

**STATE OF ALABAMA
DEPARTMENT OF INSURANCE
MONTGOMERY, ALABAMA**

REPORT OF EXAMINATION

**INSPIRIEN INSURANCE COMPANY
MONTGOMERY, ALABAMA**

AS OF

DECEMBER 31, 2021

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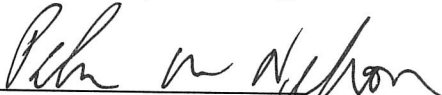
EXAMINER'S AFFIDAVIT

**STATE OF ALABAMA
COUNTY OF COVINGTON**

Palmer W. Nelson, CFE, CIE, MCM, being duly sworn, states as follows:

1. I have authority to represent Alabama in the examination of Inspirien Insurance Company.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of Inspirien Insurance Company was performed in a manner consistent with the standards and procedures required by the State of Alabama.


The affiant says nothing further.



Palmer W. Nelson, CFE, CIE, MCM

Subscribed and sworn before me by Palmer W. Nelson on this 17th day of April, 2023.

(SEAL)



(Signature of Notary Public)

My commission expires 5/13/25



KAY IVEY
GOVERNOR

MARK FOWLER
COMMISSIONER

STATE OF ALABAMA
DEPARTMENT OF INSURANCE

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LARRY CHAPMAN
CHIEF EXAMINER
SHEILA TRAVIS
STATE FIRE MARSHAL
SCOTT F. PILGREEN
GENERAL COUNSEL
REYN NORMAN

April 17, 2023

Mark Fowler, Commissioner
State of Alabama
Department of Insurance
201 Monroe Street, Suite 502
Montgomery, Alabama 36104

Dear Commissioner Fowler:

Pursuant to your authorization and in compliance with the statutory requirements of the State of Alabama and resolutions adopted by the National Association of Insurance Commissioners (NAIC), an examination has been made of the affairs and financial condition of

**Inspirien Insurance Company
Montgomery, Alabama**

as of December 31, 2021, at its home office located at 509 Oliver Road, Montgomery, Alabama 36117, and remotely at the Alabama Department of Insurance. The report of examination is submitted herewith.

Where the description "Company" or "IIC" appears herein, without qualification, it will be understood to indicate Inspirien Insurance Company.

SCOPE OF EXAMINATION

We have performed our multi-state examination of Inspirien Insurance Company (IIC). The last examination covered the period of January 1, 2013 through December 31, 2017. This examination covers the period of January 1, 2018 through December 31, 2021.

The examination was conducted in accordance with applicable statutory requirements of the *Code of Alabama 1975*, as amended, the Alabama Insurance Department regulations, bulletins and directives and in accordance with the procedures and guidelines promulgated by the NAIC, as deemed appropriate, and in accordance with generally accepted examination standards and practices. 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 was identified, the impact of such adjustment was documented separately following the Company's financial statements.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook*. 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.

This examination report includes significant findings of fact, as mentioned in the *Code of Alabama 1975*, as amended, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but are separately communicated to other regulators and/or the Company.

The Company's 2018 through 2021 annual statements were compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company's information technology systems (IS) was conducted concurrently with the financial examination. The IS examination included a review of management and organizational controls, system and program development controls, contingency planning controls, service provider controls,

operations controls, processing controls, e-commerce controls, and network and internet controls.

A market conduct examination was also conducted concurrently with the financial examination. The examination included reviews of the Company's territory, plan of operation, claims, policyholder complaints, marketing and sales, producers' licensing, underwriting, policy forms and rate filings, and privacy policy and practices. See "MARKET CONDUCT ACTIVITIES" on page 12 for further discussion of the Company's market conduct examination.

Carr, Riggs & Ingram, LLC performed the Company's external audits for 2020 and 2021. TaylorChandler, LLC performed the Company's external audits for 2018 and 2019. The CPAs' workpapers were reviewed and were used in the examination as deemed appropriate by the examiners.

A signed certificate of representation for the Company was obtained during the course of the examination. In this certificate, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2021.

ORGANIZATION AND HISTORY

The Company was incorporated on February 28, 2003, pursuant to the Alabama Business Corporation Act as Coastal Insurance Risk Retention Group, Inc. The Articles of Incorporation were filed in the office of Probate Judge Reese McKinney, Jr. in Montgomery County, Alabama on February 28, 2003. Item 6 of the Articles of Incorporation stated:

The corporation is organized as a stock insurance company in accordance with the provisions of Chapter 27 of the Alabama Insurance Code, as amended, for the purpose of writing insurance and reinsurance as an insurance risk retention group pursuant to the federal Liability Risk Retention Act, 15 USC §§ 3901 et. Seq., and the Alabama Risk Retention Act, §§ 27-31A-1 through 27-31A-15 of the Code of Alabama (1975)....(a) To engage in the business of writing contracts of casualty insurance and reinsurance, including, without limitation, the type defined as "malpractice" insurance and "liability" insurance in Chapter 5, Section 6 of the Alabama Insurance Code, as amended....

ARTICLE II of the Articles of Incorporation dated February 28, 2003, stated:

2. The aggregate number of shares of capital stock which the corporation shall have authority to issue is 2,500,000 shares of common stock, of which 500,000 shares shall have a par value of \$1.00 per share and shall be designated "Class A Shares" and 2,000,000 shares shall have a par value of \$.01 per share and shall be designated "Class B Shares." The relative rights, privileges, and limitations of the Class A Shares and Class B Shares shall be in all respects identical, share for share.

The Articles of Incorporation filed with the Judge of Probate on June 9, 2006, amended the Articles of Incorporation by deleting ARTICLE II in its entirety. The amended ARTICLE II states:

2. The aggregate number of shares of capital stock which the corporation shall have authority to issue is 4,750,000 shares of common stock, of which 500,000 shares shall have a par value of \$1.00 per share and shall be designated "Class A Shares," 2,000,000 shares shall have a par value of \$.01 per share and shall be designated "Class B Shares," 1,000,000 shares shall have a par value of \$.01 per share and shall be designated "Class C Shares," 1,000,000 shares shall have a par value of \$.01 per share and shall be designated "Class D Shares," and 250,000 shares shall have a par value of \$.01 per share and shall be designated "Class E Shares." The relative rights, privileges, and limitations of the Class A Shares, Class B Shares, Class C Shares, Class D Shares and Class E Shares shall be in all respects identical, share for share, except that there are differences in purchase requirements and payment plans for each class of stock. In addition, Classes D and E Shares shall not have voting or dividend rights. The aggregate number of shares of capital stock which the corporation shall have authority to issue is 4,750,000 shares of common stock, of which 500,000 shares shall have a par value of \$1.00 per share and shall be designated "Class A Shares," 2,000,000 shares shall have a par value of \$.01 per share and shall be designated "Class B Shares," 1,000,000 shares shall have a par value of \$.01 per share and shall be designated "Class C Shares," 1,000,000 shares shall have a par value of \$.01 per share and shall be designated "Class D Shares," and 250,000 shares shall have a par value of \$.01 per share and shall be designated "Class E Shares." The relative rights, privileges, and limitations of the Class A Shares, Class B Shares, Class C Shares, Class D Shares and Class E Shares shall be in all respects identical, share for share, except that there are differences in purchase requirements and payment plans for each class of stock. In addition, Classes D and E Shares shall not have voting or dividend rights.

Effective March 25, 2013, the Company reorganized and changed its name to Coastal Insurance Company, Inc. Effective June 29, 2015, the Company changed its name to Coastal Insurance Company.

On October 4, 2016, at a Special Shareholders' Meeting, the Shareholders by supermajority vote approved a Plan and Agreement of Share Exchange and Merger (Plan) for the creation of an insurance holding company that had received prior approval by the Alabama Department of Insurance. The Plan involved several stages. Effective October 5, 2016, the first stage was the Company's name change to Inspirien Insurance Company. The second action taken was the formation of Inspirien Holding Company (IHC) as a subsidiary of the Company on November 4, 2016. The third stage was the formation of Inspirien Insurance Solutions, Inc. and Inspirien PSO, Inc. as subsidiaries of IHC on December 19, 2016. The final step in preparation to implement the Plan was the filing with the Alabama Secretary of State and the Montgomery County Probate Court of the Plan and the Certificates of Share Exchange between the Company, IHC, and Coastal Insurance Services, Inc. on December 29, 2016. On January 5, 2017, the Sixth Amendment to the Company's Articles of Incorporation was filed. With this filing, IHC's shares were swapped with the shares of the Company. IHC became the parent company. The Company transferred \$2.5 million to IHC to capitalize the Holding Corporation.

On August 25, 2021, the Company filed a Form D – Prior Notice of a Transaction with the Alabama Department of Insurance seeking approval to enter into a Surplus Note agreement with DCH Healthcare Authority, the Company's ultimate controlling party, for total consideration of \$5,000,000, for the purpose of increasing the Company's statutory surplus. Approval was granted on August 31, 2021, and total contributions from DCH Healthcare Authority in the amount of \$5,000,000 were received on October 1, 2021.

The Company provided the following insurance coverages to hospitals and physicians in the state of Alabama at December 31, 2021:

- Medical malpractice – claims made
- Other liabilities – claims made
- Workers' Compensation

At December 31, 2021, the Common capital stock was \$810,486, Surplus notes was \$5,000,000, Gross paid in and contributed surplus was \$9,247,598, and Unassigned funds (surplus) was \$1,501,221. See caption "FINANCIAL CONDITION / GROWTH OF THE COMPANY" on page 12.

MANAGEMENT AND CONTROL

Stockholders

The Company is a stock corporation with ultimate control vested in its stockholder. At December 31, 2021, 100% of the issued and outstanding common stock was owned by Inspirien Holding Company. Owners that had a controlling interest are DCH Healthcare Authority Stock (27.91%) and Southern Medical Health System Stock (14.59%).

Board of Directors

The following directors were elected by the stockholder and were serving at December 31, 2021:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Bryan Neal Kindred Tuscaloosa, Alabama	President and Chief Executive Officer, DCH Health System
Lothar Ephraim Peace, III Alexander City, Alabama	President and Chief Executive Officer, Russell Medical Center
Margaret Maria Nekic Montgomery, Alabama	President and Chief Executive Officer, Inspirien Insurance Company
Brandon Clinton Driscoll Montgomery, Alabama	Treasurer and Chief Business Officer, Inspirien Insurance Company

Committees

The following committees were functioning on behalf of the Company as of December 31, 2021:

Compliance and Audit Committee

Frank Willard Harris
Robert Curtis Chapman
Bryan Neal Kindred
Gerald Leon Wallace, Jr.

Nominating and Corporate Governance Committee

Robert Curtis Chapman

Lothar Ephraim Peace, III
Jennie Rogers Rhinehart
Bryan Neal Kindred

Officers

The following officers were elected by the Board of Directors and were serving at December 31, 2021:

<u>Officer</u>	<u>Title</u>
Margaret Maria Nekić	President and Chief Executive Officer
Brandon Clinton Driscoll	Treasurer and Chief Business Officer
Tonya Kathrene Freyman	Secretary and Chief Innovation Officer

Conflicts of Interest

The Conflict of Interest Statements filed by the officers and directors of the Company were reviewed for the period under examination. There were no disclosures that indicated any officers or directors had a conflict of interest.

Dividends to Policyholders

There were no dividends paid to policyholders for the period under examination.

CORPORATE RECORDS

The Company's Articles of Incorporation, By-Laws, and amendments thereto were inspected and found to provide for the operation of the Company in accordance with Alabama statutes and regulations and with accepted corporate practices.

Minutes of the meetings of the Stockholder and Board of Directors were reviewed for the period under examination. The minutes appeared to be complete with respect to actions taken on matters before the respective bodies for deliberation and action.

HOLDING COMPANY AND AFFILIATE MATTERS

As of December 31, 2021, the Company was subject to the Alabama Insurance Company Regulatory Act of 1973 as defined in ALA. CODE §27-29-1 (1975). The review of the holding company filings made during the examination period indicated that appropriate disclosures were made regarding the Company.

Dividends to Stockholders

The Company did not pay any dividends to its stockholders during the period under review.

Administrative Service Agreements

The following administrative management service agreements were in effect during the examination period.

Affiliated Agreements

Program Management Agreement

Effective January 1, 2020, The Company entered into a program management agreement and appointed Inspirien Insurance Solutions, Inc. as its Program Manager. The agreement replaces the previous program management agreement, with the most notable difference being a reduction in the management fee percentage. The Company pays a percentage of all earned premiums, net of cancellations and return premiums, for the following services:

- Underwriting services
- Brokerage services
- Financial services (including the billing and collection of premiums)
- Risk management services
- Technology services (including managing and maintaining the IT systems and maintaining the Company's records)
- Claims adjudication services

The agreement was reviewed and approved by the Alabama Department of Insurance.

Cost Sharing Agreement

The Company entered into a cost sharing agreement with Inspirien Holding Corporation (IHC) and Inspirien Insurance Solutions, Inc. (IIS) effective January 4, 2017. The agreement was amended on November 29, 2017, to add Inspirien Captive, Inc. (IIC), a Vermont domiciled captive insurance company. The Company, IHC, IIS, and ICI are members of a commonly owned group of companies whereby each of the parties desires to use its personnel and facilities to provide to, and/or receive from, each of the other parties certain services, subject to the terms and conditions of

the agreement. A party may be both a Service Provider and a Service Recipient with respect to different services and any services may be provided to one or more parties.

The agreement specifies that a Service Provider shall make available to each company, its employees and independent contractors (or employees of independent contractors) to perform any services identified on Schedule I that may be requested by the Service Recipient on an as-needed basis. These employees and independent contractors (or employees of independent contractors) may use office space, equipment, furniture, and supplies and other similar items.

Each Service Recipient shall bear and pay its allocable share of the cost incurred by the Service Provider for the services and facilities provided. The cost for such services and facilities shall be based on the actual cost of its employees and facilities without a profit factor being built and shall include all internal and external direct and indirect expenses incurred by the Service Provider.

The agreement was reviewed and approved by the Alabama Department of Insurance. The agreement was amended and approved by the Alabama Department of Insurance on February 4, 2019, to remove the Company from this cost sharing agreement, and replaced with the Program Management Agreement referenced above.

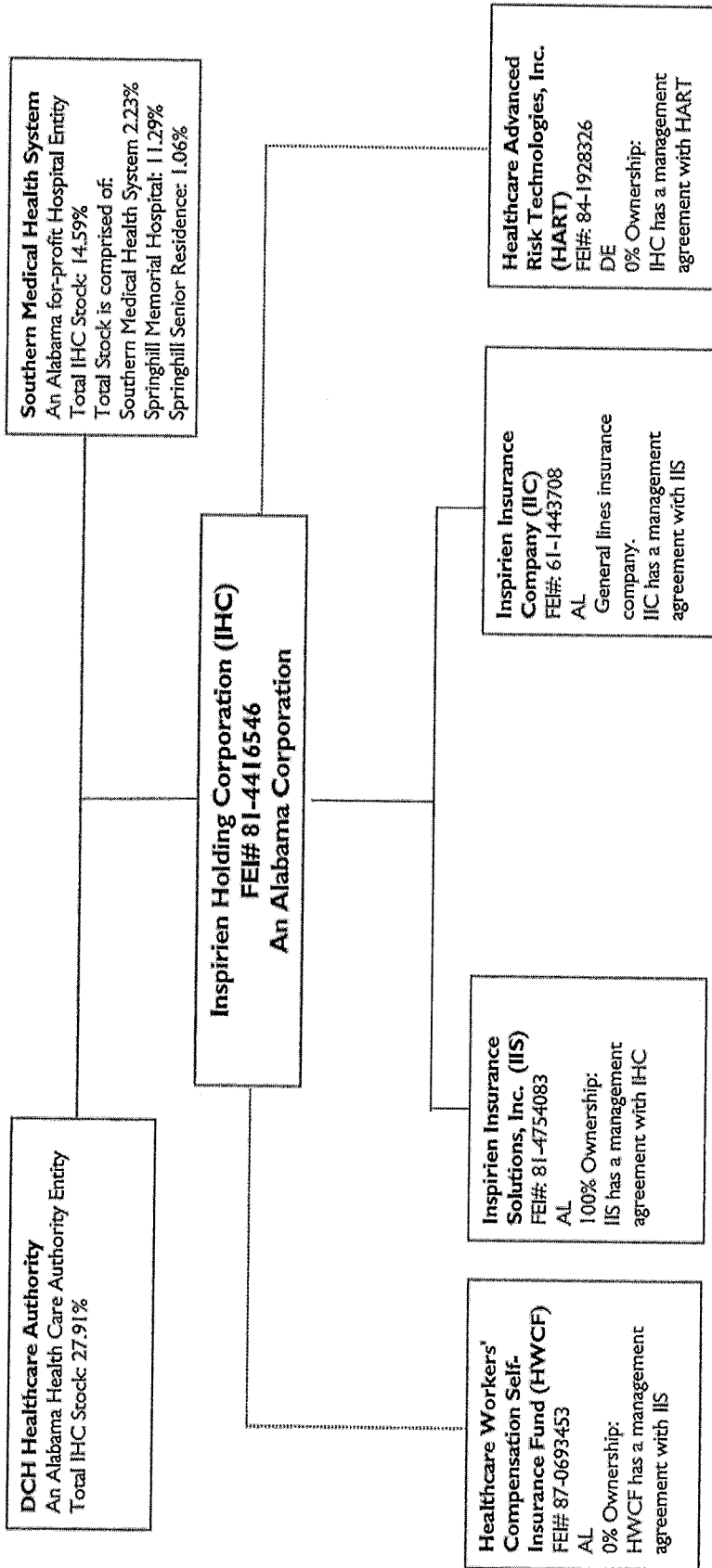
Federal and State Income Tax Sharing Agreement

The Company entered into an income tax sharing agreement with Inspirien Holding Corporation, Inspirien Insurance Solutions, Inc., and Inspirien Captive, Inc. effective January 1, 2019. All entities agree to file a consolidated federal income tax return, and all Alabama entities agree to file a consolidated state income tax return. Each entity must pay their allocable share of the federal tax liability determined under the method prescribed in Federal Regulations Section 1.1552-1(a)(1). Each member of the Alabama affiliated group shall be compensated to reflect the absorption of its Alabama tax attributes by one or more other Alabama members in accordance with Alabama Code Section 4-18-39(c)(6).

The agreement was reviewed and approved by the Alabama Department of Insurance.

Organizational Chart

The following chart represents the corporate affiliations of the Company as of December 31, 2021.



EMPLOYEE AND AGENT WELFARE

The Company's duties and functions are performed by Inspirien Insurance Solutions, Inc. in accordance with the terms of the Program Management Agreement. Because the Company does not have any direct employees, no liabilities are accrued relating to pensions or post employee benefits.

Compliance with 18 U.S.C. §1033

ALA. ADMIN. CODE 482-1-146 (2009) requires the Company to determine if prospective and current employees are in conflict with 18 U.S.C. §1033, which prohibits persons with certain felony offenses from participating in conducting the business of insurance.

The Company provided the Background Check Policy used to comply with ALA. ADMIN. CODE 482-1-146-.11(1) (2009). Upon review of the policy, it was noted that the Company obtains background checks for all new hires. It was also noted that the Company randomly selects a small percentage of current employees twice per year for random background checks. It was determined that this procedure does not comply with the requirements of ALA. ADMIN. CODE 482-1-146-.11(1)(b) (2009), as the procedure does not ensure that all employees are periodically reviewed for a felony conviction for a Section 1033 offense.

Fidelity Bonds and Other Insurance

As of December 31, 2021, the Company was a named insured on an insurance policy issued by Travelers Casualty and Surety Company of America which included fidelity coverage. The amount of fidelity coverage maintained by the Company exceeded the minimum amount suggested in the NAIC *Financial Condition Examiners Handbook*.

In addition to the fidelity coverage, the Company was a named insured on the following policies:

- Cyber insurance
- Professional liability
- General liability

It was determined that adequate coverage was in force covering the hazards to which the Company is exposed.

SCHEDULE OF SPECIAL DEPOSITS

On December 31, 2021, as required or permitted by law, the Company maintained deposits with the respective statutory authorities as follows:

State	Book/Adjusted Carrying Value	Fair Value
Alabama	\$1,370,426	\$1,423,464

FINANCIAL CONDITION / GROWTH OF THE COMPANY

The following information presents significant items that reflect the growth of the Company for the years under review.

	2021	2020	2019	2018
Admitted Assets	\$43,983,974	\$37,893,174	\$32,748,637	\$33,017,756
Liabilities	\$27,424,669	\$26,507,415	\$22,818,870	\$18,504,813
Common Capital Stock	\$810,486	\$810,486	\$810,486	\$810,486
Surplus Notes	\$5,000,000	-	-	-
Paid in and Contributed Surplus	\$9,247,598	\$9,247,598	\$8,247,598	\$8,247,598
Unassigned Funds	\$1,501,221	\$1,327,675	\$871,683	\$5,454,859
Gross Written Premium	\$9,388,533	\$7,535,432	\$4,252,715	\$4,917,294
Losses Incurred	\$3,061,023	\$3,010,893	\$2,383,737	\$1,308,220
Loss Adjustment Expenses Incurred	\$3,107,947	\$1,501,848	\$3,910,651	\$2,312,819
Net Income	\$(21,812)	\$(188,588)	\$(5,205,876)	\$(1,141,038)

MARKET CONDUCT ACTIVITIES

Plan of Operation

The Company provides risk mitigation products and services to Alabama, Georgia, and Mississippi hospitals and physicians, some of which are its owners. Products include Professional Liability, General Liability, Excess Liability, Supplemental Liability, and Workers' Compensation. The Company began writing business in Georgia and Mississippi during 2020. The Company also writes cyber insurance on a 100% reinsured basis. The Company's suite of services includes underwriting, risk management, claim administration, patient safety support, and other related services.

Territory

At December 31, 2021, the Company was licensed to write Property and Casualty business in the states of Alabama, Georgia, Indiana, Kentucky, Louisiana, and Mississippi. The Company wrote business in Alabama, Georgia, and Mississippi.

Underwriting and Rating

A sample of 79 transactions out of a population of 879 Alabama written premium transactions for the year 2021 was selected for review. The sample selection was reviewed with regards to compliance with underwriting guidelines. The premiums were calculated in accordance with the Company's guidelines, and the rates used were filed with the Alabama Department of Insurance. The policies were calculated in accordance with its filed rates.

There were 26 canceled/non-renewed Alabama policies during the examination period. All of the policies were reviewed with regards to compliance with cancellation policies and procedures and proper documentation. The Company maintained proper documentation for Company initiated and insured initiated cancellations. The examiners determined that the policies were canceled for non-payment of premium or insured requested cancellation. The cancellation and/or non-renewal files were complete and were handled in accordance with the Company's policies and procedures.

Marketing and Sales

The advertising and marketing materials used by the Company during the examination period were reviewed. The marketing of the Company's products was accomplished through ads, flyers, logos, brochures, medical news publications and the Company's webpage. Advertising is designed to generate interest of small rural hospitals and physicians to the Company's medical malpractice and other liability products.

The Company's webpage (www.inspirien.net) was reviewed and found to include the following links: Home, About Us, Mission, Products, Innovation and Contact. To request additional information, the prospective consumer can fill out the request form under the link "Contact" (Name, Phone, Email and Message), or they can call or write the home office for additional information.

Producers of the Company are not allowed to create their own advertising or marketing materials.

Claims Handling

Paid Claims

The Company's Alabama paid claims listing had 94 indemnity claim payments made during 2018-2021. The examiner reviewed only the hospital and professional liability claims. The Company had worker compensation claims during the same period, but those claims were not included in the scope of the review. All of the Alabama hospital and professional liability claims were litigated claims against the Company's policyholders. No significant issues were found.

Denied and Closed Without Payment Claims

No denied closed without payment claims during the examination period.

Complaint Handling

The examiners reviewed the Company's complaint register. There were no complaints logged in the register, and there were no complaints filed with the Alabama Department of Insurance. The Company's complaint handling policy and procedures addressed all written complaints directly from the insured or from the Alabama Department of Insurance.

According to the Company's policy and procedures, the Company is required to respond to the complaint within 10 days of the receipt of the complaint. The Company is in compliance with ALA. ADMIN. CODE 482-1-118-.06 (1999), which states: "The insurer shall provide, within ten (10) working days, any record or response requested in writing by any duly appointed deputy, assistance, employee or examiner of the commissioner."

Producers' Licensing

Appointments

The examiners selected a random sample 79 Alabama policies from the Company's 2021 direct written premium to test proper producers licensing and appointment. The examiners utilized the NAIC State Based System to verify the appointments. The initial review indicated that some producers were not appointed by the Company. The Company utilized Inspirien Insurance Solutions ("IIS"), an affiliated licensed and appointed an MGA, to distribute its policies. The sub-producers of IIS who were not directly appointed with the Company referred

business for placement with IIC. The business referred for placement was placed through producers that were properly licensed and appointed by the Company. It was verified that the producers that were not appointed did not write more than ten policies per month and the business qualified for the occasional business exclusion under the law. ALA. CODE §27-7-34(a) (1975) states: "On an occasional basis, a producer may place with an insurer for which he or she is not appointed only a kind of insurance or classification thereof for which the producer is licensed by placing the insurance through a duly appointed producer of the insurer." The business written by IIS was placed with the Company's licensed an appointed producer in compliance with ALA. CODE §27-7-30(a) (1975), which states:

Each insurer appointing a producer in this state shall file with the commissioner, in a format approved by the commissioner, a notice of appointment within 15 days from the date the agency contract is executed or the first insurance application is submitted, whichever occurs first. An insurer may also elect to appoint a producer to all or some insurers within the insurer's holding company system or group by the filing of a single appointment request.

No issues were noted during the review of the producer appointments.

Terminated Producers

The Company had three producer appointment terminations during the examination period. The examiner provided proper notice to the producers last known address and the Alabama insurance commissioner.

Privacy

The Company's Privacy Notice was reviewed for compliance with ALA. ADMIN. CODE 482-1-122 (2002). The Company does not allow the disclosure of personal information to any non-affiliated third parties except as permitted by law or by prior written authorization for release of the information. The information collected is restricted to employees or third parties who require that information in order to provide products and services.

REINSURANCE

Reinsurance Assumed

The Company did not engage in assumed reinsurance during the examination period.

Reinsurance Ceded

The Company had the following ceded reinsurance agreements in effect at December 31, 2021.

First Excess Casualty Reinsurance Agreement

The Company had excess of loss reinsurance to indemnify the Company for losses associated with business classed as Hospital Professional Liability, Allied Healthcare, General Liability, Physicians and Surgeons Liability, Employed Benefits Liability and related Healthcare business. The reinsurance agreement term was July 1, 2021 to July 1, 2022. Under Coverage A for policies with deductibles \$50,000 or less, the Company had reinsurance to indemnify the Company for ultimate net loss over \$300,000; subject to the reinsurer's limit of \$700,000 each insured, each occurrence or claim made. Under Coverage B for policies with deductibles greater than \$50,000, the reinsurer indemnifies the Company for ultimate net loss over and above \$300,000 plus the insured's deductible, each insured, each occurrence or claim made, subject to a limit of the difference between \$1,000,000 and the Company's retention as respects each insured. Under Coverage C the reinsurer is liable for the ultimate net loss in connection with each event above an ultimate net loss of \$600,000, subject to the provisions of Coverages A and B. The reinsurer's limit shall be subject to a limit equal to the difference between ultimate net loss of \$1,000,000 each event and the Company's retention of at least \$600,000 each event. The insureds' deductibles under Coverage B shall not contribute to the Company's retention under Coverage C. Recoveries under Coverage A and Coverage B shall inure to the benefit of Coverage C. Under Coverage D, regardless of the deductible amounts referenced in Coverage A and B, in respect of each insured, each occurrence or claim made, the reinsurer is liable for all loss adjustment expense that exceeds the Company's retention. The Company shall retain the first \$350,000 of loss adjustment expense incurred by the Company net for their own account. The reinsurer's liability shall apply excess of such amount, but the reinsurer's liability for loss adjustment expense shall not exceed \$500,000 and in no event will the reinsurer be liable for more than \$1,000,000 in all for the term of the contract. Under Coverage E, the reinsurer is liable for extra contractual obligations and loss in excess of policy limits in connection with the Company's determination of ultimate net loss, but the reinsurer's liability for the sum of these losses shall not exceed \$1,000,000 for all losses subject to the contract.

The reinsurance premium has a loss sensitive feature within the determination of the final premium. The final adjusted premium is the sum of (1) 100% of the reinsurer's paid losses for occurrences and claims made subject to the contract and (2) 9.5% of

the Company's net written premium subject to the contract. However, the adjusted premium cannot exceed 38.75% of the Company's net written premium for business subject to the contract.

The reinsurance intermediary is Lockton Re, LLP. The participating reinsurers are Aspen Re Casualty Insurance - 13%, Physicians Insurance Mutual Company - 10%, Convex Insurance UK Limited - 10%, Convex Re Limited - 5%, and Lloyd's Underwriter Syndicates 2003 XLC - 24%, 1955 BAR - 5%, 2791 MAP - 10%, 1084 CSL - 15%, and 1945 SII - 8%.

Excess Umbrella Reinsurance Agreement

The Company had excess of loss reinsurance for policies classified by the Company as Hospital Professional Liability, Allied Healthcare, General Liability, Physicians and Surgeons Liability, Employed Benefits Liability and related Healthcare business with policy limits greater than \$1 million written or renewed during the term of the contract. Also, reinsurance was effective for related coverages provided by the named classes of business scheduled under excess or umbrella liability policies issued by the Company. The agreement term was July 1, 2021 through July 1, 2022.

Under the terms of the agreement the reinsurer must indemnify the Company's for its ultimate net loss in excess of the underlying limits stated in the agreement of \$10 million, each insured, each occurrence or claim made. As respects insureds covered under Hospital Professional Liability, Allied Healthcare, General Liability, Physicians and Surgeons Liability, Employee Benefits Liability, and related Health Care Policies, the Company will have the option under each policy to elect to recover under Coverage A or Coverage B. In the event that the Company elects to recover under Coverage B as respects a policy, the Company's premium cession shall include the additional premium as stipulated by the premium article. Coverage A: The reinsurer shall be liable for the ultimate net loss over \$1 million subject to a limit of liability of \$10 million, each insured, each occurrence or claim made. Coverage B: The reinsurer shall be liable for the difference of \$11 million ultimate net loss or \$13 million in the aggregate for each insured and \$1 million each insured or \$3 million in the aggregate for each insured. Underlying Limits: As respects bodily injury, property damage, personal injury, and advertising injury, the reinsurance attaches excess of an underlying primary policy or self-insured retention with limits of at least \$1 million/\$3 million. As respects automobile bodily injury and property damage coverage when written by other carriers, the reinsurance will attach in excess of the underlying policy limits of at least \$1 million combined single limit. As respects Employers Liability coverage when written by other carriers, the reinsurance will attach in excess of underlying policy limits of at least \$500,000 each bodily injury by accident or disease.

Lockton Re, LLP was the reinsurance intermediary. The participating reinsurers were Lloyd's Underwriter Syndicates 2003 XLC - 20.5%, 1955 BAR - 5%, 0435 FDY - 6%, 1084 CSL - 15%, 566 QBE - 5%, and 1945 SII - 7.5%, Physicians Insurance Mutual Company - 10%, Aspen Re Casualty Insurance - 11%, Convex Insurance UK Limited - 10%, Convex Re Limited - 5%. The interests and liabilities were 95% placed. Under the terms of the agreement the Company must retain 5% of the interests and liabilities for its own account.

Cyber Liability 100% Quota Share Reinsurance Contract

The Company had a 100% quota share reinsurance agreement for business classed by the Company as cyber liability coverage for physicians, underwritten and administered by MC Ascent. The reinsurer's limit of loss was \$50,000 per each insured physician. The term of the agreement was September 1, 2021 to September 1, 2022.

Lockton Re, LLP was the reinsurance intermediary. The participating reinsurers were Lloyd's Underwriter Syndicates 457 MRS - 66.7%, 1414 ASC - 16.7%, 1225 AES - 10%, 1084 CSL - 6.6%.

Workers Compensation Excess Reinsurance Agreement

The Company had excess of loss reinsurance for business classed as Workers' Compensation. The agreement term was from March 1, 2021 to July 1, 2022. The agreement had five excess of loss layers stacked with the retention being for each sequential layer after the first being the cumulative limit of reinsurance for all underlying layers plus the primary level's retention. The primary reinsurance layer was \$500,000 excess of \$500,000. Collectively all five layers provided \$19.5 million excess of \$500,000.

The reinsurance intermediary was Lockton Re, LLP. The participating reinsurers were as follows.

<u>Reinsurer</u>	<u>1st Layer</u> <u>\$500K XS</u> <u>\$500K</u>	<u>2nd Layer</u> <u>\$1M XS</u> <u>\$1M</u>	<u>3rd Layer</u> <u>\$3M XS</u> <u>\$2M</u>	<u>4th Layer</u> <u>\$5M XS</u> <u>\$5M</u>	<u>5th Layer</u> <u>\$10M XS</u> <u>\$10M</u>
Lloyd's Underwriter Syndicate 435	30%	20%	25%	30%	30%
Lloyd's Underwriter Syndicate 1084	25%	25%	25%	25%	25%

Lloyd's Underwriter Syndicate 1955	10%	10%	10%	10%	10%
Lloyd's Underwriter Syndicate 2003	20%	25%	25%	10%	20%
Lloyd's Underwriter Syndicate 4444				2.5%	2.5%
Convex Insurance UK	15%	15%	15%	12.5%	12.5%

ACCOUNTS AND RECORDS

The Company obtained a permitted practice letter from the Alabama Department of Insurance, dated September 14, 2022, granting permission to maintain its records electronically on a cloud-based document storage application. The Company was audited by TaylorChandler, LLC, Montgomery, AL (2018-2019) and Carr, Riggs & Ingram, LLC, Montgomery, AL (2020-2021) during the examination period. Timothy C. Mosler, FCAS, MAAA, of Pinnacle Actuarial Resources, Inc. prepared the Actuarial Reports and Statements of Opinion for the examination period.

Actuarial Opinion

The examining actuary verified select calculations presented in the analysis. During this review, some instances were noted where the footnotes explaining certain calculations were inconsistent with the values displayed. In response to an inquiry in this regard, the opining actuary provided clarifying information that supported the calculations but verified that the footnotes were incorrect. The Company's actuary should enhance documentation provided in future reports, including supporting details like those provided in response to inquiries made during the examination review, to adhere more closely to Actuarial Standard of Practice No. 41, Section 3.2, which states that "the actuary should state the actuarial findings and identify the methods, procedures, assumptions, and data used by the actuary with sufficient clarity that another actuary qualified in the same practice area could make an objective appraisal of the reasonableness of the actuary's work as presented in the actuarial report."

Unclaimed Property

ALA. CODE §35-12-72 (1975) states: "(a) Property is presumed abandoned if it is unclaimed by the apparent owner during the time set forth below for the particular

property: ... (18) All other property, three years after the owner's right to demand the property or after the obligation to pay or distribute the property arises, whichever first occurs." ALA. CODE §35-12-76 (1975) states: "A holder of property presumed abandoned shall make a report to the Treasurer concerning the property. ... (c) The report shall be filed before November 1 of each year and cover the 12 months next preceding July 1 of that year."

The examination identified six checks that summed to \$5,781 that were not appropriately escheated to the state of Alabama. The Company was not in compliance with ALA. CODE §35-12-72 (1975) and ALA. CODE §35-12-76 (1975).

FINANCIAL STATEMENT INDEX

The following financial statements are based on the statutory financial statements filed by the Company with the Alabama Department of Insurance and present the financial condition of the Company for the period ending December 31, 2021. The accompanying comments on the financial statement reflect any examination adjustments to the amount reported in the annual statement and should be an integral part of the financial statements.

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INSPIRIEN INSURANCE COMPANY
STATEMENT OF ASSETS
For the Year Ended December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$33,044,917	-	\$33,044,917
Stocks:			
Common stocks	4,321,211	-	4,321,211
Cash, cash equivalents and short-term investments	1,949,094	-	1,949,094
Receivable for securities	3,042	-	3,042
Subtotals, cash and invested assets	\$39,318,264	-	\$39,318,264
Investment income due and accrued	\$135,164	-	\$135,164
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	291,271	6,187	285,084
Deferred premiums and agents' balances and installments booked but deferred and not yet due	2,878,321	-	2,878,321
Reinsurance:			
Amounts recoverable from reinsurers	308,435	-	308,435
Current federal and foreign income tax recoverable and interest thereon	113,812	-	113,812
Net deferred tax asset	1,026,507	593,110	433,397
Aggregate write-ins for other than invested assets	713,688	202,191	511,497
Totals	\$44,785,462	\$801,488	\$43,983,974

**THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT
ARE AN INTEGRAL PART THEREOF.**

INSPIRIEN INSURANCE COMPANY
STATEMENT OF LIABILITIES, SURPLUS AND OTHER FUNDS
For the Year Ended December 31, 2021

LIABILITIES	
Losses	\$12,037,517
Loss adjustment expenses	6,610,970
Other expenses	54,999
Taxes, licenses and fees	(26,354)
Unearned premiums	2,807,505
Ceded reinsurance premiums payable	5,234,050
Provision for reinsurance	145,000
Payable to parent, subsidiaries and affiliates	436,906
Aggregate write-ins for liabilities	124,076
Total Liabilities	\$27,424,669
Common capital stock	810,486
Surplus notes	5,000,000
Gross paid in and contributed surplus	9,247,598
Unassigned funds	1,501,221
Surplus as regards policyholders	16,559,305
Totals	\$43,963,974

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT
ARE AN INTEGRAL PART THEREOF.

INSPIRIEN INSURANCE COMPANY
SUMMARY OF OPERATIONS
For the Years Ended December 31, 2021, 2020, 2019 and 2018

	2021	2020	2019	2018
Premiums earned	\$9,388,533	\$7,535,432	\$4,252,715	\$4,917,294
Losses incurred	3,061,023	3,010,893	2,383,737	1,308,220
Loss adjustment expenses incurred	3,107,947	1,501,848	3,910,651	2,312,819
Other underwriting expenses incurred	4,348,286	4,141,139	4,240,074	3,716,859
Total underwriting deductions	10,517,256	8,653,880	10,534,462	7,337,898
Net underwriting gain or (loss)	(1,128,723)	(1,118,448)	(6,281,747)	(2,420,604)
Net investment income earned	712,145	767,407	900,127	973,284
Net realized capital gains or (losses)	388,673	130,919	90,818	307,428
Net investment gain (loss)	1,100,818	898,326	990,945	1,280,712
Aggregate write-ins for miscellaneous income	6,093	31,534	3,000	(1,146)
Total other income	6,093	31,534	3,000	(1,146)
Net Income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(21,812)	(188,588)	(5,287,802)	(1,141,038)
Federal and foreign income taxes incurred	-	-	(81,926)	-
Net income	\$(21,812)	\$(188,588)	\$(5,205,876)	\$(1,141,038)

**THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT
ARE AN INTEGRAL PART THEREOF.**

INSPIRIEN INSURANCE COMPANY
CAPITAL AND SURPLUS ACCOUNT
For the Years Ended December 31, 2021, 2020, 2019 and 2018

	2021	2020	2019	2018
Surplus as regards policyholders, December 31 prior year	\$11,385,759	\$9,929,767	\$14,512,943	\$15,549,943
Net income	(21,812)	(188,588)	(5,205,876)	(1,141,038)
Change in net unrealized capital gains or (losses)	587,060	190,229	953,488	(852,992)
Change in net deferred income tax	(472,237)	(55,123)	798,444	282,615
Change in nonadmitted assets	174,535	473,474	(1,094,232)	184,505
Change in provision for reinsurance	(94,000)	36,000	(35,000)	26,000
Change in surplus notes	5,000,000	-	-	-
Capital changes:				
Paid in	-	-	-	809,486
Surplus adjustments:				
Paid in	-	1,000,000	-	(454,446)
Change in treasury stock	-	-	-	108,870
Change in surplus as regards policyholders for the year	5,173,546	1,455,992	(4,583,176)	(1,037,000)
Surplus as regards policyholders, December 31 current year	\$16,559,305	\$11,385,759	\$9,929,767	\$14,512,943

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT
ARE AN INTEGRAL PART THEREOF.

NOTES TO FINANCIAL STATEMENTS

Analysis of Changes to Surplus

No adjustments were made to surplus as a result of the examination.

CONTINGENT LIABILITIES AND PENDING LITIGATION

The review of contingent liabilities and pending litigation included an inspection of representations made by the Company's managers, a review of the Company's records and files for the period under examination, and a review of the records subsequent to the examination date. The reviews performed did not identify any items that would have a material effect on the Company's financial condition in the event of an adverse outcome.

SUBSEQUENT EVENTS

The general ledger and cash transactions occurring subsequent to the examination date were reviewed. Additionally, the examiners inquired of management regarding any significant subsequent events. Two significant subsequent events were identified.

On September 14, 2022, the Department approved a permitted practice allowing the Company to store its data with a cloud service provider.

On February 15, 2023, the Department approved a \$2 million capital contribution from Inspirien Holding Corporation to Inspirien Insurance Company under the provisions of SSAP No. 72. The approval allowed the capital contribution to be included and reflected in the 2022 Annual Statement.

The COVID-19 pandemic has continued to develop throughout 2020 through 2023, with significant uncertainty remaining regarding the full effects of COVID-19 on the U.S. and Global insurance and reinsurance industry. However, COVID-19 has seen a significant decrease in reported cases during 2022 and 2023. At the time of releasing this report, the examination's review of the Company noted that there has not been a significant impact on the Company. The Alabama Department of Insurance has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Alabama Department of Insurance continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

A review was performed to determine if the Company had complied with the recommendations that had been made in the last full scope financial and market conduct examination report. The review indicated that the Company had satisfactorily complied with the prior recommendations with exception of the following:

Compliance with 18 U.S.C. §1033

The prior examination recommended that the Company perform background checks on prospective employees and establish an internal procedure to perform background checks on employees on a periodic basis as is required by ALA. ADMIN. CODE 482-1-146 (2009). The Company did not comply with the recommendation. See "Compliance with 18 U.S.C. §1033" on page 11.

Unclaimed Property

The previous examination recommended that the Company submit all unclaimed property over three years old at July 1st to the State Treasurer on November 1st of that year in accordance with ALA. CODE §35-12-72 (1975) and ALA. CODE §35-12-76 (1975). The Company did not comply with the recommendation. See "Unclaimed Property" on page 19.

COMMENTS AND RECOMMENDATIONS

Compliance with 18 U.S.C. §1033 – Page 11

It is recommended that the Company comply with ALA. ADMIN. CODE 482-1-146-.11 (2009), which states:

1. A Section 1033 insurer subject to the Commissioner's examination authority shall have and apply the following:
 - a. An internal procedure for determining, by means of background checks or investigations or otherwise, whether applicants for employment or individuals with whom the insurer intends to contract for activities in the business of insurance, whether or not in a capacity requiring a license, have a felony conviction for a Section 1033 offense.
 - b. An internal procedure after initial employment or contracting, applied on a periodic basis, to ascertain the existence of a felony conviction for a Section 1033 offense.

- c. An internal procedure for assuring that affected employees or individual contractors have obtained and hold any required Section 1033 consent during the period of employment or contracting.
2. Such procedures shall be maintained in a format capable of being furnished to the Department as part of the examination process or otherwise as requested by the Department.
3. As part of an examination or otherwise, the Department may determine the existence of such procedures, whether and how they are being followed, and the effectiveness of the procedures.

Actuarial Opinion – Page 19

It is recommended that the Company ensure that the Company's opining actuary enhance documentation provided in future reports, including supporting details like those provided in response to inquiries made during the examination review, to adhere more closely to Actuarial Standard of Practice No. 41, Section 3.2, which states that "the actuary should state the actuarial findings and identify the methods, procedures, assumptions, and data used by the actuary with sufficient clarity that another actuary qualified in the same practice area could make an objective appraisal of the reasonableness of the actuary's work as presented in the actuarial report."

Unclaimed Property – Page 19

It is recommended that the Company identify and escheat all Alabama unclaimed property in accordance with ALA. CODE §35-12-72 (1975), which states: "(a) Property is presumed abandoned if it is unclaimed by the apparent owner during the time set forth below for the particular property: ... (18) All other property, three years after the owner's right to demand the property or after the obligation to pay or distribute the property arises, whichever first occurs." All Alabama unclaimed property is to be included in the unclaimed property reports in accordance with the reporting procedures described in ALA. CODE §35-12-76 (1975).

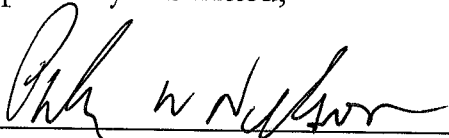
CONCLUSION

Acknowledgement is hereby made of the courteous cooperation extended by the officers and employees of the Company during the course of this examination.

The customary insurance examination procedures, as recommended by the NAIC have been followed to the extent appropriate in connection with the verification and valuation of assets and determination of liabilities set forth in this report.

In addition to the undersigned, Theo Goodin, AIE, ALMI, MCM; Jacob Grissett, CFE (Fraud); and Jackson Goodwin, Examiners; David Gordon, CISA, CIA, CFE (Fraud), CDFE, MBA, and Lisa Bringman, CRP, CBA, IT specialists representing INS; and Brent Sallay, FCAS, MAAA, consulting actuary with Taylor-Walker & Associates represented the Alabama Department of Insurance and participated in the examination of the Company.

Respectfully submitted,



Palmer W. Nelson, CFE, CIE, MCM
Examiner-in-Charge
Alabama Department of Insurance