REPORT ON EXAMINATION
OF
JEFFERSON INSURANCE COMPANY

AS OF DECEMBER 31, 2023

EXAMINER: COLIN GUSHWAY
DATE OF REPORT: MAY 21, 2025

TABLE OF CONTENTS

ITEM		PAGE NO.
1.	Scope of examination	2
2.	Description of Company	3
	A. Corporate governance	3
	B. Territory and plan of operation	5
	C. Reinsurance ceded	7
	D. Holding company system	9
	E. Significant ratios	13
	F. Accounts and records	14
3.	Financial statements	15
	A. Balance sheet	15
	B. Statement of income	17
	C. Capital and surplus	18
4.	Losses and loss adjustment expenses	18
5.	Subsequent Events	19
6.	Compliance with prior report on examination	19
7.	Summary of comments and recommendations	19

May 21, 2025

Honorable Adrienne A. Harris
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 32584 dated December 11, 2023, attached hereto, I have made an examination into the condition and affairs of Jefferson Insurance Company as of December 31, 2023, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Jefferson Insurance Company.

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

1. SCOPE OF EXAMINATION

The Department has performed an examination of Jefferson Insurance Company, a multi-state insurer. The previous examination was conducted as of December 31, 2018. This examination covered the five-year period from January 1, 2019, through December 31, 2023. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination was performed concurrently with the examinations of the following property and casualty insurance companies of the Allianz Insurance Group ("the Group"):

Insurer	Domicile	NAIC #
Fireman's Fund Indemnity Corporation	New Jersey	11380
Euler Hermes North America Insurance Company	Maryland	20516
American Automobile Insurance Company	Missouri	21849
Fireman's Fund Insurance Company	Illinois	21873
National Surety Corporation	Illinois	21881
Allianz Reinsurance America, Inc.	California	21911
Chicago Insurance Company	Illinois	22810
Interstate Fire & Casualty Company	Illinois	22829
AGCS Marine Insurance Company	Illinois	22837
Allianz Global Risks US Insurance Company	Illinois	35300
Allianz Underwriters Insurance Company	Illinois	36420

The lead state of the Group as of December 31, 2023, was Minnesota. The State of Illinois was the examination facilitator of the Allianz P&C Insurance Sub-Group. Because there was no overlap between the Company and the other companies in the Group, the review of the Company was performed as a stand-alone 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 regarding 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

The Company was incorporated on March 15, 1950, under the laws of the State of New York and commenced business on June 8, 1950, as the Jefferson Insurance Company. On February 1, 1952, the corporate name was changed to Jefferson Insurance Company of New York. On July 28, 1999, the corporate name was changed back to Jefferson Insurance Company

On April 2, 2007, the Company was acquired by AWP USA Inc. (formerly known as AGA, Inc.) from its affiliate Allianz Global Risks US Insurance Company ("AGRUS"). There was no change to the ultimate controlling person resulting from the acquisition, as AWP USA Inc. is ultimately controlled by Allianz SE. In conjunction with the acquisition by AWP USA Inc., the Company entered into two assumption agreements with AGRUS whereby the Company transferred all its pre-closing loss and loss adjustment expense reserves to AGRUS.

After the Company was structurally repositioned within the Group, the Company began issuing travel, event ticket, and other specialty insurance policies in late 2007.

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 fifteen members. The board meets at least four

times during each calendar year. At December 31, 2023, the board of directors was comprised of the following eight members:

Name and Residence	Principal Business Affiliation
Charles Raymond Bowman Richmond, Virginia	Managing Director, The Fahrenheit Group
Patrick Derrick Espeut Ontario, Canada	Vice President, Treasurer and Assistant Secretary, Jefferson Insurance Company
Barbara Johnston Green New York, New York	Retired
Damien Ladous Paris, France	Chairman of the Board, Jefferson Insurance Company
Peter Alan Lefkin Washington, District of Columbia	Senior Vice President, Allianz of America Corporation
Joseph Russell Scarpa Richmond, Virginia	Vice President, Jefferson Insurance Company
Jeffrey Scott Wright Richmond, Virginia	President, Jefferson Insurance Company
James Lenoir Haile Zemp Ashland, Virginia	General Counsel and Secretary, Jefferson Insurance Company

As of December 31, 2023, the principal officers of the Company were as follows:

Name	Title
Jeffrey Scott Wright	President
James Lenoir Haile Zemp	General Counsel and Secretary
Patrick Derrick Espeut	Vice President, Treasurer and Assistant Secretary
Joseph Russell Scarpa	Vice President

A review of the minutes of the board of directors and investment committee indicated that the investments were discussed; however, there is no indication in the minutes that the directors and committee members explicitly/clearly approved the investment transactions.

Section 1411(a) of the New York Insurance Law states in part:

> "No domestic insurer shall make any loan or investment, … unless authorized or approved by its board of directors or a committee thereof responsible for supervising or making such investment or loan. The committee's minutes shall be recorded and a report submitted to the board of directors at its next meeting."

It is recommended that the Company ensure compliance with its investment committee charter and Section 1411(a) of the New York Insurance Law and have the Board or a committee thereof authorize its investment transactions.

It should be noted that a similar recommendation was included in the prior report on examination.

B. Territory and Plan of Operation

As of December 31, 2023, the Company was licensed to write business in all 50 states, the District of Columbia and the US Virgin Islands.

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 and health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
12	Collision
13	Personal injury liability
14	Property damage liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity
28	Service contract reimbursement

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 $4,181,500.

The following schedule shows the direct written premiums by the Company for the period under examination. The Company did not assume any business during the examination period.

Calendar Year	Direct Premiums
2019	$ 829,979,543
2020	$ 387,847,005
2021	$ 915,777,217
2022	$1,433,223,725
2023	$1,553,605,757

Since the Company resumed underwriting business in November 2007, it has become the designated provider of inland marine insurance (its travel insurance business) for the Allianz group of companies in the United States, specifically underwriting coverage for its affiliate, AGA Service Company ("AGASC").

The Company's travel insurance is sold through AGASC, a nationally licensed producer, which has well-developed product, marketing and distribution channels. Business is marketed by independent retailers, including travel agents and travel suppliers, direct via the internet or mail, and by credit card issuers and other affinity groups. Retail sales (e.g., travel agency) are overseen by ten district directors and two regional sales directors that live in various sales territories throughout the United States.

AGASC typically provides the travel retailers with brochures and an online portal permits the retailer to provide customers with pre-packaged, general information and directs specific questions to AGASC, which has 106 licensed agents on staff.

When the Company commenced writing travel insurance in November 2007, it had approximately 2,500 active travel agents that distributed its products. As of December 31, 2023, the number of agents had grown to approximately 5,400.

Online sales have become the fastest growing area of AGASC's distribution system. AGASC does e-commerce business through two distinct channels: electronic transactions posted to the Company's gateway, and via websites.

The Company also underwrites tuition insurance, which like travel and event ticket protection insurance, is a non-renewable, short–term coverage. Tuition insurance is distributed and administered by the same affiliate, AGASC, that administers the Company's travel and event ticket insurance.

Most of the business written is in the states of California (9.55%); Florida (8.88%); Texas (7.67%); Pennsylvania (3.96%); North Carolina (3.96%); Georgia (3.91%); Massachusetts (3.81%); Washington (3.78%); New Jersey (3.31%); and Illinois (3.14%).

C. Reinsurance Ceded

Effective October 1, 2018, the Company entered into a 50% quota-share reinsurance agreement with Allianz Reinsurance America, Inc. On September 30, 2020, Allianz Reinsurance America, Inc. ("original reinsurer") entered into a novation agreement with Allianz Re Dublin ("AZRD") whereby AZRD replaced the original reinsurer as the reinsurer under the agreement. This novation was made effective October 1, 2020. This reinsurance agreement with AZRD is renewed yearly. For 2022 and prior, this treaty cedes 50% of losses and loss adjustment expenses on an occurrence basis. For 2023, the treaty cedes 80% of losses and loss adjustment expenses on an occurrence basis with an effective date of January 1, 2023, and a termination date of December 31, 2023. Also, effective January 1, 2023, a cap on coverage for supplier default events increased to USD 24 million per annum. The purpose of the treaty is to reinsure a portion (80%) of the travel insurance liability, such as: coverage for financial institution travel-related coverages and bank card enhancement coverages; event ticket protection; baggage loss or delay; emergency medical or dental expenses; collision damage; ticket insurance; personal effects; travel accident; travel delay; trip cancellation, inconvenience or interruption; weather related cancellations or delays; vacation delay; purchase/security insurance; missed connection; vehicle return and/or commission protection coverages; evacuation and repatriation and accident/health whether such liabilities are now known or hereafter determined or asserted.

An annual stand-alone excess of loss treaty was first incepted January 1, 2014, between the Company and AGA International SA, the predecessor's name for AWP P&C S.A., Saint-Ouen (Paris), Succursale de Wallisellen (Suisse). The excess of loss treaty covers the Company's 100% risk retention following the termination of the quota-share arrangement between the Company and AWP P&C S.A. The Company's total amount of excess of loss coverage is determined in a manner to provide coverage up to the Company's probable maximum loss on an event basis.

A quota-share reinsurance agreement in place between the Company and AWP P&C S.A., Saint-Ouen (Paris), Succursale de Wallisellen (Suisse), acts as a "drop down" of a treaty between AWP P&C S.A., covering its subsidiaries, including the Company, and Liberty Mutual Insurance Europe SE. The purpose of this treaty is to reinsure a portion of the supplier default risk underwritten by the Company.

Covered suppliers and limits of liability are specifically defined per the treaty's terms and conditions. This treaty is renewed yearly, with the latest renewal being effective April 1, 2023, and expiring March 31, 2024. The ceded percentage for this treaty is 80% effective April 1, 2023.

Effective January 1, 2021, the Company entered into a supplier default excess of loss agreement with AWP P&C S.A. The current treaty is effective January 1, 2023, through December 31, 2024, and it is designed to further protect against credit risk of key travel suppliers where the Company retains insolvency exposure. Coverage shall be on a supplier-by-supplier basis as set forth in a schedule to the agreement, as amended from time to time by the parties.

Effective January 1, 2023, the Company entered into a Program Management Agreement ("PMA") with D&P Holdings, Inc. ("D&P"). Pursuant to the PMA, D&P markets and sells the Company's contractual liability insurance policies (CLIPs) to (1) dealerships to cover their liability under non-insurance guaranteed asset protection (GAP) waivers that dealer sells to end-consumers; and (2) obligors on vehicle service contracts (VSCs) to cover the obligor's liability on the non-insurance VSCs it sells to end-consumers. D&P produces and administers the CLIPs on the Company's behalf in accordance with the terms of the PMA. The Company takes the business 100% but cedes the business 50% to Siward I Reinsurance Company, Ltd. (Grand Turk, Turks and Caicos) in a quota share contract, made effective January 1, 2023.

The Company is party to a 100% irrevocable quota share treaty with AGRUS that indemnifies the Company (post-acquisition) from commercial run-off risks, liabilities and reinsurance ceded to several third-party reinsurers for all business written prior to April 2, 2007, the effective date of the agreement. The Company continues to report this business in its periodic regulatory filings; however, the reinsurer manages the runoff business and risks. The Company is party to several excess of loss treaties with third party reinsurers that predate its acquisition in 2007.

Most of the business was ceded to an unauthorized affiliated reinsurer, AZRD, whose recoverable due to the Company was 78% of the Company's surplus as of December 31, 2023. As of December 31, 2023, the recoverable due from AZRD was secured by funds held by the Company.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It is 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. A letter of credit that was obtained by the Company to take credit for cessions to unauthorized reinsurers was reviewed for compliance with Department Regulations 133. No exceptions were 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.

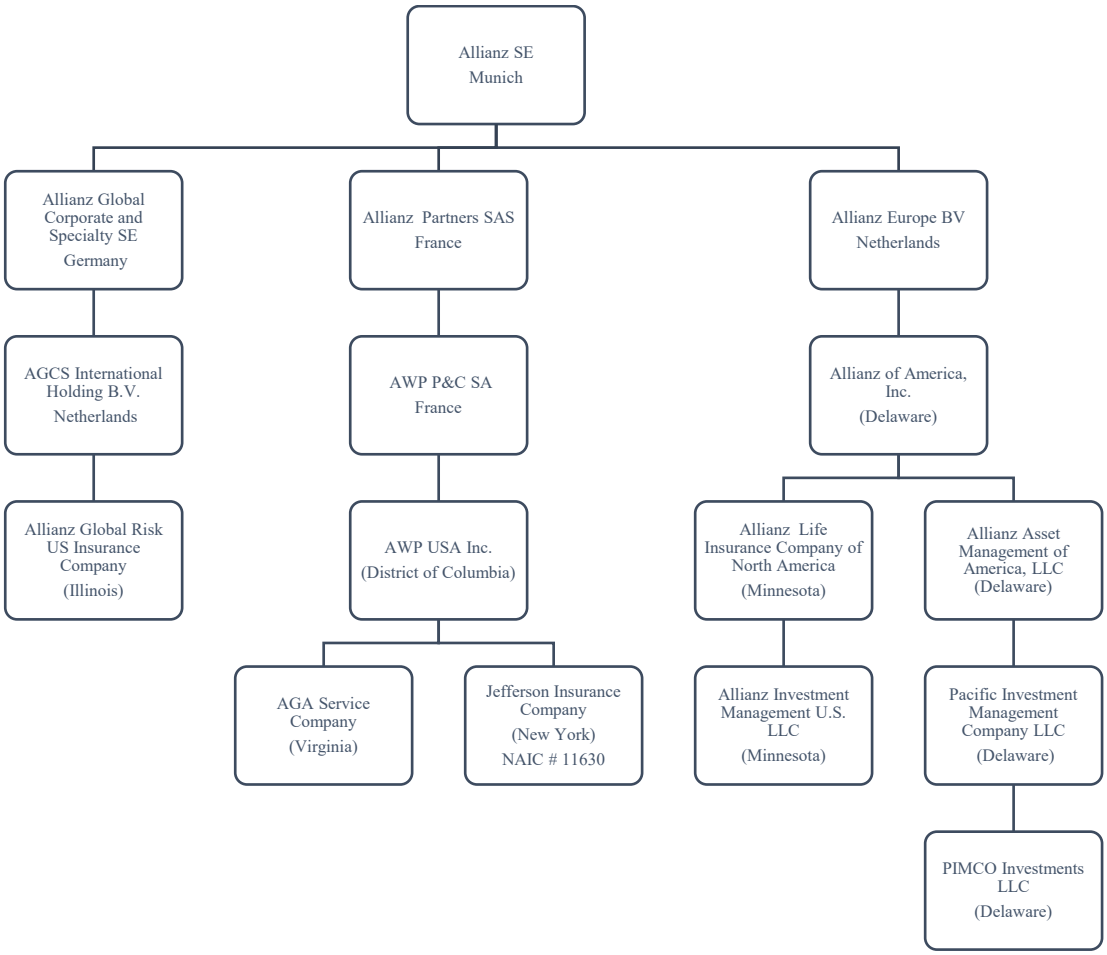
Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles ("SSAP") No. 62R. Representations were supported by appropriate risk transfer analyses and 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 Allianz Insurance Group ("the Group"). The Company is a wholly owned subsidiary of AWP USA Inc., which is a subsidiary of AWP P&C SA ("AWP P&C"), (formerly known as AGA International SA), which is a subsidiary of Allianz Partners SAS ("APSAS", formerly known as Allianz Worldwide Partners SAS), a French corporation. The Company's ultimate parent is Allianz SE, based in Munich, Germany. Allianz SE is a European multi-national financial services company. Its core businesses are insurance and asset management. The Company is a niche player in the United States, underwriting travel and other specialty insurance for the Allianz Group. The Company is strategically important to APSAS for access to the US market and accounts for a significant part of APSAS' revenue and earnings.

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, 2023:



Holding Company Agreements

At December 31, 2023, the Company was party to the following agreements with other members of its holding company system:

Tax Sharing Agreement

The Company and various specified affiliates are party to a tax allocation agreement with AWP USA Inc. The agreement is effective January 1, 2021, and was submitted to the Department pursuant to the provisions of Department Circular Letter No. 33 (1979). The 2021 agreement terminates all prior tax sharing or tax allocation agreements.

Administrative Services Agreement

Effective April 2, 2007, the Company entered into an administrative agreement with AGRUS (or the “administrator”).

The administrator and World Access, Inc., (“the buyer"), entered into a stock purchase agreement, dated January 12, 2007 (the "stock purchase agreement"), pursuant to which administrator has agreed to sell and the buyer has agreed to purchase, all the issued and outstanding shares of the capital stock of the Company (the "sale").

Under the agreement, AGRUS provides administrative services with respect to (i) any and all insurance policies effected, bound or issued by the Company prior to the effective date of the sale, which are reinsured by AGRUS; (ii) any and all then-existing third-party reinsurance agreements of the Company and (iii) any and all other liabilities or obligations of the Company arising prior to the closing date of the sale, which have been assigned to and assumed by AGRUS pursuant to the assumption agreement.

Amended & Restated Management Services Agreement

Effective October 1, 2007, the Company entered into an amended and restated management services agreement with World Access Service Corp., d/b/a Access America, a Virginia corporation (“the manager").

Effective December 15, 2011, the manager changed its name from World Access Service Corp. to AGA Service Company, via an addendum to the amended and restated management services agreement.

Under the agreement, the manager desires to provide certain administrative and management services to the Company with respect to its business operations.

The Company agrees to pay the manager, for the services provided pursuant to this agreement, an amount equal to all direct and directly allocable expenses, reasonably and equitably determined by the manager to be attributable to the Company. Within 30 days after the end of each month, the manager shall prepare and submit to the Company a written statement of accounting setting forth the actual amount owed for the management services pursuant to this agreement and the Company shall pay to the manager that amount. All expense allocation and reporting under this agreement shall be done in accordance with the provisions of New York Insurance Regulation 30.

Investment Management Agreement with Pacific Investment Management Company LLC (“PIMCO”)

Effective November 4, 2011, the Company entered into an investment management agreement with PIMCO, a Delaware limited liability company. Under the terms of the agreement, the manager shall manage all assets held in an account, subject only to the specific limitations made part of the agreement.

The total fee payable to PIMCO shall be a base fee of 0.026% annually. The base fee is billed and payable quarterly in arrears based on the average market value of the Company's account during the relevant billing period.

The Company terminated the PIMCO investment management agreement effective December 31, 2021.

Investment Management Agreements with Allianz Investment Management U.S. LLC ("AIM US LLC")

Effective January 1, 2022, the Company entered into an investment management agreement with affiliate, AIM US LLC, a Minnesota limited liability company.

With the approval of the board of directors and responsible officers of the Company, some of the duties of AIM US LLC may include (1) investment management of the account; (2) assistance with the development, oversight and implementation of approved investment mandates and investment guidelines adopted by the Company; ; (3) maintain a current record that identifies every security in the Company's investment portfolio.

For the services provided and the expenses assumed by AIM US LLC, the Company will pay an annual fee equal to a percentage of average daily net assets, based upon the average market value of the account. The Company agrees to remit payment within 30 days after receipt of AIM US LLC's fee statement. The indirect and shared expense shall be allocated in accordance with a method of cost allocation in conformity with statements of SSAP No. 70.

Fourth Amended & Restated Producer Agreement

Effective May 8, 2022, the Company entered into a fourth amended and restated producer agreement with AGA Service Company (the "producer") which amends and restates the third amended and restated agreement in its entirety.

Under the agreement, AGA Service Company provides underwriting, advertising and marketing, collection of premiums, claim handling, and books and records services to the Company.

The Company agrees to reimburse the expenses incurred by the producer. Subject to New York Insurance Department Regulation 30, the bases for determining such charges to the Company shall be

those used by the producer for internal cost distribution including, where appropriate, unit costs or time records prepared at least annually for this purpose.

Within 30 days after the end of each month, the producer shall prepare and submit to the Company a written statement of accounting setting forth the actual amount owed for the producer services pursuant to this agreement. The Company shall pay to the producer any such amount owed within 15 days of the receipt of the statement.

Under the agreement, during 2023, the Company reimbursed the producer $979,584,035.

All agreements subject to Section 1505 of the New York Insurance Law were filed with this Department.

E. Significant Ratios

The Company's operating ratios, computed as of December 31, 2023, 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	66%
Adjusted liabilities to liquid assets	55%
Two-year overall operating	81%

Underwriting Ratios

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

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$ 555,987,370	27.07%
Other underwriting expenses incurred	1,310,341,629	63.79
Net underwriting gain (loss)	187,653,092	9.14
Premiums earned	$ 2,053,982,091	100.00%

The Company's reported risk-based capital ("RBC") score was 2,393% at December 31, 2023. The RBC score 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 score of 200% or below can result in regulatory action.

There were no financial adjustments in this report that impacted the Company's RBC score.

F. Accounts and Records

Accruals for prepaid claims were reported in the amount of $1,775,140 in the 2023 Annual Statement, asset page, under details of write-ins,

Section 1302(a)(2) of the New York Insurance Law states in part the following:

> "In addition to assets not admitted pursuant to section one thousand three hundred one of this article, the following shall not be allowed as admitted assets of a domestic or foreign insurer or the United States branch of an alien insurer in any determination of its financial condition: … (2) Prepaid or deferred charges for expenses except as provided in paragraph sixteen of subsection (a) of section one thousand three hundred one of this article, and commissions paid by the insurer."

It is recommended that the Company comply with Section 1302(a)(2) of the New York Insurance Law and not allow prepaid or deferred charges for expenses to be reported as an admitted asset.

Given the immateriality of the amount no exam change was made.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2023, as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$695,183,168	$ 0	$695,183,168
Cash, cash equivalents and short-term Investments	79,742,615	0	79,742,615
Investment income due and accrued	4,394,423	0	4,394,423
Uncollected premiums and agents' balances in the course of collection	393,632	0	393,632
Amounts recoverable from reinsurers	422,771	0	422,771
Current federal and foreign income tax recoverable and interest thereon	7,070,819	0	7,070,819
Net deferred tax asset	2,467,737	0	2,467,737
Receivables from parent, subsidiaries and affiliates	7,886,822	0	7,886,822
Accrual for prepaid claims	1,775,140	0	1,775,140
Investment securities in transit	5,504,185	0	5,504,185
Total assets	$ 804,841,312	$ 0	$ 804,841,312

Liabilities, Surplus and Other Funds

Liabilities

Losses and loss adjustment expenses		$ 21,268,603
Taxes, licenses and fees (excluding federal and foreign income taxes)		7,632,251
Borrowed money and interest thereon		2,771,723
Unearned premiums		64,821,245
Ceded reinsurance premiums payable (net of ceding commissions)		1,489,000
Funds held by company under reinsurance treaties		326,958,000
Provision for reinsurance		598,908
Payable to parent, subsidiaries and affiliates		974,967
Accrued expenses		1,288,085
Total liabilities		$427,802,782

Surplus and Other Funds

Common capital stock	$ 4,181,500	
Gross paid in and contributed surplus	335,425,248	
Unassigned funds (surplus)	37,431,783	
Surplus as regards policyholders		$377,038,531
Total liabilities, surplus and other funds		$804,841,313

Note: The Internal Revenue Service completed an audit of the Company's consolidated Federal Income Tax return for the tax year 2016. The years 2017 through tax year 2020 closed without an audit. 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 2021 through 2022 are currently under examination. The Internal Revenue Service has not audited tax returns covering tax year 2023. 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 $206,831,428, as detailed below:

Underwriting Income		
Premiums earned		$2,053,982,091
Deductions:		
Losses and loss adjustment expenses incurred	$ 555,987,370	
Other underwriting expenses incurred	1,310,341,629	
Total underwriting deductions		1,866,328,999
Net underwriting gain or (loss)		$ 187,653,092
Investment Income		
Net investment income earned	$ 87,822,800	
Net realized capital gain	(2,881,073)	
Net investment gain or (loss)		84,941,727
Other Income		
Accrued litigation expense	$ (675)	
Interest expense fund held	(13,832,585)	
Interest and penalties	186,523	
Total other income		(13,646,737)
Net income before federal and foreign income taxes		$ 258,948,082
Federal and foreign income taxes incurred		52,116,654
Net income		$ 206,831,428

C. Capital and Surplus

Surplus as regards policyholders increased $12,130,140 during the five-year examination period January 1, 2019 through December 31, 2023, as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2018			$364,908,391
	Gains in Surplus	Losses in Surplus	
Net income	$206,831,427		
Change in net deferred income tax		$ 1,524,079	
Change in provision for reinsurance		577,208	
Dividends to stockholders	0	192,600,000	
Total gains and losses	$206,831,427	$194,701,287	
Net increase (decrease) in surplus			12,130,140
Surplus as regards policyholders as reported by the Company as of December 31, 2023			$377,038,531

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

Capital paid in is $4,181,500 consisting of 41,815 shares of $100 par value per share common stock. Gross paid in and contributed surplus is $335,425,248. 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 $21,268,603 is the same as reported by the Company as of December 31, 2023. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with actuarial standards of practice and statutory accounting principles, including SSAP No. 55.

5. SUBSEQUENT EVENTS

On December 23, 2024, the Department approved a total distribution of $200 million by the Company composed of $121.5 million in extraordinary dividend out of earned surplus, and the remaining balance of $78.5 million as a reduction in its gross paid-in and contributed surplus.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

ITEM		PAGE NO.
A.	Corporate Governance It was recommended that the Company ensure compliance with its investment committee charter and Section 1411 (a) of the New York State Insurance Law and have the Board or a committee thereof authorize its investment transactions. The Company has not complied with this recommendation. A similar comment is made in this report.	5

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Corporate Governance	
	It is recommended that the Company ensure compliance with its investment committee charter and Section 1411(a) of the New York State Insurance Law and have the Board or a committee thereof authorize its investment transactions.	5
B.	Accounts and Records	
	It is recommended that the Company comply with Section 1302(a)(2) of the New York Insurance Law and not allow prepaid or deferred charges for expenses to be reported as an admitted asset.	14

Respectfully submitted,

_____/S/_____
Colin Gushway
Senior Insurance Examiner

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

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

_____/S/_____
Colin Gushway

Subscribed and sworn to before me

this_____ day of _____, 2025.

APPOINTMENT NO. 32584

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ***Adrienne A. Harris****, 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:*

Colin Gushway

as a proper person to examine the affairs of the

Jefferson 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 11th day of December, 2023

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Joan Riddell

Joan Riddell
Deputy Bureau Chief