



Mississippi Insurance Department

Report of Examination

of

AMFED ADVANTAGE INSURANCE COMPANY

as of

December 31, 2021

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**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN EXAMINATION**

State of Mississippi,

County of Madison,

R. Dale Miller, being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of AmFed Advantage Insurance Company as of December 31, 2021.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of AmFed Advantage Insurance Company was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

The affiant says nothing further.

R. Dale Miller
R. Dale Miller, CPA, CFE, CFF
Examiner-in-Charge

Subscribed and sworn before me by R. Dale Miller on this 26th day of May, 2023.



April D. McDonald
Notary Public

My commission expires October 10, 2024 [date].



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of
Insurance

MISSISSIPPI INSURANCE DEPARTMENT

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May 19, 2023

Honorable Mike Chaney
Commissioner of Insurance
Mississippi Insurance Department
1001 Woolfolk Building
501 North West Street
Jackson, Mississippi 39201

Dear Commissioner Chaney:

Pursuant to your instructions and authorization and in compliance with statutory provisions, an examination has been conducted, as of December 31, 2021, of the affairs and financial condition of:

AMFED ADVANTAGE INSURANCE COMPANY

1020 Highland Colony Parkway, Suite 700
Ridgeland, MS 39157

License #	NAIC Group #	NAIC #	FEETS#	MATS#
1800018	4908	16459	16459-MS-2021-10	MS-MS099-45

This examination was commenced in accordance with Miss. Code Ann. §83-5-201 *et seq.* and was performed in Ridgeland, Mississippi, at the main administrative home office of the Company. The report of examination is herewith submitted.

SCOPE OF EXAMINATION

We have performed our full scope, multi-state commencement financial examination of AmFed Advantage Insurance Company (“Company”). This examination covers the period December 18, 2018, through December 31, 2021.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* and Mississippi Statutes and Regulations. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. 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 Company’s financial statements.

This examination report includes significant findings of fact 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.

COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION

As this is a commencement examination, no prior exam comments or recommendations were noted.

HISTORY OF THE COMPANY

The Company was incorporated on October 17, 2018, under the laws of the State of Mississippi and commenced business on December 18, 2018. The Company was licensed as a single-line property and casualty company which consisted of writing workers’ compensation and employers’ liability insurance contracts primarily in the State of Mississippi.

The Company was a wholly owned subsidiary of AmFed National Insurance Company (“AmFed National”), which was previously a wholly owned subsidiary of AmFed Holding Company, LLC. AmFed Holding Company, LLC, was formed by Builders and Contractors Association of

Mississippi (“BCAM”), John W. Roberts, and Greg McLemore. On September 27, 2021, a Form A was filed on behalf of Ascot Insurance Company whereby Ascot US Holding Corporation (“Ascot US”) entered into a confidential equity interest purchase agreement to purchase from AmFed Holding Company, LLC, BCAM, John W. Roberts, and Greg McLemore (collectively referred to as the “Seller”) their entire ownership interest in AmFed National. In addition, the Seller agreed to sell to Ascot US its membership interest in AmFed PCC, LLC, a Tennessee limited liability company licensed in Tennessee as a captive insurance company, and AmFed Companies, LLC, (“AmFed LLC”) a Mississippi limited liability company. An amendment to the Form A was filed on October 25, 2021. The Form A was approved by the Mississippi Insurance Department (“MID”) on October 29, 2021 and the acquisition closed on October 31, 2021. At that time, AmFed National became a wholly owned subsidiary of Ascot Insurance Company while the Company and AmFed Casualty Insurance Company remained direct, wholly owned subsidiaries of AmFed National.

Effective December 16, 2021, the Company amended its Articles of Association changing the par value from \$1.00 per share to \$2.50 per share along with adding clarifying language related to Director vacancies, shareholder meetings, and quorum requirements.

CORPORATE RECORDS

The minutes of the meetings of Stockholders and Board of Directors (“Board”), regarding the Company’s business affairs as recorded during the period covered by the examination, were reviewed and appeared to be complete and in order with regard to recording action on matters brought up at the meetings for deliberation.

MANAGEMENT AND CONTROL

Stockholders

As of December 31, 2021, the Company had 1,000,000 shares of \$2.50 par value common stock authorized, issued and outstanding. AmFed National Insurance Company owned 100% of the shares issued and outstanding. No dividends were paid during the examination period.

Board of Directors

The Articles of Incorporation and Bylaws vest the management and control of the Company’s business affairs with the Board. The members of the duly elected Board, along with their place of residence, year elected/appointed, and principal occupation at December 31, 2021, were as follows:

Name and Residence	Year Elected/Appointed	Principal Occupation
Thomas Aleksander Kalvik Toronto, Ontario, Canada	2021	Private Equity Investor for Canada Pension Plan Investment Board
Matthew Conrad Kramer Malverne, New York	2021	Chief Executive Officer of the Company
Joseph William Roberts Pembroke, Bermuda	2021	Chief Financial Officer of Ascot Group Limited
Susan Jane Sutherland Naples, Florida	2021	Independent Non-Executive Director of Ascot Group Limited
David Paul Zimmerman Punxsutawney, Pennsylvania	2021	Executive Vice President (“EVP”) of Workers Compensation of Ascot Insurance Company
Gregory Thomas McLemore Brandon, Mississippi	2021	Executive Vice President & Chief Operating Officer of the Company
John William Roberts Madison, Mississippi	2021	EVP Southeast of Ascot Insurance Company and former President of the Company

Committees

As of December 31, 2021, the Company’s Board appointed an Audit Committee. The Audit Committee’s purpose was to assist the Board in monitoring the integrity of the financial statements, independent auditor’s qualifications and independence, performance of the independent audit, and the Company’s risk management function. The following members served on the Audit Committee at December 31, 2021.

Audit
Murray Wallace, Chairman
Katherine Hae-Eun Chung
Sir Richard Dearlove
Thomas Aleksander Kalvik
Susan Jane Sutherland

Officers

The officers of the Company as of December 31, 2021 were:

Name	Year Elected/Appointed	Title
Matthew Conrad Kramer	2021	Chief Executive Officer
Gregory Thomas McLemore	2018	Executive Vice President & Chief Operating Officer
Richard Charles Camp	2018	Chief Financial Officer
Jeffrey Adam Sipos	2021	General Counsel & Secretary
Peter Michael Grayston	2021	Treasurer
Stephen Crescencio Guijarro	2021	Chief Risk Officer
Marina Svetlov Barg	2021	Chief Claims Officer
Shannelle Lord Burke	2021	Financial Controller
Elizabeth Kirwan Johnson	2021	Chief Underwriting Officer

Conflict of Interest

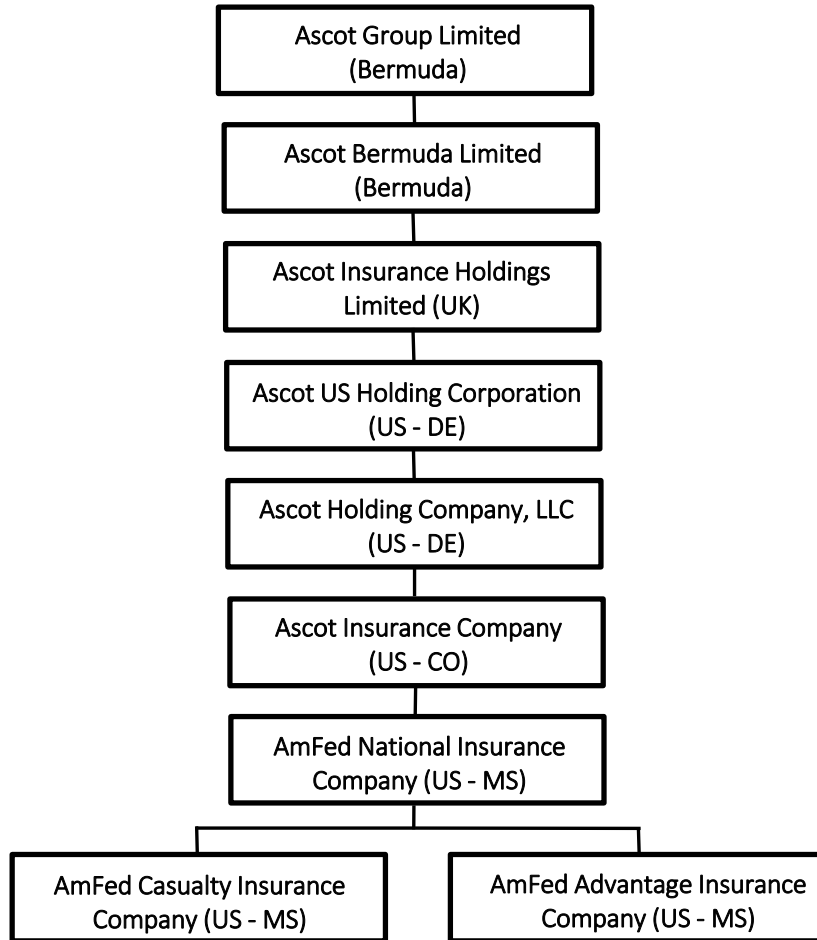
The Company had formal procedures whereby disclosure was made to the Board of any material interest or affiliation on the part of any officer or director that is, or would likely be, a conflict with their official duties. These procedures were reviewed, and no conflicts or exceptions to the Company's policies were noted.

HOLDING COMPANY STRUCTURE

The Company was a member of an insurance holding company system as defined by Miss. Code Ann. §83-6-1. For each year of the examination period, Holding Company Registration Statements were filed with the MID in accordance with Miss. Code Ann. §83-6-5 and §83-6-9.

Organizational Chart

A simplified organizational chart as of December 31, 2021, reflecting the holding company system, is shown below. Schedule Y of the Company's 2021 annual statement provided a list of all related companies of the holding company group.



The following is information concerning the Company's parent and affiliates:

Ascot Group Limited: This entity was the ultimate parent of the Company and was a Bermuda domiciled global specialist in insurance and reinsurance.

Ascot Bermuda Limited: This company was registered by the Bermuda Monetary Authority as a Class 3B insurance and reinsurance company and was a wholly owned subsidiary of Ascot Group Limited.

Ascot Insurance Holdings Limited: This company was incorporated under the laws of England and Wales and was a wholly owned subsidiary of Ascot Bermuda Limited.

Ascot US Holding Corporation: This company was a Delaware corporation and was a wholly owned subsidiary of Ascot Insurance Holdings Limited.

Ascot Holding Company, LLC: This company was a Delaware limited liability company and was a wholly owned subsidiary of Ascot US Holding Corporation.

Ascot Insurance Company: This company was a Colorado domiciled property and casualty insurer and was a wholly owned subsidiary of Ascot Holding Company, LLC.

AmFed National Insurance Company: This company was a Mississippi domiciled property and casualty insurer and was a wholly owned subsidiary of Ascot Insurance Company.

AmFed Casualty Insurance Company (“AmFed Casualty”): This company was a wholly owned subsidiary of AmFed National and all premiums and losses were ceded to the parent.

AmFed Advantage Insurance Company: This company was a wholly owned subsidiary of AmFed National and all premiums and losses were ceded to the parent.

Affiliated and Related Party Transactions

Service Agreement

Effective January 1, 2019, the Company, its parent, and AmFed Casualty entered into a service agreement with AmFed LLC. Pursuant to this agreement, AmFed LLC provided bill review and case management services to the companies for any workers’ compensation claim that was assigned to it. During 2021, the Company paid \$357 as a result of this agreement.

Reinsurance Agreement

The Company had a 100% quota share reinsurance agreement with its parent whereby AmFed National assumed 100% of the business written. This agreement is discussed further within the Reinsurance section of this report.

Tax Allocation Agreement

Effective November 1, 2021, the Company, its parent, and AmFed Casualty became members of the Tax Allocation Agreement among Ascot US Holding Corporation and its subsidiaries. This agreement established a method for allocating the consolidated federal, state, and local income tax liability of the group of corporations of which Ascot US Holding Corporation was the common parent.

Underwriting Services Agreement

Effective November 1, 2021, the Company, its parent, and AmFed Casualty became members of the Underwriting Service Agreement with Ascot Underwriting Inc. (“Underwriter”), whereby the Underwriter may perform certain duties for the purpose of producing, underwriting, binding and handling policies. During 2021, no payments were made related to this agreement.

Intercompany Services and Cost Allocation Agreement

Effective November 1, 2021, the Company, its parent, and AmFed Casualty became members of the Intercompany Services and Cost Allocation Agreement with Ascot US Services Company, LLC whereby this entity may provide goods, third party services, or management and other direct services including, executive, corporate strategy, business development, legal, corporate governance, product management and development, marketing, etc. A fee was allocated to the

participants of this agreements based on services provided. During 2021, no payments were made related to this agreement.

Net Worth Maintenance and Financial Guarantee Agreement

Effective December 30, 2021, the Company, its parent, and AmFed Casualty became members of the Net Worth Maintenance and Guarantee Agreement with Ascot Group Limited whereby the companies obtained a commitment to receive additional capital to ensure the entities maintain certain capitalization levels and to meet their financial obligations on a timely basis. During 2021, no capital contributions were received related to this agreement.

FIDELITY BOND AND OTHER INSURANCE

The Company had a fidelity bond in the amount of \$1,000,000 which exceeded the NAIC's suggested minimum amount for fidelity bond coverage.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company did not have any direct employees, nor did it provide any benefits or welfare programs for its officers or directors.

TERRITORY AND PLAN OF OPERATION

The Company was authorized to write workers' compensation business in the states of Arkansas, Florida, Indiana, Mississippi, Missouri, North Carolina, Oklahoma, and Tennessee. As of December 31, 2021, the Company wrote \$144,995 in direct written premium of which 90.1% was written in Mississippi and 9.9% was written in Tennessee.

GROWTH OF COMPANY

The review of the growth of the Company was performed based on balances reported in the annual statements filed with the MID during the period under examination.

	2021	2020	2019	2018
Total admitted assets	\$ 5,393,188	\$ 5,340,891	\$ 5,962,868	\$ 5,197,660
Total liabilities	\$ 21,285	\$ 20,148	\$ 714,835	\$ 414
Surplus as regards policyholders	\$ 5,371,903	\$ 5,320,743	\$ 5,248,033	\$ 5,197,246
Net cash from operations	\$ 49,717	\$ 50,222	\$ 58,563	\$ (417)
Total adjusted capital	\$ 5,371,903	\$ 5,320,743	\$ 5,248,033	\$ 5,197,246
Authorized control level risk-based capital	\$ 54,265	\$ 18,243	\$ 9,388	\$ 17,496
Direct premiums written	\$ 144,995	\$ 111,539	\$ 10,374	\$ -
Ceded premiums written	\$ 144,995	\$ 111,539	\$ 10,374	\$ -
Net premiums written	\$ -	\$ -	\$ -	\$ -
Net underwriting gain (loss)	\$ -	\$ -	\$ -	\$ (108)
Net investment gain	\$ 59,059	\$ 87,039	\$ 67,758	\$ 1,685
Net income	\$ 51,160	\$ 72,710	\$ 50,787	\$ 1,246
Return on equity	1.0%	1.4%	1.0%	0.0%
Investment yield	1.1%	1.1%	1.3%	0.1%

LOSS EXPERIENCE

The MID contracted with Merlinos & Associates, Inc. to review the actuarial analysis supporting the Company's carried loss and loss adjustment expense reserves. Based on the examination actuarial evaluation, the Company's estimates for gross and net unpaid loss and loss adjustment expenses appeared to be reasonably stated in all material respects.

REINSURANCE

The Company ceded 100% of the voluntary workers' compensation and employers' liability insurance written to its parent, AmFed National. Under the provisions of the quota share reinsurance agreement, AmFed National paid the Company a commission allowance which approximates policy acquisition costs.

ACCOUNTS AND RECORDS

The Company's accounting and records were maintained using electronic data processing with the exception of certain items entered manually into the general ledger. Detailed general ledger information was traced to the trial balance and the December 31, 2021 annual statement, without material exception. The Company was audited annually by an independent CPA firm.

STATUTORY DEPOSITS

The Company's statutory deposits with the state of Mississippi complied with Miss. Code Ann. §83-19-31(2). The following chart displays the Company's total statutory deposits held at December 31, 2021:

Description	State Deposited	Par Value	Carrying Value	Fair Value
U.S. Treasury Note	Mississippi	\$ 25,000	\$ 24,743	\$ 27,254
U.S. Treasury Note	Mississippi	496,000	498,585	551,645
Total Held in Mississippi		521,000	523,328	578,899
U.S. Treasury Note	Arkansas	125,000	126,596	128,242
U.S. Special Revenue Bond	Florida	200,000	203,727	198,530
U.S. Treasury Note	North Carolina	200,000	201,099	204,938
Total Held in all Other States		525,000	531,422	531,710
Total of all States		\$ 1,046,000	\$ 1,054,750	\$ 1,110,609

AMFED ADVANTAGE INSURANCE COMPANY
FINANCIAL STATEMENTS
EXAMINATION AS OF DECEMBER 31, 2021

Introduction

The following financial statements reflect the same amounts reported by the Company and consist of a Statement of Admitted Assets, Liabilities, Surplus and Other Funds - Statutory at December 31, 2021, a Statement of Income - Statutory for the year ended December 31, 2021, a Reconciliation of Capital and Surplus - Statutory for examination period ended December 31, 2021, and a Reconciliation of Examination Changes to Surplus - Statutory at December 31, 2021.

**Statement of Admitted Assets, Liabilities, Surplus and Other Funds – Statutory
December 31, 2021**

Admitted Assets

Bonds	\$	4,434,965
Cash, cash equivalents and short-term investments		892,051
Investment income due and accrued		26,068
Uncollected premiums and agents' balances in the course of collection		3,899
Deferred premiums, agents' balances and installments booked but deferred and not yet due		35,868
Amounts recoverable from reinsurers		337
Total admitted assets		\$ 5,393,188

Liabilities, Surplus and Other Funds

Losses and loss adjustment expenses	\$	-
Commissions payable, contingent commissions and other similar charges		1,034
Other expenses		1,149
Taxes, licenses and fees		402
Current federal and foreign income taxes		8,235
Ceded reinsurance premiums payable		10,177
Payable to parent, subsidiaries and affiliates		288
Total liabilities		21,285
Common capital stock		2,500,000
Gross paid in and contributed surplus		2,696,000
Unassigned funds (surplus)		175,903
Surplus as regards policyholders		5,371,903
Total liabilities and surplus as regards policyholders		\$ 5,393,188

**Statement of Income – Statutory
For the Examination Period Ended December 31, 2021**

Underwriting Income	
Premiums earned	\$ -
Deductions:	
Losses and loss adjustment expenses incurred	-
Total underwriting deductions	-
Net underwriting gain	-
<hr/>	
Investment Income	
Net investment income earned	60,447
Net realized capital gains (losses) less capital gains tax	(1,388)
Net investment gain	59,059
<hr/>	
Other Income	
Finance and service charges not included in premiums	336
Total other income	336
<hr/>	
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	59,395
Federal and foreign income taxes incurred	8,235
<hr/>	
Net Income	\$ 51,160
<hr/>	

**Reconciliation of Capital and Surplus – Statutory
For the Examination Period Ended December 31, 2021**

	2021	2020	2019	2018
Surplus as regards policyholders, beginning of the year	\$ 5,320,743	\$ 5,248,033	\$ 5,197,246	\$ -
Net income	51,160	72,710	50,787	1,246
Capital changes - paid in	-	-	-	1,000,000
Capital changes - transferred from surplus	1,500,000	-	-	-
Surplus adjustment - paid in	-	-	-	4,196,000
Surplus adjustment - transferred to capital	(1,500,000)	-	-	-
Surplus as regards policyholders, end of the year	\$ 5,371,903	\$ 5,320,743	\$ 5,248,033	\$ 5,197,246

**Reconciliation of Examination Adjustments to Surplus
For the Examination Period Ended December 31, 2021**

As a result of this examination, there have been no changes made to the admitted assets, liabilities, or surplus balances reported by the Company for the year ended December 31, 2021. The surplus as regards policyholders, which totaled \$5,371,903 as of the examination date, was determined to be reasonably stated and in compliance with Miss. Code Ann. §83-19-31.

MARKET CONDUCT ACTIVITIES

A full scope market conduct examination was not performed; however, limited procedures were performed on certain areas of the Company. The areas in which limited procedures were performed included operations/management, complaint handling, producer licensing, underwriting and rating, and claims. Exceptions were noted related to producer licensing.

The Company had instances where timely communication of the termination of agents was not reported to the MID. Per Miss. Code Ann. §83-17-77(2), an insurer or authorized representative of the insurer that terminates the appointment, employment, or contract with a producer shall notify the Commissioner within 30 days following the effective date of the termination. In addition, per Miss. Code Ann. §83-17-77(4)(a), within 15 days after making the notification required above, the insurer shall mail a copy of the notification to the producer at his or her last known address.

COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 2021, the Company was involved as a defendant in various litigation matters arising during normal business activities. Although the outcome of such legal actions cannot be predicted, in the opinion of management, the resolution of any currently pending or threatened actions should not have a material adverse effect on the surplus of the Company.

SUBSEQUENT EVENTS

Effective March 23, 2022, the Company amended Article II of its Articles of Association to clarify the type of insurance contracts the Company may enter. Effective April 14, 2022, Ascot Insurance Company formed an Audit Committee which became the designated committee for the Company. The Ascot Group Limited Audit Committee was no longer charged with this responsibility.

During 2022, the Company received capital contributions totaling \$3.4 million from its parent. The Company also received licensure in the following states: Alabama, Arizona, Delaware, District of Columbia, Georgia, Iowa, Kentucky, Louisiana, Maryland, Montana, New Hampshire, New Mexico, North Dakota, Pennsylvania, South Carolina, South Dakota, Texas, Utah, Vermont, West Virginia, and Wisconsin.

Additionally, the Company was granted authority to write the following lines of business in all states in which it was licensed: aircraft, automobile physical damage/liability, boiler and machinery, casualty/liability, credit property, fidelity, fire/allied lines, guaranty, home/farm owners, industrial fire, inland marine, legal, ocean marine, plate glass, surety, and trip accident and baggage.

Effective January 1, 2023, the Company had a change in the statutory home address.

COMMENTS AND RECOMMENDATIONS

1. Terminated Agent Communication Delay

The Company had instances where timely communication of the termination of agents was not reported to the MID. Per Miss. Code Ann. §83-17-77(2), an insurer or authorized representative of the insurer that terminates the appointment, employment, or contract with a producer shall notify the Commissioner within 30 days following the effective date of the termination. In addition, per Miss. Code Ann. §83-17-77(4)(a), within 15 days after making the notification required above, the insurer shall mail a copy of the notification to the producer at his or her last known address.

It is recommended the Company comply with Miss. Code Ann. §83-17-77 in regards to the termination of producers. (Page 17)

ACKNOWLEDGMENT

The examiners representing the Mississippi Insurance Department and participating in this examination were:

Examiner-in-charge:	R. Dale Miller, CPA, CFE, CFF
Supervising Examiner:	Joseph R. May, CPA, CMA, CFE, CIE, FAHM
Lead Actuary:	Gregory Fanoë, FCAS, MAAA
Lead IT Specialist:	Francois Houde, CPA, CA, CFE, CISA, AES
Senior Examiner:	Andrea J. Harbison, CPA
Examiner:	Sophia Tran, CPA
Examiner:	Noah Joyner

The courteous cooperation of the officers and employees responsible for assisting in the examination is hereby acknowledged and appreciated.

Respectfully submitted,



R. Dale Miller, CPA, CFE, CFF
Examiner-in-Charge



Mark Cooley, CFE
Mississippi Insurance Department Designee