<u>REPORT ON EXAMINATION</u>

<u>OF</u>

<u>ATLANTA INTERNATIONAL INSURANCE COMPANY</u>
<u>(now known as WELLFLEET NEW YORK INSURANCE COMPANY)</u>

<u>AS OF</u>

<u>DECEMBER 31, 2018</u>

<u>DATE OF REPORT</u>	<u>MARCH 11, 2020</u>
<u>EXAMINER</u>	<u>SHEIK MOHAMED</u>

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NEW YORK STATE OF OPPORTUNITY. | Department of Financial Services

ANDREW M. CUOMO
Governor

LINDA A. LACEWELL
Superintendent

March 11, 2020

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 31939 dated April 10, 2019, attached hereto, I have made an examination into the condition and affairs of Wellfleet New York Insurance Company (formerly known as Atlanta International Insurance Company) as of December 31, 2018, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Wellfleet New York 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 746 Alexander Road, Princeton, NJ 08540.

1. SCOPE OF EXAMINATION

The Department has performed an examination of the Company*,* a multi-state insurer. The previous examination was conducted as of December 31, 2016. This examination covered the two-year period from January 1, 2017 through December 31, 2018. Transactions occurring subsequent to this period were reviewed when deemed appropriate by the examiner.

The examination was conducted in conjunction with the State of Indiana, which was the facilitating state of the National Indemnity Company sub-group of the Berkshire Hathaway Group. Nebraska is the lead state of the Berkshire Hathaway Group. The examination was performed concurrently with the examinations of the following insurers:

Company	Domicile
AttPro RRG Reciprocal Risk Retention Group	District of Columbia
MedPro RRG Risk Retention Group	District of Columbia
The Medical Protective Company	Indiana
Wellfleet Insurance Company	Indiana
PLICO, Inc.	Oklahoma
Princeton Insurance Company	New Jersey

Other states participating in this examination were Oklahoma, and New Jersey. The District of Columbia also participated in this examination.

This examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners 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, 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
Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to the recommendation 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

Wellfleet New York Insurance Company was incorporated under the laws of the State of New York on January 21, 1929. It became licensed and commenced business on January 22, 1929. Operations of the Company were conducted under the title Seaboard Fire and Marine Insurance Company of New York from organization until October 1, 1975, Drake Insurance Company of New York until January 1, 1980, and Atlanta International Insurance Company until January 14, 2019 when the name Wellfleet New York Insurance Company was adopted.

The Company ceased its underwriting operations in March 1985, and management directed the run-off of the Company's inventory of claims.

Effective August 7, 2009, all the outstanding shares of common stock of the Company were acquired by National Indemnity Company ("NICO"), a subsidiary of Berkshire Hathaway Inc., from Aon Services Group, Inc., a subsidiary of Aon Corporation.

On January 1, 2017, NICO sold all the common shares of the Company to Columbia Insurance Company ("Columbia"), an affiliate. Immediately after the purchase, Columbia contributed all the common shares to its affiliate MedPro Group Inc.

In 2017, the Company re-commenced underwriting operations with a focus on blanket accident and student health products.

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 nor more than twenty-one members. At December 31, 2018, the board of directors was comprised of the following seven members:

Name and Residence	Principal Business Affiliation
Graham T. Billingham, M.D. Auburn, CA	Chief Medical Officer, MedPro Group Inc.
Anthony A. Bowser Fort Wayne, IN	Vice President and Chief Financial Officer, MedPro Group Inc.
Bruce J. Byrnes New City, NY	Vice President, National Indemnity Company
Andrew M. DiGiorgio Monson, MA	President, Wellfleet Group, LLC
Carl T. Hook, M.D. Norman, OK	Retired Chief Executive Officer, PLICO, Inc.
Timothy J. Kenesey Fort Wayne, IN	President and Chief Executive Officer, MedPro Group Inc.
Charles W. Lefevre Hamilton Square, NJ	President and Chief Executive Officer, Princeton Insurance Company

As of December 31, 2018, the principal officers of the Company were as follows:

Name	Title
Andrew M. DiGiorgio	President
Angela M. Adams	Secretary
Anthony A. Bowser	Vice President and Treasurer
Brad A. Ober	Chief Health Actuary

B. Territory and Plan of Operation

As of December 31, 2018, the Company was licensed to write business in the District of Columbia and in all states except Illinois.

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:

Paragraph	Line of Business
3	Accident & health
4	Fire
5	Miscellaneous property

Paragraph	Line of Business
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

The Company is also authorized to transact such workers' compensation insurance as may be incident to coverages contemplated under paragraphs 20 and 21 of Section 1113(a), including insurance described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et seq. as amended).

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 $2,200,000.

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

Calendar Year	Total Direct Premiums
2017	$ 71,704,868
2018	$113,863,359

The Company did not assume business during the examination period. The Company was in run-off from March 1985 until 2017 when the Company re-commenced underwriting operations with a focus on blanket accident and student health products. Its student health insurance program provides one-year term coverage to college and university students, while participant accident policies are issued on a blanket basis and renewable after a one-year term. The Company's accident and health insurance programs are administered by an affiliate, Wellfleet Group, LLC, a Massachusetts administrator.

A majority of the Company's direct writings in 2018 were concentrated in New York (85.7%), followed by South Carolina (7.8%). Major written product lines in 2018 for the Company were group accident and health (97.6%) and workers compensation (2.4%). The Company sells its products through agents and brokers for the health insurance market, and through agents and brokers, general agents and the internet for the workers' compensation insurance market.

In 2018, the Company started to transition its non-New York student health products to its sister company, Wellfleet Insurance Company (formerly known as Commercial Casualty Insurance Company), thereby reducing its current in-force business as of December 31, 2018.

Due to the large reinsurance program described below, the net exposure of the Company is significantly different than its direct exposure.

C. Reinsurance Ceded

The Company has structured its ceded reinsurance program as follows:

Effective December 31, 2016, through a 100% quota share reinsurance agreement, the Company ceded its gross policy liabilities for policies incepting prior to the effective date to Finial Reinsurance Company ("Finial"), a Connecticut-domiciled affiliate. The Company simultaneously assigned the rights to its reinsurance to Finial.

The Company ceded $0 of premiums and has a reinsurance recoverable of $10,377,000 from Finial, as reported in the Company's 2018 Annual Statement - Schedule F.

Effective January 1, 2017, the Company entered into a quota share agreement with The Medical Protective Company ("MedPro"), an Indiana-domiciled affiliate. Under this agreement, MedPro assumes 80% of its prospective accident & health insurance premiums written and earned, thereafter, in return for assuming 80% of all accident & health insurance losses and loss adjustment expenses incurred after December 31, 2016 by the Company and all underwriting expenses associated with the ceded subject premium.

The Company ceded $88,885,000 of premiums and has a reinsurance recoverable of $43,081,000 from MedPro, as reported in the Company's 2018 Annual Statement - Schedule F.

Effective January 1, 2018, the Company entered into a quota share agreement with NICO, a Nebraska-domiciled affiliate. Under this agreement, NICO assumes 80% of its prospective worker’s compensation insurance premiums written and earned, thereafter, in return for assuming 80% of all worker’s compensation insurance losses and loss adjustment expenses incurred after December 31, 2017 by the Company and all underwriting expenses associated with the ceded subject premium.

The Company ceded $2,206,000 of premiums and has a reinsurance recoverable of $2,047,000 from NICO, as reported in the Company’s 2018 Annual Statement - Schedule F.

The vast majority of the recoverable amounts reported on Schedule F – Part 3 are due from MedPro, Finial, and NICO, all authorized insurers. It is noted that the reinsurance recoverables from MedPro (149% of surplus) is the Company’s most significant financial item and ultimately the Company’s most significant financial risk, which is its ability to collect on the reinsurance recoverables. It is noted that MedPro was examined concurrently with the Company, and there were no financial adjustments that impacted the surplus of MedPro as a result of the examination.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It was noted that all affiliated reinsurance agreements were filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulation 133. No exception was noted.

All significant ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles (“SSAP”) No. 62R. Representations were supported by an attestation from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC annual statement instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62R.

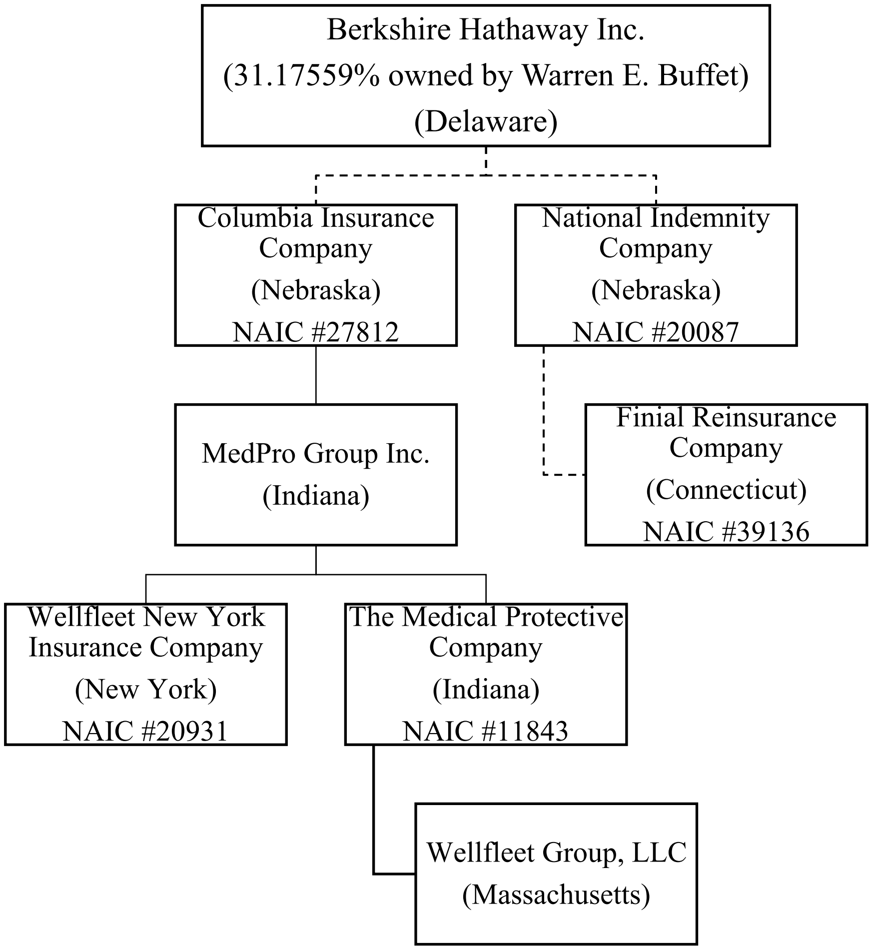
D. Holding Company System

The Company is a member of the Berkshire Hathaway Group. The Company is 100% owned by MedPro Group Inc., an Indiana corporation, which is ultimately controlled by Berkshire Hathaway Inc. ("BHI"). Mr. Warren E. Buffett owned approximately 31.17559% of BHI at December 31, 2018.

BHI is a public holding company which owns subsidiaries that engage in a number of diverse business activities. BHI's various operating businesses are managed on a decentralized basis. Its insurance underwriting operations include the following groups: (i) GEICO, (ii) The Berkshire Hathaway Reinsurance Group, and (iii) The Berkshire Hathaway Primary Group. The Berkshire Hathaway Primary Group is a collection of independently managed primary insurers that provide a wide variety of insurance coverages to policyholders that are primarily located in the United States. The Company is a component of the Berkshire Hathaway Primary Group.

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 abridged chart of the holding company system at December 31, 2018:



Holding Company Agreements

At December 31, 2018, the Company was party to the following agreements with other members of its holding company system:

Administrative Services Agreement

Effective December 8, 2016, the Company and Wellfleet Group, LLC (formerly Consolidated Health Plans, Inc.) entered into an administrative services agreement. Pursuant to the agreement, Wellfleet Group, LLC provides certain administrative and claims handling services to the Company. The Company paid $4,019,961 and $9,210,511 for administrative services to Wellfleet Group, LLC in 2017 and 2018, respectively.

The Department non-objected to the implementation of this agreement on January 12, 2017.

Tax Allocation Agreement

At December 31, 2018, the Company was party to a tax allocation agreement with its ultimate parent, Berkshire Hathaway Inc., and various affiliated members. The agreement was dated August 8, 2009 and was amended on May 11, 2013. Pursuant to the terms of the agreement, the parties agree to file consolidated federal income tax returns, which stipulates that the Company's tax liability on a consolidated basis would not exceed the liability if the Company had filed its tax return on a stand-alone basis. The agreement was filed with the Department pursuant to Circular Letter 33 (1979).

The Company was also party to the following agreements, which were either not significant or not in use, as no expenses, or very minimal expenses, were paid under these agreements during the examination period:

- Service agreement with National Liability & Fire Insurance Company and National Indemnity Company;
- Service agreement with FlightSafety International Inc.;
- Service agreement with Resolute Management Inc.;
- Service agreement with WestGUARD Insurance Company;
- Investment services agreement with Berkshire Hathaway Inc.;
- Joint agency agreement among biBERK Insurance Services Inc., Berkshire Hathaway Direct Insurance Company, Commercial Casualty Insurance Company (now known as Wellfleet Insurance Company), and National Liability & Fire Insurance Company; and,
- Amended and restated cost sharing agreement with MedPro Group Inc.

E. Significant Ratios

The Company's operating ratios, computed as of December 31, 2018, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

Operating Ratios	Result
Net premiums written to policyholders' surplus	79%
Adjusted liabilities to liquid assets	96%
Two-year overall operating	93%

Underwriting Ratios

The underwriting ratios presented below are on an earned/incurred basis and encompass the two-year period covered by this examination:

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$28,085,482	83.89%
Other underwriting expenses incurred	4,374,049	13.07
Net underwriting gain (loss)	1,018,136	3.04
Premiums earned	$33,477,667	100.00%

The Company's reported risk-based capital ("RBC") score was 1,063.7% at December 31, 2018. 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, 2018 as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$ 4,547,295	$ 0	$ 4,547,295
Common stocks (stocks)	13,798,400	2,576,980	11,221,420
Cash, cash equivalents and short-term investments	43,243,783	0	43,243,783
Receivables for securities	894	0	894
Investment income due and accrued	8,337	0	8,337
Uncollected premiums and agents' balances in the course of collection	7,772,532	1,056,662	6,715,870
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,056,206	0	1,056,206
Amounts recoverable from reinsurers	19,819,276	0	19,819,276
Current federal and foreign income tax recoverable and interest thereon	147,370	0	147,370
Receivables from parent, subsidiaries and affiliates	38,861	0	38,861
Other receivables	17,238	17,238	0
Total assets	$90,450,192	$3,650,880	$86,799,312

Liabilities, Surplus and Other Funds

Liabilities

Losses and loss adjustment expenses		$ 3,175,700
Reinsurance payable on paid losses and loss adjustment expenses		(5)
Commissions payable, contingent commissions and other similar charges		89,304
Other expenses (excluding taxes, licenses and fees)		1,309,959
Taxes, licenses and fees (excluding federal and foreign income taxes)		1,196,959
Net deferred tax liability		1,116,833
Unearned premiums		3,635,978
Ceded reinsurance premiums payable (net of ceding commissions)		44,831,155
Funds held by company under reinsurance treaties		274,595
Provision for reinsurance		426,501
Payable to parent, subsidiaries and affiliates		1,092,928
Other liabilities		748,222
Total liabilities		$57,898,129
Surplus and Other Funds		
Common capital stock	$ 3,001,981	
Gross paid in and contributed surplus	64,900,003	
Unassigned funds (surplus)	(39,000,801)	
Surplus as regards policyholders		28,901,183
Total liabilities, surplus and other funds		$86,799,312

Note: The Internal Revenue Service has completed its audits of the Company's consolidated Federal Income Tax returns through tax year 2011. 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 2012 and 2013 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 $10,215,588 as detailed below:

Underwriting Income		
Premiums earned		$33,477,667
Deductions:		
Losses and loss adjustment expenses incurred	$28,085,482	
Other underwriting expenses incurred	4,374,049	
Total underwriting deductions		32,459,531
Net underwriting gain or (loss)		$ 1,018,136
Investment Income		
Net investment income earned	$ 1,033,175	
Net realized capital gain	8,977,133	
Net investment gain or (loss)		10,010,308
Other Income		
Finance and service charges not included in premiums	$ 2,402	
Total other income		2,402
Net income before federal and foreign income taxes		$11,030,846
Federal and foreign income taxes incurred		815,258
Net income		$10,215,588

C. Capital and Surplus

Surplus as regards policyholders increased $6,585,944 during the two-year examination period January 1, 2017 through December 31, 2018, as reported by the Company, detailed as follows:

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders, as reported by the Company as of December 31, 2016			$22,315,239
Net income	$10,215,588	$ 0	
Net unrealized capital gains or losses		4,094,191	
Change in net deferred income tax		3,318,555	
Change in non-admitted assets	3,026,933		
Change in provision for reinsurance	756,169	0	
Net increase (decrease) in surplus	$13,998,690	$7,412,746	6,585,944
Surplus as regards policyholders, as reported by the Company as of December 31, 2018			$28,901,183

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

Capital paid in is $3,001,981 consisting of 142,274 shares of $21.10 par value per share common stock. Gross paid in and contributed surplus is $64,900,003. Gross paid in and contributed surplus did not change during the examination period.

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $3,175,700 is the same as reported by the Company as of December 31, 2018. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including the SSAP No. 55. The Company's reserves are concentrated in the group accident and health line of business.

5. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared an outbreak of a novel coronavirus ("COVID-19") pandemic. The risks and uncertainties surrounding the COVID-19 pandemic may impact the Company's, and its competitors', operational and financial performance. The extent of the impact of the COVID-19 pandemic on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulatory decisions, and the impact on the financial markets. All of these developments are uncertain and cannot be predicted. The related financial impact cannot be reasonably estimated at this time.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

ITEM		PAGE NO.
A.	It was recommended that the Company submit any agreement with its affiliates to the Department for approval at least thirty days prior to its application as required by Section 1505(d)(3) of the New York Insurance Law. The Company has complied with this recommendation.	8

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report on examination contains no comments or recommendations.

Respectfully submitted,

______________/S/_________________
Sheik H. Mohamed, CPA
Associate Insurance Examiner

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

Sheik H. Mohamed, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

____________/S/___________
Sheik H. Mohamed

Subscribed and sworn to before me

this_________ day of __________________, 2020.

APPOINTMENT NO. 31939

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **Linda A. Lacewell**, Acting 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:*

Sheik Mohamed

as a proper person to examine the affairs of the

Wellfleet New York Insurance Company

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

COMPANY

with such other information as he 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 10th day of April, 2019

LINDA A. LACEWELL
Acting Superintendent of Financial Services

By:

Joan Riddell
Deputy Bureau Chief