolution adopted by a majority of the entire Board, to designate from among its members an executive committee and such other committees, and alternate members thereof, as they deem desirable. As of December 31, 2020, the Company had established an audit committee of the Board of Directors composed of Alisa S. Halle, the sole independent director.

The DC Official Code Section 31-706(c)(4) of the DC Official Code requires a formation of one (1) or more committees comprised of individuals who are not officers or employees of the Company, or any entity controlling, controlled by or under common control with the Company. Additionally, Section 31-706(c)(3) requires 1/3 of the members of each committee of the board of directors of any domestic insurer to be persons who are not officers or employees of the Company, or any entity controlling, controlled by, or under common control with the Company. At least one 1) such person must be included in any quorum for business transaction at any meeting of the board of directors or any committee.

Furthermore, DC Official Code § 31-405 requires that "Every controlled insurer shall have an audit committee of the board of directors composed of independent directors. The audit committee shall annually meet with management, the insurer's independent certified public accountants, and an independent casualty actuary, or other independent loss reserve specialist acceptable to the Mayor (Insurance Commissioner) to review the adequacy of the insurer's loss reserves."

Contrary to the DC Official Code § 31-405, our review of the Company's corporate records disclosed that the Audit Committee did not communicate with the Company's independent accountants or its independent actuary during the examination period. For further discussion, see the "Comments and Recommendations" section of this Report under the caption "Lack of Audit Committees Involvement."

Conflicts of Interest

Directors and officers of the Company regularly responded to conflict-of-interest questionnaires. A review was made of the Company's procedure for disclosure to its Board of Directors of any potential material conflict of interest on the part of any of its officers, directors, or key employees. No conflicts were disclosed by any directors or officers from the responses to the disclosure forms completed during the examination period.

Corporate Records

The recorded minutes of the meetings of the stockholder and Board were reviewed 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.

HOLDING COMPANY SYSTEM

The Company is a member of an insurance holding company system pursuant to the provisions of the District of Columbia Code Section 31-701. It is the only insurance company within the holding company structure and a wholly-owned subsidiary of Anacostia Holding Company, Inc., (AHC), a non-insurance holding company incorporated in Maryland. AHC is wholly owned and controlled by Gerald H. Schaeffer, who owns 100 percent of the Company's outstanding common stock. Mr. Gerald H. Schaeffer also owns Diversified Insurance Management, Inc. (DIMI), an affiliated agency, which produces business for the Company. As a result, Gerald H. Schaeffer became a controlling producer, subject to the requirement of Title 31, Chapter 4 of the DC Official Code.

Organizational Chart

The following organizational chart depicts the Company's relationship within the holding company system. As of December 31, 2020, Gerald H. Schaeffer and Edith F. Schaeffer wholly-owned or controlled, as well as partially owned the following affiliated entities:

Gerald H. Schaeffer owns 100% of the following:

- → Anacostia Holding Company, Inc.
- → Liberty Transportation Management Corporation
- → Auto Management, Inc.
- → Anchor Leasing, Inc.
- → Diversified Insurance Management, Inc.

Anacostia Holding Company, Inc. owns 100% of the following:

- → **Equitable Liability Insurance Company**

Liberty Transportation Management Corporation owns 100% of the following:

- → Allied Associates, Inc.
- → Cabs, Inc.
- → Transco, Inc.

Gerald H. Schaeffer owns 98% of the following (Edith F. Schaeffer (spouse) owns the other 2%):

- → 1505 Eastern Avenue, L.L.C.
- → 1625 New York Avenue, L.L.C.
- → 3101 Rhode Island Avenue, L.L.C.
- → 33 New York Avenue, L.L.C.
- → Five Q, L.L.C.
- → Northeast Management Consulting, L.L.C.

33 New York Avenue, L.L.C. owns 100% of the following:

- → Connecticut Corner L.L.C.
- → Tires R Us of MD L.L.C.
- → Tires R Us of VA L.L.C.

Five Q, L.L.C. owns 100% of the following:

- → 8 Potomac, L.L.C.

Gerald H. Schaeffer owns 90% of the following (Edith F. Schaeffer (spouse) owns the other 10%):

- → Dragonfly Realty LLC

Gerald H. Schaeffer owns 80% of the following:

- → 1250 Bladensburg Road, L.L.C

Gerald H. Schaeffer owns 67% of the following:

- → B.R. L.L.L.P.
- → Washington Benning L.L.L.P.
- → 3401 Benning Road, L.L.C.

Gerald H. Schaeffer owns 60% of the following:

- → 506 34th, LLC
- → 1608 7th Street, L.L.C.

Gerald H. Schaeffer owns 50% of the following:

- → E&J 888 LLC
- → E&J 888 Properties LLC

E&J 888 L.L.C. owns 100% of the following:

- → Georgia Rittenhouse L.LC.

Gerald H. Schaeffer owns 42% of the following:

- → 2033 Florida, L.L.C.

Gerald H. Schaeffer owns 33% of the following:

- → 3621 Benning Road, L.L.C.
- → 1400 Maryland Avenue L.L.C.
- → 906 Bladensburg Road, L.L.C.

Gerald H. Schaefer owns 20% of the following:

- → Bladensburg Lincoln, L.L.C.
- → DAG Petroleum Suppliers, L.L.C.
- → DAG SPE Managing Member, Inc.
- → Rock Creek SPE, Managing Member, Inc.
- → Rock Creek Petroleum, L.L.C.

INTERCOMPANY AGREEMENTS

The Company has entered into numerous agreements and cost-sharing arrangements (collectively referred to as "agreements") with affiliated companies. We reviewed these agreements, and the significant ones in force as of December 31, 2020 are described below:

Tax Allocation Agreement

Effective May 13, 2001, the Company became party to a Tax Allocation Agreement with AHC and First Washington Insurance Company (FWIC). In accordance with the agreement, the Company's federal income tax returns were consolidated with those of the affiliated tax allocation group. The amount of federal income taxes allocable to the subsidiary shall be determined using the method described in section 1.1502-32(b)(3)(iv)(D) of the Treasury regulations. Allocation of federal income taxes with affiliates, subject to the tax sharing agreement, was based upon individual income tax return calculations of each company subject to the agreement. During 2020, the Company collected $10,454 for its share of 2019 income tax savings from AHC through December 31, 2020. FWIC was dissolved by Court Order on September 30, 2020.

Employment / Expense Sharing Agreement

Effective April 25, 2003, the Company entered into a payroll expense sharing agreement with its parent, AHC and FWIC. The agreement was for an initial term of one (1) year, and it automatically renews for a 12 month period at each renewal and continues indefinitely from the date thereof. AHC provided most of the management and operational services needed to operate the Company, including personnel, accounting, claims, underwriting, and information technology services. According to the agreement, common expenses incurred that benefit both parties will be apportioned based on reasonable methods determined under the best judgment of both parties that reflects the anticipated benefits expected to be derived by each party.

This agreement was amended several times since its inception, with the latest revision taking effect on January 1, 2018, which replaced and superseded any previous agreements between the parties. Based on the revised agreement, the Company shall reimburse AHC $10,996 biweekly to cover employment expenses incurred on its behalf. Effective April 26, 2020, the Company temporarily suspended its payroll reimbursement to AHC to alleviate the financial impact from declining policyholders base and premiums.

During 2020, the Company paid $98,964 in total salary expense to AHC through December 31, 2020.

Office Space Lease Agreements:

Effective June 1, 2012, the Company entered into a 10-year leasing agreement with Transco, Inc. to lease part of the office space located at 3399 Benning Road, N.E, Washington, DC, at $5,000 per month. The agreement replaced a prior leasing arrangement the Company had with another affiliate, B.R. LLP, that was terminated effective June 1, 2012. This agreement was amended on April 13, 2020, reducing the monthly rent from $5,000 to $2,500. During 2020, the Company paid $40,000 in rental expenses to Transco, inc. for leasing the facilities through December 31, 2020.

Effective September 1, 2006, and April 1, 2006, the Company entered into leasing agreements, whereby it subleases office space to AHC and FWIC for monthly rental fees of $1,750 and $500, respectively. These agreements were amended effective June 1, 2012, to reflect minor changes pertaining to the address of the new premises. Effective April 1, 2020, due to the liquidation of FWIC, the monthly rental payments from FWIC to the Company were terminated.

During 2020, the Company received $1,500 and $19,250 from FWIC and AHC in rental income through December 31, 2020.

Office Equipment Rental Agreement:

Effective July 1, 2001, the Company entered into an office equipment rental agreement with its affiliate, Anchor Leasing, Inc., at the cost of $1,000 per month. The agreement was for an initial term of nine (9) months, automatically renewed for a 12 month period at each renewal, and continues indefinitely from the date thereof. The agreement can be terminated at the option of either party. The agreement was amended effective June 1, 2012, to reflect minor changes pertaining to the company's new home office address. Effective April 1, 2020, the agreement was amended, reducing monthly rent from $1,000 to $500.

During 2020, the Company paid $8,000 in equipment rental expense to Anchor Leasing, Inc., through December 31, 2020.

Agency Agreement:

Effective January 1, 2006, the Company entered into an agency agreement with its affiliate, DIMI as its licensed resident producer in the District of Columbia for taxicab property and liability insurance. Pursuant to the agreement, DIMI will collect all premium income for the Company and remit all funds collected monthly to the Company in return for a fixed commission rate of 5.25%. The agreement is perpetual with no stated expiration date and can be terminated at the option of either party.

During 2020, the Company paid $21,608 in total commission expense to DIMI under the agency agreement.

FIDELITY BOND AND OTHER INSURANCE

The Company had fidelity bond coverage of $150,000 with a single loss deductible of $25,000. The fidelity bond complies with the minimum coverage required by District of Columbia Municipal Regulation 26-803.1 and meets the minimum coverage recommended by the NAIC.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company does not have employees and therefore does not have employee pension, stock ownership, and insurance plans.

STATUTORY DEPOSITS

The Department does not require the Company to maintain a statutory deposit.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2020, the Company was only licensed and authorized to transact business in the District of Columbia. The Company offers automobile personal injury and property damage coverage for taxicabs and limousines licensed in the District of Columbia. The policy limits for personal injury are $25,000 per claimant and $50,000 per occurrence, and $10,000 per occurrence for property damage.

The Company's business is produced through an affiliated agency, DIMI, which solicits with insured's located in the jurisdiction in which the Company is licensed. The business is billed through its agent, which is extended credit in the normal course of business. During 2020, the Company reported written premiums totaling $411,574 in the District of Columbia. At present, only commercial automobile liability policies are written by the Company. The Company also writes limousine policies.

Effective January 1, 2006, the Company was approved by the Department to write six-month policies. The Company made the change to comply with the mandates of District of Columbia Municipal Regulation 26-801. The Department approved the policy and rate filings on December 23, 2005, and the new policies became effective January 1, 2006. The policies renew on January 1st and July 1st of each year.

REINSURANCE

The Company was not a party to any reinsurance agreement and did not cede or assumed reinsurance business during the examination periods.

ACCOUNTS AND RECORDS

Pursuant to the requirements of DC Code § 31-5204, the principal office and books, records, and files of the Company shall be maintained and kept in District. Accordingly, the Company's principal offices and general accounting records were held in the District and consisted of an automated general ledger and various subsidiary ledgers (e.g., cash receipts, cash disbursements, etc.). Our review did not disclose any significant deficiencies in these records.

FINANCIAL STATEMENTS

The financial condition and results of operations as of December 31, 2020, based on statutory financial statements, as reported and filed by the Company with the Department, are reflected in the following pages:

Financial statements are the responsibility of the Company's management. The Analysis of Examination Changes to Surplus and the accompanying Notes to Financial Statements reflect any examination adjustments to the amounts reported in the statutory financial statements as filed and should be considered an integral part of the financial statements.

BALANCE SHEET
As of December 31, 2020

ASSETS

	Assets	Net Admitted Assets
Cash ($2,030,781), cash equivalents ($0) and short-term investments ($0)	$ 2,030,781	$ 2,030,781
Subtotals, cash, and invested assets	2,030,781	2,030,781
Net deferred tax asset	11,399	11,399
Receivables from parent, subsidiaries, and affiliates	1,750	1,750
Total Assets	$ 2,043,930	$ 2,043,930

LIABILITIES, CAPITAL, AND SURPLUS

Losses (**NOTE 1**)	$	711,379
Loss adjustment expenses (**NOTE 1**)		293,199
Other expenses (excluding taxes, licenses, and fees)		2,472
Taxes, licenses, and fees (excluding federal and foreign income taxes)		1,021
Amounts withheld or retained by the Company for the account of others		3,776
Payable to parent, subsidiaries, and affiliates		5,358
Total liabilities		1,017,205
Common capital stock		300,000
Gross paid in and contributed surplus		400,000
Unassigned funds (surplus)		326,725
Surplus as regards policyholders		1,026,725
Total liabilities and surplus	$	2,043,930

Equitable Liability Insurance Company
Report on Examination as of December 31, 2020

STATEMENT OF INCOME
Year ended December 31, 2020

Underwriting Income:		
Premiums earned		$ 411,574
Underwriting deductions:		
Losses incurred	$ $190,181	
Loss adjustment expenses incurred	90,764	
Other underwriting expenses incurred	120,446	
Total underwriting deductions		$ 401,391
Net underwriting gain		10,183
Investment Income:		
Net investment income earned	$ 864	
Net investment gain		$ 864
Other Income:		
Aggregate write-ins for miscellaneous income	$ $22,500	
Total other income		$ 22,500
Net income after dividends to policyholders and before federal and foreign income taxes		$ 33,547
Federal and foreign income taxes incurred		5,358
Net income (Loss)		$ 28,189

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2015		$ 1,127,133
Gain and (losses) in surplus, 2016		
Net income	$ 21,453	
Change in net deferred income tax	(3,968)	
Change in surplus as regards policyholders for the year		17,485
Surplus as regards policyholders, December 31, 2016		$ 1,144,618
Gain and (losses) in surplus, 2017		
Net income	$ (80,664)	
Change in net deferred income tax	(10,603)	
Change in surplus as regards policyholders for the year		(91,267)
Surplus as regards policyholders, December 31, 2017		$ 1,053,352
Gain and (losses) in surplus, 2018		
Net income	$ (28,988)	
Change in net deferred income tax	6,640	
Change in surplus as regards policyholders for the year		(22,348)
Surplus as regards policyholders, December 31, 2018		$ $1,031,004
Gain and (losses) in surplus, 2019		
Net income	$ (28,509)	
Change in net deferred income tax	(2,272)	
Change in surplus as regards policyholders for the year		(30,781)
Surplus as regards policyholders, December 31, 2019		$ 1,000,222
Gain and (losses) in surplus, 2020		
Net income	$ 28,189	
Change in net deferred income tax	(1,687)	
Change in surplus as regards policyholders for the year		26,502
Surplus as regards policyholders, December 31, 2020		$ 1,026,724

ANALYSIS OF EXAMINATION CHANGES TO SURPLUS

There were no changes made to the financial statements as a result of this Examination.

COMPARATIVE FINANCIAL POSITION AND RESULTS OF THE COMPANY

Selected financial information for the Company as of December 31, 2020, 2019, 2018, 2017, and 2016, and for the years then ended was as follows:

	2020	2019	2018	2017	2016
Assets	$ 2,043,930	$ 2,159,109	$ 2,337,770	$ 2,461,381	$ 2,841,556
Liabilities	1,017,205	1,158,887	1,306,766	1,408,029	1,696,938
Policyholders surplus	1,026,724	1,000,222	1,031,004	1,053,352	1,144,618
Premiums earned	411,574	703,035	848,126	880,798	1,094,472
Net underwriting gain (loss)	10,183	(85,410)	(52,532)	(121,833)	29,538
Net investment gain (loss)	864	19,447	(2,717)	(35,273)	(35,823)
Net income (loss)	28,189	(28,509)	(28,988)	(80,664)	21,453

NOTES TO FINANCIAL STATEMENTS

1. Losses and Loss Adjustment Expenses

The Company reported "Losses" and "Loss adjustment expenses" reserves totaling $711,379 and $293,199, 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, 2020.

The methodologies utilized by the Company to compute reserves and the adequacy of the loss and loss adjustment expense reserves as of December 31, 2020, 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 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, 2020. No significant adverse issues were noted as a result of that review.

SUBSEQUENT EVENTS

The following significant events were deemed material for disclosure in this examination Report:

COVID-19 Pandemic

Beginning in March of 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a pandemic. Fears of a broader worldwide outbreak and its impact on the global economy resulted in significant volatility in the U.S. economy and financial markets. In this regard, the Company has taken steps to protect its staff while serving its policyholders. The organization maintains comprehensive business continuity plans and working to minimize disruption through this pandemic. The Company continues to monitor the impact of COVID-19 on its operations and financial results but is currently unable to determine the extent to which COVID-19 will affect its financial condition, results of operations, and cash flows. As of the date of issuance of this Report, the outbreak is still evolving, and thus there is significant uncertainty as to its ultimate impacts on the Company.

Furthermore, to make the insurance premiums affordable and help taxi fleets and individual operators stay afloat during the pandemic's peak, the Company applied and received regulatory approval for a temporary 50% reduction in rates for March 22, 2020, through June 27, 2020. However, the Company still witnessed a significant drop in the number of policyholders. Approximately 184 policies were canceled out of 518 policies during the same period. This trend accelerated during the 3rd and 4th quarters of 2020 due to the temporary rate reduction expiration and persistent pandemic. The Company had only 272 cabs left insured at year-end, a 47.5% drop compared to the prior year-end. In the first two (2) quarters of 2021, an additional 11.4% drop or 31 policies were canceled out of 272 that existed as of December 31, 2020.

Additionally, trends in the overall taxicab industry in the District have continued to progress downwards. It is rapidly shrinking in the face of stiff competition from rideshare services like Uber and Lyft, as well as restrictions in light of the COVID-19 pandemic. The Company is proactively attempting to stay ahead of the trend by reducing expenses, seeking new policyholders, etc., but may not be in a position to reverse it.

The Paycheck Protection Program ("PPP") signed into law on March 27, 2020, as part of the CARES Act, authorizes forgivable loans to small businesses adversely impacted by the COVID-19 pandemic to obtain financing needed to continue their business operation. The holding Company, Anacostia Holding Company, Inc. (AHC), received two PPP loans to partially compensate for the loss of significant payroll contribution from the Company. AHC obtained the first round of PPP funds of $82,730 on May 5, 2020, and applied for loan forgiveness on November 21, 2020. In January 2021, it received a letter from Bank of America (PPP Administrator) that the PPP loan had been forgiven. AHC obtained the second round of PPP funds $82,730 on February 4, 2021, and applied for loan forgiveness on September 11, 2021. On September 24, 2021, it received a letter from Bank of America (PPP Administrator) that the PPP loan had been forgiven.

Change in Officers and Directors

Subsequent to the examination period, Jeffrey M. Schaeffer departed the Company as the Vice President & Secretary, and Board member effective April 26, 2021. Jennifer S. Miller was elected as a new board member replacing Jeffrey M. Schaeffer effective April 26, 2021.

SUMMARY OF RECOMMENDATIONS

Lack of Audit Committee Involvement:

In response to the Department's prior exam recommendations and pursuant to a shareholder and Board of Directors annual meeting minutes consent dated May 12, 2017, the Company's board and shareholder unanimously voted to form an independent Audit Committee. It unanimously approved the appointment of Alisa S. Halle to the Audit Committee.

District of Columbia Code § 31-706(c)(4) requires the board of directors of a domestic insurer shall establish one (1) or more committees comprised solely of directors 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 any such entity. The committee or committees shall have responsibility for recommending the selection of independent certified public accountants, reviewing the insurer's financial condition, the scope and results of the independent audit and any internal audit, nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed to be principal officers of the insurer, and recommending to the board of directors the selection and compensation of the principal officers.

Additionally, DC Code § 31-405, states "Every controlled insurer shall have an audit committee of the board of directors composed of independent directors. The audit committee shall annually meet with management, the insurer's independent certified public accountants, and an independent casualty actuary or other independent loss reserve specialist acceptable to the Mayor (Insurance Commissioner) to review the adequacy of the insurer's loss reserves." Furthermore, DC Code § 31-706(c)(3) requires at least one (1) independent director must be included in any quorum for business transaction at any meeting of the board of directors or any committee.

However, contrary to DC Official Codes §§ 31-706 and 31-405, our review of the Company's corporate records, including board meeting minutes and communication with its independent auditors, disclosed no evidence that the sole committee of Company performed its customary responsibilities as stipulated under DC Code § 31-706, as well as had no communications with the Company's independent accountants, nor its independent actuary during the examination period contrary to DC code § 31-405. Additionally, no documentation was maintained to support the Audit Committee's involvement or activities during the exam period.

The Company was instructed to come into compliance with abovesaid DC Codes §§ 31-405 and 31-706. It is recommended that the Company maintain formal records of the significant activities of its Audit Committee and that at least one (1) independent director be included in any quorum for business transaction at any meeting of the Board or any committee per Section 31-706(c)(3) of the DC Code. Additionally, the Company should ensure the composition of its board of directors and/or its committees are consistent with the provisions of its Bylaws.

Additional Comments and Recommendations

In addition to the above Comments and Recommendations, we made a number of other suggestions and recommendations to the Company with regard to record-keeping and other procedures relating to its operations. These additional suggestions and recommendations were not deemed significant for purposes of our Report on Examination.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial Condition of **Equitable Liability Insurance Company** as of December 31, 2020, consistent with the insurance laws of the District of Columbia. Such procedures performed on this examination do not constitute an audit made following generally accepted auditing standards, and no audit opinion is expressed on the financial statements contained in this Report. No material adjustments were identified during the examination. The balance sheet in the Report reflects the financial condition of the Company as of December 31, 2020, and is summarized as follows:

Admitted assets	$ 2,043,930
Liabilities	$ 1,017,205
Common capital stock	$ 300,000
Gross paid in and contributed surplus	400,000
Unassigned funds (surplus)	$ 326,725
Surplus as regards policyholders	$ 1,026,725
Total liabilities, capital and surplus	$ 2,043,930

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. The Company's capital and surplus funds exceeded the minimum requirements during the period under examination.

SIGNATURES

The assistance and courteous cooperation extended by the management and employees of the Company during the course of the examination is sincerely appreciated and acknowledged. In addition to the undersigned, the actuarial portions of this examination were conducted by David A. Christhilf, ACAS, MAAA, P&C Actuary of the Department.

Respectfully submitted,

Yohaness T. Negash

Yohaness Negash, CFE, CFE (Fraud), CIA, PIR
Examiner-in-Charge
District of Columbia Department of Insurance,
Securities and Banking

Under the Supervision of

Nathaniel Kevin Brown, CPA, CFE
District of Columbia Department of
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