



MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001
WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
www.mid.ms.gov

June 21, 2023

MAILING ADDRESS
Post Office Box 79
Jackson, Mississippi 39205-0079
TELEPHONE: (601) 359-3569
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MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of Insurance

RICKY DAVIS
State Chief Deputy Fire Marshal

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. Matthew C. Kramer, CEO
AmFed National Insurance Company
1020 Highland Colony Parkway, Suite 700
Ridgeland, MS 39157

RE: Report of Examination as of December 31, 2021

Dear Mr. Kramer:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 2022), an examination of your Company has been completed. Enclosed herewith is the Order adopting the report and a copy of the final report as adopted.

Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2022), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department will open the report for public inspection.

If you have any questions or comments, please feel free to contact me.

Sincerely,

MIKE CHANEY
COMMISSIONER OF INSURANCE

BY


Christina J. Kelsey
General Counsel

MC/CJK/de
Encls. Order w/exhibit

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF MISSISSIPPI**

**IN RE: REPORT OF EXAMINATION OF AMFED
 NATIONAL INSURANCE COMPANY**

CAUSE NO. 23-7808

ORDER

THIS CAUSE came on for consideration before the Commissioner of Insurance of the State of Mississippi ("Commissioner"), or his designated appointee, in the Offices of the Commissioner, 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 2022). The Commissioner, having fully considered and reviewed the Report of Examination together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

JURISDICTION

I.

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. § 83-5-201 et seq. (Rev. 2022).

II.

That AmFed National Insurance Company, is a Mississippi-domiciled Company licensed to write Aircraft; Automobile Physical Damage/Liability; Boiler and Machinery; Casualty/Liability; Fidelity; Fire/Allied Lines; Home/Farm Owners; Industrial Fire; Inland Marine; Ocean Marine; Plate Glass; Surety; and Workers' Compensation coverages.

FINDINGS OF FACT

III.

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 2022), called for an examination of AmFed National Insurance Company and appointed R. Dale Miller, Examiner-In-Charge, to conduct said examination.

IV.

That on or about May 19, 2023, the draft Report of Examination concerning AmFed National Insurance Company for the period of January 1, 2017 through December 31, 2021, was submitted to the Department by the Examiner-In-Charge, R. Dale Miller.

V.

That on or about May 30, 2023, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 2022), the Department forwarded to the Company a copy of the draft report and allowed the Company a 15-day period to submit any rebuttal to the draft report. On or about June 13, 2023, the company responded by email.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 2022), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.

IT IS, THEREFORE, ORDERED, after reviewing the Report of Examination, all relevant examiner work papers and the Company's rebuttal, that the Report of Examination of AmFed National Insurance Company attached hereto as Exhibit "A", should be and same is hereby adopted as final.

IT IS FURTHER ORDERED that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

IT IS FURTHER ORDERED that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2022).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 2022), that within thirty (30) days of the issuance of the adopted report, AmFed National Insurance Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

IT IS FURTHER ORDERED that AmFed National Insurance Company take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

SO ORDERED, this the 21st day of June 2023.

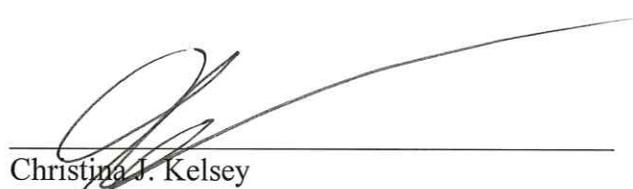

J. MARK HAIRE
DEPUTY COMMISSIONER OF INSURANCE



CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 21st day of June 2023, to:

**Mr. Matthew C. Kramer, CEO
AmFed National Insurance Company
1020 Highland Colony Parkway
Suite 700
Ridgeland, MS 39157**



Christina J. Kelsey
General Counsel

Christina J. Kelsey
General Counsel
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 9853



Mississippi Insurance Department

Report of Examination

of

AMFED NATIONAL 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 National 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 National 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 February 23.



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

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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 NATIONAL INSURANCE COMPANY

1020 Highland Colony Parkway, Suite 700
Ridgeland, MS 39157

License #	NAIC Group #	NAIC #	FEETS#	MATS#
0100043	4908	11208	11208-MS-2021-9	MS-MS099-44

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 financial examination of AmFed National Insurance Company (“Company” or “AmFed National”). The last examination covered the period of January 1, 2012, through December 31, 2016. This examination covers the period January 1, 2017, through December 31, 2021.

We conducted our examination in accordance with the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“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.

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, as mentioned in the Miss. Code Ann. §83-5-201 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

1. Terminated Agent Communication Delay

The Company had instances where timely communication of the termination of agents was not reported to the Mississippi Insurance Department (“MID”). Per Miss. Code Ann. §83-17-77, an insurer or authorized representative of the insurer that terminates the appointment, employment, contract or other insurance business relationship with a producer shall notify the Commissioner within 30 days following the effective date of the termination.

Recommendation:

It is recommended that the Company implement a process to communicate the termination of agents to the Commissioner within 30 days.

Current Status:

During the examination, the Company failed to comply with the recommendation. This issue is repeated in the Comments and Recommendations of this report.

2. Agent Certificate-Notification of Nonrenewal or Cancellation

The Company had instances where timely communication was not provided to the agents that the certificate of authority was non-renewed or cancelled. Per Miss. Code Ann. §83-17-5, an insurer must notify the agent within thirty (30) days if the authority is non-renewed or cancelled.

Recommendation:

It is recommended that the Company implement a process to communicate with its agents within 30 days if the authority of the agent is non-renewed or cancelled.

Current Status:

The examination finding appeared to have been appropriately addressed during the period since the last examination.

3. Appointment of Agents

The Company had instances where notice of appointment was not provided to the MID within 15 days from the date the agency contract was executed or the first application was submitted. Per Miss. Code Ann. §83-17-75, to appoint a producer as its agent, the appointing insurer shall file, 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.

Recommendation:

It is recommended that the Company implement a process to ensure that all appointments of producers are filed within 15 days to the MID.

Current Status:

The examination finding appeared to have been appropriately addressed during the period since the last examination.

HISTORY OF THE COMPANY

The Company was incorporated in November 2001, under the laws of the State of Mississippi, and commenced business in January 2002. The Company was originally organized to primarily provide coverage on the business commonly known as workers' compensation insurance provided for by Miss. Code Ann. §83-19-1(f). In February 2003, the MID approved the Company's amended Articles of Association to include all forms of fire and casualty insurance contracts that an insurer can lawfully enter.

The Company was previously a wholly owned subsidiary of AmFed Holding Company, LLC,

which 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 the Company. 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 MID on October 29, 2021 and the acquisition closed on October 31, 2021. At that time, the Company became a wholly owned subsidiary of Ascot Insurance Company while AmFed Casualty Insurance Company and AmFed Advantage Insurance Company remained direct, wholly owned subsidiaries of the Company.

Effective December 16, 2021, the Company amended its Articles of Association changing the par value from \$2.00 per share to \$5.00 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 \$5 par value common stock authorized with 500,000 shares issued and outstanding. Ascot 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	2014	Executive Vice President & Chief Operating Officer
Richard Charles Camp	2014	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

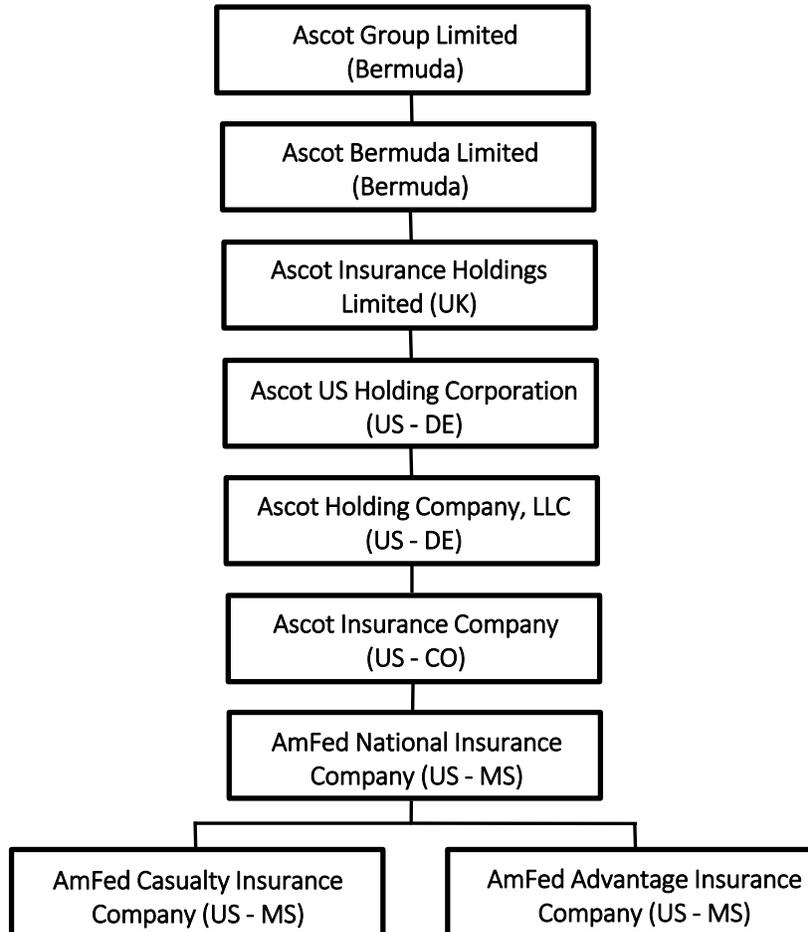
The Company had formal procedures whereby disclosure was made to the Board of any material interest or affiliation on the part of any officer or director that is, or would likely be, a conflict with their official duties. These procedures were reviewed, and no conflicts or exceptions to the Company's 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: This company was a wholly owned subsidiary of AmFed National and all premiums and losses were ceded to the Company.

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

Affiliated and Related Party Transactions

Service Agreement

Effective January 1, 2009, the Company entered into a service agreement with AmFed LLC and AmFed Insurance Services, LLC whereby AmFed National performed marketing, information systems, general administrative and other services, on a cost reimbursement basis. During 2021, the Company received \$280,740 for the services provided.

Service Agreement

Effective January 1, 2019, the Company and its two wholly owned subsidiaries 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 \$165,202 as a result of this agreement.

Reinsurance Agreement

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

Tax Allocation Agreement

Effective November 1, 2021, the Company and its two wholly owned subsidiaries 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 and its two wholly owned subsidiaries 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 and its two wholly owned subsidiaries 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 and its two wholly owned subsidiaries 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 sponsored a 401K plan covering substantially all employees of the Company. Employees may contribute up to 15% of their salary to the plan. The Company matched the first 6% of employee contributions. The match amount was fully funded and vested immediately. The Company's expense related to the plan was \$110,000 in 2021.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2021, the Company was authorized to transact the following lines of business in the State of Mississippi:

Aircraft	Fire/Allied Lines	Plate Glass
Automobile Physical Damage/Liability	Home/Farm Owners	Surety
Boiler and Machinery	Industrial Fire	Workers' Compensation
Casualty/Liability	Inland Marine	
Fidelity	Ocean Marine	

The Company was also authorized to write workers' compensation business in the states of Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Missouri, North

Carolina, Oklahoma, South Carolina, Tennessee, and Virginia.

As of December 31, 2021, the Company wrote \$21,675,985 in direct written premium of which 97.4% was written in Mississippi, 1.3% was written in Tennessee, 0.8% was written in Alabama, and 0.5% was written in Florida.

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	2017
Total admitted assets	\$ 77,958,092	\$ 68,348,219	\$ 65,244,592	\$ 65,366,483	\$ 65,665,594
Total liabilities	\$ 34,900,385	\$ 27,480,239	\$ 25,568,833	\$ 29,556,762	\$ 31,158,836
Surplus as regards policyholders	\$ 43,057,707	\$ 40,867,980	\$ 39,675,759	\$ 35,809,721	\$ 34,506,758
Net cash from operations	\$ 7,378,289	\$ 2,894,586	\$ (77,704)	\$ (26,150)	\$ (4,147,014)
Total adjusted capital	\$ 43,057,707	\$ 40,867,980	\$ 39,675,759	\$ 35,809,721	\$ 34,506,758
Authorized control level risk-based capital	\$ 3,146,014	\$ 2,800,417	\$ 2,813,439	\$ 2,612,405	\$ 3,448,257
Direct & Assumed premiums written	\$ 33,969,162	\$ 18,308,372	\$ 18,397,773	\$ 18,918,064	\$ 19,663,217
Ceded premiums written	\$ 9,156,418	\$ 7,308,467	\$ 7,882,602	\$ 7,621,770	\$ 9,687,040
Net premiums written	\$ 24,812,744	\$ 10,999,905	\$ 10,515,171	\$ 11,296,294	\$ 9,976,177
Net underwriting gain (loss)	\$ 2,220,913	\$ (636,356)	\$ 2,388,394	\$ 1,089,695	\$ 1,715,731
Net investment gain	\$ 3,752,851	\$ 1,217,402	\$ 1,140,943	\$ 1,351,996	\$ 1,178,700
Net income	\$ 5,066,996	\$ 836,239	\$ 2,895,516	\$ 2,063,385	\$ 2,349,044
Return on equity	11.8%	2.0%	7.3%	5.8%	6.8%
Net loss ratio	58.9%	57.2%	27.7%	42.7%	38.7%
Expense ratio	30.2%	50.0%	47.9%	44.0%	45.4%
Investment yield	1.6%	1.9%	1.9%	1.9%	1.8%
Liquidity ratio	59.4%	54.0%	54.5%	62.5%	59.5%

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

Assumed

The Company assumed 100% of the business written by its subsidiaries pursuant to a quota share reinsurance agreement. In addition, the Company acted as a servicing carrier for the Mississippi Workers' Compensation Assigned Risk Pool ("the MS Pool") and was required to be a participating member of the MS Pool and the Tennessee Workers' Compensation Assigned Risk Pool (collectively, the "Pools") based upon its volume of voluntary workers' compensation premiums written in each respective state. AmFed National assumed its proportional share of premiums, investment income, losses incurred and related statutory asset and liability amounts of the Pools based upon its participation percentage.

Ceded

At December 31, 2021, the Company and its wholly owned subsidiaries were participants in an excess of loss reinsurance agreement with General Reinsurance Corporation ("Gen Re") whereby the Company retained \$750,000 of liability and Gen Re covered up to the next \$250,000. AmFed National and its wholly owned subsidiaries also had an excess of loss reinsurance agreement with multiple subscribing reinsurers whereby the reinsurers were liable for amounts in excess of the Company's \$1,000,000 retention. The subscribing reinsurers liability could not exceed \$1,000,000 as respect to any one occurrence, nor could it exceed \$1,000,000 in total for the term of the reinsurance agreement. Additionally, the Company and its wholly owned subsidiaries were participants in an excess of loss reinsurance agreement with Safety National Casualty Corporation ("Safety National") whereby Safety National was liable for amounts in excess of the Company's retention of \$1,000,000 but could not exceed the statutory limit of the policy as respect to any one occurred. The Company's annual aggregate deductible was \$1,000,000 in addition to the initial loss retention discussed above.

AmFed National ceded 100% of the assigned risk workers' compensation premiums and all allocated loss exposure relating to such coverage to the MS Pool pursuant to a quota share reinsurance contract.

During 2020, the previous parent, AmFed Holding Company, LLC, formed a protective cell captive, AmFed PCC, LLC. Cardinal Comp Incorporated Cell ("Cardinal Comp") was formed shortly thereafter as a protected cell within AmFed PCC, LLC. The Company and its wholly owned subsidiaries entered into a quota share reinsurance agreement with Cardinal Comp by which 35% of the business was ceded to Cardinal Comp.

At the examination date, the principle reinsurers and respective premium amounts ceded for year ended 2021 and total amounts payable at December 31, 2021, were as follows:

Assuming Company	Ceded Premiums	Payable
General Reinsurance	\$ 146,000	\$ 591,000
XL Reinsurance America Inc	\$ 460,000	\$ 0

Safety National Casualty Corporation	\$ 1,191,000	\$ 0
Mississippi Workers' Compensation Assigned Risk Pool	\$ 6,930,000	\$ 2,960,000
Cardinal Comp Incorporated Cell of AmFed PCC, LLC	\$ 429,000	\$ 55,000

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. Special Revenue Bond	Mississippi	\$ 500,000	540,456	\$ 566,680
U.S. Treasury Note	Mississippi	150,000	150,128	153,703
U.S. Treasury Note	Mississippi	23,000	24,795	25,580
U.S. Treasury Note	Mississippi	100,000	94,988	97,188
U.S. Treasury Note	Mississippi	100,000	100,371	103,781
U.S. Treasury Note	Mississippi	125,000	126,999	129,180
U.S. Treasury Note	Mississippi	123,000	123,649	124,864
U.S. Treasury Note	Mississippi	410,000	410,377	435,881
Total Held in Mississippi		1,531,000	1,571,763	1,636,857
Corporate Bond	Arkansas	110,000	110,080	112,040
U.S. Special Revenue Bond	North Carolina	25,000	25,012	25,267
U.S. Treasury Note	North Carolina	200,000	199,386	206,313
U.S. Treasury Note	South Carolina	125,000	126,600	130,195
U.S. Special Revenue Bond	Virginia	300,000	302,297	319,311
U.S. Treasury Note	Virginia	25,000	24,950	25,859
Total Held in all Other States		785,000	788,325	818,985
Total of all States		\$ 2,316,000	\$ 2,360,088	\$ 2,455,842

**AMFED NATIONAL 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	\$ 45,819,490
Common stocks	14,410,954
Cash, cash equivalents and short-term investments	8,496,609
Investment income due and accrued	224,209
Uncollected premiums and agents' balances in the course of collection	6,054,306
Deferred premiums, agents' balances and installments booked but deferred and not yet due	382,294
Amounts recoverable from reinsurers	873,139
Other amounts receivable under reinsurance contracts	1,665,517
Furniture and equipment, including health care delivery assets	7,528
Receivable from parent, subsidiaries and affiliates	24,046
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Total admitted assets	\$ 77,958,092
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Liabilities, Surplus and Other Funds

Losses	\$ 20,217,610
Reinsurance payable on paid losses and loss adjustment expenses	90,850
Loss adjustment expenses	3,009,928
Commissions payable, contingent commissions and other similar charges	133,205
Other expenses	1,289,716
Taxes, licenses and fees	(146,027)
Current federal and foreign income taxes	51,940
Unearned premiums	6,801,317
Ceded reinsurance premiums payable	3,015,227
Payable to parent, subsidiaries and affiliates	475
Aggregate write-ins for liabilities	436,144
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Total liabilities	34,900,385
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Common capital stock	2,500,000
Gross paid in and contributed surplus	14,925,698
Unassigned funds (surplus)	25,632,009
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Surplus as regards policyholders	43,057,707
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Total liabilities and surplus as regards policyholders	\$ 77,958,092
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**Statement of Income – Statutory
For the Examination Period Ended December 31, 2021**

Underwriting Income	
Premiums earned	\$ 23,623,498
Deductions:	
Losses incurred	11,112,252
Loss adjustment expenses incurred	2,794,920
Other underwriting expenses incurred	7,452,454
Aggregate write-ins for underwriting deductions	42,959
Total underwriting deductions	21,402,585
Net underwriting gain	2,220,913
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Investment Income	
Net investment income earned	1,061,901
Net realized capital gains less capital gains tax	2,690,950
Net investment gain	3,752,851
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Other Income (Loss)	
Net gain or (loss) from agents' or premium balances charged off	(95,070)
Finance and service charges not included in premiums	24,107
Total other income (loss)	(70,963)
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Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	5,902,801
Federal and foreign income taxes incurred	835,805
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Net Income	\$ 5,066,996
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**Reconciliation of Capital and Surplus – Statutory
For the Examination Period Ended December 31, 2021**

	2021	2020	2019	2018	2017
Surplus as regards policyholders, beginning of the year	\$ 40,867,980	\$ 39,675,759	\$ 35,809,721	\$ 34,506,758	\$ 32,177,312
Net income	5,066,996	836,239	2,895,516	2,063,385	2,349,044
Change in net unrealized capital gains or (losses)	(1,463,822)	458,039	984,493	(628,401)	733,616
Change in net deferred income tax	(743,175)	171,481	(5,035)	(89,274)	(841,613)
Change in nonadmitted assets	(671,072)	(277,738)	(3,936)	(42,747)	88,399
Change in provision for reinsurance	800	4,200	(5,000)	-	-
Capital changes - transferred from surplus	1,500,000	-	-	-	-
Surplus adjustment - transferred to capital	(1,500,000)	-	-	-	-
Surplus as regards policyholders, end of the year	\$ 43,057,707	\$ 40,867,980	\$ 39,675,759	\$ 35,809,721	\$ 34,506,758

**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 \$43,057,707 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.

On August 31, 2022, the Company received a \$10 million capital contribution from its parent, Ascot Insurance Company.

During 2022, the Company received licensure in the following states: Arizona, Delaware, District of Columbia, Iowa, Maryland, Montana, New Hampshire, New Mexico, North Dakota, Pennsylvania, South Dakota, Texas, Utah, Vermont, West Virginia, and Wisconsin.

The Company also was granted authority to write the following lines of business in all states in which it was licensed: credit property, guaranty, legal, 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 19)

ACKNOWLEDGMENT

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

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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