

REPORT ON EXAMINATION

OF

21st CENTURY NATIONAL INSURANCE COMPANY
(now known as PLYMOUTH ROCK ASSURANCE PREFERRED CORPORATION)

AS OF

DECEMBER 31, 2017

DATE OF REPORT

MAY 17, 2019

EXAMINER

IRENE TRAN

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Department of Financial Services

ANDREW M. CUOMO
Governor

LINDA A. LACEWELL
Superintendent

June 28, 2019

Honorable Linda A. Lacewell
Superintendent
New York State Department of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31704 dated January 11, 2018, attached hereto, I have made an examination into the condition and affairs of 21st Century National Insurance Company as of December 31, 2017, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate 21st Century National Insurance Company.

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted at the Company’s administrative office located at 3 Beaver Valley Road, Wilmington, DE 19803.

1. SCOPE OF EXAMINATION

The Department has performed a coordinated examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2013. This examination covered the four-year period from January 1, 2014 through December 31, 2017. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination was a coordinated examination with California as the lead state of the Farmers Insurance Exchange subgroup of the Farmers Insurance Group of companies. The Company is part of the 21st Century subgroup, which is part of the Farmers Insurance Group of companies.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”), which requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, and management’s compliance with New York laws, statutory accounting principles, and annual statement instructions.

This examination report includes, but is not limited to, the following:

- Company history
- Management and control
- Territory and plan of operation
- Reinsurance
- Holding company description
- Financial statement presentation
- Loss review and analysis
- Significant subsequent events
- Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

The Company was incorporated under the laws of the State of New York on December 16, 1994 as Abeille General Insurance Company, Inc. and commenced business on the same day. On February 1, 1997, the Company's name was changed to AIG National Insurance Company. On July 6, 1997, the Company was acquired by 21st Century Security Insurance Company ("Security"), formerly New Hampshire Indemnity Company, Inc. Afterward, the Company became a wholly-owned subsidiary of Security.

On July 1, 2009, FGI, a subsidiary of Zurich Financial Services Group, acquired the Company and its parent, and other member companies within the 21st Century Personal Auto Group Pool (Pool). FGI is the Attorney-in-Fact for FIE. FGI sold the Pool entities to three affiliated companies: (1) FIE- 80%; (2) Truck Insurance Exchange-10%; and (3) Fire Insurance Exchange-10% (collectively referred to as the "FIE Exchanges"). On April 1, 2010, the Company changed its name to 21st Century National Insurance Company.

A. Corporate Governance

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than seven members nor more than thirteen members. The board meets four times during each calendar year. At December 31, 2017, the board of directors was comprised of the following seven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Richard Michael Ferraro Thousand Oaks, CA	West Region Director, Private Equity Consulting
Scott William Hood Leawood, KS	Senior Consultant, Rockdale Group
Gail Nanette Jackson Playa del Rey, CA	Physician
Sherman Lenard Lewis III Pearland, TX	President, The Lewis Group
Gerald Alden McElroy La Quinta, CA	CEO, Insight Risk Management Solutions

Name and ResidencePrincipal Business Affiliation

Glenn Alan Pfeil
Wilmington, DE

President,
21st Century North America Insurance Company
and 21st Century National Insurance Company

Bryan Marc Rothenberg
Plainview, NY

Attorney,
Farmers Insurance Exchange

As of December 31, 2017, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Glenn Alan Pfeil	President
Doren Eugene Hohl	Secretary
Theresa Leona Harm	Treasurer

Note: All officers and directors resigned effective upon the sale of 21st Century National Insurance Company to Plymouth Rock Assurance Corporation, and a new slate of officers and directors was elected.

Effective April 1, 2018, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Harold Ronny Belodoff	President
Kristin Virginia Collins	Secretary
William Daniel Hartranft	Treasurer
Mary Joyce Boyd	Chief Executive Officer

B. Territory and Plan of Operation

As of December 31, 2017, the Company was licensed to write business in thirty-nine states and the District of Columbia. Additionally, the Company was also an authorized accredited reinsurer in Connecticut.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
3	Accident & health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft

8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

Based upon the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$6,000,000.

The following schedule shows the direct premiums written by the Company for the period under examination:

<u>Calendar Year</u>	<u>Direct Premiums</u>
2014	\$20,922,882
2015	\$17,908,577
2016	\$13,235,093
2017	\$ 6,954,755

The Company did not assume any premiums during the examination period.

The Company's core business is personal lines, primarily private passenger auto liability and private passenger auto physical damage. The Company markets its personal automobile insurance through direct marketing programs of the 21st Century Group.

Although the Company is licensed in many states, all direct business was written only in New York State during the examination period. At December 31, 2017, private passenger auto liability business represented 67% of premium volume while auto physical damage accounted for the remaining 33%. The Company ceased writing new business at the end of 2016 resulting in a significant decrease in premiums written in 2017, of approximately 47%.

C. Reinsurance Ceded

Intercompany Pooling Agreement

Because of the acquisition by the FIE Exchanges, the Company entered into an amended and restated inter-company pooling agreement effective June 30, 2009, (Pooling Agreement). This agreement is currently in effect with 14 affiliated insurance companies. Under the terms of the Pooling Agreement, the Company cedes 100% of its net business written to 21st Century North America Insurance Company, the lead company of the Pool. The Pool losses before 2009 are ceded to pool members by the pool leader based on each pool member's fixed pooling participation percentage. This Pooling Agreement was revised effective June 1, 2016. Beginning in 2017, the Company no longer assumes any losses of the Pool from the pool leader. The pool leader cedes all administrative responsibilities acquired in the above captioned agreement to FIE. The Pooling Agreement and amendment were approved by the Department.

The following is a list of members companies in the Pooling Agreement and the applicable pooling percentages as of December 31, 2014, 2015, 2016 and 2017:

<u>Company</u>	Pooling Percentage 12/31/2014 to <u>12/31/2016</u>	Pooling Percentage <u>12/31/2017</u>
21st Century North America Insurance Company *	25.50%	100.00%
21st Century Centennial Insurance Company	20.00%	0.00%
21st Century Insurance Company	20.00%	0.00%
21st Century Premier Insurance Company	10.00%	0.00%
21st Century Security Insurance Company	8.00%	0.00%
Farmers Insurance Hawaii, Inc.	4.00%	0.00%
21st Century Assurance Company	2.00%	0.00%
21st Century Indemnity Insurance Company	2.00%	0.00%
21st Century Pacific Insurance Company	2.00%	0.00%
21st Century Preferred Insurance Company	2.00%	0.00%
21st Century Pinnacle Insurance Company	1.75%	0.00%
21st Century Auto Insurance Company of New Jersey **	N/A	0.00%
21st Century Advantage Insurance Company	1.00%	0.00%
21st Century National Insurance Company	1.00%	0.00%
21st Century Superior Insurance Company **	N/A	N/A
American Pacific Insurance Company, Inc.	0.50%	0.00%
21st Century Casualty Company	0.25%	0.00%
21st Century Insurance Company of the Southwest **	N/A	N/A
	100.00%	100.00%

* The lead company of the Pool.

** Removed from the Pooling Agreement effective June 1, 2016.

Ceded Reinsurance Program

There was no reinsurance contract in effect during the examination period.

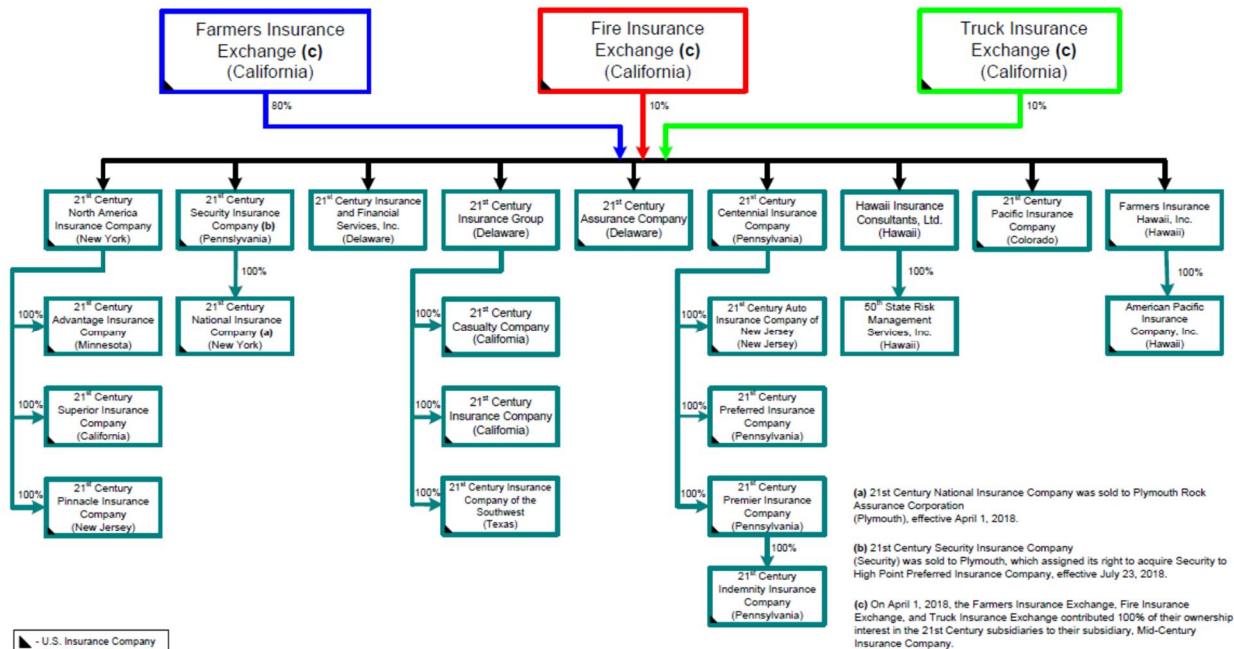
Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements.

D. Holding Company System

The Company is a member of the Farmers Insurance Group of Companies. The Company is 100% owned by 21st Century Security Insurance Company, a Pennsylvania domiciled insurance company, which in turn is 100% owned by Mid-Century Insurance Company (“Mid-Century”). Mid-Century is owned 80% by FIE, 10% by Truck Insurance Exchange, and 10% by Fire Insurance Exchange. The Exchanges are inter-insurance exchanges owned by their policyholders and organized under the laws of the State of California. FIE provides the management services to the Company and other members of the Pool.

A review of the Holding Company Registration Statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is an organization chart at December 31, 2017:



Holding Company Agreements

At December 31, 2017, the Company was party to the following agreements with other members of its holding company system:

Tax Sharing Agreement

The Company participates in a tax sharing agreement with FIE and affiliated companies effective August 14, 2012. Pursuant to the terms of the agreement, the parties file consolidated federal income tax returns. The agreement stipulates that the Company's tax liability on a consolidated basis is not to exceed the Company's tax that it would have paid on a stand-alone basis. The agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law.

Revolving Credit Facility Framework Agreement

Effective January 25, 2017, the Company and certain affiliated companies of the FIE entered into a Revolving Credit Facility Framework Agreement. The parties agree to eliminate the need to maintain sizable receivable balances among participating members as required under the affiliated reinsurance agreements. And the agreement allows short-term loans to be made within participating affiliates; the terms of the loans are negotiable at least once every three years. This agreement was filed with and non-disapproved by the Department pursuant to Section 1505 of the New York Insurance Law.

E. Significant Ratios

The Company's operating ratios and underwriting ratios are not meaningful because the Company's premiums are ceded 100% to the 21st North America Insurance Company, the lead company of the Pool, per the terms of the Pooling Agreement.

The Company's reported risk-based capital score (RBC) was 124,924% at December 31, 2017. The RBC is a measure of the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile. An RBC of 200 or below can result in regulatory action. There were no financial adjustments in this report that impacted the company's RBC score.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2017 as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 3,532,985	\$ 0	\$ 3,532,985
Cash, cash equivalents and short-term investments	21,806,989	0	21,806,989
Investment income due and accrued	14,516	0	14,516
Receivables from parent, subsidiaries and affiliates	<u>50,212</u>	<u>0</u>	<u>50,212</u>
Total assets	<u>\$25,404,702</u>	<u>\$ 0</u>	<u>\$25,404,702</u>

Liabilities, Surplus and Other Funds

Liabilities

Losses and loss adjustment expenses		\$ <u>0</u>
Total liabilities		0

Surplus and Other Funds

Common capital stock	\$6,000,000	
Gross paid in and contributed surplus	4,791,928	
Unassigned funds (surplus)	<u>14,612,774</u>	
Surplus as regards policyholders		<u>25,404,702</u>
Total liabilities, surplus and other funds		<u>\$25,404,702</u>

Note: The Internal Revenue Service has completed its audits of the Company's consolidated Federal Income Tax returns through tax year 2013. All material adjustments, if any, made subsequent to the date of examination and arising from said audits, are reflected in the financial statements included in this report. Audits covering tax years 2014 through 2016 are currently under examination. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

The net income for the examination period as reported by the Company was \$2,116,221 as detailed below:

Underwriting Income

Premiums earned		\$	0
Deductions:			
Losses and loss adjustment expenses incurred	\$ <u>52,476</u>		
Total underwriting deductions			<u>52,476</u>
Net underwriting gain or (loss)		\$	(52,476)

Investment Income

Net investment income earned	\$1,656,323		
Net realized capital gain	<u>814,089</u>		
Net investment gain or (loss)			<u>2,470,412</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$	2,417,936
Federal and foreign income taxes incurred		\$	<u>301,715</u>
Net Income		\$	<u>2,116,221</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$1,905,389 during the four-year examination period January 1, 2014 through December 31, 2017 as reported by the Company, detailed as follows:

Surplus as regards policyholders per report on examination as of December 31, 2013			\$23,499,313
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$2,116,221		
Net unrealized capital gains or (losses)		\$ 822	
Change in net deferred income tax		240,320	
Change in nonadmitted assets	<u>30,310</u>	<u>0</u>	
Total gains and losses	<u>\$2,146,531</u>	<u>\$241,142</u>	
Net increase (decrease) in surplus			<u>1,905,389</u>
Surplus as regards policyholders per report on examination as of December 31, 2017			<u>\$25,404,702</u>

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

Capital paid in is \$6,000,000 consisting of 60,000 shares of \$100 par value per share common stock. Gross paid in and contributed surplus is \$4,791,928.

The reduction of the Company's capital from \$6,000,000 to \$3,000,000 was approved by the Department on December 21, 2017. However, the transaction did not occur until the first quarter of 2018, see explanation in the subsequent events section of the report.

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The Company reports zero losses and loss adjustment expenses at December 31, 2017, due to the provision of intercompany pooling agreement referencing item C of this report.

5. **SUBSEQUENT EVENTS**

Effective April 1, 2018, the Company was acquired by Plymouth Rock Assurance Corporation (“PRC”), as approved by the Department. As a consequence of the sale, the Company was removed as a pool participant per an amendment to the pooling agreement. At the same time, an extraordinary dividend of \$17.7 million was paid to the parent company, 21st Century Security Insurance Company. This transaction was filed and approved by the Department pursuant to 4105(a) of the New York Insurance Law. As a result of this dividend, effective September 21, 2017, the Company amended its charter to decrease its capital stock to \$3,000,000 from \$6,000,000, consisting of 60,000 shares with a par value of \$50 per share. This transaction was approved by the Department on December 20, 2017 to effectuate the sale of the Company to PRC pursuant to Section 1206 of the New York Insurance Law.

In December 2018, the Company changed its name to Plymouth Rock Assurance Preferred Corporation.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained one recommendation as follows (page numbers refer to the prior report):

<u>ITEM</u>		<u>PAGE NO.</u>
A.	It is recommended that the Company continue to address the recommendations made regarding its information systems controls.	11

The Company has complied with this recommendation.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations in this report.

APPOINTMENT NO. 31704

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Maria T. Vullo, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

MyNghi Irene Tran

as a proper person to examine the affairs of the

21st Century National Insurance Company

and to make a report to me in writing of the condition of said

COMPANY

with such other information as she shall deem requisite.

*In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York*

this 11th day of January, 2018

MARIA T. VULLO
Superintendent of Financial Services



By:

Joan P. Riddell

*Joan Riddell
Deputy Bureau Chief*