

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

REPORT OF EXAMINATION

**PROASSURANCE INDEMNITY COMPANY, INC.
BIRMINGHAM, ALABAMA**

AS OF

DECEMBER 31, 2020

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EXAMINER'S AFFIDAVIT

**STATE OF INDIANA
COUNTY OF MARION**

Lisa Warrum, CFE, CPA, being duly sworn, states as follows:

1. I have authority to represent Alabama in the examination of ProAssurance Indemnity Company, Inc.
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 ProAssurance Indemnity Company, Inc. was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.



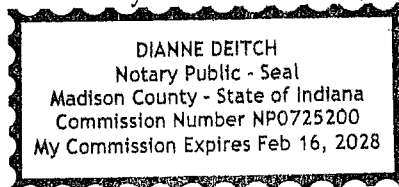
Lisa Warrum, CFE, CPA
Examiner-in-Charge

Subscribed and sworn before me by Lisa Warrum on this 31 day of March 2022.

(SEAL)



(Signature of Notary Public)



My commission expires February 16, 2028



KAY IVEY
GOVERNOR

JIM L. RIDLING
COMMISSIONER

STATE OF ALABAMA
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MARK FOWLER
JIMMY W. GUNN

STATE FIRE MARSHAL
SCOTT F. PILGREEN

GENERAL COUNSEL
REYN NORMAN

March 31, 2022

Jim L. Ridling, Commissioner
State of Alabama
Department of Insurance
201 Monroe Street, Suite 502
Montgomery, Alabama 36104

Dear Commissioner Ridling:

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

**ProAssurance Indemnity Company, Inc.
Birmingham, Alabama**

as of December 31, 2020. The examination was performed remotely at the Alabama Department of Insurance, 100 Concourse Parkway, Hoover, AL 35244. The report of examination is submitted herewith.

Where the description "Company," "PRA Indemnity," or "Indemnity" appears herein, without qualification, it will be understood to indicate ProAssurance Indemnity Company, Inc.

SCOPE OF EXAMINATION

We have performed our multi-state examination of ProAssurance Indemnity Company, Inc. The last examination covered the period of January 1, 2011 through December 31, 2015. This examination covers the period of January 1, 2016 through December 31, 2020.

The examination was conducted 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.

The examination was conducted as a coordinated examination with the following affiliated companies: ProAssurance Casualty Company (Casualty) of Michigan, ProAssurance Insurance Company of America (PICA) of Illinois, ProAssurance American Mutual, A Risk Retention Group (PRA American) of the District of Columbia, Medmarc Casualty Insurance Company (Medmarc) of Vermont, Noetic Specialty Insurance Company (Noetic) of Vermont, Eastern Advantage Assurance Company (Eastern Advantage) of Pennsylvania, Allied Eastern Indemnity Company (Allied Eastern) of Pennsylvania, Eastern Alliance Insurance Company (Eastern Alliance) of Pennsylvania, and the Company. These companies are all subsidiaries of ProAssurance Corporation (PRA Corp.) and were coordinated with the Company's five-year examination with Alabama being the lead state. During planning, examiners from all six states interviewed the members of management and reviewed lines of business and systems utilized to determine what areas would be coordinated. The key activities to be coordinated fully with all six states were Investments, Related Parties, and Capital and Surplus. The other key activities determined to be examined were Reinsurance, Reserving/Claims Handling, and Premiums/Underwriting, which were coordinated between the Company, Casualty, and PRA American. In addition, the Indemnity examination covered those issues identified during the planning deemed immaterial to the coordinated examination but were material to the Indemnity examination. Where deemed appropriate, transactions, activities, and similar items subsequent to 2020 were reviewed.

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 is identified, the impact of such adjustment will be documented separately following the financial statements.

The Company's 2016 through 2020 annual statements were compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company's information systems (IS) was conducted concurrently with the financial examinations of Casualty and PRA American which utilize the same systems. All of the companies utilize the same system for investments. 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.

Alabama performed a market conduct examination concurrently with the financial examination. The examination included reviews of the Company's territory and plan of operation, management and operations, claims, complaint handling, marketing and sales, policyholder services, producer licensing, underwriting and rating, and privacy standards. See "MARKET CONDUCT ACTIVITIES" on page 18 for further discussion of the Company's market conduct examination.

PRA Corp. maintains an Internal Audit (IA) Department, which is charged with performing the internal audit function for all companies within the holding company system. The IA Department is subject to oversight by PRA Corp.'s Audit Committee which is comprised of all outside directors. Reports generated by the IA Department were made available to the examiners and were used in the examination as deemed appropriate. In addition, the IA Department is responsible for the testing and documentation of all processes, the risks for each, and all mitigating controls over those risks as required by Sarbanes-Oxley (SOX) 404. The examiners reviewed the processes tested and requested the workpapers for specific ones which had been identified as significant to the key activities and sub-activities being examined. The workpapers were provided and were utilized where deemed appropriate.

Ernst & Young, LLP was the Company's certified public accountant (CPA) for all years under examination. The examiners reviewed the CPAs' workpapers, copies of which were incorporated into the examination as deemed appropriate.

A signed certificate of representation for Indemnity 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, 2020.

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 (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

ORGANIZATION AND HISTORY

The Company was incorporated as a mutual insurance company under the laws of the State of Alabama on October 1, 1976 and commenced business on April 15, 1977. The Company was organized under the auspices of the Medical Association of the State of Alabama, hereinafter referred to as the "Association."

The restated Articles of Incorporation provided that the primary purpose of the Company shall be to provide for the professional liability insurance needs of Alabama physicians. The articles further provide that the Company could pursue other valid corporate purposes, as long as those purposes did not thwart or preclude the advancement of the Company's primary purpose. The other purposes included writing of other lines of property and casualty insurance or lines of insurance as the Company may from time to time be legally authorized to write. Other usual and customary purposes for a property and casualty insurance company were included in the Company's authority to do business.

The Board adopted a Plan of Conversion, which was filed with the Alabama Commissioner of Insurance on December 29, 1989. The members of the Company approved the Plan of Conversion of March 15, 1991. On September 11, 1991, the Company converted from a mutual insurance company controlled by its policyholders to a stock company controlled by its stockholder.

In 1993, the Company started the process of repurchasing its stock on the open market. During that year, the Company purchased treasury stock for \$3,885,619. On

the 1994 Annual Statement, the Company listed the treasury stock as \$3,846,669, less than in 1993, but the amount increased in 1995 to \$7,230,931.

On January 1, 1994, the Company purchased all outstanding stock of West Virginia Hospital Insurance Company, which was the start of the Company's expansion of its business into other states. This was in an effort to increase the volume of its professional liability insurance business.

Effective January 1, 1995, the Company purchased 51.7% of the outstanding capital voting stock of Physicians Insurance Company of Indiana (PIC-Ind.). On May 1, 1995, the Company purchased additional shares of PIC-Ind. stock for a total of 99% of the outstanding capital voting stock. Effective July 16, 1995, the Company acquired the recurring medical professional insurance book of business of Physicians Insurance Company of Ohio (PIC-Ohio) and its subsidiary, the Professionals Insurance Company (PIC).

The Company formed a Delaware corporation, MAIC Holdings, Inc. (MAIC) to serve as a holding corporation for the Company and other subsidiaries. On August 31, 1995, the two companies consummated an Agreement and Plan of Exchange, which generally provided that each share of common stock of the Company, par value \$1 per share, would be exchanged for one share of common stock in MAIC, par value \$1 per share. MAIC's common stock succeeded the Company's common stock for trading on the NASDAQ/NMS under the trading symbol "MAIC."

On October 5, 1999, the Company changed its name from Mutual Assurance, Inc. to The Medical Assurance Company, Inc. At the May 18, 2000 Board meeting, the directors voted to liquidate and dissolve PROActive Insurance Corporation and its parent, MAI Corporation, a Delaware corporation, a wholly owned subsidiary of the Company, upon the transfer of the PROActive stock to the Company. On September 18, 2000, the Company and Medical Assurance of Indiana merged together with the Company being the surviving corporation. On October 18, 2000, the Company merged with Medical Assurance of Missouri, and the Company was the surviving corporation.

On June 22, 2000, MAI, the Company's parent, entered into an Agreement to Consolidate with Professionals Group, Inc. (PGI), which provided for the formation of ProAssurance Corporation (PRA Corp.), a new holding company of MAI and PGI. On June 27, 2001, MAI's shares were exchanged for those of PRA Corp. as provided in the agreement. PGI's shares were acquired in part through the issuance of PRA Corp. stock and in part through the payment of cash. The Company paid its parent a \$45,000,000 dividend, which was used to purchase PGI's shares.

May 16, 2007, Medical Assurance, Inc. and Professionals Group, Inc. merged into PRA Professional Liability Group, Inc., the Company's immediate parent.

On December 31, 2008, the Company changed its name from The Medical Assurance Company, Inc. to ProAssurance Indemnity Company, Inc., and Woodbrook Casualty Insurance, Inc. merged into PRA Indemnity.

Effective November 30, 2010, American Physicians Insurance Company became an affiliate of the Company and was merged into PRA Indemnity on September 30, 2011.

Effective July 1, 2012, affiliate ProAssurance National Capital Insurance Company was merged into the Company.

The Company's authorized capital at December 31, 2020, consisted of 1,000 shares of \$0 par value per share common stock for total authorized capital of \$8,846,429. At December 31, 2020, there were 1,000 shares issued and outstanding and paid in and contributed surplus was \$310,145,171.

MANAGEMENT AND CONTROL

Stockholder

At December 31, 2020, the Company was a stock corporation with control vested in its stockholder. The Company was a wholly owned subsidiary of PRA Professional Liability Group, Inc., a Delaware holding corporation, which was wholly owned by ProAssurance Corporation (PRA Corp.), a Delaware stock corporation and the ultimate parent company.

Board of Directors

In accordance with the Company's By-Laws, members elected to the Board of Directors by the Company's sole shareholder and serving at December 31, 2020 are as follows:

Director

Michael Leonard Boguski

Principle Occupation

President, Specialty P&C of
ProAssurance Corporation

Jeffrey Patton Lisenby

Executive Vice President, General
Counsel, and Secretary of ProAssurance
Corporation

Edward Lewis Rand, Jr.

President and Chief Executive Officer of
ProAssurance Corporation

Robert David Francis

Executive Vice President of
ProAssurance Indemnity Company, Inc.

Committees

The Company had the following committees at year-end 2020:

Executive Committee

The Executive Committee at December 31, 2020 consisted of the following members:

Jeffrey Patton Lisenby
Edward Lewis Rand, Jr.
Michael Leonard Boguski

Investment Committee

The Investment Committee at December 31, 2020 consisted of the following members:

Jeffrey Patton Lisenby
Edward Lewis Rand, Jr.
Lawrence Kerry Cochran
Dana Shannon Hendricks

Audit Committee

The Company's Board appointed ProAssurance Corporation's Audit Committee to act on behalf of the Company. The following individuals served on the Audit Committee as of December 31, 2020:

Samuel Anthony Di Piazza, Jr., Chairman
Kedrick David Adkins, Jr.
Bruce Domenick Angiolillo

Frank Anthony Spinoza

Officers

The following officers were elected by the Board of Directors and were serving at December 31, 2020:

<u>Officer</u>	<u>Title</u>
Edward Lewis Rand, Jr.	Chairman, Assistant Treasurer
Michael Leonard Boguski	President
Dana Shannon Hendricks	Treasurer
Kathryn Anne Neville	Secretary
Willis Johnathan Daniel*	Assistant Treasurer
Jeffrey Patton Lisenby	Assistant Treasurer, Assistant Secretary
Robert David Francis	Assistant Secretary, Executive Vice President
Jeffrey Lynn Bowlby*	Senior Vice President
Darryl Keith Thomas	Senior Vice President
Hayes Vance Whiteside, M.D.*	Senior Vice President
Craig Granville Musgrave	Senior Vice President
Shepherd Mott Tapasak	Senior Vice President
Karen Banks Carlile	Senior Vice President
Sokol Berisha	Senior Vice President
Lawrence Kerry Cochran	Vice President

* Subsequent to December 31, 2020, the officer is no longer with the Company. Mr. Daniel resigned effective November 16, 2021. Mr. Bowlby retired effective May 31, 2021. Mr. Whiteside retired effective November 1, 2021.

CORPORATE RECORDS

The Articles of Incorporation and By-Laws, were amended and restated on December 9, 2008, to reflect the change in the Company's name from The Medical Assurance Company, Inc. to ProAssurance Indemnity Company, Inc. and the merger of Woodbrook Casualty Insurance, Inc. into the Company. The documents were inspected during the course of the examination and appeared to provide for the operation of the Company in accordance with usual corporate practice and applicable statutes and regulations.

Minutes of meetings of the stockholder and Board of Directors were reviewed for the period under examination. The minutes appeared to be complete with regard to

recording actions taken on matters before the respective bodies for deliberation and action.

Conflicts of Interest

The Company adopted a Statement of Policy on Conflict of Interest, which was approved by the Board of Directors at a meeting held September 28, 1978. It required that Conflict of Interest Statements be signed every year by directors, officers, and other employees.

All conflict of interest statements were complete for all years under review.

HOLDING COMPANY AND AFFILIATE MATTERS

Holding Company

The Company is subject to the Alabama Insurance Holding Company Regulatory Act as defined in ALA. CODE § 27-29-1 (1975). In connection therewith, the Company is registered with the Alabama Department of Insurance as joint registrant of an Insurance Holding Company System. Appropriate filings required under the Holding Company Act were made from time to time by the Company as joint registrant. A review of the Company's filings during the period under review did not disclose any omissions in them.

Dividends to Stockholders

The Company paid dividends to its immediate parent, PRA Professional Liability Group, Inc., during the following years under examination:

2020	\$0
2019	\$52,281,100
2018	\$73,210,157
2017	\$184,000,000
2016	\$184,000,000

Management and Service Agreements

Consolidated Tax Allocation Agreement

The consolidated tax allocation agreement dated January 1, 2014 is by and between ProAssurance Corporation (Parent Company) and its subsidiaries. This agreement

succeeds the Consolidated Tax Allocation Agreement dated January 1, 2013. The following subsidiaries (hereinafter referred to as "Member" or "Members") are the members of this agreement:

- ProAssurance Corporation
- PRA Professional Liability Group, Inc.
- PRA Group Holdings, Inc.
- IAO, Inc. (d/b/a ProAssurance Agency)
- ProAssurance Mid-Continent Underwriters, Inc.*
- ProAssurance Group Services Corporation
- PRA Services Corporation
- ProAssurance Indemnity Company, Inc.
- ProAssurance Casualty Company
- ProAssurance Insurance Company of America
- Medmarc Casualty Insurance Company
- ProAssurance Specialty Insurance Company*
- Hamilton Resources Corporation
- Eastern Insurance Holdings, Inc.
- Eastern Advantage Assurance Company
- Eastern Alliance Insurance Company
- Allied Eastern Indemnity Company

* These companies merged and/or changed names after 2020 year-end.

Article two of the agreement discusses the method of allocation of the tax. The consolidated Federal income tax liability for each taxable year shall be allocated among the Members of the Group on the percentage that each member's positive separate company taxable income bears to the total positive separate company taxable income of all Members. The costs of preparing the tax return will be allocated among the Members in a fair and reasonable method in conformity with customary insurance accounting practices. Each member must pay all amounts due to PRA Corp. within thirty days of notification. Any overpayment of the estimated tax liability shall be refunded to the relevant subsidiary. In lieu of actual payments, adjustments to intercompany payables and receivables will be made if such exist.

The third article of the agreement discusses compensating payments. If the consolidated tax liability is reduced due to a net operating loss, the Parent Company will reimburse the Loss Member for the use of the tax benefit, even if the Loss Member would be unable to utilize the tax benefit in the current year on a separate company basis. The required calculation will be made by allocating to each Member with positive separate company taxable income an additional tax liability amount equal

to 100% of the excess, if any, of (1) such Member's separate return tax liability for the taxable year, over (2) the tax liability allocated to such Member under article two. The reimbursement payment from the Parent Company shall be made within thirty days. If the consolidated Federal tax liability is adjusted for any taxable period, the liability of each Member shall be recomputed to give an effect to such adjustment(s), and in case of a refund, the Parent company shall make payment to each Member for its share of the refund within thirty days after the Parent received the refund. Conversely, losses of a Loss Member that are not utilized by the Parent to reduce the consolidated Federal tax liability and for which Loss Member has not been reimbursed shall be retained by the Loss Member for the future use in calculating its tax liability on a separate company basis and reimbursement by the Parent. If the liability increased, then the Members shall make payment, including interest, for their allocable share to the Parent after the Parent has made payment to the Service. The payment is due thirty days after receiving notice of the liability. Changes in the amount of a member's tax liability and the reimbursement payment will be considered an intercompany liability or receivable and not a dividend or surplus contribution.

This agreement contained standard provisions regarding indemnification, severability and the ability to amend the agreement.

This agreement is effective until terminated by the mutual agreement of all the members. In the event any member ceases to be affiliated with the group, this agreement is automatically terminated as to that corporation.

The agreement was amended as a result of the following changes:

- American Insurance Management Corporation merged with PRA Professional Liability Group, Inc. on December 31, 2014;
- Index Managers, Inc. merged with PRA Professional Liability Group, Inc. on December 31, 2014; and,
- American Medical Insurance Exchange was liquidated on December 22, 2014.

Management Services Agreement

Effective January 1, 2015, this agreement is by and between ProAssurance Corporation and the following subsidiaries (hereinafter referred to as "company" or "companies"):

- ProAssurance Corporation
- PRA Professional Liability Group, Inc.
- PRA Group Holdings, Inc.
- IAO, Inc. (d/b/a ProAssurance Agency)

- ProAssurance Mid-Continent Underwriters, Inc.*
- ProAssurance Group Services Corporation
- PRA Services Corporation
- ProAssurance Indemnity Company, Inc.
- ProAssurance Casualty Company
- PROAssurance Insurance Company of America
- Medmarc Casualty Insurance Company
- ProAssurance Specialty Insurance Company*
- Hamilton Resources Corporation
- Eastern Insurance Holdings, Inc.
- Eastern Advantage Assurance Company
- Eastern Alliance Insurance Company
- Allied Eastern Indemnity Company
- Eastern Re Ltd., S.P.C.

* These companies merged and/or changed names after 2020 year-end.

For the purpose of the agreement, ProAssurance Group Services Corporation (“PRAGS”) is responsible for coordinating the delivery of Management Services and is referred to in the Agreement as “Manager.”

The Manager was responsible for providing the following Management Services to all parties involved:

- Accounting Services, Financial Statements, and Tax Returns
- Underwriting
- Reinsurance
- Sales and Service
- Claims Administration
- Information Systems
- Administrative and Other Services
- Human Resources Administration
- Risk Resources
- Delegation of Duties

Companies agree to share Management Services, and the Manager is to deploy the employees of the companies as required to provide the Management Services. The Board of Directors of each Company will review and approve the Management Services provided for each company by the Manager. The Board of Directors of each Company will meet annually and approve the scope of service to be provided by the Manager. Annually, the Manager would report the allocation of expenses to each

Company (as stated in the Expense Allocation Agreement) and that allocation would be subject to the review and approval of the Board of Directors for each Company.

Expense Allocation Agreement

Effective February 15, 2014, this agreement was by and between ProAssurance Corporation and the following subsidiaries (hereinafter referred to as “company” or “companies”):

- ProAssurance Corporation
- PRA Professional Liability Group, Inc.
- PRA Group Holdings, Inc.
- IAO, Inc. (d/b/a ProAssurance Agency)
- ProAssurance Mid-Continent Underwriters, Inc.*
- ProAssurance Group Services Corporation
- PRA Services Corporation
- ProAssurance Indemnity Company, Inc.
- ProAssurance Casualty Company
- ProAssurance Insurance Company of America
- Medmarc Casualty Insurance Company
- ProAssurance Specialty Insurance Company*
- Hamilton Resources Corporation
- Eastern Insurance Holdings, Inc.
- Eastern Advantage Assurance Company
- Eastern Alliance Insurance Company
- Allied Eastern Indemnity Company
- Eastern Re Ltd., S.P.C.

* These companies merged and/or changed names after 2020 year-end.

Direct expenses are allocated to the company incurring the expense, while indirect expenses are allocated during each accounting period based on an estimate. This estimate will be allocated in a fair and reasonable method in conformity with customary insurance accounting practices and applied consistently. Expenses for each calendar quarter will be settled within thirty days after the end of the calendar quarter.

The agreement was amended as a result of the following changes:

- American Insurance Management Corporation merged with PRA Professional Liability Group, Inc. on December 31, 2014;

- Index Managers, Inc. merged with PRA Professional Liability Group, Inc. on December 31, 2014; and,
- American Medical Insurance Exchange was liquidated on December 22, 2014.

Claims Service Agreement

The Claims Service Agreement dated February 8, 2014, is by and between ProAssurance General Insurance Company, Ltd. ("PGIC") and Indemnity.

- **Provision of Services:** Indemnity agrees to provide all claim services including those services as defined as "Basic Services" with respect to any claim made, medical incident, occurrence, accident, offense or circumstance likely to result in a claim under any underlying policies during the period of policies, any renewal(s) thereof or any extended reporting or additional discovery period, which involves a loss alleged to be covered under any of the underlying policies, any renewal(s) thereof or any extended reporting period or additional discovery period.
- **Compensation:** In consideration of premium under the Reinsurance Agreement, Indemnity accepts the duties and responsibilities as described in this agreement and agrees to self-administer all claims services for all claims under policies subject to the terms and conditions of the Reinsurance Agreement. PGIC agrees to fulfill its obligations under the Reinsurance Agreement as described in this Agreement.
- **Payment of Claims and Loss Expense:** Indemnity agrees to maintain a bank account (Claims Account) which Indemnity may draw against as provided in this Agreement. The Claims Account shall be used by Indemnity to make payment of Claims or to pay Loss Expenses for the Policies. Indemnity shall submit a request for payment from PGIC on a monthly basis of the Claims and Loss Expense paid from the Claims Account by providing PGIC with an itemized accounting of all payments with respect to Claims and Loss Expense from the Claims Account. Upon receiving the Payment Request, PGIC will pay the amount of the Payment Request to Indemnity by transferring the funds into the Claims Account within 15 business days.

Program Management Agreement

The Program Management Agreement dated January 1, 2015, is by and between ProAssurance Indemnity Company, Inc., an Alabama stock insurance Corporation having its principal office in Birmingham, Alabama, and ProAssurance American Mutual, A Risk Retention Group, a District of Columbia Corporation, having its principal office in the District of Columbia.

The Manager was responsible for providing the following Management Services to all parties involved:

- Business Development Services
- Administration Services
- Handling of Funds
- Accounting and Financial Services
- Legal and Regulatory Support Services
- Information Technology Management Services
- Underwriting Related Services
- Claims Administration Services
- Management of Claims
- Consulting Services
- Procurement and Management of Facilities

Services not permitted:

The Program Manager will not provide actuarial, financial auditing, legal or investment under this Agreement, and the Program Manager may be authorized by the Company to engage subcontractors to provide these services and advice at the expense of the Company. However, the Program Manager will use its best efforts to monitor the status and results of such services.

The agreement was amended and restated on July 1, 2016.

Captive Management Agreement

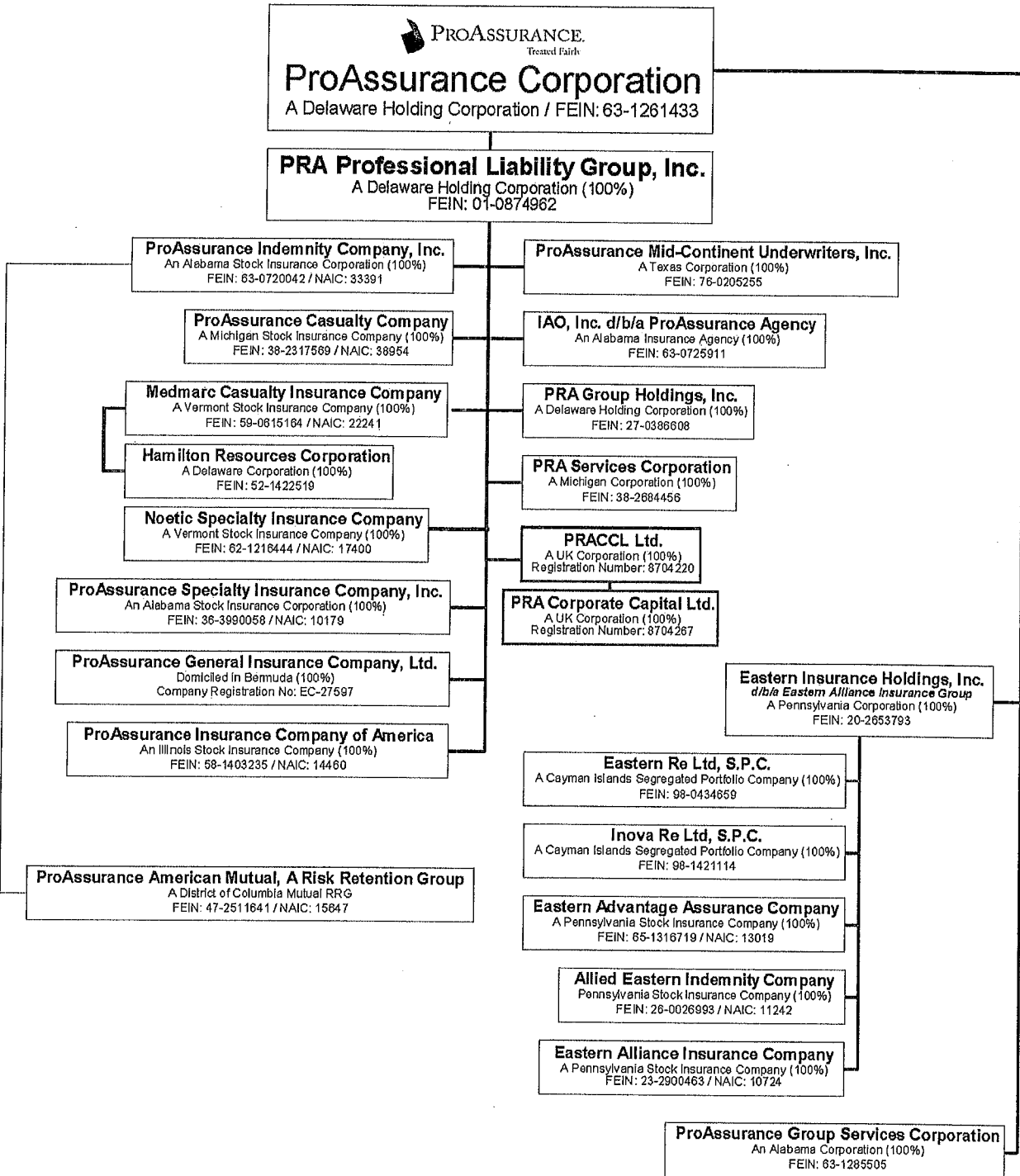
The Captive Management Agreement dated January 1, 2015, and as amended July 1, 2016, is by and between ProAssurance Indemnity Company, Inc., and ProAssurance American Mutual, A Risk Retention Group.

The Manager was responsible for providing the following Management Services to all parties involved:

- Maintain Books and Records
- Compliance with Rules and Regulations
- Maintain Bank Accounts
- Approve and Disburse Monies
- File Necessary Registration Materials
- Notify Regulator of Actions Taken
- Captive Reporting

Organizational Chart

The following chart presents the identities of and interrelationships among all affiliated persons within the Insurance Holding Company System as of December 31, 2020.



PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company has no employees of its own. The Company is part of a consolidated group of companies for which employees of ProAssurance Group Services Corporation (PRA Group Services), an affiliate, provide services. PRA Group Services sponsors a defined contribution plan for these employees and allocates amounts to the Company based on gross written premiums.

Under the PRA Group Services' defined contribution plan, eligible employees receive a base contribution of five percent of eligible wages. In addition, the Plan provides for matching contributions to the plan of up to five percent of eligible employees' salary. The Company's expense allocated under the Agreements for the defined contribution plan for the year ended December 31, 2020 was approximately \$438,018.

PRA Group Services also allocates expenses to the Company for various health insurance and other benefits offered to its employees. PRA Group Services provides group health and dental benefits for eligible full-time and part-time regular employees and their eligible dependents. In addition, PRA Group Services provides life and long-term disability insurance to its eligible full-time regular employees.

Compliance with 18 U.S.C. §1033

In order to comply with ALA. ADMIN. CODE 482-1-146-.11 and 18 U.S.C. §1033, the Company had written procedures to perform criminal background checks on all prospective employees prior to commencing work, all current employees, Company board members, and board members of acquired companies, if continuing employment after acquisition. Starting in June 2012, Company management indicated that it would require employees to acknowledge every other year whether there have been any 18 U.S.C. §1033 felony offenses while employed with the Company.

It was determined that the Company was in compliance with 18 U.S.C. §1033.

SCHEDULE OF SPECIAL DEPOSITS

The Company maintained the following deposits with the respective statutory authorities at December 31, 2020, as required or permitted by law.

<u>States, etc.</u>	<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>
Alabama	\$2,568,412	\$2,767,781
District of Columbia	154,403	160,164

Georgia	85,109	87,338
Maryland	107,759	136,844
Massachusetts	605,267	636,952
Missouri	1,001,286	1,027,500
Nevada	584,429	652,875
New Hampshire	550,242	579,047
New Mexico	200,205	202,188
North Carolina	550,707	565,125
Oregon	150,154	151,641
Virginia	605,267	635,952
TOTAL	\$7,163,240	\$7,603,407

FINANCIAL CONDITION / GROWTH OF THE COMPANY

The following table sets forth the significant items indicating the growth and financial condition of the Company for the period under review:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	<u>Premiums Earned</u>
2020	\$943,221,972	\$702,199,704	\$241,022,268	\$169,753,411
2019	\$962,307,226	\$714,621,843	\$247,685,383	\$183,100,699
2018	\$1,004,606,787	\$710,785,984	\$293,820,803	\$184,519,480
2017	\$1,080,960,542	\$732,152,115	\$348,808,427	\$185,447,564
2016	\$1,247,230,903	\$782,477,123	\$464,753,780	\$210,382,322

MARKET CONDUCT ACTIVITIES

Plan of Operation

The Company is a property and casualty insurer, offering professional liability and related liability for physicians, surgeons, dentists, hospitals, clinics and others engaged in the delivery of health care in Alabama and other regional states.

The Company is a direct writer in Alabama. The Company utilizes brokers and independent agents outside the state of Alabama.

Territory

As of December 31, 2020, the Company was licensed to transact business in 49 states and the District of Columbia as follows:

Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

Policy Forms and Underwriting

A sample selection of 116 transactions was selected from a population of 76,143 direct written premium transactions that were issued during the examination period. During the review of the sample, it was determined the policies were rated in accordance with the Company's underwriting guidelines and rate filings with the Alabama Department of Insurance. It was also established that the Company appropriately and consistently applied premium class, territory ratings, and specialty code numbers assigned to the groups for each of the policies selected. There were no exceptions noted during the review.

The review of cancellation/nonrenewed files determined the Company maintained proper documentation for Company initiated and insured initiated cancellations. The cancellations and/or non-renewals were handled in accordance with the Company's policies and procedures and without excessive amount of paperwork.

The examiner reviewed the Alabama rejected applicants and determined that the applications were properly rejected in a nondiscriminatory manner.

Marketing and Sales

A review was made of the Company's advertising materials for January 1, 2016 through December 31, 2020. The Company's advertising file contained specimen copies of all the Company's advertisements that were printed, published or prepared.

The Company's and its affiliated companies' policies are marketed on the ProAssurance Corporation website (www.proassurance.com), which are as follows: Medical Professional Liability Insurance; Hospital Professional Liability Insurance; Dental Professional Liability Insurance; and Legal Professional Liability Insurance. Potential customers visiting the website are informed of the states and jurisdictions of where the products are sold. Interested users have the option of

selecting their coverage type, state, and county in order to find an agent or sales representative, who will assist them in applying for coverage.

The Company utilized independent agents to market its Medical Professional Liability products in most states; however, agents are not permitted to use the Company's name or logo without permission from the Company. The Company utilized direct marketing in Alabama.

The advertisements did not misrepresent policy benefits, forms or conditions, make unfair or incomplete comparisons with other policies, or make false, deceptive or misleading statements or representations.

Claims Review

The Examiner reviewed Alabama paid and denied claims during the examination period for the following: completeness, accuracy, acknowledgment, and time studies of ultimate claim determinations.

Paid Claims

The examiner selected a sample of 109 Alabama paid claims from a population of 7,508 that were paid during the examination period. The examiner reviewed the claims for timeliness of payments and adequacy of documentation. **NO** significant issues were found.

Denied and Closed without Payment Claims

A sample of 108 Alabama denied claims was taken from a population of 3,365 claims that were denied during the examination period. The claims were reviewed for compliance with policy provisions and adequacy of documentation. **NO** significant issues were found.

Policyholder Complaints

During the examination period, it was determined the Company recorded all complaints, both consumer direct and those forwarded by the Alabama Department of Insurance. The Company appropriately maintained the following information in its complaint register: line of business, function and reason for the complaint. The Company's responses fully addressed the issues raised, and the complaints were appropriately resolved within the required time frame. Based on the review of the Company's complaint procedures, it was determined that the Company had a sufficient method for the distribution of and obtaining and recording responses to

complaints. The review of the complaints determined that the responses were submitted in a timely manner and addressed the issues raised.

Producers' Licensing

A sample of 116 Alabama new business premium transactions was selected from a population of 76,143 premium transactions for policies written during the examination period 2016-2020 in accordance with the 2020 NAIC's *Market Regulation Handbook*. The examiner utilized the NAIC State Based System (SBS) to verify if the producers/marketing representatives in the sample were appropriately licensed and appointed prior to writing business. Based on the review of the Company's records, it was determined that the producers were appropriately licensed and appointed.

Terminated Producers

The Company terminated fifteen (15) producers during the examination period. Based on the examination review, the Company appropriately terminated the producers through the SBS system. The examiner determined the Company provided notice of termination to the producers as required by ALA. CODE §27-7-30.1(a) (1975) which states:

Within 15 days after making the notification required by subsection (e) of Section 27-7-30, the insurer shall mail a copy of the notification to the producer at his or her last known address. If the producer is terminated for cause for any of the reasons listed in Section 27-7-19, the insurer shall provide a copy of the notification to the producer at his or her last known address by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier.

Privacy Standards

A copy of the Privacy Notice was provided and was also available on the Company's website. The Privacy Notice disclosed that the Company had physical, technical and administrative measures to safeguard personal information. The Privacy Notice also disclosed the categories of information that the Company may disclose. The Company may share personal information with service providers who are contractually obliged to comply with all applicable laws.

The Company was not required to comply with ALA. ADMIN. CODE 482-1-122.02(B) (2001) which stated, "This regulation does not apply to information about companies or about individuals who obtain or seek to obtain products or services for

business, commercial or agricultural purposes..." Based on the above mentioned, it was determined the Company was not required to comply with this regulation regarding its medical professional liability and professional liability lines of business as these were for business or commercial use, not personal.

REINSURANCE

Reinsurance Assumed

As of December 31, 2020, the Company had assumed reinsurance premiums totaling \$19,220,000 and assumed reinsurance paid losses, paid loss adjustment expenses, known case losses, and known loss adjustment expenses totaling \$48,630,000 under treaties with 15 insurers.

Reinsurance Ceded

At December 31, 2020, an excess of loss contract was in effect between the Company and its affiliates, ProAssurance Casualty Company, ProAssurance Specialty Insurance Company, ProAssurance Insurance Company of America, Medmarc Casualty Insurance Company, Noetic Specialty Insurance Company, Eastern Re, LTD., S.P.C, and Inova Re, LTD., S.P.C. and multiple reinsurers. The treaty covered healthcare professional liability and lawyers' professional liability. The treaty also included reinsurance assumed from ProAssurance American Mutual, A Risk Retention Group. Coverage A (first excess of loss) had a retention of \$2,000,000 and a limit of \$3,000,000 and/or an aggregate retention of \$4,000,000 per insured per policy period. Coverage B (second excess of loss) had a retention of \$5,000,000 and a limit of \$21,000,000 and/or an aggregate retention of \$7,000,000 per insured per policy period. Coverage C (loss adjustment expense) had a retention of \$5,000,000 and a limit \$10,000,000 for loss events greater than \$5,000,000. For loss events less than \$5,000,000, the reinsurers were liable for any loss adjustment expense greater than \$3,000,000, subject to a limit of \$10,000,000 per loss event. The treaty was effective October 1, 2020.

The review of the Company's reinsurance treaties disclosed no unusual provisions.

ACCOUNTS AND RECORDS

The Company's principal accounting records were maintained primarily on electronic data processing (EDP) equipment. The Company uses the Oasis system to maintain files on claims and underwriting, including premiums. This system interfaces with the

Company's WorkDay general ledger as needed. The Company uses other systems for investments, reinsurance and processing legal firms' invoices.

Unclaimed Property

The examination noted a number of outstanding checks that were listed with issue dates more than three years prior to June 30, 2020. Inquiry regarding these checks noted that the Company has an ongoing project to identify escheatable property as of March 31, 2022, but escheated no checks to the State of Alabama during the examination period, in compliance with ALA. CODE §35-12-72.

The code requires that, "(a) property is presumed abandoned if it is unclaimed by the apparent owner during the time set forth for the particular property:" and further states that, "(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).

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, 2020. 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.

Statement of Assets.....	25
Statement of Liabilities, Capital and Surplus.....	26
Statement of Revenue and Expenses.....	27

ProAssurance Indemnity Company, Inc.
Statement of Assets, Liabilities, Surplus and Other Funds
For the Year Ended December 31, 2020

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net admitted <u>Assets</u>
Bonds	\$ 622,744,698	\$ -	\$ 622,744,698
Stocks: Preferred stocks	-	-	-
Stocks: Common stocks	10,376,921	-	10,376,921
Real Estate: Properties occupied by the company	(3,450,293)	-	(3,450,293)
Cash, cash equivalents and short term investments	62,124,555	69,905	62,054,650
Other invested assets	125,786,895	-	125,786,895
Receivables for securities	<u>4,163,163</u>	<u>-</u>	<u>4,163,163</u>
Subtotals, cash and invested assets	<u>\$ 821,745,939</u>	<u>\$ 69,905</u>	<u>\$ 821,676,034</u>
Investment Income due and accrued	4,934,497	-	4,934,497
Premiums and considerations:			
Uncollected premiums and agents' balance in the course of collection	5,454,427	627,157	4,827,270
Deferred premiums, agents' balance and installments booked but deferred and not yet due	28,160,955	-	28,160,955
Accrued retrospective premiums and contracts subject to redetermination	494,572	49,457	445,115
Reinsurance:			
Amounts recoverable from reinsurers	1,387,581	-	1,387,581
Current federal and foreign income tax recoverable and interest thereon	4,529,571	-	4,529,571
Net deferred tax asset	47,236,611	33,870,483	13,366,128
Guaranty funds receivable or on deposit	-	-	-
Electronic data processing equipment and software	21,926,026	21,774,306	151,720
Furniture and equipment, including health care delivery assets	1,508,497	1,508,497	-
Receivables from parent, subsidiaries and affiliates	7,209,022	-	7,209,022
Aggregate write-ins for other-than-invested assets	<u>57,258,776</u>	<u>724,697</u>	<u>56,534,079</u>
Total	<u>\$ 1,001,846,474</u>	<u>\$ 58,624,502</u>	<u>\$ 943,221,972</u>

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

ProAssurance Indemnity Company, Inc.
Statement of Assets, Liabilities, Surplus and Other Funds (Continued)
For the Year Ended December 31, 2020

<u>LIABILITIES</u>	<u>2020</u>
Losses	\$ 281,126,095
Reinsurance payable on paid losses and loss adjustment	330,193
Loss adjustment expenses	289,377,518
Commissions payable, contingent commissions and other similar charges	1,451,640
Other expenses (excluding taxes; licenses and fees)	2,610,401
Taxes; licenses and fees (excluding federal and foreign income taxes)	115,917
Borrowed money	13,941
Unearned premiums	96,995,488
Advance premium	2,451,738
Ceded reinsurance premiums payable (net of ceding commissions)	10,406,298
Funds held by company under reinsurance treaties	67,000
Amounts withheld or retained by company for account of others	13,825
Provision for reinsurance	9,598,000
Payable to parent; subsidiaries and affiliates	7,195,609
Payable for securities	<u>446,041</u>
TOTAL LIABILITIES	\$ 702,199,704
<u>CAPITAL AND SURPLUS</u>	
Common capital stock	8,846,429
Gross paid in and contributed surplus	310,145,171
Unassigned funds (surplus)	<u>(77,969,332)</u>
Surplus as regards policyholders	<u>\$ 241,022,268</u>
TOTAL LIABILITIES, CAPITAL AND SURPLUS	\$ <u>943,221,972</u>

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

ProAssurance Indemnity Company, Inc.
Statement of Income
For the Years Ended December 31, 2020, 2019, 2018, 2017 and 2016

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Underwriting Income</u>					
Premiums earned	\$ 210,382,322	\$ 185,447,564	\$ 184,519,480	\$ 183,100,699	\$ 169,753,411
<u>Deductions:</u>					
Losses incurred	56,573,052	50,227,515	54,205,674	69,743,970	78,908,857
Loss adjustment expenses incurred	53,951,816	48,119,656	77,501,717	98,752,568	77,923,432
Other underwriting expenses incurred	<u>36,890,082</u>	<u>38,654,601</u>	<u>41,217,404</u>	<u>43,875,264</u>	<u>40,841,178</u>
Total underwriting deductions	<u>\$ 147,414,950</u>	<u>\$ 137,001,772</u>	<u>\$ 172,924,795</u>	<u>\$ 212,371,802</u>	<u>\$ 197,673,467</u>
Net underwriting gain (loss)	<u>\$ 62,967,372</u>	<u>\$ 48,445,792</u>	<u>\$ 11,594,685</u>	<u>\$ (29,271,103)</u>	<u>\$ (27,920,056)</u>
<u>Investment Income</u>					
Net investment income earned	\$ 25,258,443	\$ 24,260,854	\$ 31,738,591	\$ 25,360,740	\$ 28,293,956
Net realized capital gains (losses)	<u>3,239,069</u>	<u>3,899,458</u>	<u>167,707</u>	<u>1,485,205</u>	<u>4,655,806</u>
Net investment gain (loss)	<u>\$ 28,497,512</u>	<u>\$ 28,160,312</u>	<u>\$ 31,906,298</u>	<u>\$ 26,845,945</u>	<u>\$ 32,949,762</u>
<u>Other Income</u>					
Net gain (loss) from agents' or premium balances charged off	\$ (48,147)	\$ (26,306)	\$ (65,592)	\$ (44,432)	\$ (105,803)
Finance and service charges	-	-	-	-	-
Aggregate write-ins for miscellaneous income	<u>1,938,977</u>	<u>2,268,010</u>	<u>1,920,665</u>	<u>1,895,591</u>	<u>2,027,295</u>
Total other income	<u>\$ 1,890,830</u>	<u>\$ 2,241,704</u>	<u>\$ 1,855,073</u>	<u>\$ 1,851,159</u>	<u>\$ 1,921,492</u>
Net income; before dividends and all other federal and foreign income taxes	\$ 93,355,714	\$ 78,847,808	\$ 45,356,056	\$ (573,999)	\$ 6,951,198
Federal and foreign income taxes incurred	<u>9,669,194</u>	<u>5,637,651</u>	<u>(6,925,044)</u>	<u>3,283,678</u>	<u>(9,451,166)</u>
NET INCOME	<u>\$ 83,686,520</u>	<u>\$ 73,210,157</u>	<u>\$ 52,281,100</u>	<u>\$ (3,857,677)</u>	<u>\$ 16,402,364</u>
<u>Capital and Surplus Account</u>					
Surplus as regards policyholders; prior year	\$ 556,332,395	\$ 464,753,780	\$ 348,808,427	\$ 293,820,803	\$ 247,685,383
Net income	83,686,520	73,210,157	52,281,100	(3,857,677)	16,402,364
Change in net unrealized capital gains or losses	15,092,628	5,125,162	(15,914,610)	(105,309)	(15,603,144)
Change in net unrealized foreign exchange capital gain (loss)			52,521	95,451	(339,994)
Change in net deferred income tax	2,406,271	(14,755,668)	2,565,957	15,057,481	2,913,842
Change in non-admitted assets	(296,634)	(2,400,804)	(19,649,435)	(7,531,150)	(2,570,183)
Change in provision for reinsurance	(8,467,400)	6,875,800	(1,113,000)	2,931,000	(7,466,000)
Cumulative effect of changes in accounting principles				(444,116)	-
Capital changes: Paid in	-	-	-	-	-
Surplus adjustments: Paid in	-	-	-	-	-
Dividends to stockholders	(184,000,000)	(184,000,000)	(73,210,157)	(52,281,100)	-
Aggregate write-ins for gains and losses in surplus	-	-	-	-	-
Change in surplus as regards policyholders	<u>\$ (91,578,615)</u>	<u>\$ (115,945,353)</u>	<u>\$ (54,987,624)</u>	<u>\$ (46,135,420)</u>	<u>\$ (6,663,115)</u>
Surplus as regards policyholders; December 31 current year	<u>\$ 464,753,780</u>	<u>\$ 348,808,427</u>	<u>\$ 293,820,803</u>	<u>\$ 247,685,383</u>	<u>\$ 241,022,268</u>

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 adjustment was made to surplus as a result of the examination.

CONTINGENT LIABILITIES AND PENDING LITIGATION

The Company has committed to invest additional funds in limited partnerships or limited liability companies carried on Schedule BA, as follows:

Remaining commitment:

- \$1,750,000 of the original \$5,000,000 committed to the Morgan Keegan partnership. During 2016, the Company bought additional interests in the LP in a secondary transaction (which represented an original \$1,000,000 commitment), of which \$350,000 remains unfunded. The Company has effectively funded its commitments through reinvested capital and expects no further capital to be drawn down by the General Partner, although the original commitments are still legally outstanding.
- Approximately \$293,556 of the \$1,500,000 committed to the New Capital Partners Private Equity Fund II, L.P. The investment period has ended. The General Partner has the right to call capital as needed for continued funding of current investments to the extent that uncalled capital is available until the termination of the LP in March 2022.
- Approximately \$3,726,822 of the \$25,000,000 committed to ArcLight Energy Partners Fund V, L.P., an energy infrastructure private equity fund. The Company has effectively funded its commitment through reinvested capital and expects no further capital to be drawn down by the General Partner, although the commitment is still legally outstanding.
- Approximately \$2,099,123 of the \$25,000,000 committed to Neuberger Berman Strategic Co-Investment Partners II, L.P., a private equity fund. The Company has effectively funded its commitment and expects no further capital to be drawn down by the General Partner, although the commitment is still legally outstanding.
- Approximately \$7,155,905 of the \$25,000,000 committed to the Neuberger Berman Secondary Opportunities Fund III, L.P. The Company has effectively funded its commitment through reinvested capital and expects no further capital to be drawn down by the General Partner, although the commitment is still legally outstanding.

- Approximately \$2,362,982 of the \$12,500,000 committed to the Neuberger Berman Private Debt Fund, L.P. The investment period has ended. The General Partner has the right to call capital as needed for continued funding of current investments to the extent that uncalled capital is available until the termination of the L.P. in 2024.
- Approximately \$1,758,472 of the \$15,000,000 committed to Neuberger Berman Private Equity Credit Opportunities Fund, L.P., a private credit fund. Capital is expected to be called periodically over a four year period beginning January 1, 2017.
- Approximately \$922,605 of the \$10,000,000 committed to Prime Storage Fund II, L.P., a real estate fund. Capital is expected to be called periodically over a four year period beginning July 1, 2017.
- Approximately \$7,464,194 of the \$20,000,000 committed to A&M Capital Opportunities Fund, L.P., a private equity fund. Capital is expected to be called periodically over a four year period beginning July 1, 2017.
- Approximately \$280,061 of the \$5,000,000 committed to Sageview Capital Partners II, L.P., a private equity fund. Capital is expected to be called periodically over a five year period beginning November 30, 2017.
- Approximately \$2,372,880 of the \$5,000,000 committed to Blackstone Tactical Opportunities Fund III, L.P., a private equity fund. Capital is expected to be called periodically over a four year period beginning on the effective date, January 1, 2019.
- Approximately \$6,818,175 of the \$10,000,000 committed to NB Real Estate Secondary Opportunities Fund, L.P., a real estate fund. Capital is expected to be called periodically over a four year period following the final closing date, November 30, 2019.
- Approximately \$7,150,555 of the \$10,000,000 committed to WNG Aircraft Opportunities Fund II, L.P., a private equity fund. Capital is expected to be called periodically over a four year period following the final closing date, April 18, 2019.
- Approximately \$3,834,598 of the \$10,000,000 committed to the Neuberger Berman Private Debt Fund III, L.P., a private debt fund. Capital is expected to be called periodically over a three year period beginning March 29, 2019.
- Approximately \$750,000 of the \$5,000,000 committed to Octagon CLO Opportunity Fund III, L.P., an opportunistic credit fund. Capital is expected to be called periodically over a five year period beginning on the effective date, December 31, 2018.

Additionally, the Company has invested \$101,291,908 in various Low Income Housing Tax Credit (LIHTC) limited partnerships accounted for under SSAP No.

93. As of December 31, 2020, the Company has unfunded investments in these LIHTC limited partnerships that are expected to be settled totaling \$446,041.

The review of contingent liabilities and pending litigation included an inspection of representations made by management to the Company's independent certified public accountants regarding the Company and its affiliates and a general review of the Company's records and files conducted during the course of the examination, including a review of claims. These reviews did not disclose any items that would have a material effect on the Company's financial condition in the event of an adverse outcome.

SUBSEQUENT EVENTS

The COVID-19 pandemic has continued to develop throughout 2020 and 2021, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination's review of the Company noted that there has not been a significant impact to 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 of the Company's compliance with recommendations made in the previous examination report indicated the Company had satisfactorily complied with the previous examination recommendations.

COMMENTS AND RECOMMENDATIONS

Unclaimed Property – Page 23

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 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

Acknowledgment 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, the following examiners, representing the respective Departments of Insurance, participated in certain phases of this examination:

Alabama Department of Insurance (Lead State):

Dan McBay, CFE, CPA, CGMA, ARe, Noble Consulting Services, Inc.
Mora Perkins-Taylor, MCM
Andarius Vincent
Jackson Goodwin

Michigan Department of Insurance and Financial Services:

Thomas Adema

Illinois Department of Insurance:

Rhonda Ball, CFE, Risk & Regulatory Consulting, LLC
Reid McClintock, ACAS, CPCU

Pennsylvania Insurance Department:

Mark Swearingen, CFE
Alexis Welsh
Paul Ellis, CFE, CPA Noble Consulting Services, Inc.

Vermont Department of Financial Regulation:

Miranda Cloutier

District of Columbia Department of Insurance, Securities and Banking:

James Menck, CPA, CIA, CFE, CFE (Fraud), MCM, Eide Bailly LLP
Christine Afolabi
Rebecca Davis, PIR
Robin Roberts, CFE, Eide Bailly LLP
David Christhlf, ACAS, MAAA

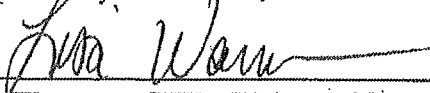
Merlinos & Associates, Inc. was contracted to perform the actuarial portions of this examination:

Greg Fanoie, FCAS, MAAA

Noble Consulting Services, Inc. was contracted to perform the information technology portions of this examination:

Stefan Obereichholz-Bangert, AES, CISA, CISM

Respectfully submitted,



Lisa Warrum, CFE, CPA, Noble Consulting Services, Inc.
Examiner-in-Charge
State of Alabama Department of Insurance

Francis Blase Abreo

Digitally signed by Francis Blase Abreo
DN: cn=Francis Blase Abreo, o=Department of Insurance,
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Francis Blase Abreo, CFE
Insurance Examination Supervisor
Alabama Department of Insurance